



TAKAFULmalaysia

SYARIKAT TAKAFUL MALAYSIA BERHAD

(131646-K)

2017 ANNUAL REPORT



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cover



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Notice of 33rd Annual General Meeting

NOTICE IS HEREBY GIVEN that the **THIRTY-THIRD (33rd) ANNUAL GENERAL MEETING** of **SYARIKAT TAKAFUL MALAYSIA BERHAD** will be held at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Tuesday, 3 April 2018, at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017, together with the reports of the Directors and Auditors thereon. (See Explanatory Note 2[i])
2. To re-elect the following Directors, each of whom retires pursuant to Article 62 of the Company's Constitution and being eligible, had offered themselves for re-election:
 - 2.1 Mahadzir Azizan (Resolution 1)
 - 2.2 Zakaria Ismail (Resolution 2)
3. To approve the payment of Non-Executive Directors' fees and benefits of up to RM1,875,000 from this Annual General Meeting of the Company until the next Annual General Meeting of the Company. (Resolution 3)
4. To approve the payment of the Shariah Advisory Body Members' fees of RM198,000 for the financial year ended 31 December 2017. (financial year ended 31 December 2016: RM203,000) (Resolution 4)
5. To re-appoint Messrs. KPMG Desa Megat PLT as the Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. (Resolution 5)

AS SPECIAL BUSINESS

6. Ordinary Resolution - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with BIMB Holdings Berhad and its Subsidiaries ("BHB Group").

"THAT, subject to compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016, the Constitution of the Company and all other applicable laws, rules, regulations and guidelines, approval be and is hereby given to the Company and its subsidiaries ("Takaful Malaysia Group") to enter into the Recurrent Related Party Transactions of a revenue or trading nature with the BHB Group which are necessary for the day to day operations of the Takaful Malaysia Group as set out in Section 2.3 of the Circular to Shareholders dated 5 March 2018 ("Circular"), provided that:

- (a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders of the Company;
- (b) the transactions are made at arm's length and on normal commercial terms; and
- (c) the disclosure will be made in the annual report with the breakdown of the aggregate value of the transactions conducted pursuant to the mandate during the financial year.

AND THAT such authority shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after the date that it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of CA); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier". (Resolution 6)

7. To transact any other business for which due notice has been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 33rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 41(f)(ii) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 26 March 2018. Only a depositor whose name appears on the Record of Depositors as at 26 March 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board

MOHAMAD ASRI YUSOFF (MIA 14171)

Company Secretary

Kuala Lumpur

5 March 2018

Explanatory Notes:

1. Appointment of Proxy

- (i) A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and to vote instead of him at the same meeting and a proxy need not be a member of the Company.
- (ii) Where a member of the Company appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (iii) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (iv) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney and in the case of a corporation, must be under seal or under the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Office of the Poll Administrator of the Company's 33rd AGM, Securities Services (Holdings) Sdn Bhd, Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.
- (vi) Only members whose names appear in the Record of Depositors on 26 March 2018 shall be eligible to attend, speak and vote at the AGM or appoint proxy(ies) to attend, speak and/or vote on their behalf.
- (vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote by poll.

2. Ordinary Business

- (i) Audited Financial Statements for the financial year ended 31 December 2017.
The Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of Shareholders is not required pursuant to the provision of sections 251(1)(a) and 340(1)(a) of the Companies Act 2016. Hence this Agenda is not put forward for voting by Shareholders of the Company.
- (ii) Re-election of Director who retire in accordance with Article 62.
Article 62 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. Pursuant to Paragraph 7.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election.
Mahadzir Azizan and Zakaria Ismail are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election.

3. Special Business

- (i) Proposed Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature.
The proposed Resolution 6, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading in nature which are necessary for the Takaful Malaysia Group's day to day operations and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. The details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature are set out in the Circular to Shareholders dated 5 March 2018.

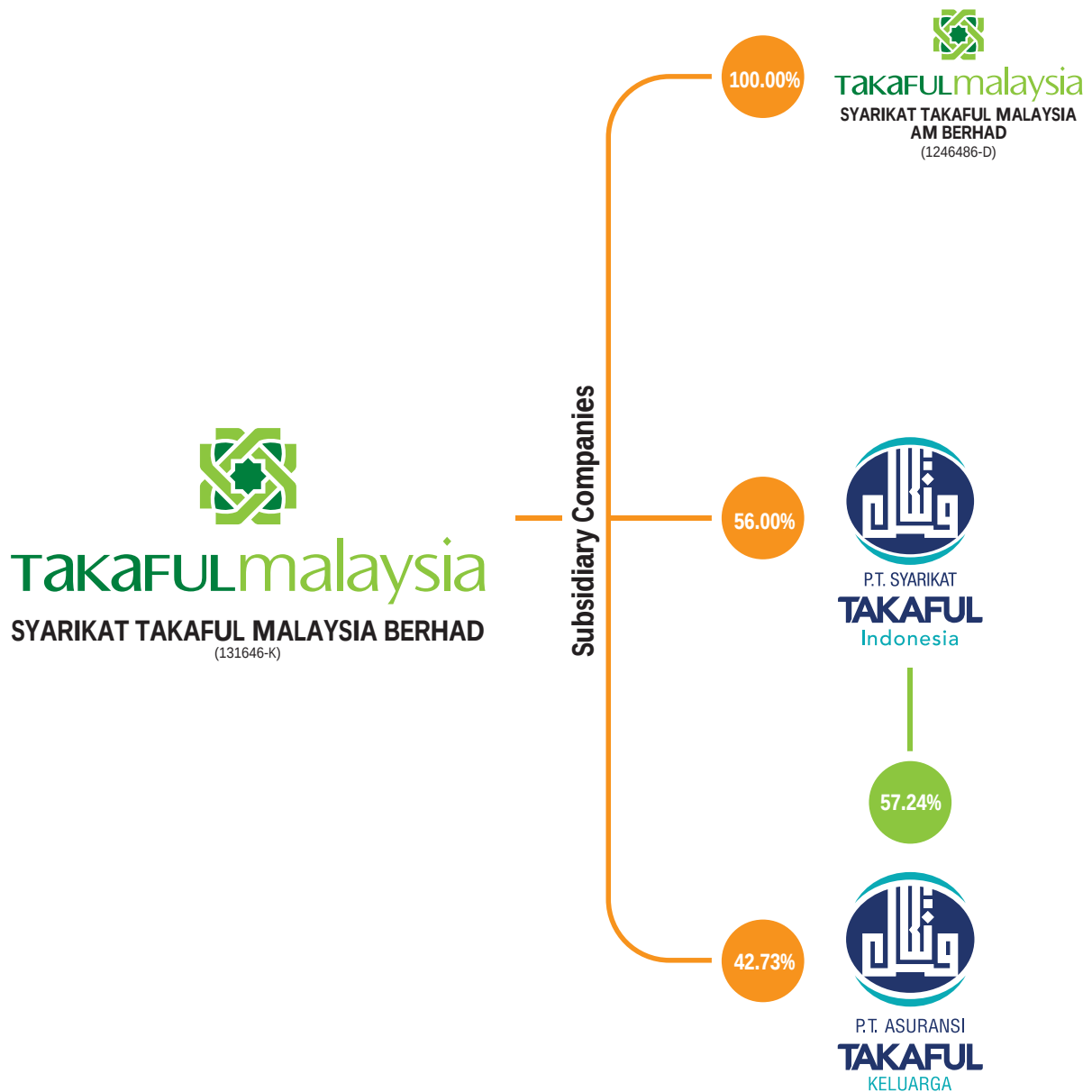
Statement Accompanying Notice of 33rd Annual General Meeting

STATEMENT ACCOMPANYING NOTICE OF THIRTY-THIRD ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27 (2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

There is no individual standing for election as Director (other than Directors standing for re-election i.e. Mahadzir Azizan and Zakaria Ismail at this forthcoming Thirty-Third Annual General Meeting of Syarikat Takaful Malaysia Berhad).

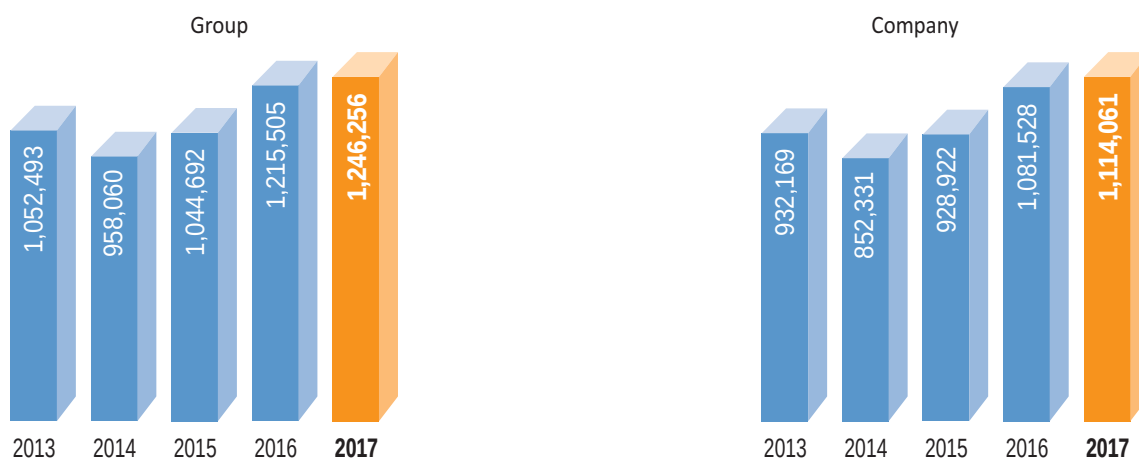
The profiles of the above Directors who are standing for re-election as per Resolutions 1 to 2 as stated in the Notice of Annual General Meeting are set out in the Profile of Directors' section on pages 11 and 12 respectively of the Annual Report 2017.

Corporate Structure

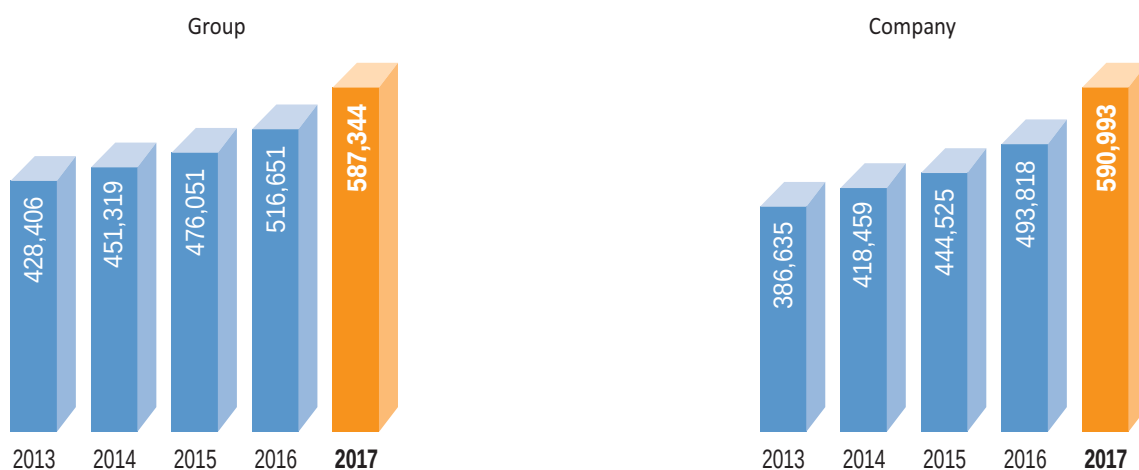


Five-Year Financial Highlights

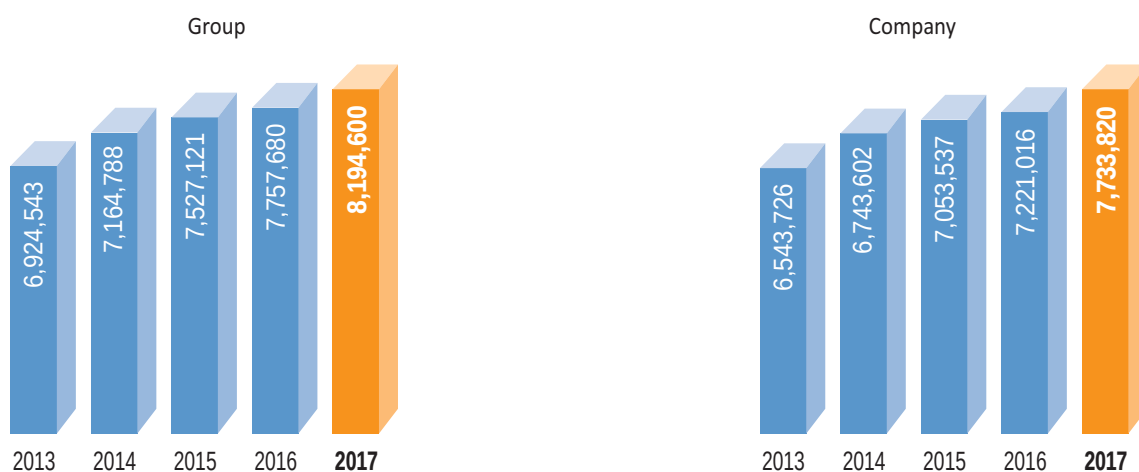
Total Family Takaful Gross Contribution (RM'000)



Total General Takaful Gross Contribution (RM'000)

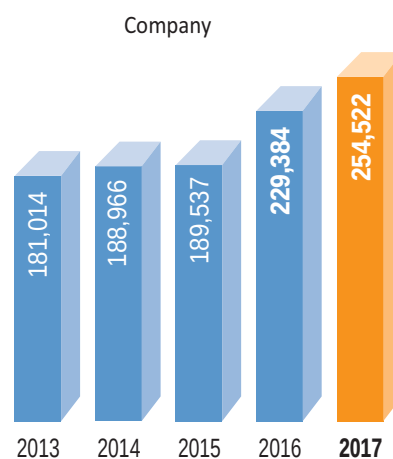
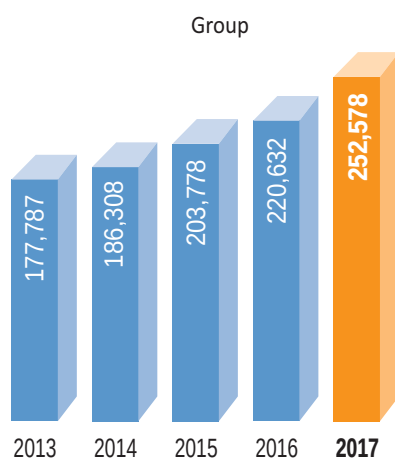


Total Assets (RM'000)

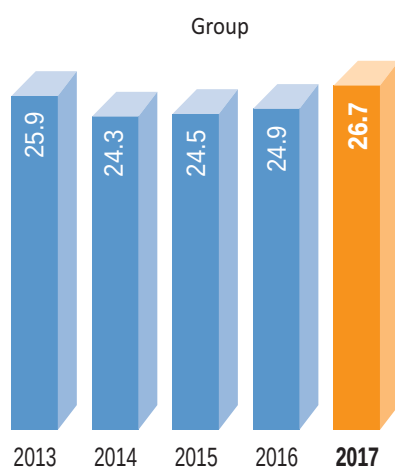


Five-Year Financial Highlights

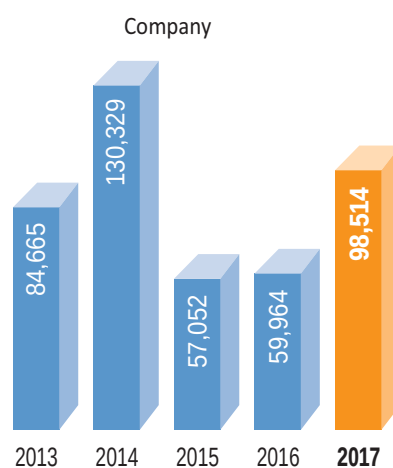
Profit Before Taxation After Zakat (RM'000)



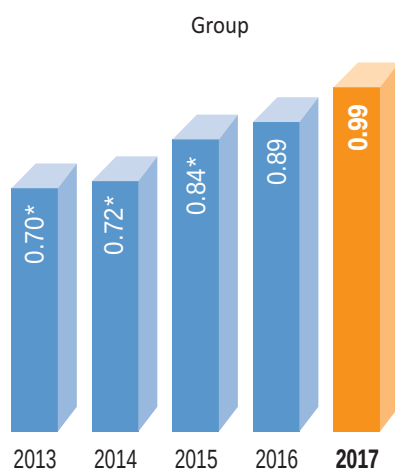
Return on Equity (%)



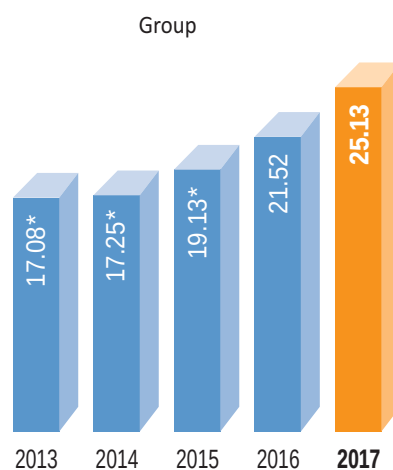
Dividend Paid / (Net of Taxation) (RM'000)



Net Assets Per Share (RM)



Earnings Per Share (Sen)



* adjusted for effect of share split.

Corporate Information

BOARD OF DIRECTORS

Chairman

TAN SRI DATO' AHMAD FUZI HAJI ABDUL RAZAK
Independent Non-Executive Director

Members

DATUK ROZAIDA OMAR
Non-Independent Non-Executive Director

MAHADZIR AZIZAN
Non-Independent Non-Executive Director

ZAKARIA ISMAIL
Independent Non-Executive Director

DATO' OTHMAN ABDULLAH
Senior Independent Non-Executive Director

MOHD TARMIDZI AHMAD NORDIN
Non-Independent Non-Executive Director

DATIN SRI AZLIN ARSHAD
Independent Non-Executive Director

Secretary

MOHAMAD ASRI YUSOFF
(MIA 14171)

SHARIAH ADVISORY BODY

Chairman

PROFESSOR DR. MUHAMAD RAHIMI OSMAN

Members

DR. AHMAD SHAHBARI @ SOBRI SALAMON

DATO' MOHD. BAKIR HJ. MANSOR
(Ceased office on 1 April 2017)

DATO' WAN MOHAMAD
DATO' SHEIKH ABDUL AZIZ

DR. AHMAD SUFIAN CHE ABDULLAH

DR. MARHANUM CHE MOHD SALLEH

MEGAT HIZAINI HASSAN
(Appointed on 1 April 2017)

Secretary

MOHAMAD ASRI YUSOFF
(MIA 14171)

AUDIT COMMITTEE

Chairman

DATO' OTHMAN ABDULLAH

MAHADZIR AZIZAN

ZAKARIA ISMAIL

NOMINATION & REMUNERATION COMMITTEE *(from 1 January 2017)*

Chairman

DATO' OTHMAN ABDULLAH

MAHADZIR AZIZAN

ZAKARIA ISMAIL

BOARD RISK COMMITTEE

Chairman

ZAKARIA ISMAIL

MOHD TARMIDZI AHMAD NORDIN

DATIN SRI AZLIN ARSHAD
(Appointed on 1 January 2017)

LONG TERM INCENTIVE PLAN COMMITTEE

Chairman

MAHADZIR AZIZAN
DATO' OTHMAN ABDULLAH
DATUK ROZAIDA OMAR

TENDER COMMITTEE

Chairman

MOHD TARMIDZI AHMAD NORDIN
(Appointed as Chairman on 1 January 2017)
MAHADZIR AZIZAN
(Member from 1 January 2017)
AZIAN KASSIM

INVESTMENT COMMITTEE

Chairman

DATIN SRI AZLIN ARSHAD
(Appointed as Chairman on 1 January 2017)
MAHADZIR AZIZAN
(Member from 1 January 2017)
AZIAN KASSIM

SENIOR MANAGEMENT

DATO' SRI MOHAMED HASSAN KAMIL
 Group Chief Executive Officer

LEEM WHY CHONG
 Chief Operating Officer

SHUHAIBAHTULASLAMIAH HURMUZAN
 General Manager, Human Resource

MOHAMAD ASRI YUSOFF
 General Manager, Corporate Affairs /
 Company Secretary

AZIAN KASSIM
 Chief Investment Officer

JAZIMIN IZZAT WAN ZOOLKIFLI
 Chief Financial Officer

PATRICK WONG CHANG YANG
 Chief Information Officer

JULIANA LO BENG LIEW
 General Manager,
 Corporate Finance & Strategy

AUDITORS

 KPMG Desa Megat PLT
 (LLP0010082-LCA & AF 0759)
 Chartered Accountants
 Level 10, KPMG Tower
 8, First Avenue, Bandar Utama
 47800 Petaling Jaya
 Selangor Darul Ehsan
 Tel : +603-7721 3388
 Fax : +603-7721 3399

REGISTERED OFFICE

 Tingkat 26, Blok Annex
 Menara Takaful Malaysia
 No. 4, Jalan Sultan Sulaiman
 50000 Kuala Lumpur
 Tel : +603-2268 1984
 Fax : +603-2274 2864
 Email : csu@takaful-malaysia.com.my
 Website : www.takaful-malaysia.com.my

REGISTRAR

 Symphony Share Registrars Sdn Bhd
 (378993-D)
 Level 6, Symphony House
 Pusat Dagangan Dana 1
 Jalan PJU 1A/46, 47301 Petaling Jaya
 Selangor Darul Ehsan
 Tel : +603-7849 0777
 Fax : +603-7841 8151/52
 Email : ssr.helpdesk@symphony.com.my
 Website : www.symphony.com.my

PLACE OF INCORPORATION AND DOMICILE

Malaysia

STOCK EXCHANGE LISTING

 Main Market of Bursa Malaysia Securities
 Berhad on 30 July 1996

Stock Code: 6139

Stock Name: TAKAFUL

Profile of Board of Directors



TAN SRI DATO' AHMAD FUZI HAJI ABDUL RAZAK
Chairman / Independent Non-Executive Director

Nationality / Age / Gender : Malaysian / 69 / Male
Date of Appointment : 1 August 2016
Position on the Board : Chairman of the Board

He holds a Bachelor of Arts Degree (Hons) from the University of Malaya in 1972 and a Certificate in Diplomacy from the Oxford University, United Kingdom in 1974.

Previously, he was the Secretary General at the Ministry of Foreign Affairs Malaysia. He started his career in 1972 at the Ministry of Foreign Affairs Malaysia and served in various capacities mainly in the Political Division and at the Malaysian missions abroad in Moscow, the Hague, Canberra, Washington and Dhaka. He had also served as Director General, Institute of Diplomacy and Foreign Relations Malaysia; Deputy Secretary General 1, Ambassador-at-Large and Malaysia's Representative to the ASEAN High Level Task Force (HLTF) on the drafting of the ASEAN Charter and Malaysia's Representative to the High Level Panel (HLP) on the drafting of the Terms of Reference of the ASEAN Human Rights Body. He was also previously a Director of Maybank Islamic Asset Management Sdn. Bhd. and Maybank Islamic Berhad.

Currently, he is the Secretary-General of the World Islamic Economic Forum Foundation (WIEF).

He is also a Director of four (4) other listed issuers i.e. Seremban Engineering Berhad, Puncak Niaga Holdings Berhad, ConnectCounty Holdings Berhad and Apex Equity Holdings Berhad and also a Director of two (2) public companies i.e. Syarikat Takaful Malaysia Am Berhad and ACE Holdings Berhad.

He has no family relationship with any other Directors/major shareholders of Takaful Malaysia and has no conflict of interest with Takaful Malaysia. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2017.

He has attended all nine (9) Board of Directors' meetings held during the financial year ended 31 December 2017.



DATO' OTHMAN ABDULLAH
Senior Independent Non-Executive Director

Nationality / Age / Gender : Malaysian / 69 / Male
Date of Appointment : 1 December 2012
Position on the Board : Chairman of the Audit Committee
Committees : Chairman of the Nomination & Remuneration Committee
Member of the Long Term Incentive Plan Committee

He was appointed as Senior Independent Non-Executive Director on 1 September 2016.

He obtained his Bachelor of Economics in Accounting and Diploma in Accounting from the University of Malaya in 1977 and is a member of the Malaysian Institute of Accountants (MIA).

He started his career in 1977 as Treasury Accountant at the Accountant General's (AG) Department. He held various positions in the AG Department among others as the Senior Treasury Accountant in 1982 and Accountant in 1984. He was seconded to the Sabah Electricity Board as the Deputy General Manager (Finance) in 1987.

In 1993, he was appointed as the Deputy Director of Central Operation and Agency Services Division (BPOPA) and later he became the Director of BPOPA in 1995. In 1999, he then served as the Director of Branch Account Management Division, in 2000 as the Deputy AG of Malaysia and in 2003 as the AG of Malaysia until he retired in March 2005.

He is also a Director of one (1) other listed issuer i.e. ECM Libra Financial Group Berhad and holds no directorship in other public companies.

He has no family relationship with any other Directors/major shareholders of Takaful Malaysia and has no conflict of interest with Takaful Malaysia. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2017.

He has attended all nine (9) Board of Directors' meetings held during the financial year ended 31 December 2017.



DATUK ROZAIDA OMAR
Non-Independent Non-Executive Director

Nationality / Age / Gender : Malaysian / 55 / Female
Date of Appointment : 15 May 2007
Position on the Board
Committees : Member of the Long Term Incentive Plan Committee

She is a Chartered Accountant (M) and a member of the Association of Chartered Certified Accountants (ACCA) United Kingdom since 1986.

She started her career as a Financial Accountant at FELDA in 1986. In 1990, she became a Credit Manager at Citibank Berhad until 1991. She then joined Guthrie Trading Sdn Bhd in 1992 as a Finance Manager until 1993. After that, she became a Finance Director of Glaxo SmithKline Consumer Healthcare Sdn. Bhd. from 1994 until 2003. She is currently the Group Chief Financial Officer of Lembaga Tabung Haji since 2004.

She is also a Director of three (3) other listed issuers i.e. Pelikan International Corporation Berhad, BIMB Holdings Berhad and TH Heavy Engineering Berhad and also a Director of one (1) public company i.e. Putrajaya Perdana Berhad.

She has no family relationship with any other Directors/major shareholders of Takaful Malaysia and has no conflict of interest with Takaful Malaysia. She has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2017.

She has attended all nine (9) Board of Directors' meetings held during the financial year ended 31 December 2017.



MAHADZIR AZIZAN
Non-Independent Non-Executive Director

Nationality / Age / Gender : Malaysian / 69 / Male
Date of Appointment : 1 September 2007
Position on the Board
Committees : Chairman of the Long Term Incentive Plan Committee
Member of the Audit Committee
Member of the Nomination & Remuneration Committee
Member of the Investment Committee
Member of the Tender Committee

He was appointed as Senior Independent Non-Executive Director on 2 June 2011 and was redesignated as a Non-Independent Non-Executive Director on 1 September 2016 upon completion of cumulative term of nine (9) years as an Independent Non-Executive Director. He is also a member of the Board of Commissioners of P.T. Asuransi Takaful Keluarga.

He is a Barrister-At-Law from Lincoln's Inn, London, United Kingdom and was called to the English Bar in 1978.

He has held key positions both in private and public sector. After graduation, he joined the Judicial and Legal Service of the Malaysian Government as a Deputy Public Prosecutor and Federal Counsel and subsequently ventured into the private sector and served Malaysian International Shipping Corporation ("MISC") and Island & Peninsular Berhad, the property arm of Permodalan Nasional Berhad ("PNB") for 24 years. Whilst in the private sector, he also served as Ahli Majlis MARA as well as various other directorships in government linked companies. Previously, he was also a Director of Asian Healthcare Group Berhad.

He is also a Director of two (2) other listed issuers i.e. ECM Libra Financial Group Berhad and RCE Capital Berhad and also a Director of two (2) public companies i.e. Syarikat Takaful Malaysia Am Berhad and Libra Invest Berhad.

He has no family relationship with any other Directors/major shareholders of Takaful Malaysia and has no conflict of interest with Takaful Malaysia. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2017.

He has attended all nine (9) Board of Directors' meetings held during the financial year ended 31 December 2017.

Profile of Board of Directors



ZAKARIA ISMAIL
Independent Non-Executive Director

Nationality / Age / Gender : Malaysian / 66 / Male
Date of Appointment : 15 May 2010
Position on the Board
Committees : Chairman of the Board Risk Committee
Member of the Audit Committee
Member of the Nomination & Remuneration Committee

He obtained his Bachelor of Economics (Honours) from the University of Malaya in 1974, a Master in Business Administration and a Master of Arts in Economics from Boston University, USA in 1981 and 1983 respectively. He is also an associate of The Institute of Bankers, London.

He started his career with Bank Negara Malaysia (BNM) in 1974 and assumed various positions such as Senior Executive, Banking Supervision; Private Secretary, Office of the Governor; Senior Executive, Economics; Assistant to the Executive Director, South East Asia Group IMF; in Washington, D.C. USA; Manager, Economics; Manager, Banking Supervision; Deputy Director, Investment; Deputy Director, Banking Supervision; Director, Banking Supervision; Director, Insurance Supervision and Director, Insurance Regulation. He was seconded to the Entrepreneurs Rehabilitation Fund (ERF) as its Managing Director in 2002 until 2004 and then was seconded to The South East Asian Central Banks Research and Training Centre (SEACEN) as its Director of Training and Administration from 2004 until his retirement in 2007. He was also a Board member of the Malaysian Insurance Institute (MII) and member of the EXCO of MII from 2000 until 2002 and a Board member of Export-Import Bank of Malaysia Berhad from 2008 until 2014.

He does not hold any other directorship in listed issuers and public companies.

He has no family relationship with any other Directors/major shareholders of Takaful Malaysia and has no conflict of interest with Takaful Malaysia. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2017.

He has attended eight (8) out of nine (9) Board of Directors' meetings held during the financial year ended 31 December 2017.



MOHD TARMIDZI AHMAD NORDIN
Non-Independent Non-Executive Director

Nationality / Age / Gender : Malaysian / 63 / Male
Date of Appointment : 1 April 2016
Position on the Board
Committees : Chairman of the Tender Committee
Member of the Board Risk Committee

He obtained his Master of Business Administration in Islamic Banking and Finance from the International Islamic University Malaysia in 2002. He is an associate of the Chartered Insurance Institute UK (ACII) as well as a Fellow of the Malaysian Insurance Institute (FMII) and also a Registered Financial Planner (RFP) with the Malaysian Financial Planning Council (MFPC).

He began his career as an insurance broker in 1977 and then joined two general insurance companies before switching to takaful in 1985 where he was a pioneer management team member of the first takaful company in Malaysia. Thereafter he served as a Director of an international firm of Loss Adjusters (1991 to 1994) and then as an Associate Lecturer at the Malaysia Insurance Institute (1995 to 2001).

In late 2001, he became the first Chief Executive Officer of Mayban Takaful Berhad that later merged with Takaful Nasional Berhad to become Etiqa Takaful Berhad until he retired in October 2009. He also served as Chairman of the Malaysian Takaful Association (MTA) as well as the Chairman of the Global Takaful Group (GTG) from 2007 to 2009.

Post retirement, he lectured at various institutes including numerous takaful conferences locally and abroad. He was also appointed Adjunct Professor at Universiti Teknologi MARA (2009 to 2011), advisor to ACR Re Takaful SEA (2010 to 2012), Chairman of the Joint Insurance & Takaful Council (2009 to 2012) as well as Chairman of the first Islamic insurance company in Pakistan, Pak Kuwait Takaful Company Limited (2014 to 2015). He is also the author of the MII textbook on the subject of Motor Insurance.

He is currently also a Director of one (1) other listed issuer i.e. BIMB Holdings Berhad and holds no directorship in other public companies.

He has no family relationship with any other Directors/major shareholders of Takaful Malaysia and has no conflict of interest with Takaful Malaysia. He has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2017.

He has attended all nine (9) Board of Directors' meetings held during the financial year ended 31 December 2017.



DATIN SRI AZLIN ARSHAD
Independent Non-Executive Director

Nationality / Age / Gender : Malaysian / 45 / Female
Date of Appointment : 1 October 2016
Position on the Board
Committees : Chairman of the Investment Committee
Member of the Board Risk Committee

She graduated from the University of Glamorgan, South Wales, United Kingdom (now known as University of South Wales) with a Bachelor Degree in Accounting & Finance (Hons.) in 1996.

She started her career in Corporate Finance Department at Amanah Merchant Bank Berhad (now known as Alliance Investment Bank Berhad). She then joined Amanah Capital Partners Berhad's Corporate Planning Department and later Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) as Assistant Vice President in July 2003 and was later promoted to Vice President (Team Head) in July 2005 until March 2009.

She left Maybank Investment Bank Berhad in April 2009 to join ECM Libra Investment Bank Berhad (ECMLIB) as Director & Head of Corporate Finance until February 2010, Head of Investment Banking and Head of Structured Finance until December 2012 and subsequently assumed the post of Deputy Chief Executive Officer (CEO) in December 2010 until December 2012. She was appointed as the Group CEO of ECM Libra Financial Group Berhad (ECMFG) on 22 January 2013 until 31 July 2015.

Currently, she is the Chief Operating Officer, NJOI, Customer Division of Astro Malaysia Holdings Berhad.

She does not hold any other directorship in listed issuers and public companies.

She has no family relationship with any other Directors/major shareholders of Takaful Malaysia and has no conflict of interest with Takaful Malaysia. She has no conviction for offences within the past five (5) years other than traffic offences and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2017.

She has attended eight (8) out of nine (9) Board of Directors' meetings held during the financial year ended 31 December 2017.

Profile of Shariah Advisory Body



PROFESSOR DR. MUHAMAD RAHIMI OSMAN
Chairman

Nationality / Age / Gender : Malaysian / 57 / Male
Date of Appointment : 12 January 2010
Position on the Shariah
Advisory Body (SAB) : Chairman of the SAB

He graduated from the University of Malaya in 1987, holding a Bachelor of Shariah (Hons). He obtained his Master in Islamic Economics from the University of Yarmouk, Jordan and a Doctor of Philosophy (PhD) in Islamic Banking from the International Islamic University Malaysia in 1996 and 2007 respectively. Currently, he is the Dean of the Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM), Shah Alam.

He joined Universiti Teknologi MARA (UiTM), Shah Alam in 1988 as an academic staff at the Centre for Islamic Education. He was appointed to several administration posts such as Coordinator of Islamic Social Science, Head of Zakat Unit, Deputy Director, Centre for Islamic Thought and Understanding (CITU) and Director of the Zakat Research Institute of Malaysia (IKaZ), Universiti Teknologi MARA.

He also serves as a member of the Curriculum Review Committee for Muamalat, Takaful, Islamic Banking and Finance of the Ministry of Higher Education Malaysia, member of the Senate University, and member of the Dean Council of Islamic Studies, Higher Learning Institutions of Malaysia and several other committees inside and outside of the University.

He has written books and presented papers at national and international seminars related to Islamic economics, Islamic banking and finance. His articles have also been published in local and international journals.



DR. AHMAD SHAHBARI @ SOBRI SALAMON
Member

Nationality / Age / Gender : Malaysian / 75 / Male
Date of Appointment : 1 July 1985
Position on the Shariah
Advisory Body (SAB) : Member of the SAB

He graduated with a Bachelor of Arts in Shariah from the University of Al-Azhar, Egypt in 1970, a Master of Arts in International Studies from Fairleigh Dickenson University, USA in 1973, a Master of Philosophy in Political Sciences and a Doctor of Philosophy in History from New York University, USA in 1975 and 1979 respectively.

He started his career in 1978 as a Lecturer at the Shariah Department, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia (UKM) prior to his secondment to the International Islamic University Malaysia (IIUM) from 1983 to 1984. Whilst serving UKM, he was appointed as the Coordinator for the General Teachings from 1981 to 1982.

In 1982, he served as the Acting Head of the Shariah Department. He was also the Programme Coordinator for Diploma and Certificate in Islamic Studies of UKM until 1983. He returned to UKM in 1984 as a Associate Prof. in the Shariah Department until 1985. He then became an Executive Director of Pusat Rawatan Islam (MAIS) from 1996 to 1999. Currently, he is the Chairman of Shariah Advisory Committee for BIMB Investment Management Berhad (BIMB Invest), a member of the Islamic Consultative Council in the Prime Minister's Department and the Chairman of the Shariah Supervisory Council of Bank Islam Malaysia Berhad.

He has produced writings in education, history, economy, Islamic banking and Islamic law, a total of 14 books, 7 translation bindery, 300 television scripts and 40 paper works. He was also awarded 'Tokoh Ulama Bestari Negeri Selangor' in 2000, 'Tokoh Ma'al Hijrah Negeri Selangor' in 2001 and a member of Religious Council of Selangor State for 21 years.



DATO' WAN MOHAMAD DATO' SHEIKH ABDUL AZIZ
Member

Nationality / Age / Gender : Malaysian / 65 / Male
Date of Appointment : 1 June 2011
Position on the Shariah
Advisory Body (SAB) : Member of the SAB

He graduated from Universiti Kebangsaan Malaysia with a Diploma in Education in 1977 and a Bachelor of Islamic Studies (Honours) in 1978. He also obtained a Diploma in Management Science from the National Institute of Public Administration [Institut Tadbiran Awam Negara (INTAN)] in 1989. He is a member of British Institute of Management (MBIM) since 1985.

He started his career in 1978 as an Assistant Director and later as Senior Assistant Director at the Institut Dakwah dan Latihan Islam (INDAH) of Islamic Affairs Division (Bahagian Hal Ehwal Islam (BAHEIS), Prime Minister's Department. He then served as Religious Attache at the Malaysian High Commission's office in London for three years from 1982. Upon returning to Malaysia in 1986, he was promoted to Chief Assistant Director in BAHEIS and thereafter as the Chief of Amar Ma'ruf Division and Chief Registrar of Marriage, Divorce and Ruju' at the Federal Territory Islamic Religious Department [Jabatan Agama Islam Wilayah Persekutuan (JAWI)].

In 1993, he served as Chief Assistant Director of Social, Administration and Economy at the Islamic Research Center. In 1994, he served as Principal at the Darul Quran of the Malaysian Islamic Development Department [Jabatan Kemajuan Islam Malaysia (JAKIM)] and later assumed various positions such as Director of Family, Social and Mosque Management Division (KESUMA), Director of Research Division, Deputy Director General (Operation) and Director General of JAKIM in 2000, 2003, 2004 and 2007 respectively before his retirement on 22 April 2011. He also served as Secretary to the National Fatwa Committee while serving as Director General of JAKIM.

He was also previously a member of the Shariah Advisory Council of Bank Negara Malaysia from 2008 until 2010. He is currently a Board member of the Institute of Islamic Understanding Malaysia [Institut Kefahaman Islam Malaysia (IKIM)], a member of the Hajj Advisory Committee (Tabung Haji-JAKIM) and member of the Consultation and Corruption Prevention Panel, Malaysian Anti-Corruption Commission (MACC).



DR. AHMAD SUFIAN CHE ABDULLAH
Member

Nationality / Age / Gender : Malaysian / 39 / Male
Date of Appointment : 1 July 2015
Position on the Shariah
Advisory Body (SAB) : Member of the SAB

He was awarded a Bachelor of Shariah & Management degree and earned a Master of Shariah degree with specialization in Islamic Finance (Fiqh Finance) from the University of Malaya in 2003 and 2007 respectively. In 2015, a Ph.D degree in Islamic Economics and Banking was conferred on him by Yarmouk University, Jordan.

He was a tutor at the University of Malaya in 2003 until he became a Fellow in 2005. Currently he is a senior lecturer at the Department of Shariah and Management, Academy of Islamic Studies, University of Malaya. He has also been appointed as a committee member of UM Awqaf.

He is also a member of Shariah Advisor Committee of Kenanga Investment Bank Berhad (since November 2015), Muamalat Expert Panel of Jabatan Kemajuan Islam Malaysia (JAKIM) (since 2016), Sabnuha Jewellery PLT (since 2013) as well as a curriculum and academic advisor in Islamic Finance for higher education institutions such as Kolej Yayasan Pahang and an advisor for various private business and Non-Profit Organizations.

He has produced numerous publications such as book and research papers in Islamic legal theories (usul fiqh), Islamic commercial laws, Islamic banking and finance, Takaful and Shariah Fintech. He is the founder and administrator of "muamalat.my", a social media platform that strives to become a medium of education in enhancing public awareness with regards to Islamic Finance and Takaful since 2013.

Profile of Shariah Advisory Body



DR. MARHANUM CHE MOHD SALLEH
Member

Nationality / Age / Gender : Malaysian / 35 / Female
Date of Appointment : 1 February 2016
Position on the Shariah
Advisory Body (SAB) : Member of the SAB

She obtained a Doctor of Philosophy degree in Islamic Banking and Finance from the International Islamic University Malaysia (IIUM) in 2014, a Masters in Islamic Finance from the IIUM in 2009 and a Bachelor's degree in Shariah and Management (with Distinction) from the University of Malaya in 2006.

