

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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 30 June 2021. 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.

In preparing the Group-level consolidated financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the Takaful funds. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The Takaful fund are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which occur when the Group's and the Company's license to manage Takaful business is withdrawn or surrendered.

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 2020. 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 2020.

The accounting policies and presentation adopted by the Group for the condensed interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following:

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1 Basis of Preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The initial application of the abovementioned standards, amendments and interpretations do not have any material impacts to the current and prior period's financial statements upon their first adoption.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the MASB but have not been adopted by the Group:

Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted

The Group will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning on/after 1 January 2023

- MFRS 17 *Insurance Contracts* replaces MFRS 4 *Insurance Contracts* and the related interpretations

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts.

Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- (1) Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- (2) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

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1 Basis of Preparation (continued)

- MFRS 17 *Insurance Contracts* replaces MFRS 4 *Insurance Contracts* and the related interpretations (continued)

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 17 *Insurance Contracts*

Amendments to MFRS 17 'Insurance Contracts' defers the effective date of MFRS 17 Insurance Contracts. An entity shall apply MFRS 17 and Amendments to MFRS 17 for annual reporting periods beginning on or after 1 January 2023. If an entity applies MFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply MFRS 9 Financial Instruments on or before the date of initial application of MFRS 17.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 101 *Classification of liabilities as current or non-current*

Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2020 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 30 June 2021.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

5 Estimates

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

6 Debt and Equity Securities

On 1 April 2021, the Company allotted and issued 4,837,600 new ordinary shares pursuant to the Long-Term Incentive Plan ("LTIP").

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

7 Dividends

The Directors on 21 December 2020 declared an interim single tier dividend of 12.00 sen per ordinary share in respect of the financial year ended 31 December 2020 which was paid on 29 January 2021.

No dividend was declared for the current quarter under review.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
6 months ended 30 June 2021			
Revenue from external participants	1,554,874	61,830	1,616,704
Profit before zakat and taxation	209,165	993	210,158
As at 30 June 2021			
Segment assets by location of assets	11,510,844	523,227	12,034,071
Segment liabilities by location of liabilities	9,877,002	443,767	10,320,769
6 months ended 30 June 2020			
Revenue from external participants	1,365,280	63,496	1,428,776
Profit before zakat and taxation	210,421	1,400	211,821
As at 30 June 2020			
Segment assets by location of assets	10,476,556	530,045	11,006,601
Segment liabilities by location of liabilities	9,109,995	452,351	9,562,346

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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 2020.

10 Material Events Subsequent to the End of the Period

There was 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 2020.

12 Effect of Changes in Composition of the Company / Group

There was 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

	3 months ended			6 months ended		
	30.6.2021	30.6.2020	Changes	30.6.2021	30.6.2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	701,209	515,734	36%	1,616,704	1,428,776	13%
Gross earned contributions	641,351	438,668	46%	1,340,246	1,136,993	18%
Profit before zakat and tax	95,723	97,613	-2%	210,158	211,821	-1%
Profit after zakat and tax	81,831	76,089	8%	182,949	177,020	3%
Profit attributable to owners of the Company	81,541	75,086	9%	182,685	176,672	3%

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14.1 Financial results of the current year-to-date (YTD) against preceding YTD

Operating revenue

The Group recorded operating revenue of RM1,616.7 million for the financial period ended 30 June 2021, higher by 13% as compared to RM1,428.8 million in the same period of the preceding year. The increase was mainly attributable to higher sales from both Family and General Takaful business.

Profit before zakat and tax

For the 6 months period ended 30 June 2021, the Group recorded profit before zakat and tax of RM210.2 million, lower as compared to RM211.8 million in the same period of the preceding year. This was mainly attributable to lower surplus transfer from Takaful fund.

Family Takaful

Family Takaful business generated gross earned contributions of RM924.9 million for the 6 months period ended 30 June 2021, higher by 18% as compared to RM772.1 million in the corresponding period last year. This was mainly due to higher sales from credit-related products.

The net benefits and claims for Family Takaful business increased to RM360.2 million for the 6 months period ended 30 June 2021 from RM350.1 million in the same period of the preceding year. The increase was mainly attributable to higher death and surrender claims.

Investment income for the Family Takaful business decreased to RM140.3 million as compared to RM144.5 million in the same period of the preceding year, mainly due to lower profit income from fixed income investment.

For the 6 months period ended 30 June 2021, Family Takaful recorded fair value losses of RM3.8 million, improved as compared to fair value losses of RM34.3 million in the same period of the preceding year. The improvement in the fair value losses were mainly due to equity market performance.

General Takaful

General Takaful business generated gross earned contributions of RM415.2 million for the 6 months period ended 30 June 2021, higher by 14% as compared to RM364.8 million in same period of the preceding year. The growth was mainly attributable to motor, fire and engineering class.

