

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 31 MARCH 2016**

1 Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 Interim Financial Reporting issued by International Accounting Standards Board, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), and Guidelines / Circulars issued by Bank Negara Malaysia ("BNM") and Shariah rulings and precepts.

The unaudited financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 March 2016. It also includes Takaful funds established in accordance with Islamic Financial Services Act, 2013 in Malaysia, which are managed and controlled by the Group and by the Company as operator of the fund.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act, 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2015 did not contain any qualification.

3 Seasonality of Operations

The Group's operations are not materially affected by seasonal or cyclical factors for the period under review.

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 March 2016.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2016

5 Estimates

There was no material changes in the basis used for accounting estimates for the current quarter under review.

6 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

However, subsequent to the end of the quarter under review, on 1 April 2016, the Company allotted and issued 4,339,855 new ordinary shares of RM0.20 each pursuant to the Long-Term Incentive Plan ("LTIP").

7 Dividends

The Directors on 8 January 2016 declared an interim single tier dividend of 7.35 sen per ordinary share of RM0.20 each in respect of the financial year ended 31 December 2015 and the dividend was paid on 17 February 2016.

No dividend was declared for the current quarter under review.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
3 months ended 31 March 2016			
Revenue from external participants	590,666	42,582	633,248
Profit before zakat and taxation	57,655	511	58,166
As at 31 March 2016			
Segment assets by location of assets	7,075,236	506,365	7,581,601
3 months ended 31 March 2015			
Revenue from external participants	519,002	43,462	562,464
Profit before zakat and taxation	60,595	1,631	62,226
As at 31 March 2015			
Segment assets by location of assets	7,027,207	469,237	7,496,444

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 31 MARCH 2016**

9 Investment Properties

The valuation of investment properties has been brought forward without amendment from the annual audited financial statements for the year ended 31 December 2015.

10 Material Events Subsequent to the End of the Period

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial quarter.

11 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statement as at and for the year ended 31 December 2015.

12 Effect of Changes in Composition of the Company / Group

There is no change in the composition of the Group for the current financial quarter under review.

13 Contingent Liabilities

There were no contingent liabilities as at the date of this announcement.

14 Review of Performance

For the 1st quarter ended 31 March 2016, the Group generated Operating Revenue of RM633.2 million compared to RM562.5 million in the corresponding quarter of the preceding year. The increase is mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM288.7 million against RM237.0 million in the same period last year. The increase is mainly attributable to higher sales from Family Takaful mortgage related products.

For the quarter under review, General Takaful generated gross earned contributions of RM138.1 million as compared to RM136.2 million in the corresponding quarter of preceding year. The growth was mainly from commercial classes.

For the quarter under review, the surplus transfer from Family Takaful was RM14.1 million as compared to RM21.7 million in the same period last year. The lower surplus transfer from Family Takaful is mainly due to lower realised gains from disposal of investment.

For the quarter under review, the surplus transfer from General Takaful was RM5.7 million as compared to RM6.6 million in the same period last year. The General Takaful reported lower surplus transfer mainly due to lower net investment income.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2016

14 Review of Performance (continued)

For the quarter under review, the Group recorded profit after zakat and taxation of RM46.4 million as compared to RM46.2 million in the same period last year, mainly attributable to lower tax expense, partially offset by lower net investment income.

15 Material Changes in the Quarterly Results Compared to the Results of the Preceding Financial Quarter

There were no material changes in the quarterly results as compared to the results of the preceding financial quarter.

16 Current Year Prospects

For the year 2016, Takaful Malaysia will continue its value proposition of rewarding its customers with 15% Cash Back for General Takaful products and establish a strong foothold in the local insurance and takaful arena as the preferred choice for insurance. Through its extensive range of products and services, the Company continues to be the market leader in the Group Family Takaful business. The successful implementation of core initiatives in Operational Excellence, Technology Driven Capabilities, Product Innovation and Performance Oriented Culture will enable the Company to be ahead of its competitors, increase its overall market shares and continuously improving shareholders' value.

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast nor profit guarantee during the current quarter under review.

18 Taxation

The effective rate of taxation is lower than the statutory tax rate mainly due to non taxable income in accordance with the Income Tax Act 1967.

	3 months ended	
	31.3.2016	31.3.2015
	RM'000	RM'000
Current tax expense:		
- Current financial period	14,458	10,421
Deferred tax benefits:		
- Current financial period	(2,877)	5,332
Total tax expense	<u>11,581</u>	<u>15,753</u>

19 Status of Corporate Proposal

There has been no new corporate proposal since the date of the last quarterly report.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2016

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2016.