She started her career with IIUM in 2007 as a Research Assistant in the Department of Communication, Departments of Finance and Business & Administration until 2012. She also served as a Part Time Lecturer at the Department of Business & Administration from January 2008 until she became an Academic Trainee at the same department in 2009.

She is currently an Assistant Professor at the Department of Finance, IIUM and also a member of the Shariah Committee of UOB Malaysia. Her areas of expertise include Islamic Finance, Banking, Takaful, Shariah, Fiqh Mua'malat, Islamic marketing and Waqf. She has been actively engaged with various research projects including funded by the Malaysian Ministry of Higher Education since 2013 (Child Labour in Malaysia: Formulating A Legal Framework with Reference to International Instruments and Islamic Law (2013-2016), Developing a Sustainable Model of a Waqf-Based Takaful for Flood Victims in Malaysia (2015-2017), The Implication of Goods and Services Tax (GST) on the Performance of Takaful Operators in Malaysia (2015-present), by IIUM (Herding Behaviour Among IIUM Lecturers Towards Islamic Financial and Investment Products (2016-present) as well as by Malaysian Accountant General's Department (Perakaunan dan Pelaporan Kewangan Islam bagi Institusi Zakat, Wakaf dan Baitulmal di Malaysia (2017-present). She also has contributed her expertise to Department of Finance as a Seminar coordinator (2015), Research coordinator (2016), and Working Committee, Review for Bachelor of Islamic Finance Program (2017-present), Committee for Kulliyah PROSUMER 2017 (Research Week), Course Coordinator for Principles & Practice of Takaful (FIN 4030), Foundation of Islamic Finance (ISF1101), Regulatory Framework of Islamic Financial Contract (FIN6650), and Qawa'id Fiqhiyyah for Banking & Finance (ISF 2102) courses.

She has published her works in national and international journals including in the Australian Journal of Basic and Applied Sciences, Journal of Islamic Finance and Business Research, Journal of Islamic Finance, Asian Academy of Management Journal and International Journal of at-Thaqafah. She has also served as reviewers for academic journals including Journal of Islamic Accounting and Business Research, Intellectual Discourse, IIUM, Jurnal Syariah, University Malaya, International Journal of Economics, Management, and Accounting, and Journal of Islamic Banking and Finance, IIUM.



MEGAT HIZAINI HASSAN
Member

Nationality / Age / Gender : Malaysian / 51 / Male
Date of Appointment : 1 April 2017
Position on the Shariah
Advisory Body (SAB) : Member of the SAB

He graduated with a Bachelor of Laws (First Class Hons) from the International Islamic University Malaysia (IIUM) and Masters in Law from Harvard Law School, United States of America and the University of Cambridge, United Kingdom.

He started his career in 1991 as a Lecturer at the Kulliyah of Laws, IIUM. He is an Advocate & Solicitor of the High Court of Malaya and was called to the Malaysian Bar in 1991. He joined the law firm of Messrs. Zaid Ibrahim & Co. in 1999 and was a partner at the firm from 2006 until 2010. He was also appointed as a Director of ZI Shariah Advisory Services Sdn. Bhd., a Shariah compliance advisory firm registered as a Shariah Adviser for Sukuk and Islamic capital market products with the Securities Commission of Malaysia from 2007 until 2010. He was also a Cambridge Commonwealth Trust Scholar at the University of Cambridge, a Royal Dutch/Shell Group of Companies Scholar at the IIUM and Kulliyah Award for Best Overall Student in Law from the IIUM.

Currently, he heads Lee Hishammuddin Allen & Gledhill's Islamic Finance practice and advises on Islamic finance matters as well as corporate legal and regulatory developments. He has advised local and international clients on issues pertaining to the legal and regulatory framework on Islamic banking and finance, as well as matters relating to applicable Shariah standards for Islamic financial/investment transactions in Malaysia and abroad. These include structuring and documentation of Islamic financing facilities and investment structures such as Murabahah (cost plus sale), Commodity Murabahah/Tawarruq (monetisation transaction), Ijarah (Islamic lease/hire), Bai' Istisna' (construction contract), Bai' Salam (advance sale), Bai' Bithaman Ajil (sale with deferred payment), Bai' Inah (sale and buyback transaction), Musharakah (profit and loss sharing structure) and Mudarabah (profit sharing structure).

He has presented at various seminars and conferences on legal and regulatory issues pertaining to Islamic finance. He is a Registered Arbitrator for Islamic Finance in the Kuala Lumpur Regional Centre for Arbitration, an Accreditation Panel Member of the Finance Accreditation Agency Malaysia, a member of the Islamic Finance Committee of the Malaysian Bar Council, and has also previously lectured on a part-time/guest lecturer basis at the Ahmad Ibrahim Kulliyah of Laws, IIUM on Islamic finance and other legal subjects.

He has also written for publishers such as Sweet & Maxwell as co-author of a book "The Law and Practice of Islamic Banking and Finance" and "An Introduction to Islamic and Conventional Corporate Finance". He has been recognised as one of the leading lawyers in his field, through publications such as the International Financial Law Review's Guide to the World's Leading Islamic Finance Lawyers and Expert Guides, Legal 500, Chambers Asia as well as Islamic Finance News.

Profile of Senior Management



DATO' SRI MOHAMED HASSAN KAMIL
Group Chief Executive Officer

Dato' Sri Mohamed Hassan Kamil, aged 55, male, is a Malaysian citizen with 31 years of experience in the insurance industry. He was appointed to the Board of Takaful Malaysia on 1 September 2006 as a Non-Independent Non-Executive Director. He was then appointed as the Group Managing Director of Takaful Malaysia on 1 April 2007 and was redesignated as the Group Chief Executive Officer on 25 April 2017. He is also the Chairman of the Board of Commissioners of P.T. Asuransi Takaful Keluarga and P.T. Syarikat Takaful Indonesia. He is a Fellow of the Society of Actuaries. He has a direct equity interest of 0.00001% in the Company as at 31 December 2017 but does not have any direct or indirect equity interest in the subsidiaries of the Company. He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences. He has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.



LEEM WHY CHONG
Chief Operating Officer

Leem Why Chong, aged 46, male, is a Malaysian citizen and he has been in the insurance & takaful industry for more than 21 years. He joined Takaful Malaysia in 2009 and was appointed to the key management team on 19 October 2009, and served as the appointed actuary for the family takaful business for 5 years till 2015. Leem Why Chong is currently the Chief Operating Officer since 1 November 2016. He is a Fellow of the Society of Actuaries. He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences. He has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.



AZIAN KASSIM
Chief Investment Officer

Azian Kassim, aged 52, female, is a Malaysian citizen and she has more than 26 years of experience in the capital market and managing investment portfolios. She has been with Takaful Malaysia since March 2007. She is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a Chartered Accountant of the Malaysian Institute of Accountants. She was appointed to the key management team on 15 March 2007 and currently spearheading the Investment Division. She is an Independent Non-Executive Director for Perak Transit Berhad and has no conviction for offences within the past 5 years other than traffic offences. She has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.

Profile of Senior Management

JULIANA LO BENG LIEW

General Manager, Corporate Finance & Strategy

Juliana Lo Beng Liew, aged 47, female, is a Malaysian citizen with 26 years of experience in insurance industry. She joined Takaful Malaysia in April 2009. Juliana holds a Chartered Institute of Management Accountants Advanced Diploma in Management Accounting. She was appointed to the key management team on 1 September 2015. She does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences. She has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.



SHUHAIBAH TULASLAMIAH HURMUZAN

General Manager, Human Resource

Shuhaibah Tulaslamiah Hurmuzan, aged 50, female, is a Malaysian citizen and she has 24 years of experience in managing a total spectrum of Human Resource. She has been with Takaful Malaysia since April 2010 and was appointed as General Manager Human Resource since 1 October 2010 and currently heading the Human Resource Division. She holds a Masters in Business Administration. She does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences. She has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.



JAZIMIN IZZAT WAN ZOOLKIFLI

Chief Financial Officer

Jazimin Izzat Wan Zoolkifli, aged 44, male, is a Malaysian citizen and has more than 20 years of experience as a finance professional. He joined Takaful Malaysia in July 2016. Jazimin Izzat is a member of The Association of Chartered Certified Accountants (ACCA). He was appointed to the key management team on 1 February 2017 and currently spearheading the Finance Division. He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences. He has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.



Profile of Senior Management



MOHAMAD ASRI YUSOFF

General Manager, Corporate Affairs / Company Secretary

Mohamad Asri Yusoff, aged 52, male, is a Malaysian citizen with 28 years of working experience in corporate secretarial, finance, investment and corporate finance/advisory services. He joined Takaful Malaysia in July 1997 and was appointed to the key senior management team on 1 July 2001. He is a fellow of the Association of Chartered Certified Accountants (ACCA) United Kingdom and a member of the Malaysian Institute of Accountants (MIA). He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences. He has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.



PATRICK WONG CHANG YANG

Chief Information Officer

Patrick Wong Chang Yang, aged 45, male, is a Malaysian citizen and he has been in the industry for 26 years with vast experience in IT Application and Infrastructure. He joined Takaful Malaysia in 2009 and was appointed to the key management team on 16 April 2010. He graduated with a Bachelor's in Information Technology and holds a Masters of Science in Management. He does not hold any directorship in public companies and has no conviction for offences within the past 5 years other than traffic offences. He has no family relationship with any directors and major shareholders of Takaful Malaysia, and has no conflict of interest with Takaful Malaysia.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Syarikat Takaful Malaysia Berhad ("Takaful Malaysia") continues to subscribe and fully support the Malaysian Code on Corporate Governance 2017 ("MCCG") and is committed to ensure that the Principles and Recommended Practices are observed and practised throughout the Group so that the affairs of the Group are conducted with professionalism, accountability and integrity with the objective of safeguarding and enhancing shareholders' value and financial performance of the Group.

The Board is pleased to report on the application of the Recommended Practices of the MCCG as required under the MCCG and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") during the financial year under review.

The application of each Practice set out in the MCCG during the financial year under review is disclosed under Takaful Malaysia's Corporate Governance Report published on Takaful Malaysia's website at www.takaful-malaysia.com.my.

DIRECTORS

The Board

The Board is responsible for the overall corporate governance of the Group and is also entrusted with the responsibility of exercising reasonable care of the Company as well as the Group's resources in enhancing the shareholders' long-term value while taking into account of other stakeholders. The Board understands that upholding corporate governance values is not merely achieving the desired financial performance, but also promoting ethical, professional and sustainable culture.

Terms of Reference/Board Charter

The Board is mindful of the need to protect the interests of its shareholders and other stakeholders. In discharging its duties effectively, the Board is guided by its Terms of Reference/Board Charter ("Board Charter") which sets out the roles and responsibilities of the Board. The Board Charter is reviewed annually or as and when necessary to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The last review was carried out in 2017. The Board Charter is accessible on our website at www.takaful-malaysia.com.my.

Roles and Responsibilities of the Board

The Board has the overall responsibility of ensuring that Takaful Malaysia operates as intended in the declared objectives of the Company. Consequently, it has the power to decide on all matters pertaining to the Company's business as empowered by the Company's Constitution, Companies Act 2016 and all relevant guidelines of Bank Negara Malaysia ("BNM"), Securities Commission and the Listing Requirements, and if required, to delegate these powers accordingly. Some of the specific powers of the Board would include the following:

- To establish and approve policies on the future direction of the Company within the general objective of attaining progress in its overall corporate missions which cover all aspects of operations, including strategic planning, credit administration and control, asset and liability management encompassing the management of liquidity risk, return on investment risk and market risk, accounting system and control, service quality, automation plan, prevention of money laundering, risk management, profit planning and budgeting, adequacy of capital and human resource development;
- To approve new investments, divestments and acquisitions, including the setting up of new subsidiaries/associated companies and the participation in new business activities locally or overseas;
- To review and approve the annual business plan and budget, and monitoring the quantitative and qualitative performance of Takaful Malaysia, both at the Company and Group levels, against target and objectives;
- To ensure that the business operations of the Company are conducted in accordance with the Shariah principles;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacement of Management; and
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To operate effectively in a dynamic environment, the Board's responsibilities are delegated to the Management of the Company headed by the Group Chief Executive Officer. The Management through the Management Committee/Group Chief Executive Officer is responsible for broad aspects of the day-to-day operations of the Company including financial stewardship and compliance to laws, regulations, policies and procedures. In this regard, Management is accountable to the Board for the overall functions and activities of the Company amongst others

Corporate Governance Overview Statement

the implementation of the policies and strategies as approved by the Board, always in line with Shariah principles and guided by regulatory requirement as well as industry best practices.

Board Meetings

Board meetings are scheduled in advance at the beginning of a calendar year with additional meetings convened when necessary. All Directors have complied with the Listing Requirements on attendance for Board meetings held during the financial year under review. Nine (9) Board meetings were held during the financial year under review with details of meetings' attendance of each Director are as follows:

Name	Attendance	Percentage (%)
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak Chairman/Independent Non-Executive Director	9/9	100
Dato' Sri Mohamed Hassan Kamil <i>(Ceased as Group Managing Director (Non-Independent Executive Director) and redesignated as Group Chief Executive Officer after the conclusion of 32nd Annual General Meeting (AGM) on 25 April 2017)</i>	4/4*	100
Datuk Rozaida Omar Non-Independent Non-Executive Director	9/9	100
Mahadzir Azizan Non-Independent Non-Executive Director	9/9	100
Zakaria Ismail Independent Non-Executive Director	8/9	89
Dato' Othman Abdullah Senior Independent Non-Executive Director	9/9	100
Mohd Tarmidzi Ahmad Nordin Non-Independent Non-Executive Director	9/9	100
Datin Sri Azlin Arshad Independent Non-Executive Director	8/9	89

*Refer to the number of meetings which were held before his re-designation as Group Chief Executive Officer.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of Takaful Malaysia as evidenced by the attendance record of the Directors at Board meetings, as set out in the above table. All Directors complied with the minimum attendance of at least 75% of Board meetings held during the financial year under BNM's Guidelines on Corporate Governance. A Director who is unable to attend any Board or Board Committee's meeting will notify the Chairman and/or the Company Secretary immediately prior to the meeting date.

The Board also took note of the expectation on time commitment to carry out their duties and responsibilities. In this respect, members of the Board will notify the Chairman prior to their acceptance of any new directorship. Each Board member is expected to commit sufficient time to attend all Board and Committee meetings, AGM/Extraordinary General Meeting, Directors' training, Board networking events, discussions with Management and meetings with various stakeholders. The schedule for Board meetings was shared with the Directors before the beginning of the year to ensure the Directors' time commitment.

As prescribed in Paragraph 15.06 of the Listing Requirements, Directors must not hold directorships at more than five Public Listed Companies ("PLCs"). None of the Directors of Takaful Malaysia have exceeded these limits during the financial year under review. The Directors are required to declare their directorships and/or interests in other public and private companies on a monthly basis. Such information is also used to monitor the number of directorships held by the Directors, particularly those on PLCs and to notify the Companies Commission of Malaysia of any changes in other directorships in public companies.

All Directors have the backing of extensive work experience in various fields and therefore are able to exercise independent judgement in order to discharge their duties.

Corporate Governance Overview Statement

The Board believes that the existing appointment process for selecting a new member is adequate and it takes into consideration the required skills-set, experience, competency, industry experience, gender and age and how these adds to the Board's diversity.

Directors' Code of Ethics

The Directors observe the code of ethics in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia which provides guidance for proper standards of conduct, sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.

The Directors' Code of Ethics consist of three (3) major areas, namely:

- Corporate Governance;
- Relationship with shareholders, employees, creditors, customers and other stakeholders; and
- Social responsibilities and the environment.

Board Balance and Independence of Directors

During the financial year under review, the Board comprises the following:

Name	Composition*	Percentage (%)
Non-Independent Executive Director	-	0
Non-Independent Non-Executive Directors	3/7	42.86
Independent Non-Executive Directors	4/7	57.14

* *Excluding Dato' Sri Mohamed Hassan Kamil who was redesignated as the Group Chief Executive Officer after the conclusion of 32nd AGM on 25 April 2017.*

The above composition is in compliance with Paragraph 15.02 of the Listing Requirements which require that one third (1/3) of Directors of Takaful Malaysia to be Independent Directors. The above is also in compliance with MCGG for large companies whereby majority of Board members are Independent Directors.

The Board has adopted a nine-year policy for Independent Non-Executive Directors in August 2011 i.e. before the issuance of MCGG 2012. The tenure of all the four (4) Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the MCGG. They continue to fulfill the definition of independence as set out in the Listing Requirements. Therefore, with regard to the one Independent Non-Executive Director who is seeking re-appointment under Article 62 of the Company's Constitution at the forthcoming 33rd AGM, the Board recommends and supports his proposed re-appointment.

Pursuant to the above nine-year policy for Independent Non-Executive Directors, Mahadzir Azizan has been redesignated as a Non-Independent Director on 1 September 2016 upon completion of cumulative term of nine (9) years as Independent Director on 31 August 2016. In relation to this, the Board has identified and appointed Dato' Othman Abdullah as the new Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders, replacing Mahadzir Azizan effective 1 September 2016. Dato' Othman Abdullah can be reached at datoothman.abdullah@gmail.com.

The Corporate Governance Blueprint 2011 stated that the goal is for women participation on Boards to reach 30% by 2016 and the progress towards this goal will be monitored and assessed from time to time. At present, there are two (2) women Directors on the Board out of seven Directors namely Datuk Rozaida Omar and Datin Sri Azlin Arshad (i.e. 28.57% which is almost 30%) while the Shariah Advisory Body also has one (1) woman member out of six (6) members (i.e. 16.67%) represented by Dr. Marhanum Che Mohd Salleh.

The Board recognizes that diversity is one of the key drivers to enhance Board effectiveness as diversity broadens the debate within the Board, Shariah Advisory Body and Senior Management by harnessing different insights and perspectives. The Board will continuously enhance the Board, Shariah Advisory Body and Senior Management's composition to encourage diversity in terms of skills, background, knowledge, industry

Corporate Governance Overview Statement

experience, culture, independence, ethnicity, age and gender when appointing new Directors, Shariah Advisory Body members and Senior Management as outlined in MCGG. The profiles of the current Senior Management are set out on pages 17 to 19 of the Annual Report.

The Board with a diversified background and specialisation, collectively bring with them a wide range of experience and expertise in areas such as finance, insurance, takaful, actuary, accounting, company secretarial, legal, management and banking. The profiles of the Directors are provided on pages 10 to 13 of the Annual Report.

There is a clear division of responsibilities between the Chairman and the Group Chief Executive Officer to ensure that there is a balance of power and authority. The roles and responsibilities of the Chairman and Group Chief Executive Officer are distinct and separate, in accordance with the relevant best practice. The Chairman is responsible for running the Board to achieve its objectives and lead the discussion at the Board level to encourage a healthy level of deliberation whilst the Group Chief Executive Officer is responsible for managing the Company and the Group as well as the implementation of the Board's policies and decisions.

Board Committees

To enable the Board to discharge its duties effectively whilst enhancing business and operational efficacy, the Board delegates certain responsibilities to six (6) Committees, namely:

- Audit Committee;
- Nomination & Remuneration Committee (The Nomination Committee & Remuneration Committee were combined into one Committee effective 1 January 2017);
- Board Risk Committee;
- Tender Committee;
- Investment Committee; and
- Long Term Incentive Plan Committee.

Although currently two (2) out of three (3) members of the Audit Committee are Independent Non-Executive Directors, Takaful Malaysia will strive to adopt Practice 8.4 of the MCGG in future.

All Committees have clear written terms of reference and the Board receives reports of their proceedings and deliberations. The Chairman of the various Committees will report to the Board the outcome of their meetings and such reports are incorporated in the minutes of the Board meeting.

The Committees' membership are based on Directors' skills and experience as well as their ability to add value to the Committees.

Shariah Advisory Body

The Shariah Advisory Body is entrusted by the Board to ensure that the Group's operations and products offered are in accordance with the Shariah. All matters which require the Shariah Advisory Body's opinion and decision are deliberated at the Shariah Advisory Body meetings with the attendance of the Management and representatives from the Shariah Division. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

The Shariah Advisory Body currently consists of six (6) members, all of whom have the necessary experiences and expertise in their respective fields. The current Chairman of the Shariah Advisory Body is Professor Dr. Muhamad Rahimi Osman who was appointed as Chairman on 1 January 2017 upon the expiry of Dr. Ahmad Shahbari @ Sobri Salamon's term on 31 December 2016. The Shariah Advisory Body met six (6) times during financial year under review with details of meetings' attendance of each member are as follows:

Name	Attendance	Percentage (%)
Professor Dr. Muhamad Rahimi Osman	6/6	100
Dr. Ahmad Shahbari @ Sobri Salamon	6/6	100
Dato' Mohd Bakir Hj. Mansor (Ceased office on 1 April 2017)	2/2	100

Corporate Governance Overview Statement

Name	Attendance	Percentage (%)
Dato' Wan Mohamad Dato' Sheikh Abdul Aziz	6/6	100
Dr. Ahmad Sufian Che Abdullah	6/6	100
Dr. Marhanum Che Mohd Salleh	6/6	100
Megat Hizaini Hassan (Appointed on 1 April 2017)	4/4	100

Whistle Blowing Policy and Fraud & Integrity Policy

The Company has established the Whistle Blowing Policy in response to the Whistleblower Protection Act, 2010 with the following objectives:-

- To enable the employees to raise any concerns of integrity and misconduct as well as to enable the Board to be informed at an early stage of any misconduct or improprieties;
- To protect the employees from punishment or unfair treatment for disclosing concerns in good faith in accordance with the Whistle Blowing Policy; and
- To develop a culture of openness, accountability and integrity within the Company.

In addition, the Company has also established the Fraud & Integrity Policy to facilitate the development of controls that will aid in the detection and prevention of fraud against the Company internally and externally. The objectives of the Fraud & Integrity Policy are as follows:-

- To ensure prompt and consistent action as well as to ensure the effectiveness and relevance of internal control in mitigating fraud risk;
- To safeguard the Company from financial losses, reputation damage as well as to instill confidence of participants and stakeholders; and
- To enable Management to focus on achieving business strategies and target.

Both of the above policies are available on the Company's portal.

Corporate Disclosure Policy

The Company is guided by the Listing Requirements regarding the Corporate Disclosure Policy.

Sustainability Policy

As the pioneer Shariah-compliant financial services provider for takaful, Takaful Malaysia and its subsidiaries strive to be responsible corporate citizens. Takaful Malaysia is committed to uphold the Shariah principles in relation to its business and social responsibilities.

The Board promotes good corporate governance in the application of sustainability practices particularly through the corporate social responsibility initiatives/programs undertaken by the Company throughout the year. The Sustainability Statement is set out on page 53 to 60 of the Annual Report.

Supply of Information to the Board

The Board has full and timely access to information with Board papers distributed in advance of meetings, normally five days prior to the meeting, to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meetings. The Board papers include the minutes of previous Board meeting, minutes of meetings of all Committees of the Board and reports relevant to the issues of the meetings covering areas such as financial, investment, information technology, operational, human resource and regulatory compliance matters. The Group Chief Executive Officer keeps the Board informed, on timely basis, of all material matters affecting the Group's performance and major developments within the Group.

The Senior Management are invited to attend the Board meetings to present and brief the Board on matters/reports relating to their areas of responsibility as and when required.

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meetings' procedures are followed and that all applicable rules and regulations are complied with. He is

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also responsible for advising the Directors of their obligations and duties, disclosure of their interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. The Directors may seek independent professional advice in furtherance of their duties, at Takaful Malaysia's expense.

The Board is also regularly updated from time to time by the Company Secretary and/or Management on updates to the regulations and guidelines, as well as any amendments thereto issued by BNM, Bursa Securities, Securities Commission, Companies Commission of Malaysia and other relevant regulatory authorities.

Appointment to the Board

The appointment of new Board members is considered and evaluated by the Nomination & Remuneration Committee in a formal and transparent process, and the Nomination & Remuneration Committee would recommend the appointment to the Board for approval. In line with the Islamic Financial Services Act 2013 and the requirement of BNM, the appointment of Directors is subject to the approval from BNM. The Company Secretary will ensure that all the appointments are properly made, all necessary information are obtained, as well as all legal and regulatory requirements are met.

The Board, with the assistance of the Nomination & Remuneration Committee, also considers the following criterion in the selection process:

- Probity, personal integrity and reputation – the person must have key qualities such as integrity, diligence, independence of mind and fairness;
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role; and
- Financial integrity – the person must manage his/her debts or financial affairs prudently.

The Nomination & Remuneration Committee and Board will also consider diversity in terms of among other things, skills, background, knowledge, industry experience, culture, independence, ethnicity, age and gender when appointing new Directors.

The process flow for the appointment of new Directors is as follows:

- Identification of candidates
- Evaluation of suitability of candidates
- Meeting with candidates
- Deliberation by the Nomination & Remuneration Committee
- Recommendation to Board

Thereafter, the application for the appointment of such candidate would be submitted to BNM for approval.

In compliance with BNM's guidelines on Fit and Proper Criteria, all Directors and Shariah Advisory Body members are required to make an annual declaration on the fit and proper criteria in addition to declaration prior to initial appointment and reappointment to ensure that each Director and Shariah Advisory Body member fulfills the 'fit and proper' criteria.

Nomination & Remuneration Committee

The Nomination Committee and Remuneration Committee were combined into one (1) committee effective 1 January 2017. As at the end of the financial year under review, the Nomination & Remuneration Committee consists of three (3) Non-Executive Directors, two (2) of whom are Independent Directors. The Chairman of the Nomination & Remuneration Committee is Dato' Othman Abdullah, a Senior Independent Non-Executive Director, in line with the MCCG. The Nomination & Remuneration Committee met six (6) times during the financial year under review with details of meetings' attendance of each member as follows:

Name	Attendance	Percentage (%)
Dato' Othman Abdullah	6/6	100
Mahadzir Azizan	6/6	100
Zakaria Ismail	6/6	100

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The Nomination & Remuneration Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors, Group Chief Executive Officer, Shariah Advisory Body members, General Managers and Appointed Actuary. The Nomination & Remuneration Committee also reviews the terms of appointment of Directors, Group Chief Executive Officer, Shariah Advisory Body members, General Managers and Appointed Actuary.

The Nomination & Remuneration Committee also discussed the succession plan of the Senior Management of Takaful Malaysia including appointing and replacing Senior Management to ensure that any appointment made brings a balance of skills, knowledge, experience and diversity to the Company.

The Nomination & Remuneration Committee is also empowered to assess the effectiveness of the Board, its Committees including Audit Committee, contribution of each individual Director and the performance of the Shariah Advisory Body. Directors' performance evaluation, assessment of independence of Independent Directors and performance evaluation for the Audit Committee were carried out annually. The areas covered are as follows:

Annual Evaluation	Assessment Criteria
Directors' Performance Evaluation	Section A - Board evaluation criteria which comprises 3 criteria i.e. Board structure; Board operations and interaction; and Board roles and responsibilities. Section B - Director Self/Peer Evaluation which comprises 4 criteria i.e. contribution to interaction, quality of input, understanding of role and Chairman's role.
Assessment of independence of Independent Directors	As prescribed under Paragraph 1.01 and Practice Note 13 of Listing Requirements.
Performance Evaluation for the Audit Committee	Section 1 comprises 3 sections i.e. quality and composition, skills and competencies, and meeting administration and conduct. Section 2 comprises Audit Committee members' peer evaluation.

Among the key activities undertaken by the Nomination & Remuneration Committee during the financial year under review were:

- Proposed re-appointment of Shariah Advisory Body member;
- Proposed re-appointment and non re-appointment of Directors;
- Proposed appointment of Directors and Chief Executive Officer for NewCo, Syarikat Takaful Malaysia Am Berhad;
- Directors and Audit Committee's Performance Evaluation;
- Proposed appointment and re-appointment of General Managers;
- Proposed appointment of Chief Risk Officer; and
- Proposed appointment and re-appointment of Appointed Actuaries.

The Terms of Reference of Nomination & Remuneration Committee is published on Takaful Malaysia's website at www.takaful-malaysia.com.my.

Directors' Training

The Board is mindful of the need for continuous training to keep abreast of new developments and is encouraged to attend forums and seminars facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. The Board will continue to evaluate and determine the training needs of its directors to enhance their skills and knowledge.

All Directors have attended the Mandatory Accreditation Programme ("MAP") as required by Bursa Securities.

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A summary of training programmes, conferences and seminars attended by Directors during the financial year under review is set out below:-

Director	Training Programmes
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	• BNM Annual Report 2016/Financial Stability & Payments Systems Report 2016 Briefing Session held at Bank Negara Malaysia, Kuala Lumpur (23 March 2017) • Malaysian Code on Corporate Governance at Securities Commission, Malaysia (26 April 2017) • WIEF Global Discourse on Artificial Intelligence held at Kuala Lumpur Convention Centre, Kuala Lumpur (15 May 2017) • Social Development Goal (SDG) Business Summit 2017 - The Role of the Private Sector in Achieving the SDG Goals held at Securities Commission, Kuala Lumpur (25 May 2017) • 3rd Annual International CSR Summit, Sustainability Beyond Borders held in Bangkok, Thailand (2 June 2017) • Business Leaders Roundtable Meeting at Securities Commission, Kuala Lumpur (6 June 2017) • WIEF IdeaLab 2017, Opportunities for Startups held at Park Royal Hotel, Kuala Lumpur (2 August 2017) • Roundtable 30% Club held at Securities Commission, Kuala Lumpur (14 August 2017) • CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World held at Lanai Kijang, Bank Negara Malaysia, Kuala Lumpur (13 October 2017) • 13th World Islamic Economic Forum held at Kuching, Sarawak (21 – 23 November 2017) • The CG Breakfast Series for Directors: Leading Change @ The Brain (5 December 2017)
Datuk Rozaida Omar	• CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World held at Lanai Kijang, Bank Negara Malaysia, Kuala Lumpur (13 October 2017)
Mahadzir Azizan	• MCCG 2017 Directors Training held at PJ Tower, Petaling Jaya, Selangor (21 September 2017) • Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLATFPUAA) 2001 held at Amanah Raya Berhad, Kuala Lumpur (14 November 2017) • Ensuring Effective Compliance for Directors held at Amanah Raya Berhad, Kuala Lumpur (15 November 2017)
Zakaria Ismail	• Seminar on Companies Act 2016 held at Lembaga Tabung Haji, Kuala Lumpur (11 May 2017) • CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World held at Lanai Kijang, Bank Negara Malaysia, Kuala Lumpur (13 October 2017) • 13th World Islamic Economic Forum held at Kuching, Sarawak (21-23 November 2017)
Dato' Othman Abdullah	• Board Selection - Engagement with Potential Directors held at FIDE FORUM (23 May 2017) • I am ready to Manage Risk held at Bursa Malaysia Berhad (22 August 2017)
Mohd Tarmidzi Ahmad Nordin	• Ethics in Business Workshop held at MII (15 January 2017) • Efficient Inefficiency: Making Boards Effective in a Changing World by Professor Sampler held at Sasana Kijang, Bank Negara Malaysia, Kuala Lumpur (4 May 2017) • TAKAFUL: A Forum "Challenges in The Next Decade" held at Seri Pacific Hotel, Kuala Lumpur (14 November 2017) • 13th World Islamic Economic Forum held at Kuching, Sarawak (21-23 November 2017)
Datin Sri Azlin Arshad	• Mandatory Accreditation Programme (MAP) (30-31 March 2017) • FIDE Core Programme held at Sasana Kijang, Bank Negara Malaysia, Kuala Lumpur (Module A Insurance) (31 July-3 August 2017) • FIDE Core Programme held at Sasana Kijang, Bank Negara Malaysia, Kuala Lumpur (Module B Insurance) (2-4 October 2017)

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Takaful Malaysia continues to provide BNM's Circulars, updated Listing Requirements and new regulations and guidelines from other relevant regulatory authorities to assist the Directors in keeping abreast with the latest development.

Re-election/Re-appointment

The Constitution of the Company provides for all Directors to submit themselves for re-election at least once every three (3) years at the AGM in compliance with the Listing Requirements.

To assist shareholders in their decision, sufficient information, such as personal profile, meetings attendance and shareholding in the Company of each Director standing for re-election are furnished in the Annual Report.

DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

The Nomination & Remuneration Committee is responsible in recommending the remuneration framework for the Directors as well as the remuneration package of Group Chief Executive Officer, Shariah Advisory Body members, Principal Officers and Senior Management to the Board to ensure that Takaful Malaysia attracts, motivates and retains the right Directors, Shariah Advisory Body members, Principal Officers and Senior Management.

The remuneration package for Group Chief Executive Officer is structured on the basis of linking rewards to financial and individual performance. Performance is measured against the Key Performance Indicators as approved by the Board. It is the ultimate responsibility of the Board to approve the remuneration of the Group Chief Executive Officer. The Group Chief Executive Officer does not participate in any way in determining his individual remuneration.

In the case of Non-Executive Directors and Shariah Advisory Body members, the remuneration package is determined by the Board as a whole, based on the experience and level of expertise and responsibilities undertaken by the Non-Executive Directors and Shariah Advisory Body members, in line with the Group's overall practice on compensation and benefits. Directors' fees and Shariah Advisory Body members' fees are approved by the shareholders at the AGM.

Disclosure

The details of the remuneration for the Directors for the financial year ended 31 December 2017 are as follows:

Group

	Executive Director (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	-	636	636
Salaries and other emoluments	4,159	599	4,758
Benefits-in-kind	176	212	388
Total	4,335	1,447	5,782

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Directors' Remuneration	Number of Directors	
	Executive Director	Non-Executive Directors
RM50,000 and below	-	-
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	2
RM150,001 – RM200,000	-	1
RM200,001 – RM250,000	-	2
RM250,001 – RM300,000	-	2
More than RM300,000	1	-
Total	1	7

Company

	Executive Director (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Fees	-	636	636
Salaries and other emoluments	4,095	550	4,645
Benefits-in-kind	176	212	388
Total	4,271	1,398	5,669

Directors' Remuneration	Number of Directors	
	Executive Director	Non-Executive Directors
RM50,000 and below	-	-
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	2
RM150,001 – RM200,000	-	2
RM200,001 – RM250,000	-	1
RM250,001 – RM300,000	-	2
More than RM300,000	1	-
Total	1	7

In line with the Listing Requirements of Bursa Securities, disclosure of each Director's remuneration, comprising the amount received from the Company and the amount received from the Takaful Malaysia Group, are set out in Note 27 of the Annual Audited Financial Statements of this Annual Report.

Takaful Malaysia departs from Practices 7.2 and 7.3 of the MCCG in view that there would be adverse implication including dissatisfaction and animosity among the staff in the event that Takaful Malaysia disclose salary, bonus, benefits in-kind and other emoluments of Senior Management on a named basis.

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REMUNERATION POLICY STATEMENT

Takaful Malaysia's remuneration policy serves to reflect the Group's objectives in promoting good corporate governance to sustain a long-term value creation for our shareholders. The Board of Directors (BOD) has approved the remuneration policy at the recommendation of the Nomination & Remuneration Committee (NRC). Some entities within the Group may have remuneration policies that differ from the Group policy in order to meet the relevant local requirements and practises.

The Remuneration Policy (Policy) is designed to align the personal objectives of staff with the long term interests of Takaful Malaysia and the funds under its management. Strategic measures are implemented in order to ensure they are aligned to the interests of the Group and its stakeholders. The policy and the general incentive structure are designed to meet the following objectives:

- To be in line with the business strategy, objectives, values, long-term goals and interests of Takaful Malaysia;
- To be aligned with the principle of protection of customers and investors as well as prevention of conflict of interests;
- To enable the Group to attract, develop and retain high-performing and motivated staff;
- To offer a competitive remuneration package which is aligned with the industry;
- To encourage the staff to continue to perform and create sustainable results and ensure that there is an alignment of interest among the stakeholders; i.e. Shareholders, Customers and Staff.

The policy and general incentive structure is consistent with the Group's long term strategy. It is also implemented to ensure transparency in respect of the Group's reward strategy where the staff will have clear and predetermined Key Performance Indicators (KPIs) that are set in accordance with the Group's overall strategy and applicable regulations. Correspondingly, transparency is justified through the Group's disclosure of remuneration and information on paid remuneration disclosed in the Group's annual report.

Philosophy or methodology imposed by Takaful Malaysia to determine an employee's remuneration is guided as per the following:

- Pay for performance with the notion that there is a direct link between the employee's remuneration and individual or company's performance;
- Set the remuneration level to Takaful Malaysia's comparative group by performing a market benchmarking exercise on an annual basis;
- Set a market benchmark of the remuneration against the standard approved by the Board;
- Long Term Incentive Plan (LTIP) granted to key employees based on performance matrix that will drive the growth of the business while simultaneously helping to retain the talent. The detailed features of the LTIP are set out in Note 14 of the Annual Audited Financial Statements of this Annual Report.

Takaful Malaysia's performance management aligns the employees' actions and behaviours with the Company's strategies and goals which consist of the following:

- Key Result Area (KRA) - key deliverables that create the greatest impact of the job and reflect the core responsibilities;
- Key Performance Indicator (KPI) - a specific measure of performance that is quantifiable/measurable;
- Competencies - Key behaviours expected to be demonstrated towards achievement of targets or goals.

The performance management process covers the following:-

- A business plan and strategy presentation by division heads to the Board of Directors on an annual basis for approval;
- Circulation of the approved business plans and strategies to all employees;
- KRA and KPIs of the employees to tie back to the business plans and strategies;
- Performance of employees to be reviewed during the mid-year and a final assessment will be conducted during the financial year end.

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Remuneration and rewards are granted to an employee based on the achievement of the KPIs and subject to the Company's overall annual financial performance and guided by the following factors:

- The Company's overall performance and affordability (Profit after Tax & Zakat);
- The performance of the sales divisions;
- The employee's individual performance;
- Moderated performance rating distribution to align with the Company's performance;
- Benchmarking with the current market practice;
- The approved remuneration and reward matrix (governed by a specific business rule and requirement);
- The approval matrix for remuneration is determined as per below table:

No	Item	Approving Authorities			Periodic Review
		Shareholder	BOD	GCEO	
1	Remuneration for Board of Directors and Shariah Advisory Board	✓			Annually
2	Remuneration for Group Managing Director (GMD) / Group Chief Executive Officer (GCEO)		✓		Annually
3	Remuneration for members of Senior Management & other Material Risk Takers		✓		Annually
4	Staff Annual Salary Increment / Salary Adjustment / Promotion Budget		✓		Annually
5	Staff Annual Performance Bonus Budget		✓		Annually
6	Remuneration for clerical and non clerical employees under the Collective Agreement (CA)		✓		Annually
7	Remuneration for new hires (excluding General Managers and GMD/GCEO)			✓	NA

Takaful Malaysia is applying the transitional arrangements in Part G of Corporate Governance policy document (BNM/RH/PD 029/9) issued by BNM (Corporate Governance Policy Document) relating to remuneration requirements and is currently reviewing the design and structure of the remuneration policy to be fully compliant with the requirements in Part D of the Corporate Governance Policy Document.

SHAREHOLDERS

Dialogue between the Company and Investors

Takaful Malaysia recognizes the importance to keep the shareholders well-informed of all major developments of Takaful Malaysia on a timely basis. The Chairman and Group Chief Executive Officer hold discussions with shareholders at least once a year during the AGM. Additionally, various disclosures and announcements made to Bursa Securities including quarterly and annual results facilitate the dissemination of information to the shareholders. All these announcements and other information about the Company is available on Takaful Malaysia's website, www.takaful-malaysia.com.my which shareholders, investors and public may access.

The Annual General Meeting

The AGM is the principal forum for dialogues with shareholders. General meetings are important platforms for Directors and Senior Management to engage with shareholders to facilitate greater understanding of the Company's business, governance and performance. Shareholders are able to participate and engage with the Board and Senior Management and make informed voting decisions at general meetings. Besides the normal agenda for the AGM, the Group Chief Executive Officer presents the progress and performance of the business as contained in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Board members, Shariah Advisory Body members, Senior Management and the Company's external auditors are available to respond to shareholders' enquiries during the AGM.

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The Group Chief Executive Officer also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group ("MSWG"). The Notice of 32nd AGM was dispatched to shareholders within the 21 days requirement under the Companies Act 2016 and Listing Requirements. The Notice of the 33rd AGM will be dispatched at least 28 days prior to the meeting pursuant to Practice 12.1 of the MCGG. As for re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

In line with the recent amendments to the Listing Requirements of Bursa Securities under Paragraph 8.29A(1), the Company has implemented poll voting for all the resolutions set out in the notices of general meetings instead of by a show of hands at the 32nd AGM of the Company held on 25 April 2017. Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the principle of "one share one vote". Polling processes was explained during the general meetings and was conducted through electronic voting. Poll Administrator and Independent Scrutineers were appointed to conduct the polling process and verify the results of the poll respectively. The poll results was also be announced to Bursa Securities via Bursa LINK on the same day for the benefit of all shareholders. Summary of the key matters discussed at the AGM was also published on the Takaful Malaysia's website at www.takaful-malaysia.com.my, as soon as practicable after the conclusion of the AGM.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board ensures that the annual financial statements and quarterly announcements to shareholders are prepared in accordance with the approved accounting standards and present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring the accuracy and adequacy of information by reviewing and recommending for adoption information for disclosure.