The net benefits and claims for General Takaful business increased to RM109.3 million for the 6 months period ended 30 June 2021 from RM80.4 million in the same period of the preceding year, mainly due to higher claims relating to motor class.

The investment income for the 6 months period ended 30 June 2021 was RM14.3 million as compared to the same period of the preceding year of RM15.9 million, mainly due to lower profit income from fixed income investment.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

14. Review of Performance (continued)

14.2 Financial results of the current quarter against preceding year corresponding quarter

Operating revenue

For the second quarter ended 30 June 2021, the Group generated operating revenue of RM701.2 million, increased by 36%, as compared to RM515.7 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated from Family Takaful and General Takaful businesses.

Profit before zakat and tax

For the second quarter ended 30 June 2021, the Group recorded profit before zakat and tax of RM95.7 million, lower as compared to RM97.6 million in the same period last year. This was mainly attributable to lower surplus transfer from Takaful fund.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM444.1 million, higher by 61%, as compared to RM275.8 million in the same period last year. The increase is mainly attributable to higher sales from credit-related products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM175.9 million, higher as compared to the corresponding quarter of preceding year. The increase was mainly due to higher death and surrender claims.

Investment income for the Family Takaful business for the current year quarter of RM71.1 million, lower as compared to RM72.3 million in the corresponding quarter last year, mainly due to lower profit income from fixed income investment.

For the current quarter under review, Family Takaful recorded fair value losses of RM4.9 million, as compared to fair value gains of RM45.2 million in same period last year. The decrease was mainly due to equity market performance.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM197.2 million, increased by 21% as compared to RM162.8 million in the corresponding quarter of preceding year. The growth was mainly attributable to fire and motor classes.

General Takaful business recorded net benefits and claims of RM53.3 million for the quarter under review, increased as compared to RM22.8 million in the corresponding quarter of preceding year. The increase was mainly due to higher claims relating to motor class.

Investment income for the General Takaful business of RM7.3 million, lower as compared to RM7.8 million in the corresponding quarter of preceding year. The decrease was mainly due to lower profit from fixed income investments.

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14. Review of Performance (continued)

14.3 Indonesian Operations

The operating revenue of Indonesian operations recorded at RM61.8 million, decreased as compared to RM63.5 million in the same period of the preceding year. The gross earned contribution decreased to RM51.5 million as compared to RM52.5 million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM1.0 million for the 6 months period ended 30 June 2021 as compared to RM1.4 million in the same period of preceding year. The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The Takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

14.4 Review of Statements of Financial Position

As at 30 June 2021, total assets of RM12,034.1 million were higher as compared to RM11,793.1 million as at 31 December 2020, mainly attributable to the increase in other investments, but partially offset by decrease in loans and receivables, excluding takaful receivables and cash and cash equivalents.

Other investments increased from RM6,631.5 million to RM7,376.7 million as at 30 June 2021. The increase was mainly attributable to the increase in Islamic debts securities, Malaysian Government Islamic Papers and unit trusts. The increase was mainly attributable to new purchases.

Loans and receivables, excluding takaful receivables decreased from RM2,549.9 million to RM2,187.6 million as at 30 June 2021, was mainly attributable to lower placement in fixed and call deposit at licenced institutions with maturity more than 3 months.

Cash and cash equivalents decreased from RM712.6 million to RM555.1 million was mainly due to lower placement in fixed and call deposit at licenced institutions with maturity less than 3 months.

Total liabilities increased to RM10,320.8 million as compared to RM10,251.3 million as at 31 December 2020, was mainly attributable to the increase in Takaful contract liabilities, partially offset by the decrease in other payables.

Takaful contract liabilities increased from RM9,223.6 million as at 31 December 2020 to RM9,427.7 million as at 30 June 2021, which was in line with Group's business growth.

Other payables decreased by 32% to RM298.3 million as at 30 June 2021, was mainly attributable to the payment of the dividends to shareholders on 29 January 2021 and lower advanced takaful contribution.

Shareholders' equity increased by 11% to RM1,713.3 million as at 30 June 2021. This is mainly attributed to the increase in distributable retained earnings of RM182.8 million.

14.5 Review of Statements of Cash flows

For the 6 months period ended 30 June 2021, the Group's cash flow position of RM555.1 million is healthy and strong.

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15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30.6.2021 RM'000	Immediate Preceding Quarter 31.3.2021 RM'000	Changes %
Operating revenue	701,209	915,495	-23%
Gross earned contributions	641,351	698,895	-8%
Profit before zakat and tax	95,723	114,435	-16%
Profit after zakat and tax	81,831	101,118	-19%
Profit attributable to owners of the Company	81,541	101,144	-19%

Operating revenue

For the current quarter under review, the Group generated operating revenue of RM701.2 million, lower as compared to RM915.5 million in the immediate preceding quarter. The decrease is mainly attributable to lower sales generated from both Family and General Takaful businesses.