21 Material Litigation

There was no material litigation pending as at the date of this announcement.

22 Earnings per Share

Basic earnings per share ("Basic EPS")

Basic EPS of the Group is calculated by dividing the net profit attributable to ordinary shareholders for the quarter / period by the weighted average number of ordinary shares in issue during the period.

	3 months ended	
	31.3.2016	31.3.2015
Owners of the Company (RM'000)	<u>46,623</u>	<u>46,224</u>
Weighted average number of ordinary shares in issue ('000)	<u>815,836</u>	<u>815,030</u>
Basic EPS (sen)	<u>5.71</u>	<u>5.67</u>

Diluted earnings per share ("Diluted EPS")

The calculation of diluted earnings per ordinary share at 31 December 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	3 months ended	
	31.3.2016	31.3.2015
Owners of the Company (RM'000)	<u>46,623</u>	<u>46,224</u>
Weighted average number of ordinary shares in issue ('000)	<u>815,836</u>	<u>815,030</u>
Effects of dilution ('000)	<u>5,385</u>	<u>3,650</u>
Diluted weighted average number of ordinary shares in issue ('000)	<u>821,221</u>	<u>818,680</u>
Diluted EPS (sen)	<u>5.68</u>	<u>5.65</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

Family Takaful Fund

	31 March 2016			31 December 2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	27,986	(5,200)	22,786	25,268	(4,104)	21,164
Provision for IBNR	161,701	(20,925)	140,776	157,702	(33,224)	124,478
Provision for outstanding claims	189,687	(26,125)	163,562	182,970	(37,328)	145,642
Actuarial liabilities	4,432,848	(152,948)	4,279,900	4,222,570	(242,477)	3,980,093
Unallocated surplus	603,335	-	603,335	791,232	-	791,232
AFS reserves	(32,998)	-	(32,998)	(62,755)	-	(62,755)
Translation reserves	(147)	-	(147)	(1,553)	-	(1,553)
Net asset value attributable to unitholders	213,796	-	213,796	208,145	-	208,145
Participants' fund	5,216,834	(152,948)	5,063,886	5,157,639	(242,477)	4,915,162
	5,406,521	(179,073)	5,227,448	5,340,609	(279,805)	5,060,804

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

23 Takaful Contract Liabilities (continued)

	31 March 2016			31 December 2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful Fund						
Provision for claims reported by participants	334,405	(240,692)	93,713	368,437	(273,667)	94,770
Provision for IBNR	198,604	(96,341)	102,263	189,662	(93,210)	96,452
Provision for outstanding claims	533,009	(337,033)	195,976	558,099	(366,877)	191,222
Provision for unearned contributions	320,135	(66,457)	253,678	297,773	(55,893)	241,880
	853,144	(403,490)	449,654	855,872	(422,770)	433,102
Unallocated surplus	226,469	-	226,469	233,368	-	233,368
AFS reserves	(6,270)	-	(6,270)	(8,923)	-	(8,923)
Translation reserves	694	-	694	1,391	-	1,391
Participants' fund	220,893	-	220,893	225,836	-	225,836
	1,074,037	(403,490)	670,547	1,081,708	(422,770)	658,938

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

23 Takaful Contract Liabilities (continued)

Group	31 March 2016			31 December 2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	362,391	(245,892)	116,499	393,705	(277,771)	115,934
Provision for IBNR	360,305	(117,266)	243,039	347,364	(126,434)	220,930
Provision for outstanding claims	722,696	(363,158)	359,538	741,069	(404,205)	336,864
Provision for unearned contributions	320,135	(66,457)	253,678	297,773	(55,893)	241,880
	1,042,831	(429,615)	613,216	1,038,842	(460,098)	578,744
Actuarial liabilities	4,432,848	(152,948)	4,279,900	4,222,570	(242,477)	3,980,093
Unallocated surplus	829,804	-	829,804	1,024,600	-	1,024,600
AFS reserves	(39,268)	-	(39,268)	(71,678)	-	(71,678)
Translation reserves	547	-	547	(162)	-	(162)
Net asset value attributable to unitholders	175,795	-	175,795	170,115	-	170,115
Participants' fund	5,399,726	(152,948)	5,246,778	5,345,445	(242,477)	5,102,968
	6,442,557	(582,563)	5,859,994	6,384,287	(702,575)	5,681,712

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

23 Takaful Contract Liabilities (continued)

Participants' fund liabilities and its movements are analysed as follows:

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2015	4,874,488	(206,644)	4,667,844	207,133	-	207,133	5,043,821	(206,644)	4,837,177
Net earned contributions	1,048,244	(61,312)	986,932	269,196	-	269,196	1,317,440	(61,312)	1,256,128
Investment income	215,276	-	215,276	29,031	-	29,031	244,307	-	244,307
Realised gains and (losses)	17,819	-	17,819	555	-	555	18,374	-	18,374
Fair value gains and (losses)	(2,334)	-	(2,334)	330	-	330	(2,004)	-	(2,004)
Other operating income	2,859	-	2,859	8,243	-	8,243	11,102	-	11,102
Net benefits and claims	(678,244)	52,183	(626,061)	(63,937)	-	(63,937)	(742,181)	52,183	(689,998)
Fees deducted (net)	(225,047)	-	(225,047)	(154,104)	-	(154,104)	(379,151)	-	(379,151)
Other operating expenses	(52,265)	-	(52,265)	(6,027)	-	(6,027)	(58,292)	-	(58,292)
Profit paid to participants	(1,678)	-	(1,678)	(22,244)	-	(22,244)	(23,922)	-	(23,922)
Reversal of excess payment transferred to participants	(846)	-	(846)	-	-	-	(845)	-	(845)
Increase in actuarial liabilities	31,079	(34,959)	(3,880)	-	-	-	31,079	(34,959)	(3,880)
Profit attributable to the Takaful Operator	(97,506)	9,129	(88,377)	(40,464)	-	(40,464)	(138,200)	9,129	(129,071)
Change in AFS reserve	(877)	-	(877)	(2,567)	-	(2,567)	(3,444)	-	(3,444)
Withholding tax	(9,166)	-	(9,166)	(470)	-	(470)	(9,636)	-	(9,636)
Effect of movement in exchange rates	35,837	(874)	34,963	1,160	-	1,160	36,997	(874)	36,123
At 31 December 2015	5,157,639	(242,477)	4,915,162	255,836	-	255,836	5,345,445	(242,477)	5,102,968

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

23 Takaful Contract Liabilities (continued)

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2016	5,157,639	(242,477)	4,915,162	225,836	-	225,836	5,345,445	(242,477)	5,102,968
Net earned contributions	288,733	(10,780)	277,953	86,172	-	86,172	374,905	(10,780)	364,125
Investment income	52,456	-	52,456	6,920	-	6,920	59,376	-	59,376
Realised gains and (losses)	3,608	-	3,608	548	-	548	4,156	-	4,156
Fair value gains and (losses)	5,889	-	5,889	-	-	-	5,889	-	5,889
Other operating income	2,027	-	2,027	6	-	6	2,033	-	2,033
Net benefits and claims	(202,396)	4,928	(197,468)	(37,104)	-	(37,104)	(239,500)	4,928	(234,572)
Fees deducted (net)	(96,067)	-	(96,067)	(54,055)	-	(54,055)	(150,122)	-	(150,122)
Other operating expenses	(5,941)	-	(5,941)	(1,610)	-	(1,610)	(7,551)	-	(7,551)
Profit paid to participants	(343)	-	(343)	(1,338)	-	(1,338)	(1,681)	-	(1,681)
Reversal of excess payment transferred to participants	(269)	-	(269)	-	-	-	(269)	-	(269)
Increase in actuarial liabilities	30,511	89,025	119,536	-	-	-	30,511	89,025	119,536
Profit attributable to the Takaful Operator	(19,933)	5,852	(14,081)	(5,718)	-	(5,718)	(25,622)	5,852	(19,770)
Change in AFS reserve	29,757	-	29,757	2,653	-	2,653	32,410	-	32,410
Withholding tax	(8,828)	-	(8,828)	(720)	-	(720)	(9,548)	-	(9,548)
Effect of movement in exchange rates	(20,009)	504	(19,505)	(697)	-	(697)	(20,706)	504	(20,202)
At 31 March 2016	5,216,834	(152,948)	5,063,886	220,893	-	220,893	5,399,726	(152,948)	5,246,778

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator 3 months ended	
	31.3.2016	31.3.2015
	RM'000	RM'000
Surplus transfer from:		
Family Takaful Fund	14,081	21,730
General Takaful Fund	5,718	6,597
Wakalah fee income	164,808	128,241
Total Takaful Operator income	184,607	156,568

25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	146	158	2,367	2,394	204	204	829	1,262
Dividend income	295	846	3,076	4,536	321	760	3,692	6,142
Profit income	6,245	5,756	48,619	44,193	6,749	6,514	61,613	56,463
Accretion / (Amortisation)	(245)	(292)	(1,128)	(1,029)	(346)	(378)	(1,719)	(1,699)
Investment expenses	(7)	(122)	(478)	(510)	(8)	(9)	(177)	(348)
	6,434	6,346	52,456	49,584	6,920	7,091	64,238	61,820