Takaful Malaysia aims to adopt integrated reporting in the future and will take the necessary measures as recommended under Practice 11.2 of MCGG.

Statement of Directors' Responsibilities in Relation to Financial Statements

The Directors are required under the Companies Act 2016 and the Listing Requirements of Bursa Securities, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the income statement and cash flows for the Company and the Group for the financial year.

The Directors consider that, in preparing the financial statements for the year ended 31 December 2017, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016.

The Directors generally have the duty to take such steps as are reasonably available to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Internal Control and Risk Management

The Board acknowledges its responsibility and is committed in maintaining a sound system of internal control and risk management practice. However, such system can only provide reasonable but not absolute assurance against material misstatements or losses.

The Audit Committee regularly evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on lapses/deficiencies identified in reports provided by Group Audit. The Audit Committee also reviews Group Audit's recommendation and management responses to these recommendations to ensure that they are working adequately and promptly.

The Statement on Risk Management and Internal Control which has been reviewed by the external auditors furnished on pages 39 to 42 in the Annual Report provides an overview of the state of risk management and internal control within the Group.

Relationships with the Auditors

The role of the Audit Committee is as stated on pages 34 to 38. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationship with the Company's auditors, both internal and external.

Internal Auditors

Internal Auditors reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluates the effectiveness of the risk management process, reviews the operating effectiveness of the internal controls system and compliance control within the Group. The Head of Internal Audit is invited to attend the Audit Committee meetings to facilitate the deliberation of audit reports. The minutes of the Audit Committee meetings are tabled to the Board for information and serves as a reference especially when there is pertinent points should any of the Board members wish to highlight or seek clarification.

External Auditors

The Audit Committee and the Board place great emphasis on the objectivity and independence of the Company's auditors, Messrs KPMG Desa Megat PLT, in providing relevant and transparent reports to the shareholders. The Audit Committee undertakes the independent assessment on the external auditors annually.

To ensure full disclosure of matters, the Company's auditors are invited to attend the Audit Committee meetings as and when necessary as well as during the AGMs. During the financial year under review, the Audit Committee had held two private sessions with the auditors without the presence of Management to discuss among other things the scope and adequacy of the audit process and audit findings.

This statement is made in accordance with the resolution of the Board of Directors dated 25 January 2018.

Audit Committee Report

The Board of Directors of Syarikat Takaful Malaysia Berhad ("Takaful Malaysia") is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

MEMBERSHIP AND MEETINGS

The Audit Committee ("Committee") currently comprises three (3) members, all of whom are Non-Executive Directors ("NEDs"), two being Independent NEDs and one Non-Independent NED. The details of members and meetings held during the financial year ended 31 December 2017 are as follows:

Name of Audit Committee Members	No. of Meetings	
	Held	Attended
Dato' Othman Abdullah (Chairman) (Senior Independent Non-Executive Director)	6/6	100
Mahadzir Azizan (Non-Independent Non-Executive Director)	6/6	100
Zakaria Ismail (Independent Non-Executive Director)	6/6	100

The Committee's Chairman, Dato' Othman Abdullah is a member of the Malaysian Institute of Accountants ("MIA"). Thus, Takaful Malaysia complies with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which stipulate that at least one (1) member of the Committee must be a member of the MIA.

The Committee met six (6) times during the financial year. The meetings were held on 23 January 2017, 25 April 2017, 30 May 2017, 20 July 2017, 28 September 2017 and 19 October 2017. The meetings were appropriately structured and conducted through the use of agenda which were distributed to members in accordance with the Committee's Terms of Reference. The Group Chief Executive Officer, the Chief Financial Officer and the Assistant General Manager/Head of Internal Audit attended all the meetings held during the financial year ended 31 December 2017. The representatives of the external auditors were present during deliberations which require their input and advice. The Committee had met twice with the external auditors to discuss any matter with the Committee without the presence of any executive members of the Board and Senior Management.

TERMS OF REFERENCE

The Terms of Reference of the Committee are available on Takaful Malaysia's website at www.takaful-malaysia.com.my.

SUMMARY OF THE WORK OF THE COMMITTEE

A summary of the work of the Committee for the financial year ended 31 December 2017 are as follows:-

- Reviewed, deliberated and recommended the quarterly financial statements for the fourth quarter of 2016 as well as the first, second and third quarters of 2017 for the Board's approval.
- Deliberated on the following Key Audit Matters, which relate to matters that, in the external auditors' professional judgement, were most significance to the audit of the financial statements. The Committee has also received reports and updates from the external auditors. The Committee is therefore made aware of all materially relevant issues that have concerned management during the year.

The Committee has reviewed and deliberated the following key audit matters:-

1) Valuation of takaful contract liabilities

The takaful contract liabilities for family takaful business comprise provision for outstanding claims and participants' funds, while takaful contract liabilities for general takaful business comprise provision for outstanding claims, provision for unearned contributions and participants' funds.

The two key components in deriving to the takaful contract liabilities are the valuation of actuarial liabilities for the family takaful business and the provision for outstanding claims for both family and general takaful businesses.

Reports on valuation of liabilities in respect of family and general business were presented and approved by the Board on an annual basis.

i. Actuarial liabilities – family takaful contract liabilities

Actuarial liabilities for long-term family takaful business require actuarial significant judgement over the estimation of future expected benefits payable to participants. Actuarial liabilities for yearly renewal short term family takaful business is calculated based on the higher of its unexpired risk reserves for expected benefits payable to participants and unearned contribution reserves. These estimations are made through the selection of best estimate assumptions such as mortality rates, morbidity/loss incidence rates, surrender rates and discount rates. The best estimate assumptions were derived using the Company's actual past experience. An appropriate allowance for provision of risk margin for adverse deviation (PRAD) from best estimate assumption is made in the valuation of liabilities such that the overall level of sufficiency of actuarial liabilities at a 75% confidence level is secured.

The methodology used for calculating the actuarial liabilities comprise prospective actuarial valuation, cash flow projection valuation and unearned contribution valuation.

Although judgements are made about determining the appropriateness of discount, mortality, morbidity and surrender rate assumptions used in calculation of actuarial liabilities, there is update to the Board on an annual basis to ensure the assumptions used are in line with actual experience and reasonable.

ii. Provision for outstanding claims – family and general takaful contract liabilities

The provision for outstanding claims is made for cost of outstanding claims (together with related expenses) and Incurred But Not Reported Claims ("IBNR") at the end of the reporting period by the appointed actuary.

A liability for outstanding claims is recognized when a claimable event occurs and the company is notified. An explicit provision for IBNR is set up to cover delays in claims reporting. However, the ultimate cost of these claims cannot be known with certainty at reporting date. The IBNR is calculated using a range of standard actuarial claim projection techniques based on empirical data and current assumptions with a margin for adverse deviation to ensure the overall level of sufficiency at a 75% confidence level is secured.

For the family takaful business, the IBNR is calculated using the Chain Ladder and Expected Loss Ratio methods, the same methods used in prior years. During the year, the appointed actuary has revised the Loss Development Factors ("LDF") downward to align the factors with latest actual experience.

The appointed actuary will continue to closely monitor the LDF assumptions and will consider adopting a more realistic approach when the experience becomes more credible. The management and appointed actuary have reviewed the treatment for case reserves amount in the calculation of IBNR for family takaful products in 2017. The actuary will highlight and update the Board on any significant change to the assumptions used on a quarterly basis.

For general takaful business, the provision for IBNR is estimated using the Chain Ladder, Bornhuetter-Ferguson and Expected Loss Ratio methods.

The Committee acknowledged the methodologies and assumptions used and are satisfied that they are reasonable and in line with the requirements of Risk-Based Capital Framework for Takaful Operators and the Guidelines on Valuation Basis for Liabilities of Family and General Businesses issued by BNM.

2) Valuation of hard to value investments

In measuring the fair value of financial instruments, STMB uses observable market data as far as possible. Fair value are categorised into three different levels of hierarchy based on the input used in the valuation technique as follows:

Level 1 – Financial instruments that are measured in whole or in part by reference to published quotes in an active market.

Level 2 – Financial instruments that are measured using valuation technique based on assumptions supported by prices from observable current market transactions and are instruments for which pricing is obtained from Bond Pricing Agency Malaysia and regulatory agency.

Level 3 – Financial instruments that are measured based on non-market observable inputs.

As at 31 December 2017, STMB carries unquoted Islamic debt securities, and Malaysia Government Islamic Papers which represent 43% and 45% of total assets of the Group and the Company respectively. These unquoted Islamic debt securities and Malaysia Government Islamic Papers are mainly classified as Available for Sale. The up to-date quoted prices of these Islamic debt securities and Malaysia Government Islamic Papers are not readily available because of low trading volume.

STMB adopts Level 2 valuation technique for its unquoted Islamic debt securities and Malaysia Government Islamic Papers of which the pricing is obtained from Bond Pricing Agency Malaysia. This is also consistent with the industry practice.

The Investment Committee as well as the Board receives quarterly reports from the Investment Division, which includes valuation of all financial instruments held by the Company.

3) Reconciliation of cash in bank and bank balances sub-ledger

The Company's bank reconciliation mainly comprises deposits from customers. These deposits remain as reconciling items due to timing of information received from bancatakaful partners for the Company to issue certificates or receipts.

The deposits will be recognised as pipeline contribution and unmatched deposits based on estimation process derived from past trends and subsequent clearance of the reconciling items.

As of 31 December 2017, majority of the reconciling items are aged less than two months and are merely due to timing differences, i.e. pending distribution lists from bancatakaful partners or receipts issued after the year end book closure.

The Committee acknowledged the assumptions used in the estimation process for the recognition of the pipeline contribution and unmatched deposits. The Committee tracks the unmatched deposit balances and is updated by Management on a quarterly basis.

- Reviewed and monitored with the external auditors, the results and progress of the audit for the financial year ended 31 December 2016.
- Reviewed the Statement on Risk Management and Internal Control, Corporate Governance Statement, Audit Committee Report, Management Discussion and Analysis and Sustainability Report for inclusion in the 2016 Annual Report.
- Discussed the re-appointment of external auditors for the financial year ending 31 December 2018, and assessed their sustainability and independence for re-appointment.
- Reviewed the external auditors' scope of work and audit plans for the financial year ended 31 December 2017. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Discussed the audit fees payable to the external auditors.

- Discussed with external auditors any matters that warrant the Board and Shareholders' attention without the presence of the member of the Executive Directors and Management during its meetings held on 23 January 2017 and 28 September 2017.
- Reviewed the Internal Audit Strategic Plan for 2017 and Status of 2016 Annual Audit Plan.
- Reviewed the internal audit reports and special audit reports (i.e. on Finance, Operations, IT, Investment, Crisis Simulation Exercise, Outsourcing Activities, System Disaster Recovery Testings, Anti Money Laundering & Counter Financing of Terrorism Activities, etc) which highlighted the audit issues, recommendations and Management's response thereto. Discussed with Management on actions taken or to be taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- Reviewed follow-up reports by the internal auditors on the status of actions taken by the Management on recommendations suggested in the audit reports.
- Discussed BNM's supervisory letter and the action plans thereto.
- Discussed Revision to Guidelines on Limit of Authority.
- Reviewed follow-up reports by the internal auditors on BNM's examination findings and status of actions taken by the Management on issues raised by BNM.
- Reviewed follow-up reports by the internal auditors on external auditors' findings as set out in the Management letter and status of actions taken by the Management on issues raised by the external auditors.
- Reviewed the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable approved accounting standards.
- Reviewed related party transactions within the Group.
- Reviewed the Investment-Linked Funds Annual Report.
- Verified the Long Term Investment Plan Allocation

SUMMARY OF THE WORK OF THE INTERNAL AUDIT FUNCTION

The Internal Audit Division is independent of the activities or operations of other operating units and reports directly to the Committee. The principal role of the division is to undertake independent regular and systematic reviews of the systems of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The internal audit practices a risk-based approach in its audit plan and examination.

It is the responsibility of the Internal Audit Division to provide the Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

A summary of the work of the Internal Audit Division during the financial year under review are as follows:-

- Executed independent assurance role by performing scheduled reviews on the effectiveness, efficiency and economical of control mechanism to address risks and concerns in the areas of operations, financial, information technology, product development, investment and strategic functions on a risk based audit approach as set out in the Formalised Internal Audit Strategic Plan (FYE 2017).
- Provided reasonable assurance on the extent of compliance with established policies and procedures as well as BNM statutory requirements and other regulatory bodies.
- Rendered advisory services to the Management of the Company and its subsidiaries.
- Recommended improvements to the business processes and enhancement to the existing system of internal controls.

Audit Committee Report

- Conducted follow-up audit on status of actions taken by the Management on recommendations suggested in audit reports of internal auditors, external auditors, BNM examiners, etc.
- Carried out special reviews and investigations as requested by Senior Management and endorsement from the Committee's Chairman.
- Reviewed the state of compliance with BNM Guideline on Product Transparency and Disclosure for Takaful Products.
- Conducted audit on system security, computer hardware, operating and application systems as well as the Information Technology (IT) network of Takaful Malaysia.
- Participated in tender and selection process and other Committees in the capacity of an observer.
- Conducted independent evaluation of the adequacy and effectiveness of the Business Continuity Management (BCM) policy, strategies, procedures and testing of the Disaster Recovery Plan (DRP) and Crisis Simulation Exercise.
- Reviewed and compiled the updates on the Supervisory Concerns prior to submission to BNM.
- Assisted Management in the preparation of the Audit Committee Report, Statement on corporate governance and internal controls as disclosed in the Audited Financial Statements, and Statement on Risk Management and Internal Control as part of the disclosures in the Annual Report.
- Conducted review on Differential Levy Systems Framework for Takaful Operators ("DLST") and Return on Calculation of Levies ("RCL") for Takaful and Insurance Protection System ("TIPS") for Submission to PIDM.
- Conducted validation review on Actuarial Valuation Process.
- Conducted review on Limits of Authority.
- Conducted special reviews on STMB Online Sales Portal Project.
- Conducted special reviews on STMB Integral Project R3 Data Migration to Takaful Integral Group System.
- Conducted operational audit reviews covering Claims, Family Re-takaful, Employee Benefits, Asset and Liability, Bank Reconciliation, Compliance, Broking, Investment and Underwriting processes.
- Conducted review on Takaful myCare Centres (TMCC).
- Conducted compliance review on Anti-Money Laundering and Counter Financing of Terrorism.

Reports from the audit assignments are forwarded to the Management for attention and necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame. The costs incurred in maintaining the Internal Audit function which is performed in-house for the financial year under review was approximately RM1.96 million comprising mainly salaries, travelling and accommodation expenses and subsistence allowance for audit assignments.

Statement on Risk Management and Internal Control

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This statement is made pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad with regard to the Group's compliance with the Principles and Recommendations provisions relating to internal controls as stipulated in the Malaysian Code on Corporate Governance ("the Code").

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the internal control environment and its effectiveness in safeguarding shareholders' interests and Group's assets.

The system of internal control addresses the need for an effective and efficient business operations, sound financial reporting and control procedures, and compliance with relevant laws and regulations. The Board also recognises that review on the Group's system of internal control is a concerted and continuing process, designed to manage and appropriately mitigate the risk of failure in achieving business objectives. Accordingly, the Group's system of internal control provides reasonable assurance against material misstatement or loss. The Group Chief Executive Officer ("GCEO") and Chief Financial Officer have given the assurance to the Board on the adequacy and effectiveness of the Group's risk management and internal control system.

KEY INTERNAL CONTROL PROCESSES

The key internal control processes that the Board has established in reviewing the adequacy and integrity of the system of internal control, including compliance with applicable laws, regulations, rules, directives and guidelines, are as follows:

RISK MANAGEMENT FRAMEWORK

The Board acknowledges the identification and the management of risks involved play an important and integral part in achieving the Group's business objectives and the management of its daily operations.

In pursuing these objectives, the Board has put in place an Enterprise Risk Management ("ERM") framework within the Company to ensure that there is an on-going process of identifying, evaluating, monitoring and managing the significant risk exposures surrounding its business operations. Risk identification is carried out through regular risk reporting by risk owners to the Risk Management Department. The risks identified are then evaluated by both parties and will be escalated to Senior Management and/or the Board, if necessary. The Company has established a risk management process whereby the roles and responsibility of Board Risk Committee ("BRC") is to provide effective oversight on company-wide risks through quarterly BRC meetings.

The Company reviews the Risk Management framework and where necessary, enhancements were made to improve its risk management practices. Operational Loss Incidences reporting based on Bank Negara Malaysia's ("BNM") ORION requirement are reported to BNM, BRC and the Board to act as a gauge on the effectiveness of the ERM in place.

The Company's Risk Appetite Statement provides a decision-making framework for the strategic and operational treatment of risk, which facilitates a risk-aligned strategic planning process. It is intended to help the Company in making forward-looking and well-informed strategic decisions that manages risk prudently and yet remain profitable to its shareholders.

As a risk mitigation measure towards disasters and/or major disruptions, the Company also has a Business Continuity Management ("BCM") Framework. The BCM Manual was developed to facilitate effective response to business disruption and to ensure that the Company is capable of responding to such incidents in an organised and timely manner. Business Continuity Plans are developed and tested for functionality and Disaster Recovery Plans are tested twice a year on the production main server. During the financial year, a business continuity plan was implemented at Head Office, to establish the Company's readiness to maintain critical operations when faced with possible disasters and/or disruptions.

The Internal Capital Adequacy Assessment Process ("ICAAP") policy is consistent with ICAAP for Takaful Operators, including the requirements on the Company's Individual Target Capital Level ("ITCL"). The Company's Capital Adequacy Ratio ("CAR") and Financial Condition Reporting, which includes Stress Testing reporting, are reported on a quarterly and annual basis respectively to the Board, as required under the Risk-Based Capital Framework for Takaful Operators and Financial Condition Reporting Guidelines issued by BNM respectively.

Statement on Risk Management and Internal Control

PARTICIPANT RISK FUND (“PRF”) SURPLUS MANAGEMENT GOVERNANCE FRAMEWORK

The Board has approved the PRF Surplus Management Governance Framework in November 2013 to provide the governance process in managing the participant risk fund surplus position. This Framework forms part of the Company’s corporate governance process to promote prudent management and good risk management practices of takaful risk funds to enhance the funds’ financial resilience and protect the interest of participants.

INTERNAL AUDIT FUNCTION

The Internal Audit Division (“IAD”) assists the Board and Audit Committee in the discharge of their responsibilities. The internal audit function provides assurance on the efficiency and effectiveness of the internal control systems implemented by management. An annual audit plan is developed based on an assessment of risk priorities, exposures, and business strategies of the Company. IAD also investigates incidents of fraud, malpractices and makes necessary recommendation to the Audit Committee to impede recurrence. The implementation of management action plans to address the control lapses noted during the financial period are monitored through follow-up reviews.

The Audit Committee reviews and approves the Annual Audit Plan, reports and findings including the follow-ups of the Internal Auditors. They also review the actions taken on internal control issues identified in reports prepared by External Auditors and Regulatory Bodies during their meetings and consider the impact on the effectiveness and adequacy of the Company’s internal control system.

KEY ELEMENTS OF INTERNAL CONTROL

The key elements of internal control that the Board has established which provide effective internal controls including compliance with applicable laws, regulations and guidelines are as follows:

- **Organisational Structure**

The Group has established a defined organisational structure with lines of responsibility and accountability with a defined delegation of authority of Committees of the Board and Management.

- **Limit of Authorities**

Limit of authorities has been revised and approved by the Board in October 2017.

- **Standard Operating Procedures**

The Standard Operating Procedures that govern the key business processes such as finance, actuarial, human resources, claims, investments and etc. are in place within the organisation.

- **Product Development Framework**

In March 2012, the Company was granted the approval by BNM to adopt “launch-and-file” system for new products. In view of the “launch-and-file” system granted to the Company, the policies and procedures within the Product Development Framework have been reviewed to align with BNM’s supervisory expectations under the Guidelines on Introduction of New Products by Insurers and Takaful Operators.

- **Compliance Function**

The Compliance function reports to the Chief Compliance Officer. Its main function is to provide advisory roles, guidance and support to business units on regulatory and legislative matters. The Compliance function observes new and revision to the regulatory and legislative requirements company-wide by working closely with the relevant business units in ensuring proper implementation of the new and revised requirements.

Monitoring and reviewing activities are conducted to provide assurance on the adequacy and effectiveness of control measures in order to mitigate the risk of non-compliance. The Compliance Framework further defines the responsibilities and provides clear mandate to Compliance function to manage compliance risks via the establishment of internal policies and procedures. On periodic basis, Compliance function identifies compliance risks, breach and non-compliance issues and also monitor remediation efforts which are escalated for appropriate and regular reporting to the senior management and/or the Board.

- **Whistle Blowing Policy and Fraud and Integrity Policy**

The Board has also approved the Whistle Blowing Policy in response to the Whistleblower Protection Act, 2010 as well as Fraud and Integrity Policy in August 2011 which is essential in promoting ethical conduct.

Statement on Risk Management and Internal Control

- **Anti-Money Laundering and Counter Financing of Terrorism Policy ("AML/CFT")**

The AML/CFT policy was established in 2015 with the objective of setting out the following:

- the obligations of the Company with respect to the requirements imposed under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities ("AMLATFPUA") Act 2001 and the BNM guidelines;
- the requirements imposed on the Company in implementing a comprehensive risk-based approach in managing AMLATFPUA risk; and
- the roles of the Board and Management for putting in place the relevant AMLATFPUA measures.

AML/CFT monitoring is established to mitigate AML/CFT risk by adopting a risk-based approach in the following processes:

- Risk Management Functions
- Risk Assessment
- Risk Profiling
- AMLATFPUA Risk Reporting

- **Shariah Governance Framework**

The Shariah Governance framework was revised and approved by the Shariah Advisory Body ("SAB") and the Board on 8 October 2013 and 22 November 2013 respectively. The framework is designed to meet the following objectives:

- To set out the Company's Shariah governance structures and arrangements to ensure that all its operations and business activities are in accordance with Shariah;
- To provide a comprehensive guidance to the Board, SAB and Management in discharging its duties in matters relating to Shariah; and
- To outline the functions relating to Shariah review, Shariah audit, Shariah advisory & research and Shariah risk management processes.

- **Shariah Compliance Manual**

The Shariah Compliance Manual ("SCM") is set up as a compilation of the existing Shariah operational requirements with additional Shariah requirements on business, operations and activities in accordance with the requirements of Islamic Financial Services Act, 2013 ("IFSA") and the latest Bank Negara Malaysia Shariah Advisory Council resolutions. This SCM is designed to meet the following objectives:-

- Sets out the requirement for the Company to adhere to the Shariah principles;
- Provides measures in assisting the Board, SAB and Management in discharging its duties in matters relating to the Shariah; and
- Ensure that all of the Company's operational processes and business activities are in accordance with the Shariah principles.

The Shariah Compliance Manual has been approved by the SAB and the Board on 23 April 2015 and 25 May 2015 respectively.

- **Shariah Risk Management Policy**

Shariah Risk Management Policy is developed to ensure that Shariah non-compliance ("SNC") risks are managed systematically and efficiently to give confidence to our stakeholders, our counterparties and the general public on the credibility of the Company as an Islamic Financial Institution ("IFI"). The Shariah Risk Management Policy shall be part of the Company's ERM Framework. This policy has been revised and duly approved by the SAB on 25 August 2016.

The Shariah Risk Management Policy is designed to meet the following objectives:

- Outline the scope of Shariah Risk Management in the Company's business activities and operations; and
- Define clearly the relationship between SNC risks in the overall risk control environment of ERM Framework.

- **Asset and Liability Management Framework**

The objective is to establish a framework for managing and monitoring the asset-liability risk to enable the Company to respond adequately to the relevant changes in new environment, to identify the opportunities and to avoid the threats, with a view to ensuring stable development and protection of interests of all stakeholders. Various investment limits are set in the Investment Policies to enhance investment controls after considering the Company's solvency position and its risk tolerance. The Investment Policies have been revised and approved by the Board on 27 July 2016.

Statement on Risk Management and Internal Control

- **Takaful Operational Framework**

The Company has established a framework to govern and document the operational models adopted, fund segregation policy of takaful funds, policy on investment strategy and method used for the calculation of investment profit for participant investment fund, policy on recognition of surplus/deficit and its allocation/distribution, policy on deficit rectification mechanism including repayment of qard, management of income from takaful business, and allowable expenses charges to takaful funds.

- **Surplus Management and Distribution Policy**

In managing the takaful funds, takaful operators are expected to manage the interest of various stakeholders without compromising prudence. This policy serves as a guide to the Company in managing the surplus position and surplus distribution to participants and shareholders by providing key principles, considerations and practices to ensure maintenance of fund solvency and financial resilience, and to safeguard the interests of participants and equitable treatment of participants.

The annual distribution of surplus shall be endorsed by the Shariah Advisory Body and Board of Directors.

- **Business/Marketing Plan and Budget Process**

The Group's annual business/marketing plan and budget are submitted to the Board for approval.

- **Financial Reporting**

Management accounts/reports are tabled to the Board for review and discussion. Financial budget and projections are tabled to the Board for approval. The public release of quarterly reports is made after they are reviewed by the Audit Committee and approved by the Board. On-going efforts are in place to address financial control issues or risks, which include strengthening of the financial closing and reconciliation process.

- **Information Technology System**

Information Technology ("IT") Committees

The IT Steering Committee ("ITSC") and IT Project Steering Committee ("IT PSC") are established and chaired by the GCEO to provide leadership and direction in support of IT related activities. ITSC is responsible for authorising major IT expenditures within the approved limits, monitoring approved IT projects, formulating IT policies and IT strategic plans. IT PSC oversees the progress and development of business related IT projects during the financial period.

Data Governance Framework

As prescribed by BNM guidelines, the data governance framework was established in November 2009 and subsequently revised in June 2015. The framework covers processes and related controls over data security and integrity.

CONCLUSION

Although control lapses were identified for certain business processes within the Group, there were no significant control failures or weaknesses that has resulted in material loss that requires disclosure in the Group's annual report for the financial period under review.

Based on the above, the Board is of the view that the system of internal control and risk management is sound and sufficient to safeguard shareholders' investments and the Group's assets.

This statement is made in accordance with the Board of Directors' resolution dated 25 January 2018.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

There were no proceeds raised / utilised by Takaful Malaysia from corporate proposals during the financial year.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and the Group by the Company's external auditors during the financial year were as follows:

	Audit Fees (RM'000)	Non-Audit Fees (RM'000)*
Company	584	228
Group	929	228

* Non-audit fees were mainly in respect of the review of interim financial information for the period ended 30 September 2017.

3. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE WHO IS NOT A DIRECTOR AND MAJOR SHAREHOLDERS

There were no material contracts entered into by Takaful Malaysia and its subsidiary companies involving the interests of the Directors, Chief Executive who is not a Director and major Shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year ended 31 December 2016 except for related parties transactions disclosed in Note 39 to the financial statements.

4. RECURRENT RELATED PARTY TRANSACTIONS

Nature of Transactions	Related Parties Transacted with	Related Parties, their interests and nature of relationships with the Takaful Malaysia Group	Actual Transaction Value from 1 January 2017 to 31 December 2017 (RM'000)
Rental of office premises payable to Takaful Malaysia by Bank Islam Malaysia Berhad (BIMB)	BIMB	BIMB is a 100% owned subsidiary of BHB. Lembaga Tabung Haji (LTH) is a major shareholder of BHB and BHB is a major shareholder of Takaful Malaysia holding an equity interest of 59.72% in the Company as at 31 December 2017. Mohd Tarmidzi Ahmad Nordin and Datuk Rozaida Omar are Directors of BHB and Takaful Malaysia, nominated by BHB and LTH respectively while Dato' Sri Mohamed Hassan Kamil is a Group Chief Executive Officer of Takaful Malaysia, nominated by BHB. Mohd Tarmidzi Ahmad Nordin and Datuk Rozaida Omar do not have any direct or indirect interest in BHB and Takaful Malaysia while Dato' Sri Mohamed Hassan Kamil has a direct equity interest of 0.00001% in the Company as at 31 December 2017 but does not have any direct or indirect interest in BHB.	2,690

Management Discussion & Analysis

In meeting the expectations of our customers whilst delivering superior shareholder value, Takaful Malaysia registered record profit result during the year under review surpassing its target and exceeding the Company's benchmark since its establishment.

Dear Shareholders,

The cyclical recovery of the global economy in 2017 sustained favorable momentum, where it is projected to record an increase of 3.6% and 3.7% in 2017 and 2018 respectively, up from 3.1% in 2016. Growth in emerging markets and developing economies were augmented, by a robust rebound in economic activity in the economies of the more mature countries and a benign and less volatile global financial environment. Globally, equity markets registered gains as financial market sentiment and confidence continued to strengthen.

Despite robust growth in domestic demand, inflation remained subdued in most advanced economies. The declining effects of currency depreciations against the US dollar resulted in moderate core inflation rates across emerging and developing economies. Commodity exporters – fuel in particular – were dampened by the continued sharp step-down in foreign earnings that has required adjustment towards lower revenues. Financial stability risks in many emerging market countries needed close monitoring in light of the financial and structural imbalance conditions.

On the back of the global upswing in economic activity, Malaysia's GDP grew by 5.9% in 2017. The country's GDP growth remained commendable, propelled by the accelerated activity in the manufacturing and services sectors and further supported by increasing domestic and external demand. Private consumption witnessed a strong expansion that was braced by healthy labour market conditions and consistent income growth. The country's exports continued its trajectory of healthy growth thanks to rising global demand, as many economies continued to grow and recover.

2017 KEY ACHIEVEMENTS

- Delivered record net profit that surpassed RM200 million since establishment.
- Embarked on digital strategy and successfully launched our innovative online sales portal, 'Click for Cover'.
- Continued to maintain our position as the market leader in the Family Takaful business.
- Clinched The Edge-BRC 'Highest Returns to Shareholders over Three Years' Gold Award under the Finance Sector for the third time, and the second year in a row.
- Won the 'Best Takaful Company in Malaysia' Award for the fifth consecutive time at the 11th International Takaful Awards 2017.
- Awarded The Edge-BRC 'Highest Return On Equity Over Three Years' Silver Award under the Finance Sector.
- Won HR Asia's 'Best Companies to Work for in Asia 2017' Award for outstanding achievements in people management and a commendable workplace culture.
- Winner of the SHARE/GUIDE ICT Award 2017 in recognition of our contribution and success in implementing digital strategies and initiatives.

In the local Islamic insurance market, Malaysia's Takaful growth continued to outpace the conventional insurance sector, and continued to maintain its position amongst the key drivers of the global Takaful industry. This was mainly attributed to increasing awareness of Takaful products, greater market penetration to the market served by conventional insurance players and riding on the growth of the Islamic banking and finance sector. The Family Takaful industry registered healthy growth in new business. The General Takaful industry recorded a moderate growth rate compared to the flat performance experienced by conventional general insurance industry due to slower sales of motor vehicles and stiff market competition.

DELIVERING PROFITABLE GROWTH IN A COMPETITIVE MARKET

In meeting the expectations of our customers whilst delivering superior shareholder value, Takaful Malaysia registered a record profit result during the year under review, surpassing our own target and exceeding the Company's benchmark since our establishment. The record profit in 2017 added another successful year to the Company's continuous double-digit expansion since 2009. This sterling performance was attributable to higher earnings generated by both the Family and General Takaful businesses, solid performance in our underwriting activities, and higher net Wakalah fee income from robust business growth in the General Takaful portfolio.

We outperformed the industry as a whole, in the face of stiff market competition, the uncertainty of the macroeconomic environment and the emergence of digital disruption from new technologies and business models. A key factor was our innovative digital strategy that revolutionized our business operations, and accelerated our market penetration velocity, which further strengthened our foothold as both the pioneer Islamic insurance company and a leader in the industry.

In the face of a competitive market environment, the Company doubled-down on emphasizing on our four core areas of strength; operational excellence, technology driven capabilities, product innovation and cost competitiveness, and a performance oriented culture. To keep us focused, management remained focused on the following key business objectives as we charted the Company's growth.

- Consistent profit to shareholders through high Returns on Equity
- Stable and adequate investment yield
- Sustainable underwriting profits
- Disciplined expense management
- Sound financial fundamentals with strong capital position

ENDURING COMMENDABLE PERFORMANCE WITH RECORD PROFIT RESULTS

The continued growth of the domestic Islamic finance sector continued to create the conditions for rapid growth in the Islamic insurance industry. The Takaful industry continues to increasingly reach mass markets and greater organic growth as compared to the conventional insurance industry. Takaful Malaysia outperformed the industry as a whole, to record an overall growth rate of 8%, for both the Family Takaful and General Takaful businesses during the financial year under review.

Takaful Malaysia defended its leading position in the Family Takaful business, capturing more than 20% of the overall new business in the market during the financial year under review. Our total new business contribution for Family Takaful business surpassed the target and for the first time since the Company's establishment, hit the RM1 billion threshold, a result that was mainly derived from our credit protection portfolio.

We maintained our strong foothold in the Group Family Takaful business and remained the market leader, by securing RM455 million in gross contributions. The Company continued to penetrate the Employee Benefits segment through the introduction of more value added services, enhancement of our IT solutions, as well as improvements in our risk management and underwriting capability.

On the General Takaful business front, Takaful Malaysia achieved an impressive growth rate of 20% and outperformed many key players in the General Insurance and Takaful sector. We improved our General Takaful portfolio and strengthened our position as the second largest General Takaful Operator with total gross contributions of RM591 million, attributed mainly to higher production coming from the Fire and Motor product lines which was achieved through the successful expansion of our corporate agency and bancatakaful channels.

Our excellent performance marked an important milestone for the Company as we recorded another impressive net profit result, resulting in cumulative compounded annual growth rate (CAGR) of 27% since the start of our Transformation Program in 2009. This remains a clear reflection of our operational strength and ability, especially in a time where the insurance industry as a whole is facing persistent headwinds.

Management Discussion & Analysis

REGISTERING EXCELLENT FINANCIAL PERFORMANCE

Group Performance

The Group's operating revenue for the year under review grew by 6% to RM2.14 billion. Profit before taxation and zakat (PBTZ) increased to RM253.7 million from RM221.0 million in 2016, an increase of 15%. Meanwhile, profit after tax and zakat (PATZ) rose by 18% to RM205.1 million, up from RM174.5 million in the previous financial year.

The total asset size of the Group increased by 6% to RM8.2 billion compared to RM7.8 billion in 2016.

The improved revenue and profit results were largely attributable to higher sales generated by the Family and General Takaful business, better underwriting results and higher net Wakalah fee income arising from our strong business growth.

We sustained our strong financial performance due to our operational excellence, expansion of our distribution channels, and the timely introduction of new and innovative products and services. This helped to further penetrate the market and strengthen our position within the industry.

Company Performance

The Company's PBTZ registered RM255.5 million as compared to RM229.7 million in 2016. Operating revenue rose 8% to RM1.99 billion, up from RM1.84 billion in the previous financial year. Total gross contribution recorded an increase of 8% to RM1.70 billion compared to RM1.58 billion in 2016.

The Company's PATZ witnessed an increase of 14% to RM207.7 million from RM182.9 million in the previous financial year. The improvement of our revenue and profit were mainly attributable to higher earnings generated by the Family Takaful business, better underwriting results, in addition to higher net Wakalah fee income arising from our robust business growth in the General Takaful business.

Review of Subsidiaries

Our Indonesian subsidiaries, namely PT Asuransi Takaful Umum (ATU), PT Asuransi Takaful Keluarga (ATK) and PT Syarikat Takaful Indonesia (STI) continued to be impeded by the 'window concept' of promoting Islamic products by the domestic conventional insurance players.

The contribution from our Indonesian operations to the Group's gross contribution standing at less than 10% of the Group's total operating revenue.

The Takaful industry in Indonesia saw continuing challenges due to volatility in the financial markets, in addition to uncertainty in various political and economic scenarios. Managing financial issues will continue to be a challenge for Takaful operators, particularly on the strategic issues of operational efficiencies, the quality of underwritten business, solvency and capital requirements.

The Group, via its subsidiaries STI and ATK, had entered into share sale agreements in October 2017, with the intent to dispose off its entire equity interest in ATU for a total consideration of RM2,100,000 (Rp7,000,000,000). The disposal was completed during the financial year.

Realizing the vast, untapped potential for Islamic insurance to grow further in Indonesia, we will continue with our efforts to deliver strategic initiatives in growing our Indonesian Family Takaful business (delivered by ATK) and increasing our market share via the bank and retail agency force.

REVIEW OF THE STATEMENT OF FINANCIAL POSITION

Shareholders' Equity

Shareholders' equity increased by RM90.3 million to RM833.5 million as at 31 December 2017, attributed to the increase in distributable retained earnings of RM83.0 million. During the financial year under review, non-distributable equities increased by RM7.6 million largely due to increase in fair value of available-for-sale investments, increase in the revaluation reserve of property and equipment, as well as an increase in Long-Term Incentive Plan reserve for eligible employees of the Company. These upward movements in shareholders equity were offset partly by a total dividend payout of RM123.5 million in 2017.

Total Assets and Total Liabilities

As at 31 December 2017, total assets amounted to RM8.19 billion and total liabilities were RM7.36 billion. Compared to 2016, total assets and total liabilities increased by RM436.9 million and RM346.6 million respectively. The following focuses on the significant balance of assets and liabilities:

I. Cash, Cash Equivalents and Investments

Our cash, cash equivalents and investments, which stands at RM5.78 billion, represents 71% of total assets as at 31 December 2017.

As at 31 December 2017, our cash and cash equivalents (which include cash and bank balances as well as fixed and call deposits with maturity of less than three months) totalled RM921.2 million.

Compared to last year, the value of other investments increased from RM4.49 billion as at 31 December 2016 to RM4.86 billion as at 31 December 2017 with no material change in the overall asset allocation.

II. Loans and Receivables Excluding Takaful Receivables

Loans and receivables excluding Takaful receivables, comprising of financing receivables, fixed and call deposits with licensed financial institutions with more than 3 months maturity, and other receivables, amounted to RM1.31 billion.

III. Takaful Contract Liabilities

As at 31 December 2017, Takaful contract liabilities totaled RM6.71 billion, an increase from RM6.44 billion in 2016. The increase is in line with the Company's business growth.

Capital Expenditures

As at 31 December 2017, we incurred RM2.3 million of capital expenditures. The capital expenditures were mainly for the purchase of software, investments in computer equipment and office renovation.

FORTIFYING OUR BUSINESS PORTFOLIO

The past few years has witnessed the Malaysian Insurance and Takaful industry undergoing a transformation in line with the implementation of key initiatives outlined by the 'Life Insurance and Family Takaful Framework (LIFE Framework)', which was issued on 23 November 2015 by Bank Negara Malaysia (BNM). The framework was aimed at promoting greater product innovations, increased diversification of distribution channels, creating more transparency and enhancing consumer protection. The focus of the industry to increase the insurance penetration rate as guided by various strategic initiatives under the LIFE Framework continued to drive growth and transformed the landscape of the industry.

Given the competitive market environment during the year under review, Takaful Malaysia adjusted its strategy by focusing on the growth of its bancatakaful to intensify overall market penetration. The Company established strategic bancatakaful partnerships with major domestic Islamic banks to expand its Family Takaful portfolio deriving from the credit-related business. Despite the slight decrease of loans growth in 2017, Takaful Malaysia aggressively promoted its Takaful solutions, especially for mortgage and personal financing to the customers of its bank partners via strategic tie-ups. This effective product penetration strategy grew the Company's bancatakaful portfolio by 30% during the year under review.

Another key distribution channel for Takaful Malaysia's credit-related business – that contributed significantly to the outstanding performance of the Company's Family Takaful portfolio – came from our participation as a panel Takaful provider for Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) that provided Mortgage Takaful protection to government servants. Despite the dismissal in April 2017 of Mortgage Takaful protection distribution through agents and other intermediaries, and the granting of permission to conventional insurers to provide mortgage insurance coverage, Takaful Malaysia maintained its top market position through various outreach programs that involved government servants, and also our efforts in rendering ground support to the loan applicants and property developers.

Following the second phase of Motor Detariffication effective July 2017, Takaful Malaysia enhanced its motor product in line with the Company's strategy to further penetrate the auto segment and strengthen its Motor business. The Company introduced an enhanced Motor Takaful product with value-added benefits that offered differentiated Motor contribution rates in accordance with the risk of vehicles and drivers. With the ultimate aim of providing the best price and value to our customers in this new liberalised market, Takaful Malaysia significantly increased its Motor portfolio by 30% in 2017.

On the Medical Takaful segment, Takaful Malaysia conducted a pricing adequacy review for its individual Investment-Linked Medical Takaful product largely necessitated due to the impact of increasing medical costs that rose by more than 15% per annum, over and above the impact of the Goods and Services (GST) tax. The Company therefore made a commercial decision to revise the pricing of the product to ensure that contributions adequately cover expected future medical costs.