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM95.7 million, lower as compared to the immediate preceding quarter of RM114.4 million. The decrease profit was mainly attributable to lower net wakalah fee income.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM444.1 million, lower as compared to RM480.8 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from credit-related and group medical products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM175.9 million, decreased by 5% as compared to the immediate preceding quarter of RM184.3 million. The decrease was mainly attributable to lower death and surrender claims during the period.

For the current quarter under review, Family Takaful business recorded investment income of RM71.1 million, higher as compared to the immediate preceding quarter of RM69.1 million. The increase was mainly attributable to higher profit income from fixed income investment.

For the current quarter under review, Family Takaful recorded fair value losses of RM4.9 million as compared to fair value gain of RM1.2 million in the immediate preceding quarter. The decrease was mainly due to equity market performance.

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15 Financial review for current quarter compared with immediate preceding quarter (continued)

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM197.2 million, lower as compared to RM218.0 million in the immediate preceding quarter. The decrease was mainly contributed to lower sales from fire, engineering and commercial class.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM53.3 million, 5% lower as compared to RM56.0 million in the immediate preceding quarter. The decrease was mainly due to lower claims relating to personal accident and engineering classes.

For the current quarter under review, General Takaful business recorded investment income of RM7.3 million for the quarter, almost at par as compared to the investment income of RM7.1 million in the immediate preceding quarter.

16 Current Year Prospects

The deterioration in the current COVID-19 outbreak has further dampened the Malaysian economy including insurance and takaful industry. However, with the National Recovery Plan (NRP) initiatives and achieving nationwide vaccination rollouts, we expect to see an economic uptick towards year end.

The Group will continue with its strategic initiatives to strengthen its business resilience and adjust its operating models in managing the business in a very different market and dynamic operating landscape as concerns on job security remain heightened and consumers will be more cautious on their spending. It is expected that economic activities will take some time to recover. Amid the uncertainties in current economic environment to support business expansion, the Group remains vigilant and cautious in managing operating costs, business growth and risk profile of our portfolio.

As a forerunner and early embracer of online distribution as well as new digital technologies in supporting our distribution channels, we are able to minimise some sales and operational challenges faced during the COVID-19 pandemic period. Our digital and technology capabilities have enabled us to maintain uninterrupted business services to all our sales intermediaries, bank partners, and customers. Particularly, we have a wide range of online takaful products that customers can easily access our affordable online insurance solutions at their fingertips especially during the COVID-19 outbreak. We have increased our presence in the social media to cross sell our online products especially targeting the customers who may not have access to intermediaries for face to face selling.

To sustain our market leading position and to support business growth and customer centricity, the Group will strive to roll out more innovative strategies via the implementation of digitalization strategy, online solutions and digital ecosystem, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and brand awareness initiatives.

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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

18 Taxation

The effective rate of taxation is lower than the statutory tax rate for the current financial period in accordance with the Income Tax Act 1967 due to the lower taxable income.

	3 months ended		Cumulative 6 months ended	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
Current tax expense:				
- Current financial period	12,596	17,853	27,737	35,254
- Under provision in prior year	-	-	424	-
Deferred tax expense:				
- Current financial period	961	3,335	(1,587)	(1,089)
Total tax expense	<u>13,557</u>	<u>21,188</u>	<u>26,574</u>	<u>34,165</u>

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to the Company notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by the Company under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to the Company.

The Company has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

The Company is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

The case has fixed for hearing on 1st and 2nd September 2021.

19 Status of Corporate Proposal

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

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 June 2021.

21 Material Litigation

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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		Cumulative 6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Owners of the Company (RM'000)	81,541	75,086	182,685	176,672
Weighted average number of ordinary shares in issue ('000)	835,410	826,793	833,032	826,793
Basic EPS (sen)	9.76	9.08	21.93	21.37

Diluted earnings per share (“Diluted EPS”)

The calculation of diluted earnings per ordinary share 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		Cumulative 6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
Owners of the Company (RM'000)	81,541	75,086	182,685	176,672
Weighted average number of ordinary shares in issue ('000)	835,410	826,793	833,032	826,793
Effects of dilution ('000)	1,212	3,255	1,212	3,255
Diluted weighted average number of ordinary shares in issue ('000)	836,622	830,048	834,244	830,048
Diluted EPS (sen)	9.75	9.05	21.90	21.28