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	3 months ended		3 months ended		3 months ended		3 months ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Service charged and management fee	2,293	2,415	-	-	-	-	-	476
Gain on foreign exchange	36	-	-	-	-	-	36	-
Writeback of allowance for impaired debts	19	310	-	-	-	-	19	310
Writeback of allowance for impaired wakalah fee	-	159	-	-	-	-	-	159
Gain on disposal of assets	17	-	-	-	-	-	17	-
Other income	441	488	2,027	825	6	862	2,474	2,175
	2,806	3,372	2,027	825	6	862	2,546	3,120

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation	(2,749)	(2,350)	-	-	-	-	(4,174)	(3,494)
Impairment losses	(1,428)	-	(759)	(637)	(110)	-	(2,297)	(637)
Loss from foreign exchange	-	-	-	-	-	(12)	-	(12)
Loss from disposal of assets	-	(15)	-	-	-	-	-	(15)
Administration fees	(49,001)	(40,866)	-	(25)	(10)	-	(49,011)	(40,891)
Agency related expenses	(722)	(1,773)	-	-	-	-	(722)	(1,773)
Allowance for impaired debts	-	-	(3,836)	(687)	(1,357)	(1,357)	(5,193)	(2,044)
Allowance for impaired financing	-	(235)	-	-	-	-	-	(235)
Debts written off	-	-	(216)	(495)	-	-	(216)	(495)
Other expenses	(423)	(439)	(1,130)	(1,363)	(143)	(182)	(1,193)	(1,673)
	(54,323)	(45,678)	(5,941)	(3,207)	(1,620)	(1,551)	(62,806)	(51,269)

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

28 Fair Value Information

The table below analyses financial instruments carried at fair value by their valuation method.

31 March 2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	65,125	-	-	65,125	-	-	-	-	65,125	65,125
Unit trusts	25,661	19,224	-	44,885	-	-	-	-	44,885	44,885
Institutional Trust Account	-	-	21,679	21,679	-	-	-	-	21,679	21,679
Islamic debt securities	3,437	272,835	-	276,272	1,845	-	-	1,845	278,117	278,336
Investment in linked funds	38,002	-	-	38,002	-	-	-	-	38,002	38,002
	132,225	292,059	21,679	445,963	1,845	-	-	1,845	447,808	448,027
Family Takaful										
Financial assets										
Equity securities	613,436	-	-	613,436	-	-	-	-	613,436	613,436
Unit trusts	155,244	55,876	-	211,120	-	-	-	-	211,120	211,120
Institutional Trust Account	-	-	105,032	105,032	-	-	-	-	105,032	105,032
Islamic debt securities	65,789	2,076,633	-	2,142,422	51,823	375,599	-	427,422	2,569,844	2,565,731
Malaysian Government Islamic papers	-	160,225	-	160,225	-	113,852	-	113,852	274,077	272,785
	834,469	2,292,734	105,032	3,232,235	51,823	489,451	-	541,274	3,773,509	3,768,104

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

28 Fair Value Information (continued)

31 March 2016	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
General Takaful								
Equity securities	63,304	-	-	-	-	-	63,304	63,304
Unit trusts	19,067	2,452	-	-	-	-	21,519	21,519
Institutional Trust Account	-	-	27,763	-	-	-	27,763	27,763
Islamic debt securities	-	310,422	-	4,335	5,000	-	319,757	319,847
Malaysian Government Islamic papers	-	-	-	-	32,873	-	32,873	32,562
	82,371	312,874	27,763	4,335	37,873	-	465,216	464,995
Group								
Financial assets								
Equity securities	741,865	-	-	-	-	-	741,865	741,865
Unit trusts	199,972	77,552	-	-	-	-	277,524	277,524
Institutional Trust Account	-	-	154,474	-	-	-	154,474	154,474
Islamic debt securities	69,226	2,659,890	-	58,003	380,599	-	3,167,718	3,163,914
Malaysian Government Islamic papers	-	160,225	-	-	146,725	-	306,950	305,347
	1,011,063	2,897,667	154,474	58,003	527,324	-	4,648,531	4,643,124