Moving on to the Employee Benefits segment, Takaful Malaysia managed to maintain its leading position as well as achieve commendable underwriting results amidst a competitive market environment brought about by aggressive price competition. The Company cautiously accepted business in this segment with a prudent pricing control in place to ensure the sustainability of our Employee Benefits business in the long term. Our competitive and wide product range coupled with strong operational support and a professional sales team played a key role in maintaining the Company's leadership in this segment. On top of that, Takaful Malaysia invested heavily in upgrading its IT systems while enhancing its risk management and underwriting capability, all of which contributed in increasing profitability coming from this business portfolio.

Management Discussion & Analysis

INNOVATING THROUGH DIGITAL TRANSFORMATION

The inevitable advancement of digital technologies in today's world compelled many industry players to incorporate digital capabilities directly into their business models. Creating value through digital transformation and disruptive innovation has become an immediate-term action item to achieve the agility and flexibility needed to stay relevant in the ongoing digital revolution and meet the ever-rising consumer expectations.

In line with the BNM's ongoing initiatives in reaching out to the retail customer segment through direct distribution channel and the Financial Technology (Fintech) Regulatory Sandbox Framework, Takaful Malaysia embarked on our own digital strategy by introducing our online sales portal (OSP), 'Click for Cover'. The OSP provided an integrated multi-channel experience for customers that allow them to sign up for online products and transact directly by utilizing the e-Payment facility, making it easier to navigate with just a single account.

Takaful Malaysia also entered into strategic partnerships with a premier global IT solutions provider and a leading global insurance distribution and consultancy company to carry out aggressive online marketing initiatives to increase exposure and visibility of the OSP to the consumers via social media and mobile platforms. To date, 'Click for Cover' offers two online products, namely Takaful *myClick* Motor and Takaful *myClick* PA. Other online products like medical, critical illness, term and travel PA takaful are scheduled to be offered via the online self-service platform in the near future.

Corresponding to the Government's efforts in promoting a digital economy, the implementation of the OSP compelled a streamlining of Takaful Malaysia's procedures and operational efficiency; to further develop its 'customer centric' value propositions. The OSP not only enabled the Company in delivering value across all dimensions of its business, not limited to sales productivity, underwriting efficiency, and claims efficiency, but also played a key role in keeping the cost of its product offerings at an affordable and competitive price for great consumer benefit.

Takaful Malaysia also embarked on other digital initiatives that included systems integration with its key business partners, online self-service options and a mobile application as part of the Company's holistic digital strategy. Takaful Malaysia's digital transformation in 2017 has elevated the Company to greater heights, allowing it to stay abreast of the rapid pace of digital transformation and positioned to remain competitive in the Takaful industry.

INTRODUCING INNOVATIVE TAKAFUL SOLUTIONS

Realizing the importance of providing a wider portfolio of innovative product mix, Takaful Malaysia remained focused on catering to the diverse needs of a new generation of mobile-empowered consumers that are increasingly looking for protection solutions with a high degree of personalization. As part of its product innovation strategy, the Company introduced new and enhanced takaful products with competitive pricing and service excellence to better serve its customers and business partners.

In accordance with the second phase of liberalisation of the Motor Tariff effective 1 July 2017, Takaful Malaysia offered an enhanced Motor Takaful with the aim to provide the best mix of price and value to its customers in this new liberalised market. We also incorporated new features including complimentary personal accident coverage of RM15,000 each for the driver and all passengers, unlimited breakdown towing services up to 50km under the Tele-Bantuan program, and maintained our 15% Cash Back reward for making no claims during the coverage period.

Through 'Click for Cover', we introduced two new online Motor and Personal Accident products called Takaful *myClick* Motor and Takaful *myClick* PA respectively, as part of the Company's digital strategy. The Takaful *myClick* Motor is a Motor Takaful, which provides our customers a greater savings up to 25% together with complimentary personal accident for the driver and passengers with other value added benefits. The Takaful *myClick* PA is a comprehensive 24/7 Personal Accident coverage that offers affordable, round-the-clock, all-accident coverage, plus double benefits for traffic accidents.

The Company also developed a unique top-up medical plan called Takaful *myClick* MediPlus to augment its leading position in the employee benefits segment. Targeting corporate clients that want to provide an option to their employees to supplement their own existing employee benefits schemes whilst at the same time managing health costs, the product is offered exclusively by invitation only, via the 'Click for Cover' platform.

In order to deliver a differentiated experience of customized services to its corporate clients, Takaful Malaysia specially developed a medical cost and utilisation (C&U) dashboard called Takaful *myClick* C&U. This cutting-edge dashboard presents a dynamic visualization of health services utilization based on health administrative data. It serves as online financial analysis tool that examines the cost and utilization of medical benefits and tracks how much is being spent on healthcare by our corporate clients under its own sponsored health insurance scheme.

Takaful Malaysia also launched a direct term plan called Takaful *myTerm* for walk-in customers to apply directly via any of the Company's service centres nationwide. This product, which is in line with BNM's initiative to diversify the distribution channels for direct channel in providing affordable protection to the public under the liberalization of Life and Family Takaful market provides financial protection against unforeseen events with flexible coverage term to suit the financial circumstances and needs of individual customers.

AUGMENTING INVESTMENT PERFORMANCE

2017 witnessed an improvement in the Company's investment performance supported by higher returns coming from the fixed income instruments such as Sukuk and deposit as well as improving equity market performance. The higher income derived from the fixed income instruments was reflective of the higher asset allocation into these asset classes as part of the investment strategy, focusing on stable and long term recurring investment income in line with the liability profile of the respective funds.

Turning to the Company's equity portfolio, the uptrend of the market provided better opportunities for the portfolio to record better returns compared to the previous financial year. Despite the rebalancing of the equity portfolio to reduce exposure in managing market risk and to allow for a higher allocation in fixed income instruments, specifically the long-term Sukuk for stable and higher recurring income, Takaful Malaysia registered a commendable result. During the financial year under review, FBM KLCI closed the period higher at 1,796.81 with a gain of 9.4%.

On the stock selection front, Takaful Malaysia cautiously focused on the construction, technology, industrial products and utilities stocks apart from investing in stocks that delivered stable earnings growth and decent dividend yields.

Amidst the positive progress, the investment arm of the Company encountered challenges coming from limited room of opportunities to trade in the Sukuk market space as the market continued to expect an increase in interest rate due to the internal and external factors such as higher GDP growth and anticipation of treasury rate hike in the United States. In addition, persistent weak crude oil prices, expected slowdown in China's economy and acceleration of rates normalisation and unwinding of the balance sheet by US Fed remained amongst the external key risks factors that drove volatility in the market.

The Company, in consultation with the Investment Committee, continued to adopt its prudent and vigilant investment strategies to manage all risks and returns efficiently in anticipation of continuing volatility in the financial market. Takaful Malaysia skewed its strategic

asset allocation towards achieving the long-term return while minimizing the volatility and value at risks of the managed portfolios. We reviewed our investment policies to incorporate changes due to the adoption of MFRS 9 in 2018 and enhanced our internal controls apart from preparing for the impending split of our business licenses.

BUILDING LONG-TERM SHAREHOLDER VALUE

At Takaful Malaysia, we aim to consistently create value for our shareholders by delivering steady, high-quality earnings and resilient returns attributable to the Company's ability to grow sales, earnings and cash flow during the year under review. In 2017, we continued to sustain long-term shareholder value by making strategic operational and market decisions, while generating a healthy return on invested capital and making prudent value-driven investments. We improved in profitability to deliver sustainable financial performance and accomplish the expectations of our shareholders.

Taking into account our outstanding performance during the year under review, the Board of Directors:

Declared on 18 December 2017 an interim single tier dividend of 15.0 sen per ordinary share of RM0.20 each amounting to RM123,471,851 in respect of the financial year ended 31 December 2017 which was paid on 19 January 2018.

This translated into a dividend yield of 3.99% based on the Company's share closing market price of RM3.76 as at 31 December 2017. The interim dividend declared in respect of the financial year ended 31 December 2017, represents a payout ratio of approximately 60.2% of the net profits generated for the year ended 31 December 2017.

DISTINGUISHING THE TAKAFUL MALAYSIA BRAND

Recognizing the significance of distinguishing the Company as a market leader and the preferred choice for insurance amongst individuals and corporations, Takaful Malaysia continued to amplify the Company's brand presence. We adopted a holistic digital strategy and utilized social media platforms and other strategic digital advertising channels as a more effective means of differentiating the Company in this increasingly competitive market.

Takaful Malaysia remained aggressive in promoting the Company's unique value proposition that truly set us apart from the rest of the industry players in both takaful and conventional insurance by rewarding our customers with a 15% Cash Back for making no claims during the period of coverage. In 2017, Takaful Malaysia paid out a total of RM21.1 million through its 15% Cash Back privilege to the customers.

Management Discussion & Analysis

TRANSFORMING OUR BUSINESS OPERATIONS

Transforming our business operations through an integrated digital transformation enabled us to achieve the agility and flexibility required to remain competitive in the market. Takaful Malaysia invested significantly in enhancing its technological capability to support the digitization of its business operations. By setting a goal for an enhanced and innovative IT infrastructure, we aligned our business strategies to correspond with industry changes and the evolving demand of the consumers.

Takaful Malaysia in 2017 embarked on four key thrusts in spearheading the digital world of Takaful industry. The Company introduced its online sales portal, 'Click for Cover' to market its online products directly and launched our customer portal for motor renewals and non-financial endorsements. We also developed a mobile application targeting the customers of the corporate employee benefits and developed a medical cost and utilization dashboard, Takaful myClick C&U.

In reaching out to our target market whilst providing excellent customer experience to our valued customers and business partners, we aimed at creating the best digital footprint. The Company enforced a fully integrated digital strategy to ensure streamlined alignment across its processes, technology and people. We strategically partnered with premier global IT solutions providers and embraced social and digital marketing in order to establish a paradigm shift as part of the Company's growth strategy.

We achieved important milestones in streamlining our business operations and processes through the successful implementation of the e-Document (Go Green) module for both the operation and underwriting of our Employee Benefits business that effectively resulted in cost savings. In addition, Takaful Malaysia completed the migration of the software solutions for its Mortgage Reducing Term Takaful (MRTT) and Group products and also enhanced its bancatakaful portal catered for the bank partners by introducing new self-service features to ease the business process management and reduce turn-around-times.

BUILDING A SUSTAINABLE HIGH-PERFORMANCE ORGANIZATION

Focusing on a cost efficient human resource strategy that is augmented by our investment in building a robust culture based on customer-centric values, we continued on our journey to build a sustainable and high-performing organization. We believe strongly that creating the right corporate culture is increasingly critical for sustainable and long-term business growth. We clearly see our agile and resilient people management strategy which we aligned closely with organisational strategy and our goals as the source of our competitive advantage against the economic challenges and competitive pressures in the industry.

When looking at human resource planning, we employed a systematic and integrated approach which ensures that our workforce and culture aligns with business processes so that the Company can meet its own needs, and that of all stakeholders. Part of the efforts included diagnosing our existing culture, identifying strengths we could harness, and risks we need to proactively mitigate. We also agreed on business imperatives that we will accelerate by leveraging on a values-driven culture. During the year under review, management focused on three key people-related priorities; people management, staffing costs and employer branding.

- **People Management**

Recognizing that employees are an organization's primary asset, this priority accentuated three core components – talent management, performance management and staff engagement. We successfully established a comprehensive talent management program for the entire organization and enhanced our Key Performance Indicator (KPI) structure to better suit the Company's vision and mission. We also conducted a series of staff engagement programs to improve the productivity and efficiency of our employees. In general we will respect each other, engage openly, and work together and at the same time we acknowledge the importance of consistently recognising each other's efforts and always backing each other up. Having formally adopted these behaviours, informal networks are now being set up across the organization to bring these behaviours to life.

- **Staffing Costs**

As one of the major expenditures in the Company, staffing costs are always closely monitored. These costs cover four sub-components namely compensation policy, cost analysis, process improvement and health awareness. We emphasized on optimizing our talent pool and maintained our competitive rewards and benefits structure in correspond to the market benchmark. We imposed cost analysis measures to accurately track, monitor and control our employee expenses. The Company also organized its inaugural Health Awareness Programme with the overall aim of inculcating health awareness and positive health behaviour changes amongst the employees.

- **Employer Branding**

As a pioneer in the Islamic insurance industry and a market leader, we assured that our Takaful Malaysia brand identity essentially embedded and be part of our employee value proposition. Under the employer branding priority, we outlined three major initiatives, namely brand magnet, social media and university partnership. In 2017, Takaful Malaysia was chosen as a winner of the HR Asia Best Companies to Work for in Asia Award for our outstanding achievements in

people management and commendable workplace cultures. We revamped our Human Resources website page and tapped into the power of social media platforms for talent acquisition by launching an Instagram account called CareerSTMB to attract potential hires. Takaful Malaysia also entered into a strategic partnership programme with major private and public universities to attract and recruit new talent.

MANAGING OUR MATERIAL ISSUES

The Company remains exposed to the risk of heavy underwriting losses, which ultimately can influence its ability to write new business. Underwriting losses derived from poor underwriting practices or external events will result in higher than expected volume of claims. Apart from practicing prudent underwriting, the Company also ensures retakaful arrangements are in place to limit the impact of such losses.

As a Takaful Operator mainly engaged in the provision of long-term insurance protection, we remain exposed to the risk of duration mismatch between our investment assets and financial obligations. To minimise this, we invest in high quality Sukuk with longer terms to maturity and regularly monitor the mismatch level. We also closely monitor our liquidity position to ensure we are able to meet our financial obligations consistently.

The Company remains exposed to the risk of investment losses arising from volatile market conditions. We manage this risk by establishing and maintaining a conservative asset allocation strategy, cut-loss investment policy and having minimum credit rating requirements in place.

Takaful Malaysia remains exposed to the risk of losses from its operations resulting from inadequate or failed internal processes, people and systems or from external events. As such, the Company has put in place internal controls and risk-mitigation policies that are reviewed regularly so as to minimise the impact of such risks.

The Company also has strong Shariah governance framework to maintain the highest level of compliance with Shariah principles. We adhere to the requirements set by the regulatory body as we are keenly aware and vigilant that non-compliance might result in financial and reputation damage to the Company.

PROSPECTS AND OUTLOOK

Driven by innovation and digital transformation, low penetration rates coupled with improved awareness of takaful products and services, Malaysia's Islamic insurance industry is projected to accelerate growth outpacing the conventional counterpart, underpinned by the expansion in both the Family Takaful and General Takaful segments.

Supported by the industry's strong capital levels and regulatory reforms that will further spur the industry's development, the takaful landscape is poised to further break through the mainstream to achieve growth and build mass coverage in tandem with the sustained growth of Islamic finance in the country. Innovation-driven growth can be expected and digital technology is set to dominate for years to come as corporations continue to fund basic research, reaping major benefits when innovations are commercialized.

Liberalisation of the General Takaful market place due to the detariffication of Motor and Fire Takaful presents both opportunities and threats to the industry players. Hence, embracing the technology through digital transformation and disruptive innovation in meeting the ever-rising consumer expectations will continue to be a priority. In order to remain relevant in the competitive market, embedding digital capabilities deep into business models is considered critical to help Takaful Operators in strengthening their overall business operations.

In addition, major shifts in client demographics, behaviours and requirements, especially with the demand for technology-based services and personalized experience will compel the industry players to further improve on their digital strategies. Takaful Operators will continue to focus on enhancing their online platforms as one of the key distribution channels for General Takaful product offerings.

Guided by the integrated initiatives outlined under the LIFE Framework, the growth percentage of the Family Takaful segment is anticipated to register an increase on the back of the resilient Islamic insurance industry. Given the large untapped market with only 55% of the population having Life Insurance/Family Takaful coverage, there is indeed ample room for the Family Takaful business to grow ever more in Malaysia. The demand for medical and health products is anticipated to depict a commendable increase, particularly due to the increasing customer awareness and escalating medical costs. This scenario will be one of the key drivers of growth for the Family Takaful sector.

The Takaful and insurance industry together with the support of BNM created a milestone with the launch of affordable protection plans under Perlindungan Tenang, a national initiative to serve the needs of all Malaysians. Aimed at enhancing the accessibility and affordability of Takaful and insurance protection among Malaysians, the Perlindungan Tenang initiative is expected to reach out to 8 million working-age Malaysians and over 700,000 micro enterprises that currently need insurance and takaful protection against key risks in life and business. This initiative will help to fulfil the nation's aspiration of reducing the protection gap and insuring 75% of the population by 2020 with insurance and Takaful protection.

Management Discussion & Analysis

On the bancatakaful front, although this business segment is projected to depict a gradual growth in 2018, yet the sustainable growth of the Islamic finance in the country will continue to stimulate the growth in the Takaful industry as finance and takaful services are entwined. BNM is targeting the local Islamic banking sector to chart 40% market share in terms of total banking assets by 2020 which will eventually increase the demand for credit related Takaful products.

Another key development is the gradual removal of commission. For pure protection term, critical illness, medical and health plans, commission limits will be removed in stages by 1 July 2018. Commission limits for Investment-Linked products will be removed from 1 January 2019. Consumers will be given choices to purchase pure protection products through direct/online channels. At the same time Life insurers/Family Takaful operators will be able to develop products with more flexible commission rates by adopting a disciplined remuneration policy to intermediaries to promote professionalism in their service. With greater operational flexibility in managing operating expenses and commission rates, it is expected to see more innovation in products and distribution channels. However, such flexibility will be managed within the objective to ensure customers are given wider choices, proper disclosure, and minimum insurance benefit value to meet the customer's needs, and managed within the risk and capital framework to ensure strong capital position.

In compliance with the Islamic Financial Services Act 2013 that required composite Takaful companies to operate under a single licence with effect from 1 July 2018, mergers and acquisitions activities are likely to take place within the industry. The small industry players may opt to divest in order to steer clear of incurring additional capital and start-up costs as a consequence of the licence splitting. The industry players with greater capital on the other hand may plump for a consolidation by optimizing their capital adequacy to further strengthen their market reach and position in the industry.

Against the backdrop of the potential growth and opportunities that lie ahead for the Takaful industry, the industry players must also take into account of the challenges that can impede the growing industry and find solutions in addressing the relevant issues. Takaful Operators are required to continuously improve their technology capabilities to achieve cost efficiency and productivity. Furthermore, emphasis on target market, sales and distribution in addition to the initiation of new business models for new market niches must be also given priority. Additionally, cultivating internal development with specialized knowledge also plays an important role for a Takaful Operator to achieve growth.

Amidst the competitive and vibrant market environment, Takaful Malaysia is poised to record double-digit growth in 2018 and we are optimistic that the Company's premium income and earnings

will continue to grow with the effective execution of our across-the-board strategies. Takaful Malaysia will employ multi distribution strategies in reaching out for a wider customer base and explore business opportunities with major Islamic financial institutions. The Company will improve its sales strategies with more attractive sales incentives and aggressive efforts in the product innovation and development department.

Takaful Malaysia will continue to prioritize the development of its digital products and services to cater for the changing demands of customers who want better and convenient access to Takaful products. We aim to deliver superior customer experience and provide the finest and innovative product suite to complement the different life stages of our customers by leveraging the technology to offer a differentiated experience, customized products and services and simplified end-to-end engagements.

ACKNOWLEDGEMENTS

With the insurance industry having had a demanding year, it has been with a sense of relief that we have been able to implement our strategic actions to further penetrate the market and continued to maintain our strong foothold in the industry. 2017 was a year of growth, change and transformation for all of us at Takaful Malaysia as we successfully revolutionized our business operations through our digital strategy.

On behalf of the Takaful Malaysia's management, I would like to convey my appreciation to the Board of Directors and Shariah Advisory Body for their valuable guidance. I would also like to thank all employees who made 2017 another great year for us. I am proud of our accomplishments and firmly believe that having talent at all levels will enable us to meet our obligations as an organization to our stakeholders. My sincere gratitude also goes to our valued shareholders and customers for their trust and confidence in Takaful Malaysia.

Let's stay focused on achieving our targets for the year 2018 and challenge the traditional business-as-usual model in the industry to create a better way to serve our customers and take pride as we write the next chapter in the story of Takaful Malaysia.

Dato' Sri Mohamed Hassan Kamil
Group Chief Executive Officer

Corporate Sustainability Statement

Integrating sustainability into our business operations is essential as part of our strategy to generate long term benefits and ensures the continuity of our business in a competitive market. As a pioneer Shariah compliant institution, responsible business practitioner and corporate citizen, we truly understand the advantages of operating our business in providing takaful solutions and risk management expertise to our stakeholders in an economically, environmentally and socially sustainable manner.

Our sustainable business model is aimed at creating long term value and high returns to our valued shareholders. Apart from facilitating the Company in enhancing its risk management, we consider sustainability as vital in improvising our overall productivity and securing capital to grow our business in meeting consumer demands. In fostering a culture of sustainability, we are always at the forefront in exploring innovative ways to manage our operations efficiently with a mindset to minimize our environmental and social impacts whilst incorporating sustainability principles and practices in every key process and decision we take.

This Sustainability Statement showcases Takaful Malaysia's sustainability performance, initiatives and achievements for the financial year 2017. Our sustainability disclosure encompassing the Company's business functions, activities and initiatives carried out across its headquarters and 24 service centres nationwide. Recognizing the importance of embedding sustainability management and considerations in our business strategy to reduce risks and take advantage of business opportunities, we continued to set standards and frameworks and adopt innovative means to sustain and amplify our sustainability efforts.

SUSTAINABILITY STRATEGY

With the aim of generating economic, environmental and social value, we have defined our sustainability strategy skewed towards our key priority in exceeding customer expectations through operational excellence, technology driven capabilities, product innovation and performance oriented culture whilst delivering superior shareholders' value.

Ultimately, we want to be the preferred choice for insurance by providing innovative takaful solutions and risk management expertise towards helping people achieve a brighter and financially more secure future.

GOVERNANCE AND RISK MANAGEMENT

Governance

At Takaful Malaysia, the Board of Directors (the Board) promote good corporate governance in the application of sustainability practices. The Board comprises a number of independent directors to ensure the interests of stakeholders are protected. The Management of

the Company is spearheaded by the Group Chief Executive Officer, who oversees the implementation of the Company's sustainability approach and to ensure smooth functioning of the Company's operations.

As part of the Shariah governance framework of Takaful Malaysia, the Shariah Advisory Body has been established for the purpose of advising the Board and the Management in ensuring the Company's business, affairs and activities comply with Shariah.

For an effective oversight of company-wide activities, the Board has delegated certain responsibilities to the following Board Committees:

- i) Audit Committee
- ii) Nomination & Remuneration Committee
- iii) Board Risk Committee
- iv) Tender Committee
- v) Investment Committee
- vi) Long Term Incentive Plan Committee

Detailed information on corporate governance is set out in the "Corporate Governance Overview Statement" section of the Company's Annual Report.

Corporate Sustainability Statement

Risk Management

The Company's Enterprise Risk Management ("ERM") Framework was developed to realise the value of institutionalised risk management, which encompasses the process of identification, assessment, management and reporting of risks on a consistent and reliable basis. Risk Management and Internal Control, which serve as beacons in the decision-making process, are essential in facilitating a risk-aligned strategic planning process for the Company.

i) Managing Risk

Managing risk is central to the sustainability of Takaful Malaysia's business and delivery of value to shareholders. Takaful Malaysia remains steadfast in continuously refining and improving its risk management framework, systems, and processes to ensure risks are being well managed and monitored throughout the organisation.

The risks identified are managed through the ERM Framework, which sets out the key risk management processes of identifying, evaluating, monitoring and managing the significant risk exposures arising from the business and its operations.

To thrive in an increasingly dynamic and changing business environment, the Company has a Risk Appetite Statement intended to guide and support the Company.

ii) Embedding Risk Culture

Takaful Malaysia's ERM Framework recognizes the importance of building a strong risk awareness culture in order to manage the Company's risks more effectively.

Risk culture starts from the Board and cascades down to Management and finally to employees. The involvement of stakeholders at all stages of the risk management process is important to ensure an effective risk management system. Takaful Malaysia adopts the concept of three levels of defence in risk management.

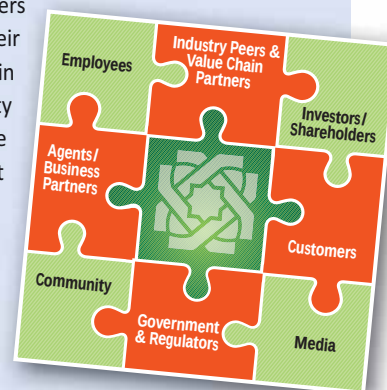
- (a) The first level of defence is the operational level whereby risk is first identified. Risk coordinators and/or Head of Division/Departments are required to assume the responsibility of identifying and managing risks in their respective functions, as well as escalating significant potential risks to Management Risk Committee ("MRC") and Board Risk Committee ("BRC").

- (b) The second level of defence consists of Risk Management Division ("RMD") and MRC (formed by Senior Management). MRC will ensure the alignment of Takaful Malaysia's business practices to the risk management policy, whilst the RMD will assist MRC and BRC in discharging its responsibilities by providing oversight of the effectiveness of risk management.
- (c) The third level of defence is currently performed by the internal audit function. It provides the Audit Committee with an independent assurance on the effectiveness of risk management controls and functions.

Takaful Malaysia strongly believes that employees are the key to its growth, success and sustainability. By conducting training and education in risk management activities, it not only creates awareness but also provides employees with a better understanding of their role in managing risk in their day to day activities.

STAKEHOLDER ENGAGEMENT

Realizing the important role of the diverse range of stakeholders to our business, we continued to engage with our key stakeholders to better understand their needs and expectations in relation to our sustainability performance. In 2017, we interacted with different groups of stakeholders with various levels of interest in the Company to identify our sustainability risks and opportunities.



We engaged with our stakeholders through multiple engagement channels varying the stakeholder group and frequency, including customer service and feedback channels, service centres nationwide, online portals, products and services offered, involvement with charity organizations and CSR activities, fund managers and analyst briefings, annual general meetings as well as engagements with vendors and suppliers. We also interacted with our key stakeholders via investor relations channels, governance and compliance, ongoing industry meetings and interactions, business collaborations, media releases, press conferences and interviews in addition to internal communication channels.

MATERIAL SUSTAINABILITY MATTERS

We embarked on a methodology and process that enabled us in identifying the sustainability matters relevant to our business and stakeholder groups with the aim of achieving sustainable business growth. We imposed guided process in identifying our stakeholders followed by determining the material matters that can be categorized into four themes, namely Responsible Finance, Inclusive Growth, Talent Development and Ethical Practice.

RESPONSIBLE FINANCE

We incorporated environmental, social and governance features into our business strategy and across our operations in order to cultivate a long-term sustainable development of the Company as a leader in the industry. We devised our strategy by adopting technological innovations and pioneering takaful solutions to drive greater value for our stakeholders.



15% Cash Back

In accordance to our sharing practice for Takaful products, we consistently reward our customers with a 15% Cash Back for making no claims during the coverage period. Takaful Malaysia has paid out a total of RM230 million of Cash Back to its customers from 2009 to 2017.



Click for Cover

In light of the rapid growth of technological advancements in the financial industry, we have transformed our business operations by embarking onto an online sales portal with the branding of Click for Cover and introduced cutting-edge online products offered via this online platform. The Click for Cover is an online distribution platform that provides a convenient yet affordable online application process along with delivering superior customer experience, which suits our fast changing digital society. Our customers can now connect and transact directly with Takaful Malaysia via our Click for Cover platform with just a few clicks.

The Click for Cover is featured with a secured payment gateway facility that allows online transactions to participate in online takaful products, contribution payments and other online servicing for a delightful and complete customer experience. To date, we are offering three online products namely Takaful myClick Motor, Takaful myClick PA and Takaful myClick MediPlus. More other online products such as medical, critical illness, term and travel PA takaful will be made available through this highly secured and convenient online self-service platform in the future.

Acknowledgement & Recognition

In recognition of the Company's outstanding results through initiatives that demonstrated leadership, excellent financial results and commitment to service excellence, Takaful Malaysia clinched 'The Edge-BRC Highest Returns To Shareholders Over Three Years' Gold Award for the third time, second year in a row at The Edge-Billion Ringgit Club Corporate Awards 2017. Takaful Malaysia also won 'The Edge-BRC Highest Return On Equity Over Three Years' Silver Award under the Finance Sector.

Takaful Malaysia clinched the 'SHARE/GUIDE ICT Award 2017' after our company's entry on our Online Sales Portal & Digital Project was selected by the Share/Guide's ICT panel of judges as the winner of the award. This award recognizes our company's contribution and success in implementing digital strategies and initiatives that are in line with one of the main objectives of Share/Guide, Malaysia's IT Users Group.



INCLUSIVE GROWTH

We focused on providing innovative takaful solutions and risk management expertise that advance equitable opportunities across different levels of the community.

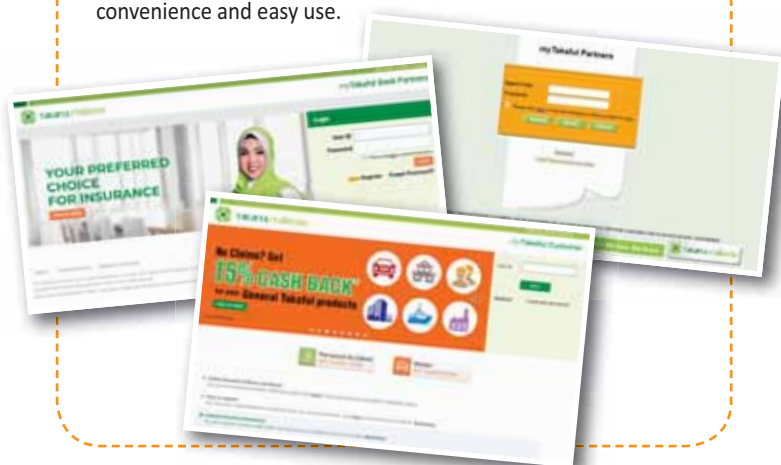
Innovative Takaful Solutions

Our products and services are catered to suit the diverse needs of the consumers, in line with our continuous efforts in delivering the Company's brand promise through promoting financial security and meaningful relationships with our stakeholders. We offer an extensive range of General and Family Takaful products. We provide Employee Benefits protection solutions to address the employee needs ranging from life, medical to hospitalisation protection. Through our strategic bancatakaful partnerships, we offer credit-related takaful solutions to the customers of our bank partners. We also offer mortgage protection takaful to the government servants via Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA).



Online Portals

As part of our digital strategy and ongoing efforts in streamlining our procedures and operational efficiency, we have enhanced the features offered via our dedicated online portals, namely myTakaful Customer, myTakaful Agent and myTakaful Partners catered for our valued customers, agents and bank partners respectively. In order to carry on our commitment to excellent service, we incorporated new functions and simplified the processes to ensure that our online portals are designed for convenience and easy use.



Takaful myClick C&U

We have developed a medical cost and utilization (C&U) dashboard called Takaful myClick C&U focusing on medical management by identifying unnecessary medical procedures and monitoring the quality of care for the benefit of their employees. This cutting edge dashboard presents a dynamic conceptualization of health services utilization based on health administrative data. It serves as an online financial analysis that examines the cost and utilization of medical benefits and tracks how much is spent on healthcare by our corporate clients under our sponsored health Shariah compliant insurance scheme.

Acknowledgement & Recognition

We won the 'Best Takaful Company in Malaysia' award for the fifth consecutive time at the International Takaful Awards 2017. We were recognized for our significant contributions and sterling performance in the industry as a market leader in providing innovative Shariah compliant insurance solutions to the consumers. The International Takaful Awards (ITA) remain the only industry recognition of excellence dedicated to the Takaful Industry. ITA focuses on rewarding Takaful companies that have demonstrated superior quality and have distinguished themselves from their peers.



TALENT DEVELOPMENT

Our human resource strategies are always centring on developing employee capabilities to accomplish higher performance. We streamlined our strategic human resource planning in order to maximize performance levels and competency of our employees. In meeting the needs of our employees and valued stakeholders, we further intensified our integrated human resource management with various initiatives and appropriate systems.

Employer Branding

Takaful Malaysia ventured into partnering with selected public and private universities under its University Partnership Programme to attract the top talent in building their career with the Company. We also organized the STMB Internship and STMB SL1M Programs for university students and young graduates respectively in providing insights of embarking a career in the Takaful industry.



Acknowledgement & Recognition

Takaful Malaysia has been chosen as a winner of the HR Asia Best Companies to Work for in Asia 2017 Award along with 46 selected world class corporations out of 320 participating companies under the Malaysia Edition. We were recognised for our outstanding achievements in people management with high levels of employee engagement and commendable workplace cultures.

Succession Planning

We developed programs for succession planning and talent management that served as a platform for the employees to get the direction and feedback needed to continually develop, improve and succeed.

- **STMB Leadership Development Program**

– The main objective of this program is to equip the participants with emphasis on structured leadership style and customize competencies focus that relates to the organization needs.



- **STMB Talent Awareness Retention Program (S.T.A.R.)**

– This program is focusing on building the next managers with a structured technical and competency development for future leaders.



- **STMB Leadership Intensive Talent Enrichment (L.I.T.E.)**

– As part of our Management Trainee program, this program focuses on enrichment of knowledge and exposure for the potential young leaders to excel in their career path.



- **Clerical Development Program (C.D.P.)**

– This program is focusing on transforming clerical into potential future officers. The program will expose our clerical staff into a bigger career opportunity and grow with the organization.



Takaful Malaysia's Workforce Composition

Number of Employees	955
Average Length of Service	9 years 4 months
Employee Turnover Rate	8%
Gender Diversity	Male = 44% Female = 56%
Age Diversity	Below 35 years = 33% 35 years to 45 years = 50% 45 years to 55 years = 14% 55 years to 60 years = 2% Above 60 years = 1%
Ethnicity Diversity	Malay = 81% Chinese = 15% Indian = 3% Others = 1%
Employment Demographics	Local = 99.8% Foreign = 0.2%
Average hours of training per annum per employee	33 Hours

ETHICAL PRACTICE

At Takaful Malaysia, adopting Shariah values and good ethical practices in conducting our business across all our organizational levels is vital in order to promote sustainability within the business and the society as a whole. By conforming to the ethical practices of the Company, we not only reduce our organizational risks but most importantly create business opportunities.

Good Business Practices

We strive to be known as a dynamic, customer oriented company that offers the best service levels and innovative products with a strong brand and image. In line with our goal to outpace the market and firmly establish as the preferred choice for insurance, we constantly ensure that Shariah values and best practices serve as the core foundation of our business operations and adhered by our employees at all times.

Regulatory Compliance



Board Charter

Our Board of Directors is mindful of the need to protect the interests of the Company's shareholders as well as other stakeholders. The Board is provided with the Board's Terms of Reference, a reference tool for Directors in relation to the Board's role, powers, duties and functions.



Directors' Code of Ethics

Our Directors adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia, which provides guidance for proper standards of conduct and sound and prudent business practices.



Shariah Principles

Takaful Malaysia is a company licensed under the Islamic Financial Services Act 2013 and regulated by Bank Negara Malaysia. As an Islamic insurance company, we are guided by the Shariah Governance Framework.



Personal Data Protection

We comply with the Code of Practice on Personal Data Protection in processing personal data involved in our business transactions to manage personal data wisely and with integrity.



Whistle Blowing

Takaful Malaysia expects the highest standards of integrity from all its employees at all times. The Whistle Blowing Policy provides an avenue for immediate reporting of any misconduct which needs to be brought to the attention of the Management.



Anti-Corruption

100% of our operations were assessed for risks related to corruption during the year under review.



Anti-Money Laundering

Our products and services adhered to Anti-Money Laundering regulatory rules and legislation, procedures and practices. In 2017, 100% of our employees attended the AMLA training.

Caring For The Environment

Managing our operating footprint by fostering responsible environmental protection is integral in reducing the impact of our business operations on our environment. We are committed in taking proactive measures to preserve the environment for future generations whilst meeting the needs of our stakeholders.

Managing Our Environmental Impact



Electricity

Takaful Malaysia has taken proactive steps in minimizing its electricity consumption to conserve energy. All employees are constantly advised to switch off the office lights and other appliances when not in use as part of the measures taken by the Company to reduce the use of energy at work for the long-term benefits. The total annual electricity consumption for the Company in 2017 was 6,415,638 kilowatt hours (kWh), an average of 534,636.5 kWh per month. We have registered a slight decrease of electricity consumption by 5.5% in 2017. We will continue finding new solutions to meet our energy needs that are economical and environmentally sustainable.

Decreased by

5.5%

2016 - 6,787,016 kWh

2017 - 6,415,638 kWh



Water

We make efforts to conserve water resources by using water efficiently as part of our corporate responsibility in water conservation. In 2017, the total volume of water consumption across the Company witnessed a slight decrease by 0.7% from 30,901 megalitres in 2016 to 30,688 megalitres that translated to 26,415 megalitres of water consumption on headquarters and 4,273 megalitres across our service centres. We are committed to reducing water use by undertaking continuous leak detection in pipes and monitoring of water use across our business operations. We will continue to take preventive measures by ensuring pipelines of our water distribution system are consistently checked and maintained.

Decreased by

0.7%

2016 - 30,901 m³

2017 - 30,688 m³



Paper

Our paper use in 2017 witnessed a decrease by 3.8% to 5,907 reams from 6,142 reams consumed in 2016 even though our business volume augmented during the year under review coming from both Family and General Takaful portfolios. At Takaful Malaysia, we are always working towards reducing the total amount of paper required in our daily business by embarking onto a digital strategy, although paper is still considered a relevant consumed material to our business operations. As part of our paper saving initiatives, Takaful Malaysia will also continue to impose a prudent use of paper practice amongst our employees to reduce our paper use through various means, including by sending and receiving documents electronically, double-sided printing and copying as well as implementing the e-Document (Go Green) module. We will continue to purchase paper from suppliers that meet the international standard such as ISO 9001 for Quality Management System, ISO 14001 for Environmental Management System and ISO 9706 for Permanency of Paper.

Decreased by

3.8%

2016 - 6,142 reams

2017 - 5,907 reams

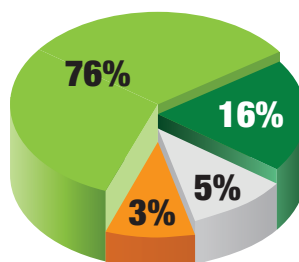
Giving Back To The Community

Fostering goodwill and learning, and building relationships that transcend race, gender and age are what we as a company continue to practice via our corporate citizenship programs. Our active involvement in creating and implementing solutions to social challenges is in response to our stakeholder demands and expectations.

- **Contributing to theSun Cares Fund in Aid of the Flood Victims in Penang** – Takaful Malaysia stepped forward in helping the flood victims in Penang by contributing a sum of RM100,000 through theSunCares fund to help affected families in coping with the tragedy.
- **Lending a Helping Hand to Pusat Tahfiz Darul Quran Ittifaqiyah** – Takaful Malaysia extended a donation amounting RM20,900 from its charity fund to Darul Quran Ittifaqiyah Tahfiz School due to the tragic fire which claimed the lives of twenty-three (23) people.
- **Organizing a Majlis Berbuka Puasa for Children of Teratak Che Dah** – Takaful Malaysia continued to carry out its initiatives by hosting a Majlis Berbuka Puasa with the children of Teratak Che Dah and donated a sum of RM5,000 for the well-being of the home.
- **Spreading Festive Cheer with a Raya Shopping Treat for the Children of Rumah Siraman Kasih** – Takaful Malaysia fulfilled wishes of forty-six (46) children of Rumah Siraman Kasih by treating the less fortunate children to a Raya shopping spree and donated a sum of RM5,000 for the well-being of the home.
- **Ramadan Get-Together with the Children of Home of Hope Al-Khaadem** – Takaful Malaysia organized a Majlis Berbuka Puasa with the children of Home of Hope Al-Khaadem and conducted ibadah programs such as the Al-Quran recital, tazkirah and terawih prayers at the residence.
- **Donating a New Hearse to Surau At-Taqwa, PPR Jalan Jelatek** – Takaful Malaysia donated a new hearse to Surau At-Taqwa, PPR Jalan Jelatek to benefit the Muslim residents within the neighborhood in facilitating funeral services during the loss of their loved ones.
- **Serving the Community** – Takaful Malaysia donated a total of RM317,081 via its charity fund in the form of contributions to various recipients including education centres, charitable organizations and communities.



Distribution of Takaful Malaysia's Charity Fund



Group of Recipients

- NGOs
- Educational Institutions
- Individuals
- Corporations

Total Contribution: **RM317,081**

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Directors' Report

for the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The Company is principally engaged in managing family and general takaful businesses, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	206,699	207,668
Non-controlling interests	(1,626)	-
	<u>205,073</u>	<u>207,668</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company:

- paid an interim single tier dividend of 12.00 sen per ordinary share totalling RM98,513,263 in respect of the financial year ended 31 December 2016 on 20 January 2017; and
- declared an interim single tier dividend of 15.00 sen per ordinary share totalling RM123,471,851 in respect of the financial year ended 31 December 2017 on 18 December 2017 which was paid on 19 January 2018.