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 June 2021			31 December 2020		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund						
Provision for claims reported by participants	45,871	(15,750)	30,121	45,886	(10,103)	35,783
Provision for IBNR	163,164	(55,390)	107,774	173,595	(51,430)	122,165
Provision for outstanding claims	209,035	(71,140)	137,895	219,481	(61,533)	157,948
Actuarial liabilities	6,219,403	(353,086)	5,866,317	5,971,561	(346,120)	5,625,441
Unallocated surplus	1,212,597	-	1,212,597	1,099,833	-	1,099,833
Fair value reserves	123,577	-	123,577	326,172	-	326,172
Net asset value attributable to unitholders	247,023	-	247,023	253,751	-	253,751
Participants' fund	7,802,600	(353,086)	7,449,514	7,651,317	(346,120)	7,305,197
	8,011,635	(424,226)	7,587,409	7,870,798	(407,653)	7,463,145

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23 Takaful Contract Liabilities (continued)

	30 June 2021			31 December 2020		
	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	436,556	(308,362)	128,194	434,985	(313,047)	121,938
Provision for IBNR	315,901	(173,247)	142,654	264,625	(143,718)	120,907
Provision for outstanding claims	752,457	(481,609)	270,848	699,610	(456,765)	242,845
Provision for unearned contributions	481,784	(110,958)	370,826	465,734	(113,784)	351,950
	1,234,241	(592,567)	641,674	1,165,344	(570,549)	594,795
Unallocated surplus	211,163	-	211,163	209,017	-	209,017
Fair value reserves	11,209	-	11,209	20,156	-	20,156
Participants' fund	222,372	-	222,372	229,173	-	229,173
	1,456,613	(592,567)	864,046	1,394,517	(570,549)	823,968

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23 Takaful Contract Liabilities (continued)

	30 June 2021			31 December 2020		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Group						
Provision for claims reported by participants	482,427	(324,112)	158,315	480,871	(323,150)	157,721
Provision for IBNR	479,065	(228,637)	250,428	438,220	(195,148)	243,072
Provision for outstanding claims	961,492	(552,749)	408,743	919,091	(518,298)	400,793
Provision for unearned contributions	481,784	(110,958)	370,826	465,734	(113,784)	351,950
	<u>1,443,276</u>	<u>(663,707)</u>	<u>779,569</u>	<u>1,384,825</u>	<u>(632,082)</u>	<u>752,743</u>
Actuarial liabilities	6,219,403	(353,086)	5,866,317	5,971,561	(346,120)	5,625,441
Unallocated surplus	1,423,760	-	1,423,760	1,308,850	-	1,308,850
Fair value reserves	134,786	-	134,786	346,328	-	346,328
Net asset value attributable to unitholders	206,472	-	206,472	212,043	-	212,043
Participants' fund	<u>7,984,421</u>	<u>(353,086)</u>	<u>7,631,335</u>	<u>7,838,782</u>	<u>(346,120)</u>	<u>7,492,662</u>
	<u>9,427,697</u>	<u>(1,016,793)</u>	<u>8,410,904</u>	<u>9,223,607</u>	<u>(978,202)</u>	<u>8,245,405</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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 2020	7,007,658	(315,614)	6,692,044	190,051	-	190,051	7,160,242	(315,614)	6,844,628
Net earned contributions	1,756,863	(121,798)	1,635,065	437,231	-	437,231	2,194,094	(121,798)	2,072,296
Investment income on financial assets not measured at FVTPL	252,996	-	252,996	30,215	-	30,215	283,211	-	283,211
Investment income - others	33,028	-	33,028	456	-	456	33,484	-	33,484
Realised gains and losses	27,843	-	27,843	2,486	-	2,486	30,329	-	30,329
Fair value gains and losses	17,156	-	17,156	(151)	-	(151)	17,005	-	17,005
Other operating income	265	-	265	253	-	253	518	-	518
Net benefits and claims	(851,915)	99,999	(751,916)	(153,156)	-	(153,156)	(1,005,071)	99,999	(905,072)
Fees deducted (net)	(571,795)	-	(571,795)	(237,215)	-	(237,215)	(809,010)	-	(809,010)
(Impairment losses) / Reversal of impairment losses on financial instruments	(2,747)	-	(2,747)	202	-	202	(2,545)	-	(2,545)
Other operating expenses	(3,751)	-	(3,751)	(690)	-	(690)	(4,441)	-	(4,441)
Profit paid to participants	(4,591)	-	(4,591)	(8,838)	-	(8,838)	(13,429)	-	(13,429)
Movement in actuarial liabilities	26,064	(31,201)	(5,137)	-	-	-	26,064	(31,201)	(5,137)
Profit attributable to the Takaful Operator	(79,866)	21,797	(58,069)	(30,756)	-	(30,756)	(114,863)	21,797	(93,066)
Excess payment from participants	(70)	-	(70)	-	-	-	(70)	-	(70)
Net change in fair value on debt instruments at FVOCI	68,752	-	68,752	4,067	-	4,067	72,819	-	72,819
Tax expense	(9,986)	-	(9,986)	(4,440)	-	(4,440)	(14,426)	-	(14,426)
Withholding tax paid	(5,959)	-	(5,959)	(542)	-	(542)	(6,501)	-	(6,501)
Effect of movement in exchange rates	(8,628)	697	(7,931)	-	-	-	(8,628)	697	(7,931)
At 31 December 2020	7,651,317	(346,120)	7,305,197	229,173	-	229,173	7,838,782	(346,120)	7,492,662