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016

28 Fair Value Information (continued)

31 December 2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	72,128	-	-	72,128	-	-	-	-	72,128	72,128
Unit trusts	26,416	18,359	-	44,775	-	-	-	-	44,775	44,775
Institutional Trust Account	-	-	21,411	21,411	-	-	-	-	21,411	21,411
Islamic debt securities	3,809	274,848	-	278,657	1,945	-	-	1,945	280,602	280,833
Investment in linked funds	38,030	-	-	38,030	-	-	-	-	38,030	38,030
	140,383	293,207	21,411	455,001	1,945	-	-	1,945	456,946	457,177
Family Takaful										
Financial assets										
Equity securities	613,698	-	-	613,698	-	-	-	-	613,698	613,698
Unit trusts	159,036	60,869	-	219,905	-	-	-	-	219,905	219,905
Institutional Trust Account	-	-	103,801	103,801	-	-	-	-	103,801	103,801
Islamic debt securities	91,029	2,044,811	-	2,135,840	54,633	370,402	-	425,035	2,560,875	2,562,032
Malaysian Government	-	-	-	-	-	-	-	-	-	-
Islamic papers	-	164,728	-	164,728	-	113,701	-	113,701	278,429	277,309
	863,763	2,270,408	103,801	3,237,972	54,633	484,103	-	538,736	3,776,708	3,776,745

SYARIKAT TAKAFUL MALAYSIA BERHAD

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2016**

28 Fair Value Information (continued)

31 December 2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Equity securities	62,179	-	-	62,179	-	-	-	-	62,179	62,179
Unit trusts	19,677	2,429	-	22,106	-	-	-	-	22,106	22,106
Institutional Trust Account	-	-	27,429	27,429	-	-	-	-	27,429	27,429
Islamic debt securities	-	317,032	-	317,032	5,192	5,000	-	10,192	327,224	327,319
Malaysian Government Islamic papers	-	-	-	-	-	32,948	-	32,948	32,948	32,576
	81,856	319,461	27,429	428,746	5,192	37,948	-	43,140	471,886	471,609
Group										
Financial assets										
Equity securities	748,005	-	-	748,005	-	-	-	-	748,005	748,005
Unit trusts	205,129	81,657	-	286,786	-	-	-	-	286,786	286,786
Institutional Trust Account	-	-	152,641	152,641	-	-	-	-	152,641	152,641
Islamic debt securities	94,838	2,636,691	-	2,731,529	61,770	375,402	-	437,172	3,168,701	3,170,184
Malaysian Government Islamic papers	-	164,728	-	164,728	-	146,649	-	146,649	311,377	309,885
	1,047,972	2,883,076	152,641	4,083,689	61,770	522,051	-	583,821	4,667,510	4,667,501

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2016

28 Fair Value Information (continued)

The carrying amounts of cash and cash equivalents, and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured. Please refer to respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the period.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2016

28 Fair Value Information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The following table shows a reconciliation of Level 3 fair values:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Available-for-sale financial assets				
At 1 January 2015	38,259	84,900	26,154	149,313
Purchases	3,244	63,813	20,811	69,313
Disposal	(18,555)	-	-	-
Maturities	(3,244)	(49,060)	(20,811)	(73,115)
Gains and losses recognised in profit or loss				
Investment income - realised	1,707	4,148	1,275	7,130
At 31 December 2015 / 1 January 2016	21,411	103,801	27,429	152,641
Gains and losses recognised in profit or loss				
Investment income - realised	268	1,231	334	1,833
At 31 March 2016	21,679	105,032	27,763	154,474

29 Disclosure of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items

Disclosure of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items are not applicable to the Group and the Company.

30 Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful (RBCT) Framework issued by Bank Negara Malaysia where Takaful operators are required to satisfy a minimum supervisory capital adequacy ratio of 130%. As at period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2016

30 Regulatory capital requirements (continued)

The capital structure of the Company as at 31 March 2016, as prescribed under the RBCT Framework is provided below:

	As at 31.3.2016 RM'000	As at 31.12.2015 RM'000
Tier 1 capital	1,225,277	1,167,906
Tier 2 capital	(9,976)	(30,374)
Deductions	(139,747)	(143,163)
Total capital available	<u>1,075,554</u>	<u>994,369</u>

31 Supplementary Financial Information on the Breakdown of Realised and Unrealised Profits

The breakdown of the retained profits of the Group and of the Company as at 31 March 2016, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	As at 31.3.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of the Group		
Realised	441,229	457,358
Unrealised	37,111	34,234
	<u>478,340</u>	<u>491,592</u>
Total share of retained profits of associates:		
Realised	-	-
Unrealised	-	-
	<u>478,340</u>	<u>491,592</u>
Add: Consolidation adjustments	16,050	15,450
Total retained profits as per statements of financial position	<u>494,390</u>	<u>507,042</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to the Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

By Order of the Board

MOHAMAD ASRI BIN YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 19 April 2016