No final dividend is recommended to be paid for the year under review by the Directors.

Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak

Dato' Othman Abdullah

Datuk Rozaida Omar

Datin Sri Azlin Arshad

Mahadzir Azizan

Zakaria Ismail

Mohd Tarmidzi Ahmad Nordin

Dato' Sri Mohamed Hassan Kamil

(Ceased as Group Managing Director and redesignated as Group Chief Executive Officer after the conclusion of 32nd Annual General Meeting on 25 April 2017)

In accordance with Article 62 of the Company's Articles of Association, Mahadzir Azizan and Zakaria Ismail will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

List of Directors of subsidiaries

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follow:

Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak
Dato' Sri Mohamed Hassan Kamil
Mahadzir Azizan
Muhammed Zaffarullah Sathar
Mohamad Harris
Tri Djoko Santoso

Directors' interests in shares

None of the Directors holding office at 31 December 2017 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

Issue of shares and debentures

During the financial year, the Company allotted and issued 2,201,815 new ordinary shares, pursuant to the Company's Performance Share Plan under the Long Term Incentive Plan.

The new ordinary shares issued during the financial year ended 31 December 2017 rank pari passu in all respects with the existing ordinary shares of the Company.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Long Term Incentive Plan

At the Extraordinary General Meeting held on 24 July 2013, the Company's shareholders approved the establishment of a Long Term Incentive Plan (LTIP), which comprises a Restricted Share Plan (RSP) and a Performance Share Plan (PSP), of not more than 10% of issued and paid-up share capital of the Company (excluding treasury shares) to eligible employees and the executive director of the Company. The LTIP was effected on 25 July 2013 following the submission of the By-Laws for the LTIP to Bursa Malaysia Securities Berhad, the receipt of all required approvals and the compliance with the requirements pertaining to the LTIP.

The salient features of the LTIP are as disclosed in Note 14 to the financial statements.

As at the date of this Report, the shares granted under LTIP are as follow:

	At 1 January 2017	Number of ordinary shares			At 31 December 2017
		Granted	Exercised	Forfeited	
Performance Share Plan	6,176,200	3,207,915	(2,201,815)	(795,300)	6,387,000

Options granted over unissued shares

Other than for LTIP, no options were granted to any person to take up unissued shares of the Company during the financial year.

Directors' Report for the year ended 31 December 2017

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which has the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the LTIP.

Indemnity and insurance costs

During the financial year, the total amount of indemnity given to, or insurance effected for Director and officer of the Company is RM55,638.

To the extent permitted by law, the Company has agreed to indemnify its auditors as part of the terms of its non-audit engagement against claims by third parties arising from the non-audit engagement. No payment has been made to indemnify the auditors during the financial year.

Statement on corporate governance and internal controls

(a) Board responsibilities

The Board of Directors (the Board) is ultimately responsible for the proper stewardship of the Group's and Company's resources, the achievement of corporate objectives and good corporate citizenship and discharges this responsibility through compliance with the Islamic Financial Services Act 2013 and Bank Negara Malaysia's (BNM) Guidelines on Corporate Governance and other directives, in addition to adopting other best practices on corporate governance.

The Board currently comprises seven Non-Executive Directors to enable a balanced and objective consideration of issues, hence facilitating optimal decision making. The Group Chief Executive Officer adds value to the decision making process by providing a management and operational perspective to issues placed before the Board.

(b) Management accountability

The Group and the Company have an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees.

Authority limits, as approved by the Board, are clearly established and made available to all employees.

(c) Corporate independence

The Group and the Company have complied with BNM's Guidelines on Related Party Transactions for Takaful Operators (BNM/RH/GL 004-7). Necessary disclosures have been made to the Board and when required, prior Board's approval has been obtained. All material related party transactions have been disclosed in Note 39 to the financial statements.

(d) Internal controls and operational risk management

The Board has overall oversight responsibility to ensure that the Group and the Company maintain an adequate system of internal controls, effective and efficient operations, and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Group and the Company and stakeholders' interests.

The Company established the Enterprise Risk Management Framework to ensure an ongoing process of identifying, evaluating, monitoring and managing the significant risk exposures surrounding its business strategies and operations.

Statement on corporate governance and internal controls (continued)**(d) Internal controls and operational risk management (continued)**

All new Takaful products are governed by the Company's Product Development Framework.

Whistle Blowing Policy & Fraud and Integrity Policy, Shariah Governance Framework and Assets and Liabilities Management Framework are also in place to provide basic structure and further strengthen the existing control mechanism underlying the business activities.

Business Continuity Management is consistently practiced and tested twice a year (BCP test is once a year and DRP test is twice a year) to safeguard the lives of the employees and others in the office premises and ensure the business is up and running at all times.

The Board, Group Chief Executive Officer and Management Committee are consciously committed to the risk culture and ensure Board Risk Committee perform as required.

(e) Public accountability

As custodian of public funds, the Group's and the Company's dealings with the public are always conducted fairly, honestly and professionally.

(f) Financial reporting

The Group and the Company have maintained proper accounting records and the Group's and the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards (MFRS) issued by the Malaysian Accounting Standards Board (MASB), International Financial Reporting Standards (IFRS), the requirements of the Companies Act 2016, the Islamic Financial Services Act 2013 and Takaful Guidelines / Circulars issued by BNM and Principles of Shariah.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known impaired debts have been written off and adequate impairment allowance made for impaired debts,
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise, and
- iii) there was adequate provision for incurred claims, including Incurred But Not Reported (IBNR) claims.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for impaired debts or the amount of the allowance for impaired debts and provision for incurred claims including IBNR claims of the Group and of the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report
for the year ended 31 December 2017

Other statutory information (continued)

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent and other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Group and of the Company.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Auditors

The auditors, Messrs KPMG Desa Megat PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 26 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak

.....
Mahadzir Azizan

Kuala Lumpur

Date: 25 January 2018

Shariah Advisory Body's Report

بسم الله الرحمن الرحيم
الحمد لله رب العالمين والصلاة والسلام على أشرف الأنبياء والمرسلين
سيدنا محمد وعلى آله وأصحابه أجمعين

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the products introduced by Syarikat Takaful Malaysia Berhad ("Takaful Malaysia") during the period ended 31 December 2017. We have also conducted our review to form an opinion as to whether Takaful Malaysia has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of Takaful Malaysia is responsible for ensuring that Takaful Malaysia conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Takaful Malaysia, and to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, relevant transactions, documentation and procedures adopted by Takaful Malaysia. We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Takaful Malaysia has not violated the Shariah principles.

In our opinion:

1. the contracts and related documentation used by Takaful Malaysia during the year ended 31 December 2017 that we have reviewed are in compliance with the Shariah principles;
2. the allocation of profit between shareholders' fund and participants' investment funds conform to the basis that had been approved by us in accordance with Shariah principles;
3. the calculation of zakat is in compliance with Shariah principles;
4. all Shariah non-compliance incidences have been rectified according to the plans that were approved by us and the Board of Directors. The incidences were duly reported to Bank Negara Malaysia (BNM) in accordance with the Shariah non-compliance reporting requirements imposed by BNM; and
5. all earnings that have been realized from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable purposes.

Shariah Advisory Body's Report

We, the members of the Shariah Advisory Body of Takaful Malaysia, do hereby confirm that the operations of Takaful Malaysia for the year ended 31 December 2017 have been conducted in conformity with the Shariah principles.

We bear witness only to what we know, and we could not well guard against the unseen! (Translation of surah Yusuf, verse: 81)

Chairman of the SAB :

Prof. Dr. Muhamad Rahimi Osman

Member of the SAB :

Dato' Wan Mohamad Dato' Sheikh Abdul Aziz

Kuala Lumpur

Date: 25 January 2018

Statements of Financial Position

as at 31 December 2017

<-----> Group									
		2017				2016			
	Note	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
ASSETS									
Property and equipment	3	39,639	-	-	273,156	46,556	-	-	274,792
Investment properties	4	11,403	233,305	24,940	36,131	11,135	227,751	24,310	34,960
Intangible assets	5	47,832	-	-	47,832	43,947	-	-	43,947
Other investments	7	577,477	3,910,047	412,829	4,861,657	461,176	3,626,617	436,250	4,487,027
Retakaful assets	8	-	211,459	294,137	505,596	-	167,566	300,925	468,491
Deferred tax assets	9	31,202	-	-	31,202	25,852	-	-	25,852
Current tax assets		32,024	-	-	32,024	5,992	-	-	5,992
Loans and receivables, excluding takaful receivables	10	339,043	927,584	116,839	1,313,705	325,674	913,778	137,063	1,305,302
Takaful receivables	11	-	77,441	94,676	172,117	-	124,034	45,674	169,708
Cash and cash equivalents	12	205,265	594,175	121,740	921,180	197,663	579,349	164,597	941,609
TOTAL ASSETS		1,283,885	5,954,011	1,065,161	8,194,600	1,117,995	5,639,095	1,108,819	7,757,680
EQUITY AND LIABILITIES									
Share capital	13	179,371	-	-	179,371	164,189	-	-	164,189
Reserves	13	639,337	-	-	639,337	563,937	-	-	563,937
Total equity attributable to owners of the Company		818,708	-	-	818,708	728,126	-	-	728,126
Non-controlling interests		14,746	-	-	14,746	15,017	-	-	15,017
TOTAL EQUITY		833,454	-	-	833,454	743,143	-	-	743,143
LIABILITIES									
Takaful contract liabilities	15	-	5,811,342	936,866	6,709,512	-	5,511,899	961,403	6,436,286
Expense reserves	16	196,655	-	-	196,655	159,310	-	-	159,310
Takaful payables	17	18,280	27,701	61,002	106,983	15,422	12,252	55,737	83,411
Other payables	18	233,202	100,983	64,551	328,975	197,798	114,944	91,679	333,208
Current tax liabilities		2,294	13,985	2,742	19,021	2,322	-	-	2,322
TOTAL LIABILITIES		450,431	5,954,011	1,065,161	7,361,146	374,852	5,639,095	1,108,819	7,014,537
TOTAL EQUITY AND LIABILITIES		1,283,885	5,954,011	1,065,161	8,194,600	1,117,995	5,639,095	1,108,819	7,757,680

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Financial Position
as at 31 December 2017

<----- Company ----->									
		2017			2016				
	Note	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Company RM'000
ASSETS									
Property and equipment	3	22,513	-	-	240,553	27,445	-	-	238,790
Investment properties	4	11,275	217,370	24,940	35,545	11,000	210,360	24,310	34,325
Intangible assets	5	47,832	-	-	47,832	43,947	-	-	43,947
Investments in subsidiaries	6	49,376	-	-	49,376	49,376	-	-	49,376
Other investments	7	551,960	3,678,264	412,829	4,604,357	427,281	3,382,468	430,906	4,203,639
Retakaful assets	8	-	190,090	294,137	484,227	-	151,509	296,794	448,303
Deferred tax assets	9	29,504	-	-	29,504	23,422	-	-	23,422
Current tax assets		32,024	-	-	32,024	5,992	-	-	5,992
Loans and receivables, excluding takaful receivables	10	335,081	916,902	116,839	1,299,102	318,682	905,867	135,710	1,289,102
Takaful receivables	11	-	72,969	94,676	167,645	-	121,247	44,144	165,391
Cash and cash equivalents	12	177,121	444,794	121,740	743,655	174,236	400,784	143,709	718,729
TOTAL ASSETS		1,256,686	5,520,389	1,065,161	7,733,820	1,081,381	5,172,235	1,075,573	7,221,016
EQUITY AND LIABILITIES									
Share capital	13	179,371	-	-	179,371	164,189	-	-	164,189
Reserves	13	639,038	-	-	639,038	557,007	-	-	557,007
Total equity attributable to owners of the Company		818,409	-	-	818,409	721,196	-	-	721,196
LIABILITIES									
Takaful contract liabilities	15	-	5,383,000	936,866	6,281,170	-	5,049,648	933,500	5,946,132
Expense reserves	16	191,808	-	-	191,808	153,858	-	-	153,858
Takaful payables	17	17,167	25,302	61,002	103,471	15,422	11,079	55,296	81,797
Other payables	18	229,302	98,102	64,551	322,235	190,905	111,508	86,777	318,033
Current tax liabilities		-	13,985	2,742	16,727	-	-	-	-
TOTAL LIABILITIES		438,277	5,520,389	1,065,161	6,915,411	360,185	5,172,235	1,075,573	6,499,820
TOTAL EQUITY AND LIABILITIES		1,256,686	5,520,389	1,065,161	7,733,820	1,081,381	5,172,235	1,075,573	7,221,016

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Note	Group							
		2017				2016			
		Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Operating revenue	19	39,272	1,488,225	616,678	2,139,160	31,623	1,440,851	546,255	2,013,253
Takaful operator income		711,024	-	-	-	648,008	-	-	-
Gross earned contributions	20(i)	-	1,264,496	554,244	1,818,938	-	1,229,446	498,631	1,728,481
Contributions ceded to retakaful	20(ii)	-	(56,178)	(241,398)	(297,576)	-	(47,965)	(194,207)	(242,172)
Net earned contributions	20(iii)	-	1,208,318	312,846	1,521,362	-	1,181,481	304,424	1,486,309
Administrative income		-	6,018	74,847	80,865	-	2,178	54,405	56,583
Investment income	21	39,272	241,969	29,334	305,362	31,623	225,346	29,604	280,693
Realised gains and (losses)	22	1,665	19,165	2,247	23,077	(562)	(205)	(2,114)	(2,881)
Fair value gains and (losses)	23	1,246	(2,328)	630	(7,472)	2,742	15,435	143	15,756
Other operating income	24	13,531	2,345	165	4,047	14,299	1,047	821	6,352
Other income		55,714	267,169	107,223	405,879	48,102	243,801	82,859	356,503
Gross benefits and claims paid	25	-	(763,320)	(248,319)	(1,005,307)	-	(833,235)	(300,309)	(1,127,519)
Claims ceded to retakaful	25	-	55,347	108,649	163,996	-	76,604	168,158	244,762
Gross change to contract liabilities	25	-	26,781	7,830	34,611	-	8,079	151,381	159,460
Change to contract liabilities ceded to retakaful	25	-	8,662	(14,125)	(5,463)	-	(13,925)	(129,056)	(142,981)
Net benefits and claims	25	-	(672,530)	(145,965)	(812,163)	-	(762,477)	(109,826)	(866,278)
Wakalah fee expense		-	(366,587)	(263,445)	-	-	(329,237)	(229,678)	-
Administrative fees		(146,154)	(68)	-	(146,222)	(138,970)	-	-	(138,970)
Expense reserves	16	(37,897)	-	-	(37,897)	(16,676)	-	-	(16,676)
Management expenses	26	(312,931)	-	-	(313,634)	(301,672)	-	-	(301,246)
Other operating expenses	28	(14,693)	(10,667)	(5,043)	(25,463)	(17,248)	(14,565)	(4,671)	(33,410)
Other expenses		(511,675)	(377,322)	(268,488)	(523,216)	(474,566)	(343,802)	(234,349)	(490,302)
Total profit for the year		255,063	425,635	5,616	591,862	221,544	319,003	43,108	486,232
Profit attributable to the Takaful Operator / participants		-	(425,635)	(5,616)	(338,209)	-	(319,003)	(43,108)	(265,254)
Profit before zakat and taxation		255,063	-	-	253,653	221,544	-	-	220,978
Zakat		(1,075)	-	-	(1,075)	(346)	-	-	(346)
Tax expense	29	(47,843)	-	-	(47,505)	(46,304)	-	-	(46,168)
Profit for the year		206,145	-	-	205,073	174,894	-	-	174,464

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

<----- Group ----->								
Note	2017				2016			
	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Profit for the year	206,145	-	-	205,073	174,894	-	-	174,464
Other comprehensive income / (expense), net of tax								
Items that will not be reclassified subsequently to profit or loss								
Remeasurement of defined benefit liability	(315)	-	-	(315)	1,968	-	-	1,968
Revaluation of property and equipment	3,322	-	-	16,445	3,318	-	-	11,512
Other comprehensive income attributable to participants	-	-	-	(12,051)	-	-	-	(7,764)
	3,007	-	-	4,079	5,286	-	-	5,716
Items that may be reclassified subsequently to profit or loss								
Fair value change of available-for-sale financial assets	5,822	23,667	3,549	5,822	2,513	14,082	2,912	2,513
Foreign currency translation differences for foreign operations	(8,518)	1,411	-	(8,518)	3,601	(1,423)	786	3,601
Other comprehensive income attributable to participants	-	(25,078)	(3,549)	-	-	(12,659)	(3,698)	-
	(2,696)	-	-	(2,696)	6,114	-	-	6,114
Total other comprehensive income for the year	30 311	-	-	1,383	11,400	-	-	11,830
Total comprehensive income for the year	206,456	-	-	206,456	186,294	-	-	186,294
Profit / (Loss) for the year attributable to:								
Owners of the Company	207,771	-	-	206,699	176,712	-	-	176,282
Non-controlling interests	(1,626)	-	-	(1,626)	(1,818)	-	-	(1,818)
	206,145	-	-	205,073	174,894	-	-	174,464
Total comprehensive income / (expense) for the year attributable to:								
Owners of the Company	206,727	-	-	206,727	191,327	-	-	191,327
Non-controlling interests	(271)	-	-	(271)	(5,033)	-	-	(5,033)
	206,456	-	-	206,456	186,294	-	-	186,294
Basic earnings per ordinary share (sen)	31			25.13				21.52
Diluted earnings per ordinary share (sen)	31			25.04				21.43

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

<----- Company ----->									
		2017				2016			
	Note	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Company RM'000
Operating revenue	19	36,689	1,340,249	619,314	1,991,293	29,301	1,293,091	522,138	1,839,267
Takaful operator income		679,962	-	-	-	594,383	-	-	-
Gross earned contributions	20(i)	-	1,133,942	552,383	1,686,168	-	1,096,422	473,152	1,569,435
Contributions ceded to retakaful	20(ii)	-	(41,465)	(239,898)	(281,363)	-	(34,697)	(189,209)	(223,906)
Net earned contributions	20(iii)	-	1,092,477	312,485	1,404,805	-	1,061,725	283,943	1,345,529
Administrative income		-	3,795	74,861	78,656	-	146	53,930	54,076
Investment income	21	36,689	226,188	28,321	286,396	29,301	211,563	28,320	264,060
Realised gains and (losses)	22	1,452	17,909	2,247	21,608	(2,585)	(4,183)	(2,101)	(8,869)
Fair value gains and (losses)	23	275	12,046	630	6,256	70	(2,161)	143	(3,892)
Other operating income	24	6,591	2,050	95	2,460	15,178	823	743	10,482
Other income		45,007	261,988	106,154	395,376	41,964	206,188	81,035	315,857
Gross benefits and claims paid	25	-	(668,523)	(242,291)	(907,478)	-	(741,149)	(290,034)	(1,028,168)
Claims ceded to retakaful	25	-	44,176	107,564	151,740	-	65,376	165,176	230,552
Gross change to contract liabilities	25	-	27,915	4,441	32,356	-	7,774	144,746	152,520
Change to contract liabilities ceded to retakaful	25	-	7,728	(13,158)	(5,430)	-	(13,748)	(124,766)	(138,514)
Net benefits and claims	25	-	(588,704)	(143,444)	(728,812)	-	(681,747)	(104,878)	(783,610)
Wakalah fee expense		-	(337,452)	(265,182)	-	-	(298,457)	(218,165)	-
Administrative fees		(131,018)	(68)	-	(131,086)	(118,251)	-	-	(118,251)
Expense reserves	16	(37,950)	-	-	(37,950)	(16,353)	-	-	(16,353)
Management expenses	26	(287,236)	-	-	(285,161)	(260,428)	-	-	(258,222)
Other operating expenses	28	(11,833)	(8,520)	(3,025)	(20,807)	(11,065)	(14,077)	(2,658)	(24,726)
Other expenses		(468,037)	(346,040)	(268,207)	(475,004)	(406,097)	(312,534)	(220,823)	(417,552)
Total profit for the year		256,932	419,721	6,988	596,365	230,250	273,632	39,277	460,224
Profit attributable to the Takaful Operator / participants		-	(419,721)	(6,988)	(340,843)	-	(273,632)	(39,277)	(230,540)
Profit before zakat and taxation		256,932	-	-	255,522	230,250	-	-	229,684
Zakat		(1,000)	-	-	(1,000)	(300)	-	-	(300)
Tax expense	29	(47,192)	-	-	(46,854)	(46,667)	-	-	(46,531)
Profit for the year		208,740	-	-	207,668	183,283	-	-	182,853

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

<----- Company ----->								
Note	2017				2016			
	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Company RM'000
Profit for the year	208,740	-	-	207,668	183,283	-	-	182,853
Other comprehensive income / (expense), net of tax								
Items that will not be reclassified subsequently to profit or loss								
Revaluation of property and equipment	10	-	-	9,620	40	-	-	5,078
Other comprehensive income attributable to participants	-	-	-	(8,538)	-	-	-	(4,608)
	10	-	-	1,082	40	-	-	470
Items that may be reclassified subsequently to profit or loss								
Fair value change of available- for-sale financial assets	4,608	20,969	3,549	4,608	2,223	9,432	2,635	2,223
Other comprehensive income attributable to participants	-	(20,969)	(3,549)	-	-	(9,432)	(2,635)	-
	4,608	-	-	4,608	2,223	-	-	2,223
Total other comprehensive (expense) / income for the year	30	4,618	-	5,690	2,263	-	-	2,693
Total comprehensive income for the year		213,358	-	213,358	185,546	-	-	185,546
Profit for the year attributable to:								
Owners of the Company		208,740	-	207,668	183,283	-	-	182,853
Total comprehensive income for the year attributable to:								
Owners of the Company		213,358	-	213,358	185,546	-	-	185,546

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2017

		<-----Attributable to owners of the Company----->									
		<-----Non - distributable----->					Distributable				
Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	LTIP reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016		163,167	6,793	(6,349)	9,920	505	7,641	507,042	688,719	20,050	708,769
Remeasurement of defined benefit liability	30	-	-	-	-	-	-	1,354	1,354	614	1,968
Revaluation of property and equipment	30	-	-	-	2,306	-	-	-	2,306	1,442	3,748
Fair value of available-for-sale financial assets	30	-	-	-	-	1,858	-	-	1,858	655	2,513
Foreign currency translation differences for foreign operations	30	-	-	9,527	-	-	-	-	9,527	(5,926)	3,601
Other comprehensive income / (expense) for the year	30	-	-	9,527	2,306	1,858	-	1,354	15,045	(3,215)	11,830
Profit for the year		-	-	-	-	-	-	176,282	176,282	(1,818)	174,464
Total comprehensive income / (expense) for the year		-	-	9,527	2,306	1,858	-	177,636	191,327	(5,033)	186,294
Contributions by and distributions to owners of the Company											
- LTIP exercised	14	1,022	5,539	-	-	-	(6,561)	-	-	-	-
- Share-based payment transactions	14	-	-	-	-	-	6,558	-	6,558	-	6,558
- Dividends to owners of the Company	32	-	-	-	-	-	-	(158,478)	(158,478)	-	(158,478)
Total transactions with owners of the Company		1,022	5,539	-	-	-	(3)	(158,478)	(151,920)	-	(151,920)
At 31 December 2016		164,189	12,332	3,178	12,226	2,363	7,638	526,200	728,126	15,017	743,143
		Note 13	Note 13	Note 13	Note 13	Note 13	Note 13				

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2017

		<----- Attributable to owners of the Company ----->									
		<----- Non - distributable ----->				> Distributable				Non-	
Group	Note	Share capital	Share premium	Translation reserve	Revaluation reserve	Fair value reserve	LTIP reserve	Retained earnings	Total	controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017		164,189	12,332	3,178	12,226	2,363	7,638	526,200	728,126	15,017	743,143
Remeasurement of defined benefit liability	30	-	-	-	-	-	-	(235)	(235)	(80)	(315)
Revaluation of property and equipment	30	-	-	-	2,937	-	-	-	2,937	1,457	4,394
Fair value of available-for-sale financial assets	30	-	-	-	-	5,330	-	-	5,330	492	5,822
Foreign currency translation differences for foreign operations	30	-	-	(8,004)	-	-	-	-	(8,004)	(514)	(8,518)
Other comprehensive (expense) / income for the year		-	-	(8,004)	2,937	5,330	-	(235)	28	1,355	1,383
Profit for the year		-	-	-	-	-	-	206,699	206,699	(1,626)	205,073
Total comprehensive (expense) / income for the year		-	-	(8,004)	2,937	5,330	-	206,464	206,727	(271)	206,456
Contributions by and distributions to owners of the Company											
- LTIP exercised	14	2,850	-	-	-	-	(2,850)	-	-	-	-
- Share-based payment transactions	14	-	-	-	-	-	7,327	-	7,327	-	7,327
- Dividends to owners of the Company	32	-	-	-	-	-	-	(123,472)	(123,472)	-	(123,472)
Total transactions with owners of the Company		2,850	-	-	-	-	4,477	(123,472)	(116,145)	-	(116,145)
Transfer in accordance with Section 618(2) of the Companies Act 2016		13	12,332	(12,332)	-	-	-	-	-	-	-
At 31 December 2017		179,371	-	(4,826)	15,163	7,693	12,115	609,192	818,708	14,746	833,454
		Note 13	Note 13	Note 13	Note 13	Note 13	Note 13				

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 December 2017

		<----- Attributable to owners of the Company ----->						
		<----- Non - distributable ----->				Distributable		
Company	Note	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	LTIP reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016		163,167	6,793	1,502	1,392	7,641	507,075	687,570
Revaluation of property and equipment	30	-	-	470	-	-	-	470
Fair value of available-for-sale financial assets	30	-	-	-	2,223	-	-	2,223
Other comprehensive income for the year	30	-	-	470	2,223	-	-	2,693
Profit for the year		-	-	-	-	-	182,853	182,853
Total comprehensive income for the year		-	-	470	2,223	-	182,853	185,546
<i>Contributions by and distributions to owners of the Company</i>								
- LTIP exercised	14	1,022	5,539	-	-	(6,561)	-	-
- Share-based payment transactions	14	-	-	-	-	6,558	-	6,558
- Dividends to owners of the Company	32	-	-	-	-	-	(158,478)	(158,478)
Total transactions with owners of the Company		1,022	5,539	-	-	(3)	(158,478)	(151,920)
At 31 December 2016 / 1 January 2017		164,189	12,332	1,972	3,615	7,638	531,450	721,196
Revaluation of property and equipment	30	-	-	1,082	-	-	-	1,082
Fair value of available-for-sale financial assets	30	-	-	-	4,608	-	-	4,608
Other comprehensive income for the year	30	-	-	1,082	4,608	-	-	5,690
Profit for the year		-	-	-	-	-	207,668	207,668
Total comprehensive income for the year		-	-	1,082	4,608	-	207,668	213,358
<i>Contributions by and distributions to owners of the Company</i>								
- LTIP exercised	14	2,850	-	-	-	(2,850)	-	-
- Share-based payment transactions	14	-	-	-	-	7,327	-	7,327
- Dividends to owners of the Company	32	-	-	-	-	-	(123,472)	(123,472)
Total transactions with owners of the Company		2,850	-	-	-	4,477	(123,472)	(116,145)
Transfer in accordance with Section 618(2) of the Companies Act 2016	13	12,332	(12,332)	-	-	-	-	-
At 31 December 2017		179,371	-	3,054	8,223	12,115	615,646	818,409
		Note 13	Note 13	Note 13	Note 13	Note 13	Note 13	

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and taxation	253,653	220,978	255,522	229,684
Adjustments for:				
Amortisation of intangible assets	13,115	12,264	13,115	12,264
Depreciation	17,221	16,610	10,515	10,898
Equity settled share-based payment	7,327	6,558	7,327	6,558
Fair value change of investment properties	(1,236)	(300)	(1,220)	(220)
Fair value change of fair value through profit or loss financial assets	8,708	(15,456)	(5,036)	4,112
Profit from financing receivables	(3,552)	(12)	(3,552)	(12)
Profit from Islamic debt securities, investment accounts and Islamic accepted bills	(279,807)	(250,386)	(260,981)	(233,931)
Dividend income from Shariah approved shares	(16,018)	(23,724)	(15,583)	(23,417)
(Gains) / Loss on disposal of available-for-sale financial assets	(23,135)	2,997	(21,603)	8,905
Loss / (Gains) on disposal of property and equipment	58	(116)	(5)	(36)
Loss on disposal of a subsidiary	2,396	-	-	-
Write-off of property and equipment	1	73	1	-
Amortisation of premiums, net of accretion of discounts	7,875	7,436	7,875	7,544
Impairment loss of financial assets	8,092	15,511	7,593	15,511
Writeback of impairment loss of investment in a subsidiary	-	-	-	(5,834)
Profit from Malaysian Government Islamic papers	(10,667)	(11,420)	(10,667)	(11,420)
Operating (loss) / profit before changes in working capital	(15,969)	(18,987)	(16,699)	20,606
Profit from Islamic debt securities, investment accounts, Islamic accepted bills and profit from Malaysian Government Islamic papers	279,535	261,806	260,709	245,351
Dividend income from Shariah approved shares	16,018	12,939	15,583	15,946
Purchase of investments	(2,392,588)	(2,269,146)	(1,588,366)	(1,540,758)
Proceeds from sale of investments	1,906,300	2,421,044	1,137,755	1,617,735
Maturity of other investments	119,362	70,036	100,904	48,545
(Increase) / Decrease in retakaful assets	(41,010)	235,486	(35,924)	235,362
Increase in receivables	(14,396)	(266,111)	(8,702)	(275,565)
Increase / (Decrease) in Takaful contract liabilities	316,715	(9,164)	320,389	(35,612)
Increase in payables	37,691	46,327	38,168	53,087
	211,658	484,230	223,817	384,697
Zakat paid	(300)	(280)	(300)	(125)
Income taxes paid	(81,092)	(39,207)	(80,761)	(39,207)
Net cash generated from operating activities	130,266	444,743	142,756	345,365

The notes on pages 80 to 267 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of intangible assets	(17,000)	-	(17,000)	-
Purchase of property and equipment	(3,004)	(6,137)	(2,325)	(5,740)
Proceeds from sale of property and equipment	59	305	9	113
Net outflow from disposal of a subsidiary	(11,029)	-	-	-
Net cash generated used in investing activities	(30,974)	(5,832)	(19,316)	(5,627)
Cash flows from financing activities				
Distributions from a subsidiary	-	-	-	5,834
Dividends paid to owners of the Company	(98,514)	(59,964)	(98,514)	(59,964)
Net cash used in financing activities	(98,514)	(59,964)	(98,514)	(54,130)
Net increase in cash and cash equivalents	778	378,947	24,926	285,608
Effect of exchange rate fluctuations on cash held	(21,207)	15,348	-	-
Cash and cash equivalents at 1 January	941,609	547,314	718,729	433,121
Cash and cash equivalents at 31 December	921,180	941,609	743,655	718,729

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances and fixed and call deposits with licensed financial institutions with maturity less than three months				
- Takaful Operator (Note 12)	205,265	197,663	177,121	174,236
- Family Takaful Fund (Note 12)	594,175	579,349	444,794	400,784
- General Takaful Fund (Note 12)	121,740	164,597	121,740	143,709
	921,180	941,609	743,655	718,729

The notes on pages 80 to 267 are an integral part of these financial statements.

Notes to the Financial Statements

Syarikat Takaful Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

26th Floor, Annexe Block
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
50000 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

The Company is principally engaged in managing family and general takaful businesses, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The immediate holding company during the financial year is BIMB Holdings Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding corporation of the Company during the financial year is Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535).

The financial statements were authorised for issue by the Board of Directors on 25 January 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards, the Companies Act 2016, Islamic Financial Services Act 2013, Takaful Guidelines / Circulars issued by Bank Negara Malaysia (BNM) and Principles of Shariah.

A Takaful Operator is required to present consolidated financial statements for itself and the Takaful funds it manages and controls in accordance with the requirements of MFRS 10, Consolidated Financial Statements. 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 Company-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.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1 and Amendments to MFRS 128 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 128 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2021.

MFRS 9, Financial Instruments

MFRS 9, *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, Financial Instruments (continued)

Classification of financial assets under MFRS 9

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held-to-maturity, loans and receivables and available for sale.

The Group and the Company anticipate changes to the financial statements in the areas of classification and measurements for financial assets, as follows:

- Financial assets held for trading are expected to be continued to be measured at financial assets at FVTPL under MFRS 9;
- Investments in debt securities classified as held to maturity under MFRS 139 are expected to be classified as financial asset measured at amortised cost under MFRS 9;
- The debt securities categorised as available-for-sale under MFRS139 are held by the Group to provide profit income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these debt securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. These assets have therefore are expected to be classified as financial assets at FVOCI under MFRS 9.
- The debt instruments that failed to meet the "solely payments of principal and interest" (SPPI) requirement for amortised cost classification under IFRS9 are expected to be classified as FVTPL under MFRS 9;
- Investment in equity instruments that are currently classified as AFS and measured at cost due to absent of quoted market price are expected to be classified and measured at FVTPL; and
- Takaful receivables, financing and other receivables classified as loans and receivables under MFRS 139 are expected to be classified as financial asset measured at amortised cost under MFRS 9.

Impairment of financial assets under MFRS 9

MFRS 9 replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for Takaful receivables and other receivables.

The Group and the Company does not expect that the allowance for impairment on financial assets to have material impact as compared to the balance as at 31 December 2017.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

Classification of financial liability under MFRS 9

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group and the Company has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group and the Company's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

Transition upon the adoption of MFRS 9

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below.

- i) The Group and Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.
- ii) The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

MFRS 16, *Leases*

MFRS 16 replaces existing leases guidance, including MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply MFRS 15 at or before the date of initial application of MFRS 16.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payment. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

In addition, the nature of expenses related to those leases will now change as MFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group and the Company are currently assessing the financial impact of adopting MFRS 16.

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, Insurance Contracts

MFRS 17 was issued by MASB in August 2017. The standard will replace the existing MFRS 4 and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. The Group is currently assessing the financial impact of adopting MFRS 17.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS which requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(g) and Note 4 – Investment properties
- Note 2(c) and Note 36 – Financial instruments
- Note 2(o) and Note 16 – Computation of expense reserves
- Note 2(m), (n), Note 8 and Note 15 – Provision for outstanding claims including IBNR claims and actuarial liabilities

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

2. Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) *Business combinations*

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net asset at the acquisition date.

Transaction costs, other than those associated with the issue of Islamic debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) *Acquisition of non-controlling interests*

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) *Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) *Non-controlling interests*

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivables from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (FCTR) in equity.

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations denominated in functional currencies other than RM and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) *Initial recognition and measurement*

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) *Financial instrument categories and subsequent measurement*

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Held-to-maturity investments*

Held-to-maturity investments category comprises Islamic debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) *Loans and receivables*

Loans and receivables category comprises Islamic debt instruments that are not quoted in an active market (including fixed deposits with financial institutions with maturities more than 3 months).

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and Islamic debt securities instruments that are not held for trading nor held to maturity.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Profit income calculated for an Islamic debt instrument using the effective interest method is recognised in profit or loss.

(e) *Takaful receivables*

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) *Financial instrument categories and subsequent measurement (continued)*

Financial assets (continued)

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i) and (ii)).

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) *Regular way purchase or sale of financial assets*

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) *Derecognition*

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of ownership of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Summary of significant accounting policies (continued)**(d) Property and equipment****(i) Recognition and measurement**

The land and buildings are stated at cost / valuation less any accumulated depreciation and any accumulated impairment losses. Items of equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company revalue their land and buildings annually and at shorter intervals whenever the fair values of the revalued assets are expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

An external independent valuation company, having the appropriate recognised professional qualifications, values the Group's land and buildings on an annual basis. The revalued amounts are based on market value, being the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of any previous surpluses recognised for the same property. In all other cases, a decrease in carrying amount is charged to profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "realised gains and losses" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(d) Property and equipment (continued)

(iii) Depreciation (continued)

The annual depreciation rates for the current and comparative periods are as follows:

Buildings	2.0%
Motor vehicles	20.0%
Office equipment, furniture, fixtures and fittings	16.7% - 33.3%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of profit on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's or the Company's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Summary of significant accounting policies (continued)

(f) Intangible assets

(i) Intangible assets

Intangible assets, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised from the date that they are available for use. Amortisation is based on cost of an assets less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life for the current and comparative periods are as follows:

Bancatakaful service fees	5 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Investment property

(i) Investment property carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassifications to / from investment property carried at fair value

When an item of property and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(g) Investment property (*continued*)

(iii) *Determination of fair value*

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's and the Company's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

(h) Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) *Financial assets, excluding takaful receivables*

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding takaful receivables where the policy is set out in Note 2(i)(ii) below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

2. Summary of significant accounting policies (continued)

(i) Impairment (continued)

(i) *Financial assets, excluding takaful receivables (continued)*

If, in a subsequent period, the fair value of an Islamic debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) *Takaful receivables*

If there is objective evidence that the takaful receivable is impaired, the Group and the Company reduce the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. The Group and the Company gather the objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for those financial assets. These processes are described in Note 2(i)(i).

(iii) *Other assets*

The carrying amounts of other assets (except for deferred tax asset and investment property measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro-rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a reduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's and the Company's contribution to the statutory pension fund is charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

2. Summary of significant accounting policies (continued)**(k) Employee benefits (continued)****(iii) Defined benefit plans (continued)**

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using Monte Carlo Simulation. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected dividends, and the risk-free profit rate (based on government Islamic debt securities). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) General Takaful Fund

The General Takaful Fund is maintained in accordance with the Islamic Financial Services Act 2013. Included in General Takaful Fund are funds arising from:

- General Takaful; and
- General retakaful.

The General Takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions, claims incurred and administrative fees.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(m) General Takaful Fund (continued)

Contribution income

Contributions are recognised in a financial period in respect of risks assumed during that particular financial period based on the inception date. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

Unearned contribution reserves

The Unearned Contribution Reserves (UCR) represent the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the end of the reporting period, the method that most accurately reflects the actual unearned contributions is used, as follows:

- a) 1/365th method for all General Takaful business.
- b) 1/8th method for all classes of General Treaty Inward Retakaful business.

Provision for outstanding claims

A liability for outstanding claims is recognised in respect of direct takaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries, if any, to settle the present obligation at the end of the reporting period. Any difference between the current estimated cost and subsequent settlement is dealt with in the takaful statement of profit or loss and other comprehensive income of the Group and of the Company in the year in which the settlement takes place.

Provision is also made for the cost of claims (together with related expenses) and Incurred But Not Reported Claims (IBNR) at the end of the reporting period, using a mathematical method of estimation by a qualified actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claims settlement pattern as well as uncertainties in the projection model and underlying assumptions.

(n) Family Takaful Fund

Included in Family Takaful Fund are funds arising from:

- Family Takaful;
- Group Family Takaful; and
- Family retakaful.

The Family Takaful Fund is maintained in accordance with the requirements of the Islamic Financial Services Act 2013 and includes the amounts attributable to participants which represents the participants' share of the underwriting surplus and return on the investments, where applicable and are distributable in accordance with the terms and conditions prescribed by the Group and the Company.

The surplus transfer from the Family Takaful Fund to profit or loss is based on the pre-determined profit sharing ratio of the underwriting surplus and return on investments.

Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

2. Summary of significant accounting policies (continued)

(n) Family Takaful Fund (continued)

Investment-linked business

Investments of the investment-linked business are stated at closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business revenue accounts.

Actuarial reserves

Actuarial reserves comprise the Prospective Actuarial Valuation, Cash Flow Projection Valuation and Unearned Contribution Valuation as explained below:

(i) *Prospective Actuarial Valuation*

For credit-related products, the liabilities of Family Takaful Fund shall be valued based on the sum of present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate as defined in the valuation guidelines.

For a credit-related takaful certificate whose sustainability of tabarru' deductions is dependent on the performance of the Participants Investment Fund (PIF), the calculation is subject to adjusting the future gross tabarru' cash flow such that it is limited to the period where the PIF can sustain the tabarru' and assuming that the takaful coverage is in force for the full duration of the takaful contract.

(ii) *Cash Flow Projection Valuation*

For products with PIF other than credit-related products, the liabilities shall be valued by projecting future cash flows to ensure that all future obligations can be met without recourse to additional finance or capital support at any future time during the duration of the certificate. The cash flow projection shall use a basis that is consistent with the requirements of the valuation guidelines.

(iii) *Unearned Contribution Valuation*

Yearly renewable products or extensions shall be valued according to the following:

- (a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date. These future payments shall include allowance for direct claims related expenses, direct investment-related expenses, cost of retakaful and expected future contribution refunds expected during the unexpired period.
- (b) For a certificate covering contingencies other than death or survival, the net liability is the maximum of unexpired risk reserve or unearned contribution reserve.