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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 2021	7,651,317	(346,120)	7,305,197	229,173	-	229,173	7,838,782	(346,120)	7,492,662
Net earned contributions	924,859	(67,031)	857,828	226,756	-	226,756	1,151,616	(67,031)	1,084,585
Investment income on financial assets not measured at FVTPL	125,152	-	125,152	14,217	-	14,217	139,369	-	139,369
Investment income - others	15,127	-	15,127	118	-	118	15,245	-	15,245
Realised gains and losses	8,055	-	8,055	-	-	-	8,055	-	8,055
Fair value gains and losses	(3,750)	-	(3,750)	-	-	-	(3,750)	-	(3,750)
Other operating income	884	-	884	34	-	34	918	-	918
Net benefits and claims	(427,165)	66,981	(360,184)	(109,310)	-	(109,310)	(536,475)	66,981	(469,494)
Fees deducted (net)	(318,267)	-	(318,267)	(117,277)	-	(117,277)	(435,544)	-	(435,544)
Impairment losses on financial instruments	(3,824)	-	(3,824)	(1,287)	-	(1,287)	(5,111)	-	(5,111)
Other operating expenses	(1,335)	-	(1,335)	(54)	-	(54)	(1,389)	-	(1,389)
Profit paid to participants	(2,999)	-	(2,999)	(4,504)	-	(4,504)	(7,503)	-	(7,503)
Movement in actuarial liabilities	82,916	(7,352)	75,564	-	-	-	82,916	(7,352)	75,564
Profit attributable to the Takaful Operator	(31,983)	49	(31,934)	(4,786)	-	(4,786)	(35,613)	49	(35,564)
Excess payment from participants	62	-	62	-	-	-	62	-	62
Net change in fair value on debt instruments at FVOCI	(202,416)	-	(202,416)	(8,946)	-	(8,946)	(211,362)	-	(211,362)
Tax expense	(1,208)	-	(1,208)	(1,110)	-	(1,110)	(2,318)	-	(2,318)
Withholding tax paid	(8,552)	-	(8,552)	(652)	-	(652)	(9,204)	-	(9,204)
Effect of movement in exchange rates	(4,273)	387	(3,886)	-	-	-	(4,273)	387	(3,886)
At 30 June 2021	7,802,600	(353,086)	7,449,514	222,372	-	222,372	7,984,421	(353,086)	7,631,335

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 6 months ended	
	30.6.2021	30.6.2020	30.6.2021	30.6.2020
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	16,981	22,926	31,934	30,450
General Takaful Fund	2,781	15,145	4,786	23,025
Wakalah fee income	211,668	144,383	478,919	437,918
Total Takaful Operator income	<u>231,430</u>	<u>182,454</u>	<u>515,639</u>	<u>491,393</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	14,633	14,512	65,520	66,013	7,398	7,890	87,551	88,414
Accretion / (Amortisation)	(255)	(216)	(1,720)	(1,667)	(188)	(185)	(2,163)	(2,067)
	<u>14,378</u>	<u>14,296</u>	<u>63,800</u>	<u>64,346</u>	<u>7,210</u>	<u>7,705</u>	<u>85,388</u>	<u>86,347</u>
<u>Investment income - others</u>								
Rental income	210	238	2,037	1,832	76	66	1,521	1,446
Dividend income	46	43	1,398	1,108	-	-	1,444	1,151
Profit income	838	855	4,651	4,115	-	6	5,489	4,977
Accretion / (Amortisation)	2	(9)	1	1,506	-	84	3	1,580
Investment expenses	(46)	(61)	(743)	(657)	(18)	(17)	(359)	(362)
	<u>1,050</u>	<u>1,066</u>	<u>7,344</u>	<u>7,904</u>	<u>58</u>	<u>139</u>	<u>8,098</u>	<u>8,792</u>
	<u>15,428</u>	<u>15,362</u>	<u>71,144</u>	<u>72,250</u>	<u>7,268</u>	<u>7,844</u>	<u>93,486</u>	<u>95,139</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	28,314	28,467	128,705	130,900	14,595	15,865	171,614	175,232
Accretion / (Amortisation)	(531)	(446)	(3,553)	(3,310)	(378)	(374)	(4,462)	(4,130)
	<u>27,783</u>	<u>28,021</u>	<u>125,152</u>	<u>127,590</u>	<u>14,217</u>	<u>15,491</u>	<u>167,152</u>	<u>171,102</u>
<u>Investment income - others</u>								
Rental income	410	445	3,882	3,578	143	131	2,901	2,844
Dividend income	99	119	3,315	3,624	-	-	3,414	3,743
Profit income	1,547	1,834	9,230	9,406	-	262	10,777	11,502
Accretion / (Amortisation)	3	(14)	4	1,481	-	76	7	1,543
Investment expenses	(65)	(78)	(1,304)	(1,148)	(25)	(23)	(506)	(506)
	<u>1,994</u>	<u>2,306</u>	<u>15,127</u>	<u>16,941</u>	<u>118</u>	<u>446</u>	<u>16,593</u>	<u>19,126</u>
	<u>29,777</u>	<u>30,327</u>	<u>140,279</u>	<u>144,531</u>	<u>14,335</u>	<u>15,937</u>	<u>183,745</u>	<u>190,228</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income

The other operating 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	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	-	512	336	47	-
- Financial assets not measured at FVTPL	93	12	-	-	53	(4)	514	-
	<u>93</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>565</u>	<u>332</u>	<u>561</u>	<u>-</u>
<u>Other operating income</u>								
Service charged and management fee	5,394	3,553	-	-	-	-	-	-
Gain on disposal of assets	-	15	-	-	-	-	-	15
Other income	350	719	782	252	6	72	1,138	1,043
	<u>5,744</u>	<u>4,287</u>	<u>782</u>	<u>252</u>	<u>6</u>	<u>72</u>	<u>1,138</u>	<u>1,058</u>
	<u>5,837</u>	<u>4,299</u>	<u>782</u>	<u>252</u>	<u>571</u>	<u>404</u>	<u>1,699</u>	<u>1,058</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income (continued)

The other operating income consists of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Financial assets not measured at FVTPL	89	7	-	-	-	-	-	-
	<u>89</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other operating income</u>								
Service charged and management fee	11,548	9,751	-	-	-	-	-	-
Writeback of impaired financing	-	68	-	-	-	-	-	68
Gain on disposal of assets	-	20	-	-	-	-	-	20
Other income	1,948	1,123	884	436	34	96	2,866	1,655
	<u>13,496</u>	<u>10,962</u>	<u>884</u>	<u>436</u>	<u>34</u>	<u>96</u>	<u>2,866</u>	<u>1,743</u>
	<u>13,585</u>	<u>10,969</u>	<u>884</u>	<u>436</u>	<u>34</u>	<u>96</u>	<u>2,866</u>	<u>1,743</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	(1,689)	-	-	-	(1,353)
- Financial assets not measured at FVTPL	-	-	(97)	(126)	-	-	-	(118)
	-	-	(97)	(1,815)	-	-	-	(1,471)
<u>Other operating expenses</u>								
Depreciation	(2,445)	(2,170)	-	-	-	-	(3,465)	(3,101)
Agency related expenses	(9,490)	(12,598)	-	-	-	-	(9,490)	(12,598)
Debts written off	-	-	(2)	-	-	-	(2)	-
Loss from foreign exchange	-	-	-	-	-	-	-	-
Other expenses	(377)	-	(672)	(678)	(29)	(369)	(702)	(754)
	(12,312)	(14,768)	(674)	(678)	(29)	(369)	(13,659)	(16,453)
	(12,312)	(14,768)	(771)	(2,493)	(29)	(369)	(13,659)	(17,924)

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses (continued)

The other operating expenses consist of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000	30.6.2021 RM'000	30.6.2020 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(1,621)	(2,870)	(1,025)	(9)	(2,646)	(2,879)
- Financial assets not measured at FVTPL	-	-	(2,203)	(547)	(262)	(8)	(2,376)	(548)
	<u>-</u>	<u>-</u>	<u>(3,824)</u>	<u>(3,417)</u>	<u>(1,287)</u>	<u>(17)</u>	<u>(5,022)</u>	<u>(3,427)</u>
<u>Other operating expenses</u>								
Depreciation	(4,825)	(4,425)	-	-	-	-	(6,864)	(6,488)
Agency related expenses	(25,193)	(28,900)	-	-	-	-	(25,193)	(28,900)
Loss from foreign exchange	-	-	-	-	-	-	-	-
Debts written off	-	-	(2)	(678)	-	-	(2)	(678)
Other expenses	(702)	(126)	(1,333)	(1,798)	(54)	(382)	(1,364)	(1,700)
	<u>(30,720)</u>	<u>(33,451)</u>	<u>(1,335)</u>	<u>(2,476)</u>	<u>(54)</u>	<u>(382)</u>	<u>(33,423)</u>	<u>(37,766)</u>
	<u>(30,720)</u>	<u>(33,451)</u>	<u>(5,159)</u>	<u>(5,893)</u>	<u>(1,341)</u>	<u>(399)</u>	<u>(38,445)</u>	<u>(41,193)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information