Provision for outstanding claims

Claims and provisions for claims arising on family and group family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a family takaful certificate are recognised as follows:

- a) Maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(n) Family Takaful Fund (continued)

Provision for outstanding claims (continued)

- b) Death, surrender and other benefits without due dates are treated as claims payable on the date of receipts of intimation of death of the participant or occurrence of contingency covered.
- c) For individual family, group health and medical business, provision is made for the cost of claims (together with related expenses) and IBNR at the end of the reporting period, using a mathematical method of estimation by a qualified internal actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claim settlement pattern as well as uncertainties in the projection model and underlying assumptions.

(o) Expense reserves

The expense reserves is reported as a liability in Takaful Operator's Fund.

(i) General Takaful Fund

The expense reserve for mudharabah certificates is calculated based on best estimate of the provision for unexpired expense risk (UER) and the provision for risk margin for adverse deviation (PRAD). The expense reserve for wakalah certificates refers to the higher of aggregate of the Unearned Wakalah Fee (UWF) for all lines of business or best estimate of the provision for UER and the PRAD at total fund level.

(ii) Family Takaful Fund

Expense reserves consists of the following:

(a) Expense liabilities

The method used to value expense liabilities shall be consistent with the method used to value takaful liabilities of the corresponding family takaful certificate (for example, for a long-term ordinary takaful certificate, the valuation method for expense liabilities should also be long-term in nature).

(b) Deficiency Reserve for Skim Anuiti Takaful KWSP

In addition to the expense liabilities above, an additional requirement is also complied as stipulated below:

If Participant Investment Fund (PIF) is expected to be insufficient to meet future annuity certain benefit and / or future life annuity tabarru', another provision shall be set aside that is in line with requirement of the valuation guideline. Upon PIF insufficiency, the Operator's Fund shall honour the annuity certain benefit payment to participants as well as the tabarru' to PRF.

(p) Product classification

The Family Takaful Fund and General Takaful Fund consist of certificate contracts that transfer takaful risk.

Takaful contracts are those contracts that transfer significant takaful risk. A takaful contract is a contract under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate the participants if a specified uncertain future event (the takaful event) adversely affects the participants. As a general guideline, to determine whether a contract has significant takaful risk, benefits paid are compared with benefits payable if the takaful event did not occur.

2. Summary of significant accounting policies (continued)

(p) Product classification (continued)

Investment contracts are those contracts that do not transfer significant insurance risk. There are no contracts that are classified as investment contracts in the Family and General Takaful Funds.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its life-time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Takaful contracts in the current portfolio are classified as being without discretionary participation features (DPF) as it does not satisfy the criteria for DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and / or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the company, fund or other entity that issues the contract.

(q) Retakaful

The funds cede takaful risk in the normal course of business. Retakaful assets represent balances receivable and recoverable from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's certificates and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Family and General Takaful Fund may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Family and General Takaful Fund will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

Gains or losses on buying retakaful, if any, are recognised in profit or loss immediately at the date of purchase and are not amortised.

The funds also assume retakaful risk in the normal course of business for Family Takaful and General Takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the retakaful operators. Investment income on these contracts is accounted for using the effective yield method when accrued.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

(r) Other revenue recognition

(i) *Financing income*

Income from financing is recognised on an accrual basis, except where financing is considered impaired, i.e. where repayments are in arrears for more than 90 days, in which case recognition of such income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

Income is recognised on a time proportion basis that takes into account the effective yield of the asset.

(ii) *Wakalah fees*

Wakalah fees are recognised as income or expenses by the respective funds based on a predetermined percentage of gross contributions upon inception of certificates. Wakalah surplus / (deficit) is arrived at after deducting commission and management expenses against the Wakalah fees charged.

(iii) *Rental income*

Rental is recognised on an accrual basis except where default in payment of rent has already occurred and rent dues remain outstanding for over 90 days, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

(iv) *Dividend income*

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(s) Zakat

This represents tithes payable by the Group and the Company to comply with the Principles of Shariah and as approved by the Shariah Advisory Body. Zakat is computed at 2.5% of zakat base of the Company, which is computed using the "Adjusted Growth method" as approved by the Shariah Advisory Body. The zakat computation is reviewed by the Shariah Advisory Body. The Board has the discretion to pay additional zakat above the obligatory amount payable.

(t) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Summary of significant accounting policies (continued)

(u) Operating lease payments

The Group recognises its Ijarah financing obligations as operating leases. Lease payments under the operating lease are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(x) Fair value measurements

Fair value of an asset or a liability, except for share-based payments and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements

3. Property and equipment

Group Takaful Operator

Cost / Valuation	Freehold		Leasehold		Motor vehicles	Office equipment, furniture, fixtures and fittings	Total
	Land RM'000	Buildings RM'000	Land RM'000	Buildings RM'000		RM'000	
At 1 January 2016	980	520	12,942	3,118	1,263	137,558	156,381
Additions	-	-	-	-	231	5,570	5,801
Disposals	-	-	-	-	(551)	(1,143)	(1,694)
Write-offs	-	-	-	-	-	(5,086)	(5,086)
Revaluation	30	-	649	104	-	-	783
Effect of movement in exchange rates	-	-	1,005	237	53	760	2,055
At 31 December 2016 / 1 January 2017	1,010	520	14,596	3,459	996	137,659	158,240
Additions	-	-	-	241	-	2,763	3,004
Disposals	-	-	-	-	(306)	(203)	(509)
Write-offs	-	-	-	-	-	(2)	(2)
Revaluation	-	-	531	(315)	-	-	216
Disposal of a subsidiary	-	-	(70)	-	(100)	(2,151)	(2,321)
Effect of movement in exchange rates	-	-	(1,519)	(347)	(54)	(633)	(2,553)
At 31 December 2017	1,010	520	13,538	3,038	536	137,433	156,075

Notes to the Financial Statements

3. Property and equipment (continued)

Group Takaful Operator

Accumulated depreciation and impairment loss	Note	Freehold		Leasehold		Motor vehicles	Office equipment, furniture, fixtures and fittings	Total
		Land RM'000	Buildings RM'000	Land RM'000	Buildings RM'000		RM'000	
At 1 January 2016								
Accumulated depreciation		-	-	-	-	643	108,327	108,970
Accumulated impairment loss		-	-	-	186	-	-	186
Depreciation for the year	26	-	-	-	186	643	108,327	109,156
Disposals		-	10	2,100	425	178	8,131	10,844
Write-offs		-	-	-	-	(376)	(1,129)	(1,505)
Adjustment for revaluation		-	-	-	-	-	(5,013)	(5,013)
Effect of movement in exchange rates		-	(10)	(2,100)	(425)	-	-	(2,535)
At 31 December 2016 / 1 January 2017								
Accumulated depreciation		-	-	-	-	469	111,015	111,484
Accumulated impairment loss		-	-	-	200	-	-	200
Depreciation for the year	26	-	-	-	200	469	111,015	111,684
Disposals		-	10	2,647	517	108	7,497	10,779
Write-offs		-	-	-	-	(193)	(199)	(392)
Adjustment for revaluation		-	-	-	-	-	(1)	(1)
Disposal of a subsidiary		-	(10)	(2,641)	(517)	-	-	(3,168)
Effect of movement in exchange rates		-	-	(5)	-	(90)	(1,792)	(1,887)
At 31 December 2017								
Accumulated depreciation		-	-	-	16	269	115,989	116,274
Accumulated impairment loss		-	-	-	162	-	-	162
Carrying amounts								
At 1 January 2016		980	520	12,942	2,932	620	29,231	47,225
At 31 December 2016 / 1 January 2017		1,010	520	14,596	3,259	527	26,644	46,556
At 31 December 2017		1,010	520	13,538	2,860	267	21,444	39,639

Notes to the Financial Statements

3. Property and equipment (continued)

Group

Cost / Valuation	Note	Freehold		Leasehold		Motor vehicles	Office equipment, furniture, fixtures and fittings	Total
		Land	Buildings	Land	Buildings		RM'000	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016		55,384	135,788	34,624	16,933	1,263	137,558	381,550
Additions		-	336	-	-	231	5,570	6,137
Disposals		-	-	-	-	(551)	(1,143)	(1,694)
Write-offs		-	-	-	-	-	(5,086)	(5,086)
Revaluation		2,080	(286)	1,611	(58)	-	-	3,347
Effect of movement in exchange rates		-	-	1,967	450	53	760	3,230
At 31 December 2016 / 1 January 2017		57,464	135,838	38,202	17,325	996	137,659	387,484
Additions		-	-	-	241	-	2,763	3,004
Disposals		-	-	-	-	(306)	(203)	(509)
Write-offs		-	-	-	-	-	(2)	(2)
Revaluation		13,205	(6,920)	1,454	(503)	-	-	7,236
Disposal of a subsidiary		-	-	(70)	-	(100)	(2,151)	(2,321)
Effect of movement in exchange rates		-	-	(2,966)	(655)	(54)	(633)	(4,308)
At 31 December 2017		70,669	128,918	36,620	16,408	536	137,433	390,584

Notes to the Financial Statements

3. Property and equipment (continued)

Group

Accumulated depreciation and impairment loss	Note	Freehold		Leasehold		Motor vehicles	Office equipment, furniture, fixtures and fittings	Total
		Land RM'000	Buildings RM'000	Land RM'000	Buildings RM'000		RM'000	
At 1 January 2016		-	-	-	-	643	108,327	108,970
Accumulated depreciation		199	28	202	753	-	-	1,182
Accumulated impairment loss								
		199	28	202	753	643	108,327	110,152
Charge for the year	26	-	2,715	4,393	1,193	178	8,131	16,610
Disposals		-	-	-	-	(376)	(1,129)	(1,505)
Write-offs		-	-	-	-	-	(5,013)	(5,013)
Adjustment for revaluation		-	(2,715)	(4,393)	(1,193)	-	-	(8,301)
Effect of movement in exchange rates		-	-	-	26	24	699	749
At 31 December 2016 / 1 January 2017		-	-	-	-	469	111,015	111,484
Accumulated depreciation		199	28	202	779	-	-	1,208
Accumulated impairment loss								
		199	28	202	779	469	111,015	112,692
Charge for the year	26	-	2,716	5,507	1,393	108	7,497	17,221
Disposals		-	-	-	-	(193)	(199)	(392)
Write-offs		-	-	-	-	-	(1)	(1)
Adjustment for revaluation		-	(2,716)	(5,501)	(1,393)	-	-	(9,610)
Disposal of a subsidiary		-	-	(5)	-	(90)	(1,792)	(1,887)
Effect of movement in exchange rates		-	-	(1)	(38)	(25)	(531)	(595)
At 31 December 2017		-	-	-	-	269	115,989	116,258
Accumulated depreciation		199	28	202	741	-	-	1,170
Accumulated impairment loss								
		199	28	202	741	269	115,989	117,428
Carrying amounts								
At 1 January 2016		55,185	135,760	34,422	16,180	620	29,231	271,398
At 31 December 2016 / 1 January 2017		57,265	135,810	38,000	16,546	527	26,644	274,792
At 31 December 2017		70,470	128,890	36,418	15,667	267	21,444	273,156

Notes to the Financial Statements

3. Property and equipment (continued)

Company Takaful Operator

Cost / Valuation	Note	Freehold		Leasehold		Motor vehicles	Office equipment, furniture, fixtures and fittings	Total
		Land RM'000	Buildings RM'000	Land RM'000	Buildings RM'000		RM'000	
At 1 January 2016		980	520	-	-	253	126,689	128,442
Additions		-	-	-	-	117	5,287	5,404
Disposals		-	-	-	-	(174)	(283)	(457)
Revaluation		30	-	-	-	-	-	30
At 31 December 2016 / 1 January 2017		1,010	520	-	-	196	131,693	133,419
Additions		-	-	-	-	-	2,325	2,325
Disposals		-	-	-	-	-	(80)	(80)
Revaluation		-	-	-	-	-	(2)	(2)
At 31 December 2017		1,010	520	-	-	196	133,936	135,662
Accumulated depreciation								
At 1 January 2016		-	-	-	-	144	98,552	98,696
Charge for the year	26	-	10	-	-	44	7,614	7,668
Disposals		-	-	-	-	(99)	(281)	(380)
Adjustment for revaluation		-	(10)	-	-	-	-	(10)
At 31 December 2016 / 1 January 2017		-	-	-	-	89	105,885	105,974
Charge for the year	26	-	10	-	-	33	7,219	7,262
Disposals		-	-	-	-	-	(76)	(76)
Write-offs		-	-	-	-	-	(1)	(1)
Adjustment for revaluation		-	(10)	-	-	-	-	(10)
At 31 December 2017		-	-	-	-	122	113,027	113,149
Carrying amounts								
At 1 January 2016		980	520	-	-	109	28,137	29,746
At 31 December 2016 / 1 January 2017		1,010	520	-	-	107	25,808	27,445
At 31 December 2017		1,010	520	-	-	74	20,909	22,513

Notes to the Financial Statements

3. Property and equipment (continued)

Company

Cost / Valuation	Note	Freehold		Leasehold		Motor vehicles	Office equipment, furniture, fixtures and fittings	Total
		Land RM'000	Buildings RM'000	Land RM'000	Buildings RM'000		RM'000	
At 1 January 2016		55,384	135,788	9,251	10,977	253	126,689	338,342
Additions		-	336	-	-	117	5,287	5,740
Disposals		-	-	-	-	(174)	(283)	(457)
Revaluation		2,080	(286)	390	(210)	-	-	1,974
At 31 December 2016 / 1 January 2017		57,464	135,838	9,641	10,767	196	131,693	345,599
Additions		-	-	-	-	-	2,325	2,325
Disposals		-	-	-	-	-	(80)	(80)
Write-offs		-	-	-	-	-	(2)	(2)
Revaluation		13,205	(6,920)	497	(87)	-	-	6,695
At 31 December 2017		70,669	128,918	10,138	10,680	196	133,936	354,537

Notes to the Financial Statements

3. Property and equipment (continued)

Company (continued)

Accumulated depreciation and impairment loss	Note	Freehold		Leasehold		Motor vehicles	Office equipment, furniture, fixtures and fittings	Total
		Land RM'000	Buildings RM'000	Land RM'000	Buildings RM'000		RM'000	
At 1 January 2016								
Accumulated depreciation		-	-	-	-	144	98,552	98,696
Accumulated impairment loss		199	28	202	406	-	-	835
Charge for the year	26	199	28	202	406	144	98,552	99,531
Disposals		-	2,715	196	329	44	7,614	10,898
Adjustment for revaluation		-	-	-	-	(99)	(281)	(380)
		-	(2,715)	(196)	(329)	-	-	(3,240)
At 31 December 2016 / 1 January 2017								
Accumulated depreciation		-	-	-	-	89	105,885	105,974
Accumulated impairment loss		199	28	202	406	-	-	835
Charge for the year	26	199	28	202	406	89	105,885	106,809
Disposals		-	2,716	209	338	33	7,219	10,515
Write-offs		-	-	-	-	-	(76)	(76)
Adjustment for revaluation		-	-	-	-	-	(1)	(1)
		-	(2,716)	(209)	(338)	-	-	(3,263)
At 31 December 2017								
Accumulated depreciation		-	-	-	-	122	113,027	113,149
Accumulated impairment loss		199	28	202	406	-	-	835
		199	28	202	406	122	113,027	113,984
Carrying amounts								
At 1 January 2016		55,185	135,760	9,049	10,571	109	28,137	238,811
At 31 December 2016 / 1 January 2017		57,265	135,810	9,439	10,361	107	25,808	238,790
At 31 December 2017		70,470	128,890	9,936	10,274	74	20,909	240,553

3. Property and equipment (continued)

3.1 Revaluation of properties

Had the land and buildings of the Group and of the Company been carried at historical cost less accumulated depreciation, their carrying amounts would have been as follows:

	Group Takaful Operator		Group		Company Takaful Operator		Company	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	487	487	43,601	43,601	487	487	43,601	43,601
Freehold buildings	117	122	88,110	90,495	117	122	88,110	90,495
Leasehold land and buildings	3,152	3,482	17,178	18,436	-	-	12,859	13,134
	3,756	4,091	148,889	152,532	604	609	144,570	147,230

3.2 Fair value information

Fair value of the land and buildings are categorised as follows:

	Group			Total
	Level 1	Level 2	Level 3	RM'000
	RM'000	RM'000	RM'000	RM'000
2017				
Takaful Operator				
Freehold land and buildings	-	-	1,530	1,530
Leasehold land and buildings	-	-	16,398	16,398
	-	-	17,928	17,928
Group				
Freehold land and buildings	-	-	199,360	199,360
Leasehold land and buildings	-	-	52,085	52,085
	-	-	251,445	251,445
2016				
Takaful Operator				
Freehold land and buildings	-	-	1,530	1,530
Leasehold land and buildings	-	-	17,855	17,855
	-	-	19,385	19,385
Group				
Freehold land and buildings	-	-	193,075	193,075
Leasehold land and buildings	-	-	54,546	54,546
	-	-	247,621	247,621

Notes to the Financial Statements

3. Property and equipment (continued)

3.2 Fair value information (continued)

2017	Company			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Takaful Operator				
Freehold land and buildings	-	-	1,530	1,530
Company				
Freehold land and buildings	-	-	199,360	199,360
Leasehold land and buildings	-	-	20,210	20,210
	-	-	219,570	219,570
2016				
Takaful Operator				
Freehold land and buildings	-	-	1,530	1,530
Company				
Freehold land and buildings	-	-	193,075	193,075
Leasehold land and buildings	-	-	19,800	19,800
	-	-	212,875	212,875

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 3 fair value

Level 3 fair value is estimated using unobservable inputs for the land and buildings.

Valuation techniques and valuation processes applied by the Group and the Company

The Group and the Company applied the same valuation techniques and valuation processes as the investment properties, as described in Note 4 of the financial statements.

Notes to the Financial Statements

4. Investment properties

Group	Note	Takaful Operator		Family Takaful		General Takaful		Group	
		2017	2016	2017	2016	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		11,135	11,044	227,751	223,605	24,310	24,140	34,960	34,616
Additions		-	-	-	309	-	27	-	-
Fair value gains for the year - net	23	282	81	7,344	2,640	630	143	1,236	300
Effect of movement in exchange rates		(14)	10	(1,790)	1,197	-	-	(65)	44
At 31 December		11,403	11,135	233,305	227,751	24,940	24,310	36,131	34,960

The following are amounts arising from investment properties that have been recognised in profit or loss during the financial year.

	Note	Takaful Operator		Family Takaful		General Takaful		Group	
		2017	2016	2017	2016	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	21	786	725	8,954	9,294	798	787	4,956	4,753

Company	Note	Takaful Operator		Family Takaful		General Takaful		Company	
		2017	2016	2017	2016	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		11,000	10,930	210,360	208,100	24,310	24,140	34,325	34,105
Additions		-	-	-	309	-	27	-	-
Fair value gains for the year - net	23	275	70	7,010	1,951	630	143	1,220	220
At 31 December		11,275	11,000	217,370	210,360	24,940	24,310	35,545	34,325

The following are amounts arising from investment properties that have been recognised in profit or loss during the financial year.

	Note	Takaful Operator		Family Takaful		General Takaful		Company	
		2017	2016	2017	2016	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	21	786	725	8,838	8,511	798	787	5,251	4,726

Notes to the Financial Statements

4. Investment properties (continued)

Investment properties comprise a number of commercial properties that are leased to third parties.

Fair value information

Fair value of investment properties are categorised as follows:

		Group			
	Level 1	Level 2	Level 3	Total	
2017	RM'000	RM'000	RM'000	RM'000	
Takaful Operator					
Freehold land and buildings	-	-	4,050	4,050	
Leasehold land and buildings	-	-	7,353	7,353	
	-	-	11,403	11,403	
Family Takaful					
Freehold land and buildings	-	-	187,690	187,690	
Leasehold land and buildings	-	-	45,615	45,615	
	-	-	233,305	233,305	
General Takaful					
Freehold land and buildings	-	-	15,740	15,740	
Leasehold land and buildings	-	-	9,200	9,200	
	-	-	24,940	24,940	
Group					
Freehold land and buildings	-	-	9,650	9,650	
Leasehold land and buildings	-	-	26,481	26,481	
	-	-	36,131	36,131	

4. Investment properties (continued)
Fair value information (continued)

2017	Company			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Takaful Operator				
Freehold land and buildings	-	-	4,050	4,050
Leasehold land and buildings	-	-	7,225	7,225
	-	-	11,275	11,275
Family Takaful				
Freehold land and buildings	-	-	187,690	187,690
Leasehold land and buildings	-	-	29,680	29,680
	-	-	217,370	217,370
General Takaful				
Freehold land and buildings	-	-	15,740	15,740
Leasehold land and buildings	-	-	9,200	9,200
	-	-	24,940	24,940
Company				
Freehold land and buildings	-	-	9,650	9,650
Leasehold land and buildings	-	-	25,895	25,895
	-	-	35,545	35,545

Notes to the Financial Statements

4. Investment properties (continued)

Fair value information (continued)

2016	Group			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Takaful Operator				
Freehold land and buildings	-	-	4,000	4,000
Leasehold land and buildings	-	-	7,135	7,135
	-	-	11,135	11,135
Family Takaful				
Freehold land and buildings	-	-	181,805	181,805
Leasehold land and buildings	-	-	45,946	45,946
	-	-	227,751	227,751
General Takaful				
Freehold land and buildings	-	-	15,160	15,160
Leasehold land and buildings	-	-	9,150	9,150
	-	-	24,310	24,310
Group				
Freehold land and buildings	-	-	9,420	9,420
Leasehold land and buildings	-	-	25,540	25,540
	-	-	34,960	34,960

Notes to the Financial Statements

4. Investment properties (continued)

Fair value information (continued)

2016	Company			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Takaful Operator				
Freehold land and buildings	-	-	4,000	4,000
Leasehold land and buildings	-	-	7,000	7,000
	-	-	11,000	11,000
Family Takaful				
Freehold land and buildings	-	-	181,805	181,805
Leasehold land and buildings	-	-	28,555	28,555
	-	-	210,360	210,360
General Takaful				
Freehold land and buildings	-	-	15,160	15,160
Leasehold land and buildings	-	-	9,150	9,150
	-	-	24,310	24,310
Company				
Freehold land and buildings	-	-	9,420	9,420
Leasehold land and buildings	-	-	24,905	24,905
	-	-	34,325	34,325

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.

Notes to the Financial Statements

4. Investment properties (continued)

Fair value information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows a reconciliation of Level 3 fair values:

Group	Note	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
At 1 January 2016		11,044	223,605	24,140	34,616
Additions		-	309	27	-
Gains and losses recognised in profit or loss					
- Change in fair value - unrealised	23	81	2,640	143	300
Effect of movement in exchange rates		10	1,197	-	44
At 31 December 2016 / 1 January 2017		11,135	227,751	24,310	34,960
Gains and losses recognised in profit or loss					
- Change in fair value - unrealised	23	282	7,344	630	1,236
Effect of movement in exchange rates		(14)	(1,790)	-	(65)
At 31 December 2017		11,403	233,305	24,940	36,131
Company	Note	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Company RM'000
At 1 January 2016		10,930	208,100	24,140	34,105
Additions		-	309	27	-
Gains and losses recognised in profit or loss					
- Change in fair value - unrealised	23	70	1,951	143	220
At 31 December 2016 / 1 January 2017		11,000	210,360	24,310	34,325
Gains and losses recognised in profit or loss					
- Change in fair value - unrealised	23	275	7,010	630	1,220
At 31 December 2017		11,275	217,370	24,940	35,545

4. Investment properties (continued)

Fair value information (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method: The valuation method consider the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size and shape of the lot, physical features, legal and legislation constraints, building design and condition, supply and demand, building code and public restriction.	Adjustment rate based on the comparable of sales in the past that was analysed by the National Property Information Centre (NAPIC) under Valuation and Property Services Department, Ministry of Finance Malaysia.	The estimated fair value would increase (decrease) if: - the rate were higher or lower - the historical sales transaction were higher or lower

Valuation processes applied by the Group and the Company for Level 3 fair value

The Group's and the Company's investment properties were valued by independent professional valuer firms, using the comparison, cost and investment methods of valuations, where applicable.

In the comparison method approach, the sales and listings of comparable properties within nearby locations are compiled. From the compiled data, adjustments are made by the valuers between the subject property and those similar properties.

The adjustments made are in relation to location, size and shape of the lot, physical features, legal and legislative constraints, building design and condition, time element, planning provision, improvements and renovation works made, if any, surrounding developments, facilities and amenities available and other factors that may affect the value of the subject property. These adjustments are therefore subject to uncertainties such as property market outlook, potential increases in rental rates and general economic conditions.

In the cost method approach, the indication of values consists of the sum of the present worth of the improvement value.

For the valuation of the improvements, the valuers have considered the following:

- i) Cost of replacement of the building in accordance with current trend of market prices for materials, labour, contractor's overhead, profit and fees;
- ii) Accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with new units of like kind; and
- iii) Extent, character and utility of the property.

The investment method is the capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

The external valuers have considered the results of all these three methods in their valuation and applied professional judgement in the selection of the fair value of these investment properties.

Notes to the Financial Statements

5. Intangible assets

	Note	Group and Company Bancatakaful Service Fees RM'000
Takaful Operator / Group / Company		
Cost		
At 1 January 2016 / 31 December 2016 / 1 January 2017		61,321
Additions		17,000
At 31 December 2017		78,321
Amortisation		
At 1 January 2016		(5,110)
Amortisation during the year	26	(12,264)
At 31 December 2016 / 1 January 2017		(17,374)
Amortisation during the year	26	(13,115)
At 31 December 2017		(30,489)
Carrying amounts		
At 1 January 2016		56,211
At 31 December 2016 / 1 January 2017		43,947
At 31 December 2017		47,832

Bancatakaful Service Agreement with RHB Islamic Bank Berhad

The intangible asset is in relation to the Bancatakaful Service Agreement with RHB Islamic Bank (RHB) pursuant to the term of the Bancatakaful Service Agreement (the Agreement) entered on 26 August 2015 for the First Period of the term. The Company and RHB have entered into a ten year term to distribute Family and General takaful products via their distribution channel.

The term of the Agreement is divided over two periods, where the First Period is for the first five years of the term commencing on the agreement date and the Second Period is for the subsequent five years. Either party has the right to terminate the Agreement at the expiry of the First Period. Subject to the commencement of the Second Period, a service fee of RM45,000,000 (inclusive of Goods and Services Tax) will be payable to RHB.

The intangible asset is amortised over its useful life of five years using the straight-line method.

Bancatakaful Service Agreement with Affin Islamic Bank Berhad

On 4 October 2017, the Company and Affin Islamic Bank Berhad have entered into a five year term Bancatakaful Service Agreement to distribute Family and General takaful products via their distribution channel. The intangible asset is amortised over its useful life of five years using the straight-line method.

Notes to the Financial Statements

6. Investments in subsidiaries

	Company Takaful Operator / Company	
	2017 RM'000	2016 RM'000
At cost		
Unquoted shares	49,376	49,376

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest	
			2017	2016
Syarikat Takaful Malaysia Am Berhad #	General Takaful business	Malaysia	100.00%	-
P.T. Syarikat Takaful Indonesia and its subsidiaries*	Investment holding	Indonesia	56.00%	56.00%
P.T. Asuransi Takaful Keluarga*	Family Takaful business	Indonesia	74.80%	74.80%
P.T. Asuransi Takaful Umum ##	General Takaful business	Indonesia	-	64.70%

* Audited by member firm of KPMG Desa Megat PLT

Incorporated during the year

Disposed during the year

Non-controlling interests in subsidiaries

The Group's subsidiaries that have non-controlling interests (NCI) are not material to the Group.

Disposal of a subsidiary

The Group, via its subsidiaries, P.T. Syarikat Takaful Indonesia and P.T. Asuransi Takaful Keluarga, had entered into share sale agreements in October 2017 to dispose off its entire equity interest in ATU for a total consideration of RM2,100,000 (Rp7,000,000,000). The disposal was completed during the financial year.

Notes to the Financial Statements

6. Investments in subsidiaries (continued)

Disposal of a subsidiary (continued)

Details of net assets disposed and cash flows arising from the disposal are as follows:

	Takaful Operator RM'000	2017 General Takaful RM'000	Group RM'000
Property, plant and equipment	434	-	434
Other Investments	941	4,204	5,145
Retakaful assets	-	1,464	1,464
Loans and receivables, excluding takaful receivables	4,263	427	4,690
Takaful receivables	-	1,301	1,301
Cash and cash equivalents	838	12,291	13,129
Takaful contract liabilities	-	(15,352)	(15,352)
Takaful payables	-	(21)	(21)
Other payables	(623)	(4,314)	(4,937)
Tax payable	(50)	-	(50)
Net assets	5,803	-	5,803
Cash consideration received	2,100	-	2,100
Net assets disposed	(4,496)	-	(4,496)
Loss on disposal of subsidiary	(2,396)	-	(2,396)

Net cash outflows arising from disposal of subsidiary are as follows:

	2017 RM'000
Disposal proceeds discharged by cash	2,100
Cash and cash equivalents of subsidiary disposed	(13,129)
Net cash outflows	(11,029)

Notes to the Financial Statements

7. Other investments

The other investments comprise the following:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Available-for-sale (AFS)	(a)	561,963	442,365	551,960	427,281
Fair value through profit or loss (FVTPL)	(b)	5,480	6,973	-	-
Held-to-maturity (HTM)	(c)	10,034	11,838	-	-
		577,477	461,176	551,960	427,281
Family Takaful					
Available-for-sale (AFS)	(a)	3,194,248	2,914,102	3,159,835	2,868,686
Fair value through profit or loss (FVTPL)	(b)	219,309	193,838	94,230	71,932
Held-to-maturity (HTM)	(c)	496,490	518,677	424,199	441,850
		3,910,047	3,626,617	3,678,264	3,382,468
General Takaful					
Available-for-sale (AFS)	(a)	402,829	393,382	402,829	393,382
Held-to-maturity (HTM)	(c)	10,000	42,868	10,000	37,524
		412,829	436,250	412,829	430,906
Group / Company					
Available-for-sale (AFS)	(a)	4,120,344	3,712,833	4,075,928	3,652,333
Fair value through profit or loss (FVTPL)	(b)	224,789	200,811	94,230	71,932
Held-to-maturity (HTM)	(c)	516,524	573,383	434,199	479,374
		4,861,657	4,487,027	4,604,357	4,203,639

Notes to the Financial Statements

7. Other investments (continued)

(a) AFS financial assets

At fair value	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Equity securities				
- Quoted in Malaysia	16,625	35,260	16,625	35,260
- Quoted outside Malaysia	2,486	3,239	-	-
- Unquoted in Malaysia	380	380	380	380
- Unquoted outside Malaysia	-	44	-	-
	19,491	38,923	17,005	35,640
Unit trusts				
- Quoted in Malaysia	12,873	19,939	12,873	19,939
- Quoted outside Malaysia	7,517	11,467	-	-
	20,390	31,406	12,873	19,939
Institutional Trust Account	37,032	22,529	37,032	22,529
Islamic debt securities				
- Quoted outside Malaysia	-	334	-	-
- Unquoted in Malaysia	446,354	312,157	446,354	312,157
	446,354	312,491	446,354	312,157
Investment in linked funds	38,696	37,016	38,696	37,016
	561,963	442,365	551,960	427,281

Notes to the Financial Statements

7. Other investments (continued)

(a) AFS financial assets (continued)

At fair value	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful				
Equity securities				
- Quoted in Malaysia	151,638	271,781	151,638	271,781
- Quoted outside Malaysia	6,225	6,856	-	-
	157,863	278,637	151,638	271,781
Unit trusts				
- Quoted in Malaysia	125,441	124,988	125,441	124,988
- Quoted outside Malaysia	28,188	38,560	-	-
	153,629	163,548	125,441	124,988
Institutional Trust Account	179,706	108,830	179,706	108,830
Malaysian Government Islamic papers	218,952	148,793	218,952	148,793
Islamic debt securities				
- Unquoted in Malaysia	2,484,098	2,214,294	2,484,098	2,214,294
	3,194,248	2,914,102	3,159,835	2,868,686
General Takaful				
Equity securities				
- Quoted in Malaysia	13,694	36,199	13,694	36,199
Unit trusts				
- Quoted in Malaysia	10,064	13,946	10,064	13,946
Institutional Trust Account	34,313	28,753	34,313	28,753
Islamic debt securities				
- Unquoted in Malaysia	344,758	314,484	344,758	314,484
	402,829	393,382	402,829	393,382

Notes to the Financial Statements

7. Other investments (continued)

(a) AFS financial assets (continued)

At fair value	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group / Company				
Equity securities				
- Quoted in Malaysia	181,957	343,240	181,957	343,240
- Quoted outside Malaysia	8,711	10,095	-	-
- Unquoted in Malaysia	380	380	380	380
- Unquoted outside Malaysia	-	44	-	-
	191,048	353,759	182,337	343,620
Unit trusts				
- Quoted in Malaysia	148,378	158,873	148,378	158,873
- Quoted outside Malaysia	35,705	50,027	-	-
	184,083	208,900	148,378	158,873
Institutional Trust Account	251,051	160,112	251,051	160,112
Malaysian Government Islamic papers	218,952	148,793	218,952	148,793
Islamic debt securities				
- Quoted outside Malaysia	-	334	-	-
- Unquoted in Malaysia	3,275,210	2,840,935	3,275,210	2,840,935
	3,275,210	2,841,269	3,275,210	2,840,935
	4,120,344	3,712,833	4,075,928	3,652,333

7. Other investments (continued)
(b) FVTPL financial assets

At fair value	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Equity securities				
- Quoted outside Malaysia	1,225	1,855	-	-
Unit trusts				
- Quoted outside Malaysia	-	1,564	-	-
Islamic debt securities				
- Quoted outside Malaysia	4,255	3,554	-	-
	5,480	6,973	-	-
Family Takaful				
Equity securities				
- Quoted in Malaysia	62,516	53,341	62,516	53,341
- Quoted outside Malaysia	68,762	64,080	-	-
	131,278	117,421	62,516	53,341
Unit trusts				
- Quoted in Malaysia	424	-	424	-
- Quoted outside Malaysia	572	13,259	-	-
	996	13,259	424	-
Islamic debt securities				
- Quoted outside Malaysia	55,745	44,567	-	-
- Unquoted in Malaysia	31,290	18,591	31,290	18,591
	87,035	63,158	31,290	18,591
	219,309	193,838	94,230	71,932

Notes to the Financial Statements

7. Other investments (continued)

(b) FVTPL financial assets (continued)

At fair value	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group / Company				
Equity securities				
- Quoted in Malaysia	62,516	53,341	62,516	53,341
- Quoted outside Malaysia	69,987	65,935	-	-
	132,503	119,276	62,516	53,341
Unit trusts				
- Quoted in Malaysia	424	-	424	-
- Quoted outside Malaysia	572	14,823	-	-
	996	14,823	424	-
Islamic debt securities				
- Quoted outside Malaysia	60,000	48,121	-	-
- Unquoted in Malaysia	31,290	18,591	31,290	18,591
	91,290	66,712	31,290	18,591
	224,789	200,811	94,230	71,932

Notes to the Financial Statements

7. Other investments (continued)

(c) HTM financial assets

At amortised cost	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Islamic debt securities				
- Quoted outside Malaysia	10,034	11,838	-	-
Family Takaful				
Islamic debt securities				
- Quoted outside Malaysia	72,291	76,827	-	-
- Unquoted in Malaysia	369,205	369,337	369,205	369,337
	441,496	446,164	369,205	369,337
Malaysian Government Islamic papers	54,994	72,513	54,994	72,513
	496,490	518,677	424,199	441,850
General Takaful				
Islamic debt securities				
- Quoted outside Malaysia	-	5,344	-	-
- Unquoted in Malaysia	5,000	5,000	5,000	5,000
	5,000	10,344	5,000	5,000
Malaysian Government Islamic papers	5,000	32,524	5,000	32,524
	10,000	42,868	10,000	37,524
Group / Company				
Islamic debt securities				
- Quoted outside Malaysia	82,325	94,009	-	-
- Unquoted in Malaysia	374,205	374,337	374,205	374,337
	456,530	468,346	374,205	374,337
Malaysian Government Islamic papers	59,994	105,037	59,994	105,037
	516,524	573,383	434,199	479,374

Notes to the Financial Statements

7. Other investments (continued)

(c) HTM financial assets (continued)

At fair value	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Islamic debt securities				
- Quoted outside Malaysia	10,703	11,723	-	-
Family Takaful				
Islamic debt securities				
- Quoted outside Malaysia	75,676	76,885	-	-
- Unquoted in Malaysia	372,150	371,726	372,150	371,726
	447,826	448,611	372,150	371,726
Malaysian Government Islamic papers	55,518	73,017	55,518	73,017
	503,344	521,628	427,668	444,743
General Takaful				
Islamic debt securities				
- Quoted outside Malaysia	-	5,382	-	-
- Unquoted in Malaysia	5,000	5,000	5,000	5,000
	5,000	10,382	5,000	5,000
Malaysian Government Islamic papers	5,047	32,635	5,047	32,635
	10,047	43,017	10,047	37,635
Group / Company				
Islamic debt securities				
- Quoted outside Malaysia	86,379	93,990	-	-
- Unquoted in Malaysia	377,150	376,726	377,150	376,726
	463,529	470,716	377,150	376,726
Malaysian Government Islamic papers	60,565	105,652	60,565	105,652
	524,094	576,368	437,715	482,378

Notes to the Financial Statements

7. Other investments (continued)

(d) Carrying values of financial instruments

	Note	AFS RM'000	FVTPL RM'000	HTM RM'000	Group RM'000
At 1 January 2016		3,840,274	243,837	583,812	4,667,923
Purchases		1,542,767	702,202	24,177	2,269,146
Maturities		(48,545)	(20,558)	(933)	(70,036)
Disposals		(1,631,723)	(752,316)	(40,002)	(2,424,041)
Dividend capitalised		7,471	3,314	-	10,785
Fair value gains recorded in:					
Profit or loss	23	-	15,456	-	15,456
Other comprehensive income	36.2	3,215	-	-	3,215
Participants' fund		16,994	-	-	16,994
Net assets value attributable to unitholders		1,014	-	-	1,014
Impairment losses incurred during the year	28	(15,511)	-	-	(15,511)
Amortisation of premiums, net of accretion of discounts	21	(7,292)	-	(144)	(7,436)
Effect of movement in exchange rates		4,169	8,876	6,473	19,518
At 31 December 2016 / 1 January 2017		3,712,833	200,811	573,383	4,487,027
Purchases		1,563,850	818,598	10,140	2,392,588
Maturities		(100,232)	(12,095)	(7,035)	(119,362)
Disposals		(1,077,769)	(759,730)	(45,666)	(1,883,165)
Dividend capitalised		10,939	-	-	10,939
Fair value (losses) / gains recorded in:					
Profit or loss	23	-	(8,708)	-	(8,708)
Other comprehensive income	36.2	7,277	-	-	7,277
Participants' fund		27,216	-	-	27,216
Net assets value attributable to unitholders		(1,680)	-	-	(1,680)
Impairment losses incurred during the year	28	(7,853)	-	(239)	(8,092)
Amortisation of premiums, net of accretion of discounts	21	(7,727)	-	(148)	(7,875)
Disposal of a subsidiary	6	(941)	-	(4,204)	(5,145)
Effect of movement in exchange rates		(5,569)	(14,087)	(9,707)	(29,363)
At 31 December 2017		4,120,344	224,789	516,524	4,861,657

Notes to the Financial Statements

7. Other investments (continued)

(d) Carrying values of financial instruments (continued)

	Note	AFS RM'000	FVTPL RM'000	HTM RM'000	Group RM'000
At 1 January 2016		3,743,645	78,483	519,628	4,341,756
Purchases		1,521,168	19,590	-	1,540,758
Maturities		(48,545)	-	-	(48,545)
Disposals		(1,564,609)	(22,029)	(40,002)	(1,626,640)
Dividend capitalised		7,471	-	-	7,471
Fair value (losses) / gains recorded in:					
Profit or loss	23	-	(4,112)	-	(4,112)
Other comprehensive income	36.2	2,925	-	-	2,925
Participants' fund		12,067	-	-	12,067
Net assets value attributable to unitholders		1,014	-	-	1,014
Impairment losses incurred during the year	28	(15,511)	-	-	(15,511)
Amortisation of premiums, net of accretion of discounts	21	(7,292)	-	(252)	(7,544)
At 31 December 2016 / 1 January 2017		3,652,333	71,932	479,374	4,203,639
Purchases		1,559,996	28,370	-	1,588,366
Maturities		(99,254)	(1,650)	-	(100,904)
Disposals		(1,061,667)	(9,458)	(45,027)	(1,116,152)
Dividend capitalised		10,939	-	-	10,939
Fair value gains / (losses) recorded in:					
Profit or loss	23	-	5,036	-	5,036
Other comprehensive income	36.2	6,063	-	-	6,063
Participants' fund		24,518	-	-	24,518
Net assets value attributable to unitholders		(1,680)	-	-	(1,680)
Impairment losses incurred during the year	28	(7,593)	-	-	(7,593)
Amortisation of premiums, net of accretion of discounts	21	(7,727)	-	(148)	(7,875)
At 31 December 2017		4,075,928	94,230	434,199	4,604,357

(e) Fair values of financial instruments

Quoted market prices category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and published market price from print medias.