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

30 June 2021	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	8,206	-	380	8,586	-	-	-	-	8,586	8,586
Unit trusts	507	3,676	-	4,183	-	-	-	-	4,183	4,183
Institutional Trust Account	-	-	109,344	109,344	-	-	-	-	109,344	109,344
Islamic debt securities	21,980	860,613	-	882,593	-	-	-	-	882,593	882,593
Malaysian Government Islamic papers	-	84,495	-	84,495	-	-	-	-	84,495	84,495
Investment in linked funds	40,551	-	-	40,551	-	-	-	-	40,551	40,551
	71,244	948,784	109,724	1,129,752	-	-	-	-	1,129,752	1,129,752

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

30 June 2021	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		
Family Takaful										
Financial assets										
Equity securities	295,782	-	-	295,782	-	-	-	-	295,782	295,782
Unit trusts	119,961	23,785	-	143,746	-	-	-	-	143,746	143,746
Institutional Trust Account	-	-	497,498	497,498	-	-	-	-	497,498	497,498
Islamic debt securities	129,828	4,309,871	-	4,439,699	-	-	-	-	4,439,699	4,439,699
Malaysian Government Islamic papers	-	520,086	-	520,086	-	-	-	-	520,086	520,086
	545,571	4,853,742	497,498	5,896,811	-	-	-	-	5,896,811	5,896,811

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

	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		
30 June 2021										
General Takaful										
Institutional Trust Account	-	-	59,535	59,535	-	-	-	-	59,535	59,535
Islamic debt securities	-	315,631	-	315,631	-	-	-	-	315,631	315,631
Malaysian Government Islamic papers	-	15,507	-	15,507	-	-	-	-	15,507	15,507
	-	331,138	59,535	390,673	-	-	-	-	390,673	390,673
Group										
Financial assets										
Equity securities	303,988	-	380	304,368	-	-	-	-	304,368	304,368
Unit trusts	120,468	27,461	-	147,929	-	-	-	-	147,929	147,929
Institutional Trust Account	-	-	666,377	666,377	-	-	-	-	666,377	666,377
Islamic debt securities	151,808	5,486,115	-	5,637,923	-	-	-	-	5,637,923	5,637,923
Malaysian Government Islamic papers	-	620,088	-	620,088	-	-	-	-	620,088	620,088
	576,264	6,133,664	666,757	7,376,685	-	-	-	-	7,376,685	7,376,685

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2020	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	9,434	-	380	9,814	-	-	-	-	9,814	9,814
Unit trusts	538	2,849	-	3,387	-	-	-	-	3,387	3,387
Institutional Trust Account	-	-	107,046	107,046	-	-	-	-	107,046	107,046
Islamic debt securities	21,472	684,713	-	706,185	-	-	-	-	706,185	706,185
Malaysian Government Islamic papers	-	34,280	-	34,280	-	-	-	-	34,280	34,280
Investment in linked funds	41,708	-	-	41,708	-	-	-	-	41,708	41,708
	73,152	721,842	107,426	902,420	-	-	-	-	902,420	902,420

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2020	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		
Family Takaful										
Financial assets										
Equity securities	333,740	-	-	333,740	-	-	-	-	333,740	333,740
Unit trusts	27,088	18,842	-	45,930	-	-	-	-	45,930	45,930
Institutional Trust Account	-	-	487,171	487,171	-	-	-	-	487,171	487,171
Islamic debt securities	139,084	3,924,205	-	4,063,289	-	-	-	-	4,063,289	4,063,289
Malaysian Government Islamic papers	-	494,067	-	494,067	-	-	-	-	494,067	494,067
	499,912	4,437,114	487,171	5,424,197	-	-	-	-	5,424,197	5,424,197

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2020	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										
Institutional Trust Account	-	-	58,269	58,269	-	-	-	-	58,269	58,269
Islamic debt securities	-	282,590	-	282,590	-	-	-	-	282,590	282,590
Malaysian Government Islamic papers	-	5,717	-	5,717	-	-	-	-	5,717	5,717
	-	288,307	58,269	346,576	-	-	-	-	346,576	346,576
Group										
Financial assets										
Equity securities	343,174	-	380	343,554	-	-	-	-	343,554	343,554
Unit trusts	27,626	21,691	-	49,317	-	-	-	-	49,317	49,317
Institutional Trust Account	-	-	652,486	652,486	-	-	-	-	652,486	652,486
Islamic debt securities	160,556	4,891,508	-	5,052,064	-	-	-	-	5,052,064	5,052,064
Malaysian Government Islamic papers	-	534,064	-	534,064	-	-	-	-	534,064	534,064
	531,356	5,447,263	652,866	6,631,485	-	-	-	-	6,631,485	6,631,485

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

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 KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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
Institutional Trust Account				
At 1 January 2020	106,038	367,761	57,053	530,852
Purchases	-	100,000	-	100,000
Maturity	(4,111)	-	-	(4,111)
Gains recognised in profit or loss				
Investment income - realised	4,985	20,809	2,515	28,309
Net change in fair value	134	(1,399)	(1,299)	(2,564)
At 31 December 2020 / 1 January 2021	107,046	487,171	58,269	652,486
Gains and losses recognised in profit or loss				
Investment income – realised	2,540	11,022	1,230	14,792
Net change in fair value	(242)	(695)	36	(901)
At 30 June 2021	109,344	497,498	59,535	666,377

29 Additional Information

Takaful receivables

The age analysis of Takaful receivables as at the end of the reporting period based on days past-due was as follows:

	Family Takaful		General Takaful		Group	
	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000
<u>Days past due</u>						
Current (not past due)	242,595	173,476	60,453	126,125	303,048	299,601
1-30 days	-	335	488	188	488	523
31-60 days	31	74	285	126	316	200
61-90 days	224	198	45	155	269	353
91-180 days	105	5,409	588	86	693	5,495
> 180 days	3,027	2,306	3,648	968	6,675	3,274
	245,982	181,798	65,507	127,648	311,489	309,446

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

29 Additional Information (continued)

Takaful receivables (continued)

The average credit terms of Takaful receivables granted to related parties and non-related parties are 9 months from the contractual due date. The recoverability of Takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

The significant Takaful receivables of the Group and of the Company with its related parties as at the end of the reporting period, are as follows. Takaful receivables due from related parties are trade related and have been entered into for the purpose of takaful coverage and under normal trade terms.

	Family Takaful		General Takaful		Group	
	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000	30.6.2021 RM'000	31.12.2020 RM'000
Bank Islam Malaysia Berhad	33	5	-	-	33	5

Material Impairment of Assets

Measurement of Expected Credit Loss ("ECL")

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD represents the likelihood of a counterparty defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. To determine 12-month PDs, the Group and Company use the PD table supplied by reputable rating agency based on the default history of obligors with the same credit rating. The Group and the Company adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default. LGD varies by type of counterparty, type and seniority of claim and available of collateral or other credit support.

EAD is the Group's and the Company gross credit exposure to the counterparty at the time of default.

Forward-looking information is considered in determining the PD, EAD and LGD.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

29 Additional Information (continued)

Material Impairment of Assets (continued)

Measurement of ECL (continued)

For ECL modelled on a collective basis, a grouping of exposures is performing on the basis of shared risks characteristics, such as risk exposure within a group are homogeneous. The characteristics and any data used to determine the groupings includes instrument type; credit rating band; type and seniority of claim; and class of business.

The appropriateness of groupings is monitored and reviewed on a periodic basis by credit control team.

The Group and the Company has elected to measure the impairment losses for Takaful receivables at an amount equal to lifetime ECL. The Group and the Company use an allowance matrix to measure ECLs of Takaful receivables. Loss rates are calculated using a “roll rate” method based on the probability of receivable. The loss rates are based on actual credit loss experience over the past three years.

The impairment losses recognized in profit or loss is not significant to the Group.

30 Foreign exchange exposure / hedging policy

Foreign exchange exposure is only in relation to investment in the Indonesian subsidiary, which is immaterial. Therefore, hedging policy is not applicable to the Group and the Company.

31 Derivatives

The Group and Company did not enter into any derivatives for the current quarter under review and financial period ended 30 June 2021.

32 Gains/losses arising from fair value change of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities during the current quarter under review and financial period ended 30 June 2021.

33 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 financial period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

33 Regulatory capital requirements (continued)

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

	As at 30.6.2021 RM'000	As at 31.12.2020 RM'000
Tier 1 capital	2,033,767	1,742,983
Tier 2 capital	98,174	198,670
Deductions	(304,582)	(321,448)
Total capital available	1,827,359	1,620,205

By Order of the Board

SHAMSUL SHAHRINA BINTI MOHD HUSSEIN
Company Secretary (MAICSA 7047477)
(SSM Practicing Certificate No. 201908002446)
Kuala Lumpur, 25 August 2021