Market observable financial instruments are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and are instruments for which pricing is obtained from Bond Pricing Agency Malaysia and regulatory agency. The fair value of investments in structured products are obtained via investments bankers and / or fund managers.

Non-market observable inputs means that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities and Institutional Trust Account.

The fair values of the unquoted equity securities were determined to approximate the carrying amount as these are immaterial in the context of the financial statements.

7. Other investments (continued)

(f) Maturity of other investments

The following investments mature after 12 months:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
AFS financial assets	456,140	329,667	453,654	329,667
FVTPL financial assets	4,880	2,687	-	-
HTM financial assets	10,034	10,283	-	-
Family Takaful				
AFS financial assets	2,832,112	2,405,215	2,825,887	2,405,215
FVTPL financial assets	89,847	41,305	29,652	16,901
HTM financial assets	484,786	489,706	424,199	424,329
General Takaful				
AFS financial assets	349,965	341,988	349,965	341,988
HTM financial assets	10,000	12,825	10,000	10,000
Group / Company				
AFS financial assets	3,638,217	3,076,870	3,629,506	3,076,870
FVTPL financial assets	94,727	43,992	29,652	16,901
HTM financial assets	504,820	512,814	434,199	434,329

Notes to the Financial Statements

8. Retakaful assets

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful					
Claims liabilities	15(a)	31,975	23,470	30,218	22,490
Actuarial liabilities	15(c)	179,484	144,096	159,872	129,019
		211,459	167,566	190,090	151,509
General Takaful					
Claims liabilities	15(a)	222,829	237,956	222,829	235,987
Contribution liabilities	15(b)	71,308	62,969	71,308	60,807
		294,137	300,925	294,137	296,794
Group / Company					
Claims liabilities	15(a)	254,804	261,426	253,047	258,477
Contribution liabilities	15(b)	71,308	62,969	71,308	60,807
Actuarial liabilities	15(c)	179,484	144,096	159,872	129,019
		505,596	468,491	484,227	448,303

Notes to the Financial Statements

9. Deferred tax assets / (liabilities)

	Group					
	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful Operator						
Property and equipment	-	-	(1,030)	(1,008)	(1,030)	(1,008)
Investment properties	-	-	(1,813)	(1,378)	(1,813)	(1,378)
Other investments	997	2,320	-	-	997	2,320
Loans and receivables, excluding takaful receivables	129	190	-	-	129	190
Takaful receivables	701	529	-	-	701	529
Other payables	5,300	5,361	-	-	5,300	5,361
Expense reserves	26,592	18,923	-	-	26,592	18,923
Unabsorbed tax losses	326	915	-	-	326	915
Tax assets / (liabilities)	34,045	28,238	(2,843)	(2,386)	31,202	25,852
Set off of tax	(2,843)	(2,386)	2,843	2,386	-	-
Net tax assets	31,202	25,852	-	-	31,202	25,852
Group						
Property and equipment	-	-	(1,724)	(1,364)	(1,724)	(1,364)
Investment properties	-	-	(1,119)	(1,022)	(1,119)	(1,022)
Other investments	997	2,320	-	-	997	2,320
Loans and receivables, excluding takaful receivables	129	190	-	-	129	190
Takaful receivables	701	529	-	-	701	529
Other payables	5,300	5,361	-	-	5,300	5,361
Expense reserves	26,592	18,923	-	-	26,592	18,923
Unabsorbed tax losses	326	915	-	-	326	915
Tax assets / (liabilities)	34,045	28,238	(2,843)	(2,386)	31,202	25,852
Set off of tax	(2,843)	(2,386)	2,843	2,386	-	-
Net tax assets	31,202	25,852	-	-	31,202	25,852

Notes to the Financial Statements

9. Deferred tax assets / (liabilities) (continued)

	<----- Company ----->					
	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful Operator						
Investment properties	-	-	(1,813)	(1,378)	(1,813)	(1,378)
Other investments	922	2,236	-	-	922	2,236
Loans and receivables, excluding						
takaful receivables	88	144	-	-	88	144
Takaful receivables	701	529	-	-	701	529
Other payables	3,014	2,968	-	-	3,014	2,968
Expense reserves	26,592	18,923	-	-	26,592	18,923
Tax assets / (liabilities)	31,317	24,800	(1,813)	(1,378)	29,504	23,422
Set off of tax	(1,813)	(1,378)	1,813	1,378	-	-
Net tax assets	29,504	23,422	-	-	29,504	23,422
Company						
Property and equipment	-	-	(694)	(356)	(694)	(356)
Investment properties	-	-	(1,119)	(1,022)	(1,119)	(1,022)
Other investments	922	2,236	-	-	922	2,236
Loans and receivables, excluding						
takaful receivables	88	144	-	-	88	144
Takaful receivables	701	529	-	-	701	529
Other payables	3,014	2,968	-	-	3,014	2,968
Expense reserves	26,592	18,923	-	-	26,592	18,923
Tax assets / (liabilities)	31,317	24,800	(1,813)	(1,378)	29,504	23,422
Set off of tax	(1,813)	(1,378)	1,813	1,378	-	-
Net tax assets	29,504	23,422	-	-	29,504	23,422

9. Deferred tax assets / (liabilities) (continued)

	As at 1.1.2016 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other comprehensive income (Note 29) RM'000	Effect of movement in exchange rate RM'000	As at 31.12.2016 / 1.1.2017 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other comprehensive income (Note 29) RM'000	Effect of movement in exchange rate RM'000	As at 31.12.2017 RM'000
Group Takaful Operator									
Property and equipment	(1,052)	-	-	44	(1,008)	(18)	-	(4)	(1,030)
Investment properties	(1,898)	520	-	-	(1,378)	(435)	-	-	(1,813)
Other investments	1,593	1,422	(702)	7	2,320	141	(1,455)	(9)	997
Loans and receivables, excluding takaful receivables	199	(12)	-	3	190	(56)	-	(5)	129
Takaful receivables	650	(121)	-	-	529	172	-	-	701
Other payables	6,786	(1,136)	(320)	31	5,361	(70)	105	(96)	5,300
Expense reserves	23,572	(4,649)	-	-	18,923	7,669	-	-	26,592
Unabsorbed tax losses	2,314	(1,462)	-	63	915	(517)	-	(72)	326
Tax assets / (liabilities)	32,164	(5,438)	(1,022)	148	25,852	6,886	(1,350)	(186)	31,202
Group									
Property and equipment	(1,272)	-	(136)	44	(1,364)	(18)	(338)	(4)	(1,724)
Investment properties	(1,678)	656	-	-	(1,022)	(97)	-	-	(1,119)
Other investments	1,593	1,422	(702)	7	2,320	141	(1,455)	(9)	997
Loans and receivables, excluding takaful receivables	199	(12)	-	3	190	(56)	-	(5)	129
Takaful receivables	650	(121)	-	-	529	172	-	-	701
Other payables	6,786	(1,136)	(320)	31	5,361	(70)	105	(96)	5,300
Expense reserves	23,572	(4,649)	-	-	18,923	7,669	-	-	26,592
Unabsorbed tax losses	2,314	(1,462)	-	63	915	(517)	-	(72)	326
Tax assets / (liabilities)	32,164	(5,302)	(1,158)	148	25,852	7,224	(1,688)	(186)	31,202

Notes to the Financial Statements

9. Deferred tax assets / (liabilities) (continued)

	As at 1.1.2016 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other comprehensive income (Note 29) RM'000	As at 31.12.2016 / 1.1.2017 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other comprehensive income (Note 29) RM'000	As at 31.12.2017 RM'000
Company Takaful Operator							
Investment properties	(1,898)	520	-	(1,378)	(435)	-	(1,813)
Investment in subsidiaries	2,853	(2,853)	-	-	-	-	-
Other investments	1,360	1,578	(702)	2,236	141	(1,455)	922
Loans and receivables, excluding takaful receivables	154	(10)	-	144	(56)	-	88
Takaful receivables	460	69	-	529	172	-	701
Other payables	3,424	(456)	-	2,968	46	-	3,014
Expense reserves	23,572	(4,649)	-	18,923	7,669	-	26,592
Tax assets / (liabilities)	29,925	(5,801)	(702)	23,422	7,537	(1,455)	29,504
Company							
Property and equipment	(220)	-	(136)	(356)	-	(338)	(694)
Investment properties	(1,678)	656	-	(1,022)	(97)	-	(1,119)
Investment in subsidiaries	2,853	(2,853)	-	-	-	-	-
Other investments	1,360	1,578	(702)	2,236	141	(1,455)	922
Loans and receivables, excluding takaful receivables	154	(10)	-	144	(56)	-	88
Takaful receivables	460	69	-	529	172	-	701
Other payables	3,424	(456)	-	2,968	46	-	3,014
Expense reserves	23,572	(4,649)	-	18,923	7,669	-	26,592
Tax assets / (liabilities)	29,925	(5,665)	(838)	23,422	7,875	(1,793)	29,504

Notes to the Financial Statements

10. Loans and receivables, excluding takaful receivables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Financing receivables					
Unsecured financing		26	27	26	27
Staff financing		2,130	2,415	1,904	2,154
Allowance for impairment		(270)	(509)	(116)	(349)
		1,886	1,933	1,814	1,832
Fixed and call deposits with licensed financial institutions with maturity more than three months					
Licensed banks in Malaysia		257,376	234,178	257,376	234,178
Banks outside Malaysia		1,827	1,667	-	-
		259,203	235,845	257,376	234,178
Other receivables					
Investment receivable		12,719	19,880	12,483	19,522
Due from Family Takaful	18	39,361	39,158	39,320	39,112
Due from General Takaful	18	20,776	18,740	20,776	18,730
Prepayment		2,327	5,062	2,327	3,423
Sundry deposits		191	235	191	235
Sundry receivables		2,580	4,821	795	1,650
		77,954	87,896	75,891	82,672
		339,043	325,674	335,081	318,682
Family Takaful					
Financing receivables					
Secured financing		68,837	70,301	68,837	70,301
Allowance for impairment		(301)	(301)	(301)	(301)
		68,536	70,000	68,536	70,000
Fixed and call deposits with licensed financial institutions with maturity more than three months					
Licensed banks in Malaysia		757,065	678,851	757,065	678,851
Banks outside Malaysia		9,308	6,346	-	-
		766,373	685,197	757,065	678,851
Other receivables					
Investment receivable		77,614	135,821	76,240	134,256
Due from General Takaful	18	9,624	13,315	9,624	13,315
Prepayment		243	255	243	255
Sundry deposits		2,543	2,696	2,543	2,696
Sundry receivables		2,651	6,494	2,651	6,494
		92,675	158,581	91,301	157,016
		927,584	913,778	916,902	905,867

Notes to the Financial Statements

10. Loans and receivables, excluding takaful receivables (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
General Takaful				
Financing receivables				
Secured financing	5,293	5,381	5,293	5,381
Allowance for impairment	(381)	(381)	(381)	(381)
	4,912	5,000	4,912	5,000
Fixed and call deposits with licensed financial institutions with maturity more than three months				
Licensed banks in Malaysia	98,767	107,150	98,767	107,150
Banks outside Malaysia	-	1,069	-	-
	98,767	108,219	98,767	107,150
Other receivables				
Investment receivable	7,326	18,237	7,326	18,237
Prepayment	50	49	50	49
Sundry deposits	1,159	1,132	1,159	1,132
Sundry receivables	4,625	4,426	4,625	4,142
	13,160	23,844	13,160	23,560
	116,839	137,063	116,839	135,710
Group / Company				
Financing receivables				
Secured financing	74,130	75,682	74,130	75,682
Unsecured financing	26	27	26	27
Staff financing	2,130	2,415	1,904	2,154
Allowance for impairment	(952)	(1,191)	(798)	(1,031)
	75,334	76,933	75,262	76,832
Fixed and call deposits with licensed financial institutions with maturity more than three months				
Licensed banks in Malaysia	1,113,208	1,020,179	1,113,208	1,020,179
Banks outside Malaysia	11,135	9,082	-	-
	1,124,343	1,029,261	1,113,208	1,020,179
Other receivables				
Investment receivable	97,659	173,938	96,049	172,015
Prepayment	2,620	5,366	2,620	3,727
Sundry deposits	3,893	4,063	3,893	4,063
Sundry receivables	9,856	15,741	8,070	12,286
	114,028	199,108	110,632	192,091
	1,313,705	1,305,302	1,299,102	1,289,102

Notes to the Financial Statements

10. Loans and receivables, excluding takaful receivables (continued)

The following loans and receivables, excluding takaful receivables mature after 12 months:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Takaful Operator				
Financing receivables	1,429	1,471	1,358	1,370
Fixed and call deposits with licensed financial institutions	54,000	41,000	54,000	41,000
Other receivables	191	235	191	235
	55,620	42,706	55,549	42,605
Family Takaful				
Financing receivables	68,536	70,000	68,536	70,000
Fixed and call deposits with licensed financial institutions	277,000	289,000	277,000	289,000
Other receivables	2,543	2,696	2,543	2,696
	348,079	361,696	348,079	361,696
General Takaful				
Financing receivables	4,912	5,000	4,912	5,000
Fixed and call deposits with licensed financial institutions	29,000	40,000	29,000	40,000
Other receivables	1,159	1,132	1,159	1,132
	35,071	46,132	35,071	46,132
Group / Company				
Financing receivables	74,877	76,471	74,806	76,370
Fixed and call deposits with licensed financial institutions	360,000	370,000	360,000	370,000
Other receivables	3,893	4,063	3,893	4,063
	438,770	450,534	438,699	450,433

Offsetting of financial assets and financial liabilities

No financial assets and liabilities have been set off for presentation purposes.

Notes to the Financial Statements

11. Takaful receivables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful					
Due contributions		45,321	93,092	43,845	91,937
Due from retakaful / co-takaful		33,565	33,651	30,569	32,019
		78,886	126,743	74,414	123,956
Less: Allowance for impaired debts	36.4	(1,445)	(2,709)	(1,445)	(2,709)
		77,441	124,034	72,969	121,247
General Takaful					
Due contributions		94,356	43,122	94,356	40,491
Due from retakaful / co-takaful		6,163	9,218	6,163	8,064
		100,519	52,340	100,519	48,555
Less: Allowance for impaired debts	36.4	(5,843)	(6,666)	(5,843)	(4,411)
		94,676	45,674	94,676	44,144
Group / Company					
Due contributions		139,677	136,214	138,201	132,428
Due from retakaful / co-takaful		39,728	42,869	36,732	40,083
		179,405	179,083	174,933	172,511
Less: Allowance for impaired debts	36.4	(7,288)	(9,375)	(7,288)	(7,120)
		172,117	169,708	167,645	165,391

Offsetting of financial assets and financial liabilities

No financial assets and liabilities have been set off for presentation purposes.

Notes to the Financial Statements

12. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Cash and bank balances	12,010	5,908	3,350	750
Fixed and call deposits with licensed financial institutions with maturity less than three months				
Licensed banks in Malaysia	173,771	173,486	173,771	173,486
Banks outside Malaysia	19,484	18,269	-	-
	205,265	197,663	177,121	174,236
Family Takaful				
Cash and bank balances	41,600	90,768	39,544	18,256
Fixed and call deposits with licensed financial institutions with maturity less than three months				
Licensed banks in Malaysia	405,250	382,528	405,250	382,528
Banks outside Malaysia	147,325	106,053	-	-
	594,175	579,349	444,794	400,784
General Takaful				
Cash and bank balances	30,376	70,580	30,376	69,531
Fixed and call deposits with licensed financial institutions with maturity less than three months				
Licensed banks in Malaysia	91,364	74,178	91,364	74,178
Banks outside Malaysia	-	19,839	-	-
	121,740	164,597	121,740	143,709
Group / Company				
Cash and bank balances	83,986	167,256	73,270	88,537
Fixed and call deposits with licensed financial institutions with maturity less than three months				
Licensed banks in Malaysia	670,385	630,192	670,385	630,192
Banks outside Malaysia	166,809	144,161	-	-
	921,180	941,609	743,655	718,729

Notes to the Financial Statements

13. Share capital and reserves

	Takaful Operator / Group / Company			
	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Authorised				
At 31 December	-	-	500,000	2,500,000
Ordinary shares, issued and fully paid:				
At 1 January	164,189	820,943	163,167	815,836
Issued under LTIP	2,850	2,202	1,022	5,107
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 1)	12,332	-	-	-
At 31 December	179,371	823,145	164,189	820,943
	(Note 2)			

Note 1: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

Note 2: Included in share capital is share premium amounting to RM12,332,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74).

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of the share capital. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets recognised in other comprehensive income until the investments are derecognised or impaired.

Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

13. Share capital and reserves (continued)**LTIP (Long Term Incentive Plan) reserve**

The LTIP reserve comprises the cumulative value of employee services received for the issue of Restricted Share Plan and Performance Share Plan. When the LTIP is exercised, the amount from the LTIP reserve is transferred to share capital. When the LTIP expires, the amount from the LTIP reserve is transferred to retained earnings. LTIP is disclosed in Note 14.

Retained earnings

Pursuant to Section 60(1) of the IFSA, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014.

Pursuant to the RBC Framework for Takaful Operator, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

14. Employee benefits**Share-based payments arrangement**

At the Extraordinary General Meeting held on 24 July 2013, the Company's shareholders approved the establishment of a Long Term Incentive Plan (LTIP), which comprises a Restricted Share Plan (RSP) and a Performance Share Plan (PSP), of not more than 10% of issued and paid-up share capital of the Company (excluding treasury shares) to eligible employees and executive director of the Company. The LTIP was effected on 25 July 2013 following the submission of the By-Laws for the LTIP to Bursa Malaysia Securities Berhad, the receipt of all required approvals and the compliance with the requirements pertaining to the LTIP.

The salient features of the LTIP are, *inter alia*, as follows:

- i) The RSP is a restricted share plan for selected key employees and the executive director of the Group. The RSP Grant is intended as a one-off grant, subject to the discretion of the LTIP Committee for future grants, to retain key employees for the development, growth and success of the Group. The RSP will be vested to the RSP Grantees at no consideration over a period of up to three (3) years *pro-rata* which may include additional holding periods for each vesting as determined by the LTIP committee, whereby selected employees will be assessed based on, amongst others, the individual performance and achievement, which may include but are not limited to, profit after zakat and taxation and / or other financial measures as may be relevant, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion. The LTIP Committee is a committee established by the Board to implement and administer the LTIP in accordance with the LTIP By-Laws.
- ii) The PSP is a performance share plan for selected key employees and the executive director of the Group. The PSP Grant is an annual grant to incentivise key employees for the long-term success and growth of the Group as well as shareholders' value enhancement. The PSP will be vested to the PSP Grantees at no consideration over a period of up to three (3) years cliff vesting schedule whereby selected employees will be assessed based on, amongst others, the total shareholders' return, which is the improvement in stock price including dividends paid, and the long-term financial performance of the Company over a period of three (3) financial years, or such other period of time should the LTIP committee choose to do so, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion.
- iii) Eligible employees are those executives (including executive director) of the Group (other than subsidiaries which are dormant) who have attained the age of 18 years; entered into a full-time or fixed-term contract of employment with and is on the payroll of a company within the Group; have not served notice of resignation or received notice of termination on the date of the offer; whose service / employment have been confirmed in writing; and have fulfilled other eligibility criteria which has been determined by the LTIP Committee at its sole and absolute discretion from time to time.

Notes to the Financial Statements

14. Employee benefits (continued)

Share-based payments arrangement (continued)

The salient features of the LTIP are, *inter alia*, as follows (continued):

- iv) The total number of the Company's shares to be offered to any one of the employees and / or to be vested in any one of the grantees shall not be more than 10% of the Company's shares made available under the LTIP and shall not either singly or collectively through persons connected with the said employee, holds 20% or more of the Company's issued and paid-up share capital.
- v) The maximum number of the Company's shares to be allotted and issued under LTIP shall not be more than in aggregate 10% of the issued and paid-up ordinary share capital of the Company at any point in time during the duration of the LTIP.
- vi) The LTIP shall be in force for a period of ten (10) years from the effective date of implementation of the LTIP.
- vii) The new Company's shares to be allotted and issued pursuant to the LTIP shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Company's shares and shall be entitled to any rights, dividends, allotments and / or distributions attached thereto and / or which may declared, made or paid to the Company's shareholders, provided that the relevant allotment date of such new shares is before the record date (as defined in the LTIP By-Laws) for any right, allotment or distribution.
- viii) If the LTIP Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of the LTIP, such corresponding alterations (if any) may be made in the number of unvested Company's shares and / or the method and / or manner in the vesting of the Company's shares comprised in a grant.

During the year, the number of the shares granted are as follows:

	Number of ordinary shares		
	Restricted Shares (^{'000})	Performance Shares (^{'000})	Total (^{'000})
Outstanding at 1 January 2016	826	6,489	7,315
Granted during the year	-	4,593	4,592
Exercised during the year	(767)	(4,340)	(5,107)
Forfeited during the year	(59)	(565)	(624)
Outstanding at 31 December 2016 / 1 January 2017	-	6,176	6,176
Granted during the year	-	3,208	3,208
Exercised during the year	-	(2,202)	(2,202)
Forfeited during the year	-	(795)	(795)
Outstanding at 31 December 2017	-	6,387	6,387

During the financial year, 2,201,815 shares (2016: 5,107,355 shares) were exercised.

14. Employee benefits (continued)

Share-based payments arrangement (continued)

The fair value of services received in return for Restricted Shares and Performance Shares granted are based on the fair value of Restricted Shares and Performance Shares granted respectively, measured using the Monte Carlo Simulation, with the following inputs:

Fair value and assumption	Performance shares 2017	Performance shares 2016
Fair value at grant date	4.159	3.580
Weighted average share price	4.159	3.580
Share price at grant date	4.020	4.040
Expected volatility (weighted average volatility)	23.67%	25.21%
Option life (expected weighted average life)	3	3
Expected dividends	0.0295	0.0364
Risk-free rate (based on Malaysian government Islamic papers)	3.46%	3.46%

Value of employee services received for issue of shares

	Group and Company 2017 RM'000	2016 RM'000
Expense recognised as share-based payments		
Restricted shares		
- Shares granted in 2013	-	188
Performance shares		
- Shares granted in 2013	-	1,219
- Shares granted in 2014	(291)	1,333
- Shares granted in 2015	2,445	2,453
- Shares granted in 2016	3,045	1,365
- Shares granted in 2017	2,128	-
	7,327	6,370
	7,327	6,558

Retirement benefit

The Group also makes contribution to a define benefit plans that provides pension for eligible permanent employees of its Indonesia subsidiaries. The amounts are determined based on years of service and salaries of the employees at the time of pension. The benefits will be paid upon retirement, permanent disability or termination.

Notes to the Financial Statements

15. Takaful contract liabilities

The takaful contract liabilities comprise the following:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful					
Provision for outstanding claims	(a)	147,946	175,089	144,298	172,213
Participants' fund	(c)	5,663,396	5,336,810	5,238,702	4,877,435
		5,811,342	5,511,899	5,383,000	5,049,648
General Takaful					
Provision for outstanding claims	(a)	397,188	407,095	397,188	401,629
Provision for unearned contributions	(b)	341,975	316,569	341,975	303,365
Participants' fund	(c)	197,703	237,739	197,703	228,506
		936,866	961,403	936,866	933,500
Group / Company					
Provision for outstanding claims	(a)	545,134	582,184	541,486	573,842
Provision for unearned contributions	(b)	341,975	316,569	341,975	303,365
Participants' fund	(c)	5,822,403	5,537,533	5,397,709	5,068,925
		6,709,512	6,436,286	6,281,170	5,946,132

15. Takaful contract liabilities (continued)
(a) Provision for outstanding claims

The provision for outstanding claims and its movements are further analysed as follows:

	<----- Group ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Family Takaful						
Provision for claims reported by participants	28,171	(4,664)	23,507	24,435	(2,292)	22,143
Provision for IBNR	119,775	(27,311)	92,464	150,654	(21,178)	129,476
Provision for outstanding claims	147,946	(31,975)	115,971	175,089	(23,470)	151,619
General Takaful						
Provision for claims reported by participants	224,950	(139,243)	85,707	234,840	(148,013)	86,827
Provision for IBNR	172,238	(83,586)	88,652	172,255	(89,943)	82,312
Provision for outstanding claims	397,188	(222,829)	174,359	407,095	(237,956)	169,139
Group						
Provision for claims reported by participants	253,121	(143,907)	109,214	259,275	(150,305)	108,970
Provision for IBNR	292,013	(110,897)	181,116	322,909	(111,121)	211,788
Provision for outstanding claims	545,134	(254,804)	290,330	582,184	(261,426)	320,758
	<----- Company ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Family Takaful						
Provision for claims reported by participants	26,026	(3,616)	22,410	22,376	(1,384)	20,992
Provision for IBNR	118,272	(26,602)	91,670	149,837	(21,106)	128,731
Provision for outstanding claims	144,298	(30,218)	114,080	172,213	(22,490)	149,723
General Takaful						
Provision for claims reported by participants	224,950	(139,243)	85,707	230,324	(146,401)	83,923
Provision for IBNR	172,238	(83,586)	88,652	171,305	(89,586)	81,719
Provision for outstanding claims	397,188	(222,829)	174,359	401,629	(235,987)	165,642
Company						
Provision for claims reported by participants	250,976	(142,859)	108,117	252,700	(147,785)	104,915
Provision for IBNR	290,510	(110,188)	180,322	321,142	(110,692)	210,450
Provision for outstanding claims	541,486	(253,047)	288,439	573,842	(258,477)	315,365

Notes to the Financial Statements

15. Takaful contract liabilities (continued)

(a) Provision for outstanding claims (continued)

Movement of provision for outstanding claims:

		Group					
		2017		2016			
Note		Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful							
At 1 January	25	175,089	(23,470)	151,619	182,970	(37,328)	145,642
Claims incurred during the year		767,532	(57,991)	709,541	832,260	(74,662)	757,598
Claims paid during the year	25	(763,320)	55,347	(707,973)	(833,235)	76,604	(756,631)
(Decrease) / Increase in IBNR		(30,993)	(6,018)	(37,011)	(7,104)	11,983	4,879
Effect of movement in exchange rates		(362)	157	(205)	198	(67)	131
At 31 December	25	147,946	(31,975)	115,971	175,089	(23,470)	151,619
General Takaful							
At 1 January	25	407,095	(237,956)	169,139	558,099	(366,877)	191,222
Claims incurred during the year		250,641	(102,973)	147,668	226,864	(86,924)	139,940
Adjustment to claims incurred in prior accident years		(10,176)	2,108	(8,068)	(60,464)	44,530	(15,934)
Claims paid during the year	25	(248,319)	108,649	(139,670)	(300,309)	168,158	(132,151)
Increase / (Decrease) in IBNR		24	6,341	6,365	(17,472)	3,292	(14,180)
Disposal of a subsidiary		(1,729)	861	(868)	-	-	-
Effect of movement in exchange rates		(348)	141	(207)	377	(135)	242
At 31 December	25	397,188	(222,829)	174,359	407,095	(237,956)	169,139
Group							
At 1 January	25	582,184	(261,426)	320,758	741,069	(404,205)	336,864
Claims incurred during the year		1,011,841	(160,964)	850,877	1,053,099	(161,586)	891,513
Adjustment to claims incurred in prior accident years		(10,176)	2,108	(8,068)	(60,464)	44,530	(15,934)
Claims paid during the year	25	(1,005,307)	163,996	(841,311)	(1,127,519)	244,762	(882,757)
Decrease in IBNR		(30,969)	323	(30,646)	(24,576)	15,275	(9,301)
Disposal of a subsidiary		(1,729)	861	(868)	-	-	-
Effect of movement in exchange rates		(710)	298	(412)	575	(202)	373
At 31 December	25	545,134	(254,804)	290,330	582,184	(261,426)	320,758

Notes to the Financial Statements

15. Takaful contract liabilities (continued)
(a) Provision for outstanding claims (continued)

		<----- Company ----->					
	Note	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Family Takaful							
At 1 January	25	172,213	(22,490)	149,723	179,987	(36,238)	143,749
Claims incurred during the year		672,173	(46,408)	625,765	740,238	(63,452)	676,786
Claims paid during the year	25	(668,523)	44,176	(624,347)	(741,149)	65,376	(675,773)
(Decrease) / Increase in IBNR		(31,565)	(5,496)	(37,061)	(6,863)	11,824	4,961
At 31 December	25	144,298	(30,218)	114,080	172,213	(22,490)	149,723
General Takaful							
At 1 January	25	401,629	(235,987)	165,642	546,375	(360,753)	185,622
Claims incurred during the year		247,093	(102,514)	144,579	222,827	(88,165)	134,662
Adjustment to claims incurred in prior accident years		(10,176)	2,108	(8,068)	(60,464)	44,530	(15,934)
Claims paid during the year	25	(242,291)	107,564	(134,727)	(290,034)	165,176	(124,858)
Increase / (Decrease) in IBNR		933	6,000	6,933	(17,075)	3,225	(13,850)
At 31 December	25	397,188	(222,829)	174,359	401,629	(235,987)	165,642
Company							
At 1 January	25	573,842	(258,477)	315,365	726,362	(396,991)	329,371
Claims incurred during the year		915,930	(148,922)	767,008	960,050	(151,617)	808,433
Adjustment to claims incurred in prior accident years		(10,176)	2,108	(8,068)	(60,464)	44,530	(15,934)
Claims paid during the year	25	(907,478)	151,740	(755,738)	(1,028,168)	230,552	(797,616)
Decrease in IBNR		(30,632)	504	(30,128)	(23,938)	15,049	(8,889)
At 31 December	25	541,486	(253,047)	288,439	573,842	(258,477)	315,365

Notes to the Financial Statements

15. Takaful contract liabilities (continued)

(b) Provision for unearned contributions

The provision for unearned contributions and its movements are further analysed as follows:

	<----- Group ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
General Takaful / Group						
Provision for unearned contributions	341,975	(71,308)	270,667	316,569	(62,969)	253,600

	<----- Company ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2018 Retakaful RM'000	Net RM'000
General Takaful / Company						
Provision for unearned contributions	341,975	(71,308)	270,667	303,365	(60,807)	242,558

Movement of provision for unearned contributions:

	Note	<----- Group ----->					
		Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
General Takaful							
At 1 January		316,569	(62,969)	253,600	297,773	(55,893)	241,880
Contributions written during the year	20	587,344	(250,490)	336,854	516,651	(201,122)	315,529
Contributions earned during the year	20	(554,244)	241,398	(312,846)	(498,631)	194,207	(304,424)
Disposal of a subsidiary		(6,886)	603	(6,283)	-	-	-
Effect of movement in exchange rates		(808)	150	(658)	776	(161)	615
At 31 December		341,975	(71,308)	270,667	316,569	(62,969)	253,600
Group							
At 1 January		316,569	(62,969)	253,600	297,773	(55,893)	241,880
Contributions written during the year		587,542	(250,490)	337,052	516,247	(201,122)	315,125
Contributions earned during the year		(554,442)	241,398	(313,044)	(498,227)	194,207	(304,020)
Disposal of a subsidiary		(6,886)	603	(6,283)	-	-	-
Effect of movement in exchange rates		(808)	150	(658)	776	(161)	615
At 31 December		341,975	(71,308)	270,667	316,569	(62,969)	253,600

15. Takaful contract liabilities (continued)
(b) Provision for unearned contributions (continued)

		<----- Company ----->					
		2017		2016			
Note		Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful							
At 1 January		303,365	(60,807)	242,558	282,699	(53,833)	228,866
Contributions written during the year	20	590,993	(250,399)	340,594	493,818	(196,183)	297,635
Contributions earned during the year	20	(552,383)	239,898	(312,485)	(473,152)	189,209	(283,943)
At 31 December		341,975	(71,308)	270,667	303,365	(60,807)	242,558
Company							
At 1 January		303,365	(60,807)	242,558	282,699	(53,833)	228,866
Contributions written during the year		590,836	(250,399)	340,437	493,679	(196,183)	297,496
Contributions earned during the year		(552,226)	239,898	(312,328)	(473,013)	189,209	(283,804)
At 31 December		341,975	(71,308)	270,667	303,365	(60,807)	242,558

(c) Participants' fund

Participants' fund balance at end of the reporting period comprise the following:

	<----- Group ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Family Takaful						
Actuarial liabilities	4,755,894	(179,484)	4,576,410	4,389,596	(144,096)	4,245,500
Unallocated surplus / accumulated surplus	813,001	-	813,001	752,643	-	752,643
AFS reserve	(25,006)	-	(25,006)	(48,673)	-	(48,673)
Translation reserve	(1,565)	-	(1,565)	(2,976)	-	(2,976)
Net assets value attributable to unitholders	121,072	-	121,072	246,220	-	246,220
	5,663,396	(179,484)	5,483,912	5,336,810	(144,096)	5,192,714
General Takaful						
Unallocated surplus / accumulated surplus	200,165	-	200,165	241,573	-	241,573
AFS reserve	(2,462)	-	(2,462)	(6,011)	-	(6,011)
Translation reserve	-	-	-	2,177	-	2,177
	197,703	-	197,703	237,739	-	237,739

Notes to the Financial Statements

15. Takaful contract liabilities (continued)

(c) Participants' fund (continued)

	<----- Group ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Group						
Actuarial liabilities	4,755,894	(179,484)	4,576,410	4,389,596	(144,096)	4,245,500
Unallocated surplus / accumulated surplus	1,013,166	-	1,013,166	994,216	-	994,216
AFS reserve	(27,468)	-	(27,468)	(54,684)	-	(54,684)
Translation reserve	(1,565)	-	(1,565)	(799)	-	(799)
Net assets value attributable to unitholders	82,376	-	82,376	209,204	-	209,204
	5,822,403	(179,484)	5,642,919	5,537,533	(144,096)	5,393,437
	<----- Company ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Family Takaful						
Actuarial liabilities	4,334,140	(159,872)	4,174,268	4,066,179	(129,019)	3,937,160
Unallocated surplus / accumulated surplus	813,001	-	813,001	752,643	-	752,643
AFS reserve	(29,511)	-	(29,511)	(50,480)	-	(50,480)
Net assets value attributable to unitholders	121,072	-	121,072	109,093	-	109,093
	5,238,702	(159,872)	5,078,830	4,877,435	(129,019)	4,748,416
General Takaful						
Unallocated surplus / accumulated surplus	200,165	-	200,165	234,517	-	234,517
AFS reserve	(2,462)	-	(2,462)	(6,011)	-	(6,011)
	197,703	-	197,703	228,506	-	228,506
Company						
Actuarial liabilities	4,334,140	(159,872)	4,174,268	4,066,179	(129,019)	3,937,160
Unallocated surplus / accumulated surplus	1,013,166	-	1,013,166	987,160	-	987,160
AFS reserve	(31,973)	-	(31,973)	(56,491)	-	(56,491)
Net assets value attributable to unitholders	82,376	-	82,376	72,077	-	72,077
	5,397,709	(159,872)	5,237,837	5,068,925	(129,019)	4,939,906

15. Takaful contract liabilities (continued)
(c) Participants' fund (continued)

The participants' fund movements are analysed as follows:

	<----- Group ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Family Takaful						
At 1 January	5,336,810	(144,096)	5,192,714	5,157,639	(242,477)	4,915,162
Net earned contributions	1,264,496	(56,178)	1,208,318	1,229,446	(47,965)	1,181,481
Investment income	241,969	-	241,969	225,346	-	225,346
Realised gains and (losses)	19,165	-	19,165	(205)	-	(205)
Fair value gains and (losses)	(2,328)	-	(2,328)	15,435	-	15,435
Other operating income	2,345	-	2,345	1,047	-	1,047
Net benefits and claims	(736,539)	64,009	(672,530)	(825,156)	62,679	(762,477)
Fees deducted (net)	(360,637)	-	(360,637)	(327,059)	-	(327,059)
Other operating expenses	(10,667)	-	(10,667)	(14,565)	-	(14,565)
Profit paid to participants	(8,451)	-	(8,451)	(2,044)	-	(2,044)
Increase in actuarial liabilities	18,878	(37,319)	(18,441)	(113,233)	99,420	(13,813)
Profit attributable to the Takaful Operator	(55,907)	(7,831)	(63,738)	(51,807)	(14,715)	(66,522)
Excess payment transferred to participants	926	-	926	4,472	-	4,472
Change in AFS reserve	23,667	-	23,667	14,082	-	14,082
Withholding tax	(22,779)	-	(22,779)	(8,220)	-	(8,220)
Effect of movement in exchange rates	(47,552)	1,931	(45,621)	31,632	(1,038)	30,594
At 31 December	5,663,396	(179,484)	5,483,912	5,336,810	(144,096)	5,192,714
General Takaful						
At 1 January	237,739	-	237,739	225,836	-	225,836
Net earned contributions	312,846	-	312,846	304,424	-	304,424
Investment income	29,334	-	29,334	29,604	-	29,604
Realised gains and (losses)	2,247	-	2,247	(2,114)	-	(2,114)
Fair value gains and (losses)	630	-	630	143	-	143
Other operating income	165	-	165	821	-	821
Net benefits and claims	(145,965)	-	(145,965)	(109,826)	-	(109,826)
Fees deducted (net)	(188,598)	-	(188,598)	(175,273)	-	(175,273)
Other operating expenses	(5,043)	-	(5,043)	(4,671)	-	(4,671)
Profit paid to participants	(20,998)	-	(20,998)	(11,610)	-	(11,610)
Profit attributable to the Takaful Operator	(17,254)	-	(17,254)	(22,571)	-	(22,571)
Change in AFS reserve	3,549	-	3,549	2,912	-	2,912
Withholding tax	(3,145)	-	(3,145)	(721)	-	(721)
Disposal of a subsidiary	(6,737)	-	(6,737)	-	-	-
Effect of movement in exchange rates	(1,067)	-	(1,067)	785	-	785
At 31 December	197,703	-	197,703	237,739	-	237,739

Notes to the Financial Statements

15. Takaful contract liabilities (continued)

(c) Participants' fund (continued)

	----- Group ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Group						
At 1 January	5,537,533	(144,096)	5,393,437	5,345,445	(242,477)	5,102,968
Net earned contributions	1,577,342	(56,178)	1,521,164	1,533,870	(47,965)	1,485,905
Investment income	271,303	-	271,303	254,950	-	254,950
Realised gains and (losses)	21,412	-	21,412	(2,319)	-	(2,319)
Fair value gains and (losses)	(1,698)	-	(1,698)	15,578	-	15,578
Other operating income	2,510	-	2,510	1,868	-	1,868
Net benefits and claims	(882,504)	64,009	(818,495)	(934,982)	62,679	(872,303)
Fees deducted (net)	(549,235)	-	(549,235)	(502,332)	-	(502,332)
Other operating expenses	(15,710)	-	(15,710)	(19,236)	-	(19,236)
Profit paid to participants	(29,449)	-	(29,449)	(13,654)	-	(13,654)
Increase in actuarial liabilities	18,878	(37,319)	(18,441)	(113,233)	99,420	(13,813)
Profit attributable to the Takaful Operator	(74,841)	(7,831)	(82,672)	(73,364)	(14,715)	(88,079)
Excess payment transferred to participants	926	-	926	4,472	-	4,472
Change in AFS reserve	27,216	-	27,216	16,994	-	16,994
Withholding tax	(25,924)	-	(25,924)	(8,941)	-	(8,941)
Disposal of a subsidiary	(6,737)	-	(6,737)	-	-	-
Effect of movement in exchange rates	(48,619)	1,931	(46,688)	32,417	(1,038)	31,379
At 31 December	5,822,403	(179,484)	5,642,919	5,537,533	(144,096)	5,393,437
----- Company ----->						
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
Family Takaful						
At 1 January	4,877,435	(129,019)	4,748,416	4,778,656	(232,841)	4,545,815
Net earned contributions	1,133,942	(41,465)	1,092,477	1,096,422	(34,697)	1,061,725
Investment income	226,188	-	226,188	211,563	-	211,563
Realised gains and (losses)	17,909	-	17,909	(4,183)	-	(4,183)
Fair value gains and (losses)	12,046	-	12,046	(2,161)	-	(2,161)
Other operating income	2,050	-	2,050	823	-	823
Net benefits and claims	(640,608)	51,904	(588,704)	(733,375)	51,628	(681,747)
Fees deducted (net)	(333,725)	-	(333,725)	(298,311)	-	(298,311)
Other operating expenses	(8,520)	-	(8,520)	(14,077)	-	(14,077)
Profit paid to participants	(8,412)	-	(8,412)	(1,755)	-	(1,755)
Increase in actuarial liabilities	10,972	(30,853)	(19,881)	(118,716)	103,822	(14,894)
Profit attributable to the Takaful Operator	(49,691)	(10,439)	(60,130)	(43,135)	(16,931)	(60,066)
Excess payment transferred to participants	926	-	926	4,472	-	4,472
Change in AFS reserve	20,969	-	20,969	9,432	-	9,432
Withholding tax	(22,779)	-	(22,779)	(8,220)	-	(8,220)
At 31 December	5,238,702	(159,872)	5,078,830	4,877,435	(129,019)	4,748,416

15. Takaful contract liabilities (continued)
(c) Participants' fund (continued)

	<----- Company ----->					
	Gross RM'000	2017 Retakaful RM'000	Net RM'000	Gross RM'000	2016 Retakaful RM'000	Net RM'000
General Takaful						
At 1 January	228,506	-	228,506	214,368	-	214,368
Net earned contributions	312,485	-	312,485	283,943	-	283,943
Investment income	28,321	-	28,321	28,320	-	28,320
Realised gains and (losses)	2,247	-	2,247	(2,101)	-	(2,101)
Fair value gains	630	-	630	143	-	143
Other operating income	95	-	95	743	-	743
Net benefits and claims	(143,444)	-	(143,444)	(104,878)	-	(104,878)
Fees deducted (net)	(190,321)	-	(190,321)	(164,235)	-	(164,235)
Other operating expenses	(3,025)	-	(3,025)	(2,658)	-	(2,658)
Profit paid to participants	(20,998)	-	(20,998)	(9,358)	-	(9,358)
Profit attributable to the Takaful Operator	(17,197)	-	(17,197)	(17,695)	-	(17,695)
Change in AFS reserve	3,549	-	3,549	2,635	-	2,635
Withholding tax	(3,145)	-	(3,145)	(721)	-	(721)
At 31 December	197,703	-	197,703	228,506	-	228,506
Company						
At 1 January	5,068,925	(129,019)	4,939,906	4,954,994	(232,841)	4,722,153
Net earned contributions	1,446,427	(41,465)	1,404,962	1,380,365	(34,697)	1,345,668
Investment income	254,509	-	254,509	239,883	-	239,883
Realised gains and (losses)	20,156	-	20,156	(6,284)	-	(6,284)
Fair value gains and (losses)	12,676	-	12,676	(2,018)	-	(2,018)
Other operating income	2,145	-	2,145	1,566	-	1,566
Net benefits and claims	(784,052)	51,904	(732,148)	(838,253)	51,628	(786,625)
Fees deducted (net)	(524,046)	-	(524,046)	(462,546)	-	(462,546)
Other operating expenses	(11,545)	-	(11,545)	(16,735)	-	(16,735)
Profit paid to participants	(29,410)	-	(29,410)	(11,113)	-	(11,113)
Increase in actuarial liabilities	10,972	(30,853)	(19,881)	(118,716)	103,822	(14,894)
Profit attributable to the Takaful Operator	(68,568)	(10,439)	(79,007)	(59,816)	(16,931)	(76,747)
Excess payment transferred to participants	926	-	926	4,472	-	4,472
Change in AFS reserve	24,518	-	24,518	12,067	-	12,067
Withholding tax	(25,924)	-	(25,924)	(8,941)	-	(8,941)
At 31 December	5,397,709	(159,872)	5,237,837	5,068,925	(129,019)	4,939,906

Notes to the Financial Statements

16. Expense reserves

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Takaful Operator / Group / Company				
At 1 January	159,310	142,258	153,858	137,505
Provision for the year, net	37,897	16,676	37,950	16,353
Effect of movement in exchange rates	(552)	376	-	-
At 31 December	196,655	159,310	191,808	153,858

17. Takaful payables

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Takaful Operator				
Due to intermediaries	18,280	15,422	17,167	15,422
Family Takaful				
Due to retakaful companies	25,407	9,873	23,008	8,700
Due to intermediaries	2,294	2,379	2,294	2,379
	27,701	12,252	25,302	11,079
General Takaful				
Due to retakaful companies	61,002	55,737	61,002	55,296
Group / Company				
Due to retakaful companies	86,409	65,610	84,010	63,996
Due to intermediaries	20,574	17,801	19,461	17,801
	106,983	83,411	103,471	81,797

Notes to the Financial Statements

18. Other payables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Deposit payable		248	229	248	229
Zakat payable		1,181	756	1,111	411
Dividend payable		123,472	98,514	123,472	98,514
Other payables and accruals		108,301	98,299	104,471	91,751
		233,202	197,798	229,302	190,905
Family Takaful					
Advanced takaful contribution		6,352	9,379	6,352	9,379
Deposit payable		3,692	4,018	1,853	1,879
Profit payable to participants		378	487	35	26
Unclaimed monies		5,169	6,808	5,169	6,808
Outstanding purchases of investment securities		1,112	741	1,112	741
Due to Takaful Operator	10	39,361	39,158	39,320	39,112
Other payables and accruals		44,919	54,353	44,261	53,563
		100,983	114,944	98,102	111,508
General Takaful					
Advanced takaful contribution		14,161	12,786	14,161	12,786
Deposit payable		235	220	235	220
Profit payable to participants		1,336	4,955	1,336	1,335
Due to Takaful Operator	10	20,776	18,740	20,776	18,730
Due to Family Takaful Fund	10	9,624	13,315	9,624	13,315
Other payables and accruals		18,419	41,663	18,419	40,391
		64,551	91,679	64,551	86,777
Group / Company					
Advanced takaful contribution		20,513	22,165	20,513	22,165
Deposit payable		4,175	4,467	2,336	2,328
Profit payable to participants		1,714	5,442	1,371	1,361
Unclaimed monies		5,169	6,808	5,169	6,808
Outstanding purchases of investment securities		1,112	741	1,112	741
Zakat payable		1,181	756	1,111	411
Dividend payable		123,472	98,514	123,472	98,514
Other payables and accruals		171,639	194,315	167,151	185,705
		328,975	333,208	322,235	318,033

Notes to the Financial Statements

19. Operating revenue

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Investment income	21	39,272	31,623	36,689	29,301
Family Takaful					
Gross contributions	20	1,246,256	1,215,505	1,114,061	1,081,528
Investment income	21	241,969	225,346	226,188	211,563
		1,488,225	1,440,851	1,340,249	1,293,091
General Takaful					
Gross contributions	20	587,344	516,651	590,993	493,818
Investment income	21	29,334	29,604	28,321	28,320
		616,678	546,255	619,314	522,138
Group / Company					
Gross contributions	20	1,833,798	1,732,560	1,704,897	1,575,207
Investment income	21	305,362	280,693	286,396	264,060
		2,139,160	2,013,253	1,991,293	1,839,267

20. Net earned contributions

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful					
(i) Gross contributions	19	1,246,256	1,215,505	1,114,061	1,081,528
Change in actuarial reserves / unearned contributions reserves		18,240	13,941	19,881	14,894
Gross earned contributions		1,264,496	1,229,446	1,133,942	1,096,422
(ii) Retakaful		(56,178)	(47,965)	(41,465)	(34,697)
Contributions ceded to retakaful		(56,178)	(47,965)	(41,465)	(34,697)
(iii) Net earned contributions		1,208,318	1,181,481	1,092,477	1,061,725

Notes to the Financial Statements

20. Net earned contributions (continued)

			Group		Company
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
General Takaful					
(i) Gross contributions	15(b),19	587,344	516,651	590,993	493,818
Change in actuarial reserves / unearned contributions reserves		(33,100)	(18,020)	(38,610)	(20,666)
Gross earned contributions	15(b)	554,244	498,631	552,383	473,152
(ii) Retakaful	15(b)	(250,490)	(201,122)	(250,399)	(196,183)
Change in actuarial reserves / unearned contributions reserves		9,092	6,915	10,501	6,974
Contributions ceded to retakaful	15(b)	(241,398)	(194,207)	(239,898)	(189,209)
(iii) Net earned contributions		312,846	304,424	312,485	283,943
Group / Company					
(i) Gross contributions	19	1,833,798	1,732,560	1,704,897	1,575,207
Change in actuarial reserves / unearned contributions reserves		(14,860)	(4,079)	(18,729)	(5,772)
Gross earned contributions		1,818,938	1,728,481	1,686,168	1,569,435
(ii) Retakaful		(306,668)	(249,087)	(291,864)	(230,880)
Change in actuarial reserves / unearned contributions reserves		9,092	6,915	10,501	6,974
Contributions ceded to retakaful		(297,576)	(242,172)	(281,363)	(223,906)
(iii) Net earned contributions		1,521,362	1,486,309	1,404,805	1,345,529

Notes to the Financial Statements

21. Investment income

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Rental income from investment properties	4	786	725	786	725
FVTPL financial assets					
Dividend income					
- Equity securities					
- quoted outside Malaysia		33	-	-	-
Profit income					
- Islamic debt securities		233	281	-	-
AFS financial assets					
Dividend income					
- Equity securities					
- quoted in Malaysia		615	1,509	615	1,509
- quoted outside Malaysia		106	85	-	-
- unquoted outside Malaysia		-	12	-	-
- Unit trusts		667	1,387	667	1,387
Profit income					
- Institutional Trust Account		1,733	903	1,733	903
- Islamic debt securities		18,847	14,676	18,521	14,644
Amortisation of premiums, net of accretion of discounts		(991)	(1,037)	(991)	(1,037)
HTM financial assets					
Profit income					
- Islamic debt securities		661	318	-	-
LAR and cash and cash equivalents profit income		16,767	12,851	15,543	11,257
Investment expenses		(185)	(87)	(185)	(87)
Total investment income	19	39,272	31,623	36,689	29,301

Notes to the Financial Statements

21. Investment income (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful					
Rental income from investment properties	4	8,954	9,294	8,838	8,511
FVTPL financial assets					
Dividend income					
- Equity securities					
- quoted in Malaysia		1,652	1,605	1,652	1,605
- quoted outside Malaysia		115	-	-	-
Profit income					
- Islamic debt securities		5,207	5,989	2,502	2,144
AFS financial assets					
Dividend income					
- Equity securities					
- quoted in Malaysia		5,073	11,820	5,073	11,820
- quoted outside Malaysia		181	210	-	-
- Unit trusts		6,531	5,020	6,531	5,020
Profit income					
- Institutional Trust Account		8,396	5,192	8,396	5,192
- Islamic debt securities		125,193	112,065	125,024	112,065
- Malaysian Government Islamic papers		7,645	6,248	7,645	6,248
Amortisation of premiums, net of accretion of discounts		(5,548)	(5,040)	(5,548)	(5,040)
HTM financial assets					
Profit income					
- Islamic debt securities		24,489	23,541	19,207	19,207
- Malaysian Government Islamic papers		2,306	3,893	2,306	3,893
Amortisation of premiums, net of accretion of discounts		(138)	(92)	(138)	(200)
LAR and Cash and cash equivalents profit income		53,775	47,779	46,562	43,012
Investment expenses		(1,862)	(2,178)	(1,862)	(1,914)
Total investment income	19	241,969	225,346	226,188	211,563

Notes to the Financial Statements

21. Investment income (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
General Takaful					
Rental income from investment properties	4	798	787	798	787
AFS financial assets					
Dividend income					
- Equity securities					
- quoted in Malaysia		517	1,581	517	1,581
- Unit trusts		528	495	528	495
Profit income					
- Institutional Trust Account		1,629	1,376	1,629	1,376
- Islamic debt securities		17,101	17,006	17,101	17,006
- Malaysian Government Islamic papers		277	-	277	-
Amortisation of premiums, net of accretion of discounts		(1,188)	(1,215)	(1,188)	(1,215)
HTM financial assets					
Profit income					
- Islamic debt securities		329	408	-	-
- Malaysian Government Islamic papers		439	1,279	439	1,279
Amortisation of premiums, net of accretion of discounts		(10)	(52)	(10)	(52)
LAR and cash and cash equivalents profit income		8,999	8,013	8,315	7,137
Investment expenses		(85)	(74)	(85)	(74)
Total investment income	19	29,334	29,604	28,321	28,320

Notes to the Financial Statements

21. Investment income (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group / Company					
Rental income from investment properties	4	4,956	4,753	5,251	4,726
FVTPL financial assets					
Dividend income					
- Equity securities					
- quoted in Malaysia		1,652	1,605	1,652	1,605
- quoted outside Malaysia		148	-	-	-
Profit income					
- Islamic debt securities		5,440	6,270	2,502	2,144
AFS financial assets					
Dividend income					
- Equity securities					
- quoted in Malaysia		6,205	14,910	6,205	14,910
- quoted outside Malaysia		287	295	-	-
- unquoted outside Malaysia		-	12	-	-
- Unit trusts		7,726	6,902	7,726	6,902
Profit income					
- Institutional Trust Account		11,758	7,471	11,758	7,471
- Islamic debt securities		161,141	143,747	160,646	143,715
- Malaysian Government Islamic papers		7,922	6,248	7,922	6,248
Amortisation of premiums, net of accretion of discounts	7(d)	(7,727)	(7,292)	(7,727)	(7,292)
HTM financial assets					
Profit income					
- Islamic debt securities		25,479	24,267	19,207	19,207
- Malaysian Government Islamic papers		2,745	5,172	2,745	5,172
Amortisation of premiums, net of accretion of discounts	7(d)	(148)	(144)	(148)	(252)
LAR and cash and cash equivalents profit income		79,541	68,643	70,420	61,406
Investment expenses		(1,763)	(2,166)	(1,763)	(1,902)
Total investment income	19	305,362	280,693	286,396	264,060

Notes to the Financial Statements

22. Realised gains and (losses)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Takaful Operator				
Realised gains / (losses):				
Property and equipment	(58)	116	5	36
AFS financial assets				
Equity securities				
- quoted in Malaysia	855	(4,228)	855	(4,228)
- quoted outside Malaysia	826	1,636	-	-
Unit trusts				
- quoted in Malaysia	99	45	99	45
- quoted outside Malaysia	(550)	307	-	-
Islamic debt securities				
- unquoted in Malaysia	493	1,562	493	1,562
	1,723	(678)	1,447	(2,621)
	1,665	(562)	1,452	(2,585)
Family Takaful				
AFS financial assets				
Equity securities				
- quoted in Malaysia	8,538	(28,538)	8,538	(28,538)
- quoted outside Malaysia	289	4,707	-	-
Unit trusts				
- quoted in Malaysia	1,022	497	1,022	497
- quoted outside Malaysia	967	(729)	-	-
Islamic debt securities				
- unquoted in Malaysia	7,849	23,597	7,849	23,597
Malaysian Government Islamic papers	500	261	500	261
	19,165	(205)	17,909	(4,183)

Notes to the Financial Statements

22. Realised gains and (losses) (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
General Takaful				
Realised gains / (losses):				
AFS financial assets				
Equity securities				
- quoted in Malaysia	1,264	(4,650)	1,264	(4,650)
Unit trusts				
- quoted in Malaysia	227	72	227	72
- quoted outside Malaysia	-	(13)	-	-
Islamic debt securities				
- unquoted in Malaysia	350	2,477	350	2,477
Malaysian Government Islamic papers	406	-	406	-
	2,247	(2,114)	2,247	(2,101)
Group / Company				
Realised gains / (losses):				
Property and equipment	(58)	116	5	36
AFS financial assets				
Equity securities				
- quoted in Malaysia	10,657	(37,416)	10,657	(37,416)
- quoted outside Malaysia	1,115	6,343	-	-
Unit trusts				
- quoted in Malaysia	1,348	614	1,348	614
- quoted outside Malaysia	417	(435)	-	-
Islamic debt securities				
- unquoted in Malaysia	8,692	27,636	8,692	27,636
- quoted outside Malaysia	-	-	-	-
Malaysian Government Islamic papers	906	261	906	261
	23,135	(2,997)	21,603	(8,905)
	23,077	(2,881)	21,608	(8,869)

Notes to the Financial Statements

23. Fair value gains and (losses)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Fair value gains / (losses) arising from:					
Investment properties	4	282	81	275	70
FVTPL financial assets					
Equity securities					
- quoted outside Malaysia		819	2,703	-	-
Unit trusts					
- quoted outside Malaysia		-	(163)	-	-
Islamic debt securities					
- quoted outside Malaysia		145	121	-	-
		964	2,661	-	-
		1,246	2,742	275	70
Family Takaful					
Fair value gains / (losses) arising from:					
Investment properties	4	7,344	2,640	7,010	1,951
FVTPL financial assets					
Equity securities					
- quoted in Malaysia		4,906	(4,184)	4,906	(4,184)
- quoted outside Malaysia		(218)	14,847	-	-
Unit trusts					
- quoted in Malaysia		43	-	43	-
- quoted outside Malaysia		(12)	(85)	-	-
Islamic debt securities					
- quoted outside Malaysia		(14,478)	2,145	-	-
- unquoted in Malaysia		87	72	87	72
		(9,672)	12,795	5,036	(4,112)
		(2,328)	15,435	12,046	(2,161)
General Takaful					
Fair value gains arising from:					
Investment properties	4	630	143	630	143

Notes to the Financial Statements

23. Fair value gains and (losses) (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group / Company					
Fair value gains / (losses) arising from:					
Investment properties	4	1,236	300	1,220	220
FVTPL financial assets					
Equity securities					
- quoted in Malaysia		4,906	(4,184)	4,906	(4,184)
- quoted outside Malaysia		601	17,550	-	-
Unit trusts					
- quoted in Malaysia		43	-	43	-
- quoted outside Malaysia		(12)	(248)	-	-
Islamic debt securities					
- quoted outside Malaysia		(14,333)	2,266	-	-
- unquoted in Malaysia		87	72	87	72
	7(d)	(8,708)	15,456	5,036	(4,112)
		(7,472)	15,756	6,256	(3,892)

24. Other operating income

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Income from Family Takaful business, service charge and management fees		12,003	10,118	6,276	6,262
Writeback of:					
- Allowance for impaired financing		233	53	233	42
- Impairment of investment in subsidiary		-	-	-	5,834
Miscellaneous income		1,295	4,128	82	3,040
		13,531	14,299	6,591	15,178
Family Takaful					
Writeback of allowance for impaired debts	36.4	1,264	421	1,264	412
Miscellaneous income		1,081	626	786	411
		2,345	1,047	2,050	823

Notes to the Financial Statements

24. Other operating income (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
General Takaful					
Miscellaneous income		165	821	95	743
Group / Company					
Income from Family Takaful business, service charge and management fees		9	303	-	-
Writeback of:					
- Allowance for impaired debts	36.4	1,264	421	1,264	412
- Allowance for impaired financing		233	53	233	42
- Impairment of investment in subsidiary		-	-	-	5,834
Miscellaneous income		2,541	5,575	963	4,194
		4,047	6,352	2,460	10,482

25. Net benefits and claims

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful					
Gross benefits / claims paid	15(a)	(763,320)	(833,235)	(668,523)	(741,149)
Retakaful recoveries	15(a)	55,347	76,604	44,176	65,376
Net benefits / claims paid		(707,973)	(756,631)	(624,347)	(675,773)
Gross change in contract liabilities:					
At 31 December	15(a)	(147,946)	(175,089)	(144,298)	(172,213)
Less:					
At 1 January	15(a)	(175,089)	(182,970)	(172,213)	(179,987)
Effect of movement in exchange rates		(362)	198	-	-
		26,781	8,079	27,915	7,774
Change in contract liabilities ceded to retakaful companies:					
At 31 December	15(a)	31,975	23,470	30,218	22,490
Less:					
At 1 January	15(a)	23,470	37,328	22,490	36,238
Effect of movement in exchange rates		157	(67)	-	-
		8,662	(13,925)	7,728	(13,748)
		(672,530)	(762,477)	(588,704)	(681,747)

Notes to the Financial Statements

25. Net benefits and claims (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
General Takaful					
Gross benefits / claims paid	15(a)	(248,319)	(300,309)	(242,291)	(290,034)
Retakaful recoveries	15(a)	108,649	168,158	107,564	165,176
Net benefits / claims paid		(139,670)	(132,151)	(134,727)	(124,858)
Gross change in contract liabilities:					
At 31 December	15(a)	(397,188)	(407,095)	(397,188)	(401,629)
Less:					
At 1 January	15(a)	(407,095)	(558,099)	(401,629)	(546,375)
Disposal of a subsidiary		(1,729)	-	-	-
Effect of movement in exchange rates		(348)	377	-	-
		7,830	151,381	4,441	144,746
Change in contract liabilities ceded to retakaful companies:					
At 31 December	15(a)	222,829	237,956	222,829	235,987
Less:					
At 1 January	15(a)	237,956	366,877	235,987	360,753
Disposal of a subsidiary		861	-	-	-
Effect of movement in exchange rates		141	(135)	-	-
		(14,125)	(129,056)	(13,158)	(124,766)
		(145,965)	(109,826)	(143,444)	(104,878)
Group / Company					
Gross benefits / claims paid	15(a)	(1,005,307)	(1,127,519)	(907,478)	(1,028,168)
Retakaful recoveries	15(a)	163,996	244,762	151,740	230,552
Net benefits / claims paid		(841,311)	(882,757)	(755,738)	(797,616)
Gross change in contract liabilities:					
At 31 December	15(a)	(545,134)	(582,184)	(541,486)	(573,842)
Less:					
At 1 January	15(a)	(582,184)	(741,069)	(573,842)	(726,362)
Disposal of a subsidiary		(1,729)	-	-	-
Effect of movement in exchange rates		(710)	575	-	-
		34,611	159,460	32,356	152,520
Change in contract liabilities ceded to retakaful companies:					
At 31 December	15(a)	254,804	261,426	253,047	258,477
Less:					
At 1 January	15(a)	261,426	404,205	258,477	396,991
Disposal of a subsidiary		861	-	-	-
Effect of movement in exchange rates		298	(202)	-	-
		(5,463)	(142,981)	(5,430)	(138,514)
		(812,163)	(866,278)	(728,812)	(783,610)

Notes to the Financial Statements

26. Management expenses

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Personnel expenses (including key management personnel)					
Directors' remuneration					
- Salaries and other emoluments		5,597	8,211	5,296	7,934
- Fees		700	800	636	704
Shariah Advisory Body remuneration					
- Company	26(i)	337	311	337	311
- Subsidiaries		101	117	-	-
Wages, salaries and others		120,625	123,362	105,999	97,311
Contributions to Employees' Provident Fund		15,862	14,837	15,862	14,837
		143,222	147,638	128,130	121,097
Depreciation of property and equipment	3	10,779	10,844	7,262	7,668
Amortisation of intangible assets	5	13,115	12,264	13,115	12,264
Auditors' remuneration					
Audit fees					
- KPMG in Malaysia		584	584	584	584
- Oversea affiliates of KPMG in Malaysia		345	-	-	-
- Other auditors		-	151	-	-
Non audits fees					
- KPMG in Malaysia		228	156	228	156
License fees		59	101	59	101
Legal fees		224	463	141	161
Professional fees		12,979	13,657	11,830	12,750
Rental of properties		6,769	7,272	5,637	5,672
Rental of equipments		1,228	992	1,228	992
Repair and maintenance					
- property and equipment		12,264	11,269	11,690	10,694
Travelling expenses		2,157	3,092	1,364	2,345
Utilities		1,383	1,846	833	884
Communication costs		5,197	5,606	4,651	4,659
Advertising		477	3,161	477	1,736
Other expenses		101,921	82,576	100,007	78,665
		169,709	154,034	159,106	139,331
Total management expenses		312,931	301,672	287,236	260,428

All management expenses are borne by the Takaful Operator.

Notes to the Financial Statements

26. Management expenses (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group / Company					
Personnel expenses (including key management personnel)					
Directors' remuneration					
- Salaries and other emoluments		5,597	8,211	5,296	7,934
- Fees		700	800	636	704
Shariah Advisory Body remuneration					
- Company	26(i)	337	311	337	311
- Subsidiaries		101	117	-	-
Wages, salaries and others		120,625	123,362	105,999	97,311
Contributions to Employees' Provident Fund		15,862	14,837	15,862	14,837
		143,222	147,638	128,130	121,097
Depreciation of property and equipment	3	17,221	16,610	10,515	10,898
Amortisation of intangible assets	5	13,115	12,264	13,115	12,264
Auditors' remuneration					
Audit fees					
- KPMG in Malaysia		584	584	584	584
- Oversea affiliates of KPMG in Malaysia		345	-	-	-
- Other auditors		-	151	-	-
Non audits fees					
- KPMG in Malaysia		228	156	228	156
License fees		59	101	59	101
Legal fees		224	463	141	161
Professional fees		12,979	13,657	11,830	12,750
Rental of properties		1,187	1,219	466	375
Rental of equipments		1,228	992	1,228	992
Repair and maintenance					
- property and equipment		12,264	11,269	11,690	10,694
Travelling expenses		2,157	3,092	1,364	2,345
Utilities		1,383	1,846	833	884
Communication costs		5,197	5,606	4,651	4,659
Advertising		477	3,161	477	1,736
Other expenses		101,764	82,437	99,850	78,526
		170,412	153,608	157,031	137,125
Total management expenses		313,634	301,246	285,161	258,222

All management expenses are borne by the Takaful Operator.

(i) The Shariah Advisory Body remuneration is as follows:

	Company	
	2017 RM'000	2016 RM'000
Takaful Operator / Company		
Shariah Advisory Body remuneration		
- Fees	199	203
- Other emoluments	104	102
- Benefits-in-kind	34	6
	337	311

Notes to the Financial Statements

26. Management expenses (continued)

(i) The Shariah Advisory Body remuneration is as follows (continued):

The total remuneration of the Shariah Advisory Body members are as follows:

	Company	
	2017	2016
	RM'000	RM'000
Takaful Operator / Company		
Dato' Mohd Bakir Hj Mansor		
Fees	8	30
Other emoluments	12	17
Benefits-in-kind	-	1
	20	48
Dato' Wan Mohamad Dato' Sheikh Abdul Aziz		
Fees	30	30
Other emoluments	17	15
Benefits-in-kind	30	-
	77	45
Ahmad Shahbari @ Sobri Salamon		
Fees	30	48
Other emoluments	18	19
Benefits-in-kind	1	-
	49	67
Aida Othman		
Fees	-	7
Other emoluments	-	11
Benefits-in-kind	-	2
	-	20
Muhamad Rahimi Osman		
Fees	48	30
Other emoluments	18	17
Benefits-in-kind	1	2
	67	49
Ahmad Suffian Che Abdullah		
Fees	30	30
Other emoluments	18	16
Benefits-in-kind	1	-
	49	46
Marhanum Che Mohd Salleh		
Fees	30	28
Other emoluments	16	7
Benefits-in-kind	1	1
	47	36

26. Management expenses (continued)

(i) The Shariah Advisory Body remuneration is as follows (continued):

The total remuneration of the Shariah Advisory Body members are as follows:

	Company	
	2017 RM'000	2016 RM'000
Megat Hizaini Hassan		
Fees	23	-
Other emoluments	5	-
	28	-
	337	311

27. Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator / Group / Company				
Executive Director				
Salaries and Bonus	4,050	4,850	4,050	4,850
Long Term Incentive Plan	651	2,435	651	2,435
Other emoluments	109	268	45	180
Benefits-in-kind	176	101	176	101
	4,986	7,654	4,922	7,566
Non-executive Directors				
Fees	636	739	636	704
Other emoluments	599	478	550	469
Benefits-in-kind	212	116	212	116
	1,447	1,333	1,398	1,289
Subsidiaries' Directors				
Fees	64	61	-	-
Other emoluments	188	180	-	-
Benefits-in-kind	1	1	-	-
	253	242	-	-
Group Chief Executive Officer				
Salaries and bonus	1,485	-	1,485	-
Long Term Incentive Plan	1,518	-	1,518	-
Other emoluments	135	-	135	-
Benefits-in-kind	33	-	33	-
	3,171	-	3,171	-

Notes to the Financial Statements

27. Key management personnel compensation (continued)

The key management personnel compensation are as follows (continued):

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other key management personnel:				
Wages, salaries and others	9,184	7,632	7,803	6,020
Long Term Incentive Plan	2,227	2,189	2,227	2,189
Benefits-in-kind	820	169	117	117
	12,231	9,990	10,147	8,326
Total	22,088	19,219	19,638	17,181

The estimated monetary value of benefits-in-kind received by the Directors are RM389,000 (2016: RM218,000) and RM388,000 (2016: RM217,000) at Group and Company level respectively.

The total remuneration (including benefits-in-kind) of the Directors are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator / Group / Company				
Executive Director				
Dato' Sri Mohamed Hassan Kamil				
Salaries and bonus	4,050	4,850	4,050	4,850
Long Term Incentive Plan	651	2,435	651	2,435
Other emoluments	109	268	45	180
Benefits-in-kind	176	101	176	101
Total remunerations - Executive Director	4,986	7,654	4,922	7,566
Non-executive Directors				
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak				
Fees	90	37	90	37
Other emoluments	160	60	160	60
Benefits-in-kind	40	7	40	7
	290	104	290	104
Dato' Othman Abdullah				
Fees	120	107	120	107
Other emoluments	113	74	113	74
Benefits-in-kind	41	31	41	31
	274	212	274	212
Dato' Sulaiman Mohd Yusof				
Fees	-	104	-	104
Other emoluments	-	63	-	63
Benefits-in-kind	-	22	-	22
	-	189	-	189

Notes to the Financial Statements

27. Key management personnel compensation (continued)

The total remuneration (including benefits-in-kind) of the Directors are as follows (continued):

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Takaful Operator / Group / Company				
Non-executive Directors				
Dato' Johan Abdullah				
Fees	-	12	-	12
Other emoluments	-	30	-	30
Benefits-in-kind	-	-	-	-
	-	42	-	42
Datuk Rozaida Omar				
Fees	60	84	60	84
Other emoluments	51	57	51	57
Benefits-in-kind	40	-	40	-
	151	141	151	141
Datin Sri Azlin Arshad				
Fees	72	15	72	15
Other emoluments	36	4	36	4
Benefits-in-kind	27	2	27	2
	135	21	135	21
Mahadzir Azizan				
Fees	102	173	102	138
Other emoluments	122	98	73	89
Benefits-in-kind	24	26	24	26
	248	297	199	253
Zakaria Ismail				
Fees	120	138	120	138
Other emoluments	69	72	69	72
Benefits-in-kind	22	22	22	22
	211	232	211	232
Mohd Tarmidzi Ahmad Nordin				
Fees	72	69	72	69
Other emoluments	48	20	48	20
Benefits-in-kind	18	6	18	6
	138	95	138	95
Total remuneration				
- Non-executive Directors	1,447	1,333	1,398	1,289
Total remunerations	6,433	8,987	6,320	8,855

Notes to the Financial Statements

28. Other operating expenses

Note	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Impairment of:				
- AFS financial assets	788	3,235	788	3,235
Write-off of:				
- Property and equipment	2	73	2	-
- Wakalah fee receivables	410	195	-	-
Agency related expenses	10,754	7,466	10,754	7,466
Loss from disposal of a subsidiary	2,396	-	-	-
Loss from liquidation of subsidiary	-	4,794	-	-
Miscellaneous expenses	343	1,485	289	364
	14,693	17,248	11,833	11,065
Family Takaful				
Impairment of:				
- AFS financial assets	5,786	10,737	5,526	10,737
- HTM financial assets	239	-	-	-
Write-off of bad debts	673	312	-	-
Miscellaneous expenses	3,969	3,516	2,994	3,340
	10,667	14,565	8,520	14,077
General Takaful				
Impairment of:				
- AFS financial assets	1,279	1,539	1,279	1,539
Allowance for impaired debts	36.4 1,432	2,123	1,432	578
Write-off of bad debts	-	386	-	280
Miscellaneous expenses	2,332	623	314	261
	5,043	4,671	3,025	2,658
Group / Company				
Impairment of:				
- AFS financial assets	7(d) 7,853	15,511	7,593	15,511
- HTM financial assets	7(d) 239	-	-	-
Allowance for:				
- Impaired debts	36.4 1,432	2,123	1,432	578
Write-off of:				
- Bad debts	673	698	-	280
- Property and equipment	1	73	1	-
- Wakalah fee receivables	410	195	-	-
Agency related expenses	10,754	7,466	10,754	7,466
Loss from disposal of a subsidiary	2,396	-	-	-
Loss from liquidation of subsidiary	-	4,794	-	-
Miscellaneous expenses	1,705	2,550	1,027	891
	25,463	33,410	20,807	24,726

Notes to the Financial Statements

29. Tax expense

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Recognised in profit or loss					
Current tax expense					
Malaysian - current		53,713	47,327	53,713	47,327
- prior years		1,016	(6,461)	1,016	(6,461)
Total current tax recognised in profit or loss		54,729	40,866	54,729	40,866
Deferred tax benefits					
Deferred tax recognised in profit or loss	9	(6,886)	5,438	(7,537)	5,801
Total tax expense		47,843	46,304	47,192	46,667
Reconciliation of tax expense					
Profit for the year		206,145	174,894	208,740	183,283
Zakat		1,075	346	1,000	300
Total income tax expense		47,843	46,304	47,192	46,667
Profit before zakat and taxation		255,063	221,544	256,932	230,250
Income tax using Malaysian tax rate of 24%		61,215	53,171	61,664	55,260
Effect of tax rates in foreign jurisdictions		99	(245)	-	-
Items not subject to tax		(66,530)	(40,075)	(67,531)	(42,046)
Non-deductible expenses		52,043	39,914	52,043	39,914
Under / (Over) provided in prior years		1,016	(6,461)	1,016	(6,461)
Tax expense		47,843	46,304	47,192	46,667
Recognised directly in equity					
Deferred tax					
AFS financial assets	9	1,455	702	1,455	702
Defined benefits liabilities	9	(105)	320	-	-
	9	1,350	1,022	1,455	702

Notes to the Financial Statements

29. Tax expense (continued)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group / Company					
Recognised in profit or loss					
Current tax expense					
Malaysian - current		53,713	47,327	53,713	47,327
- prior years		1,016	(6,461)	1,016	(6,461)
Total current tax recognised in profit or loss		54,729	40,866	54,729	40,866
Deferred tax benefits					
Deferred tax recognised in profit or loss	9	(7,224)	5,302	(7,875)	5,665
Total tax expense		47,505	46,168	46,854	46,531
Reconciliation of tax expense					
Profit for the year		205,073	174,464	207,668	182,853
Zakat		1,075	346	1,000	300
Total income tax expense		47,505	46,168	46,854	46,531
Profit before zakat and taxation		253,653	220,978	255,522	229,684
Income tax using Malaysian tax rate of 24%		60,877	53,035	61,325	55,124
Effect of tax rates in foreign jurisdictions		99	(245)	-	-
Items not subject to tax		(66,530)	(40,075)	(67,530)	(42,046)
Non-deductible expenses		52,043	39,914	52,043	39,914
Over provided in prior years		1,016	(6,461)	1,016	(6,461)
Tax expense		47,505	46,168	46,854	46,531
Recognised directly in equity					
Deferred tax					
AFS financial assets	9	1,455	702	1,455	702
Defined benefits liabilities	9	(105)	320	-	-
Property and equipment					
- Revaluation reserve	9	338	136	338	136
	9	1,688	1,158	1,793	838

- 29.1 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.

Notes to the Financial Statements

29. Tax expense (continued)

29.1 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 RM16,741,000.00 as tax recoverable.

30. Other comprehensive income

	<----- Group ----->					
	Before tax RM'000	2017 Tax (expense)/ benefit RM'000	Net of tax RM'000	Before tax RM'000	2016 Tax (expense)/ benefit RM'000	Net of tax RM'000
Takaful Operator						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	(420)	105	(315)	2,288	(320)	1,968
Revaluation of property and equipment						
- Gains arising during the year	3,322	-	3,322	3,318	-	3,318
	2,902	105	3,007	5,606	(320)	5,286
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	(8,518)	-	(8,518)	3,601	-	3,601
Fair value of available-for-sale financial assets						
- Gains arising during the year	9,000	(1,802)	7,198	2,537	(73)	2,464
- Reclassification adjustments for gain on disposal included in profit or loss	(1,723)	347	(1,376)	678	(629)	49
	(1,241)	(1,455)	(2,696)	6,816	(702)	6,114
	1,661	(1,350)	311	12,422	(1,022)	11,400
Family Takaful						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	1,411	-	1,411	(1,423)	-	(1,423)
Fair value of available-for-sale financial assets						
- Gains arising during the year	42,832	-	42,832	13,877	-	13,877
- Reclassification adjustments for gain on disposal included in profit or loss	(19,165)	-	(19,165)	205	-	205
Other comprehensive income attributable to participants	(25,078)	-	(25,078)	(12,659)	-	(12,659)
	-	-	-	-	-	-

Notes to the Financial Statements

30. Other comprehensive income (continued)

	Group					
	Before tax RM'000	2017 Tax (expense)/ benefit RM'000	Net of tax RM'000	Before tax RM'000	2016 Tax (expense)/ benefit RM'000	Net of tax RM'000
General Takaful						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	-	-	-	786	-	786
Fair value of available-for-sale financial assets						
- Gains arising during the year	5,796	-	5,796	798	-	798
- Reclassification adjustments for gain on disposal included in profit or loss	(2,247)	-	(2,247)	2,114	-	2,114
Other comprehensive income attributable to participants	(3,549)	-	(3,549)	(3,698)	-	(3,698)
	-	-	-	-	-	-
Group						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	(420)	105	(315)	2,288	(320)	1,968
Revaluation of property and equipment						
- Gains arising during the year	16,783	(338)	16,445	11,648	(136)	11,512
Other comprehensive income attributable to participants	(12,051)	-	(12,051)	(7,764)	-	(7,764)
	4,312	(233)	4,079	6,172	(456)	5,716
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	(8,518)	-	(8,518)	3,601	-	3,601
Fair value of available- for-sale financial assets						
- Gains arising during the year	9,000	(1,802)	7,198	2,537	(73)	2,464
- Reclassification adjustments for gain on disposal included in profit or loss	(1,723)	347	(1,376)	678	(629)	49
	(1,241)	(1,455)	(2,696)	6,816	(702)	6,114
	3,071	(1,688)	1,383	12,988	(1,158)	11,830

Notes to the Financial Statements

30. Other comprehensive income (continued)

	<----- Company ----->					
	Before tax RM'000	2017 Tax (expense)/ benefit RM'000	Net of tax RM'000	Before tax RM'000	2016 Tax (expense)/ benefit RM'000	Net of tax RM'000
Takaful Operator						
Item that will not be reclassified subsequently to profit or loss						
Revaluation of property and equipment						
- Gains arising during the year	10	-	10	40	-	40
	10	-	10	40	-	40
Items that may be reclassified subsequently to profit or loss						
Fair value of available-for-sale financial assets						
- Gains arising during the year	7,510	(1,802)	5,708	304	(73)	231
- Reclassification adjustments for gain on disposal included in profit or loss	(1,447)	347	(1,100)	2,621	(629)	1,992
	6,063	(1,455)	4,608	2,925	(702)	2,223
	6,073	(1,455)	4,618	2,965	(702)	2,263
Family Takaful						
Items that may be reclassified subsequently to profit or loss						
Fair value of available-for-sale financial assets						
- Gains arising during the year	38,878	-	38,878	5,249	-	5,249
- Reclassification adjustments for gain on disposal included in profit or loss	(17,909)	-	(17,909)	4,183	-	4,183
Other comprehensive income attributable to participants	(20,969)	-	(20,969)	(9,432)	-	(9,432)
	-	-	-	-	-	-

Notes to the Financial Statements

30. Other comprehensive income (continued)

	<----- Company ----->					
	Before tax RM'000	2017 Tax (expense)/ benefit RM'000	Net of tax RM'000	Before tax RM'000	2016 Tax (expense)/ benefit RM'000	Net of tax RM'000
General Takaful						
Items that may be reclassified subsequently to profit or loss						
Fair value of available-for-sale financial assets						
- Gains arising during the year	5,796	-	5,796	534	-	534
- Reclassification adjustments for gain on disposal included in profit or loss	(2,247)	-	(2,247)	2,101	-	2,101
Other comprehensive income attributable to participants	(3,549)	-	(3,549)	(2,635)	-	(2,635)
	-	-	-	-	-	-
Company						
Items that will not be reclassified subsequently to profit or loss						
Revaluation of property and equipment						
- Gains arising during the year	9,958	(338)	9,620	5,214	(136)	5,078
Other comprehensive income attributable to participants	(8,538)	-	(8,538)	(4,608)	-	(4,608)
	1,420	(338)	1,082	606	(136)	470
Items that may be reclassified subsequently to profit or loss						
Fair value of available-for-sale financial assets						
- Gains arising during the year	7,510	(1,802)	5,708	304	(73)	231
- Reclassification adjustments for gain on disposal included in profit or loss	(1,447)	347	(1,100)	2,621	(629)	1,992
	6,063	(1,455)	4,608	2,925	(702)	2,223
	7,483	(1,793)	5,690	3,531	(838)	2,693

31. Earnings per share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders of RM206,699,000 (2016: RM176,282,000) and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017 Unit'000	2016 Unit'000
Issued ordinary shares at beginning of the year (basic)	820,944	815,836
Effect of ordinary shares issued under LTIP	1,635	3,462
Weighted average number of ordinary shares (basic)	822,579	819,298

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders of RM206,699,000 (2016: RM176,282,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2017 Unit'000	2016 Unit'000
Weighted average number of ordinary shares (basic)	822,579	819,298
Effect of Restricted / Performance shares on issue	2,854	3,347
Weighted average number of ordinary shares (diluted)	825,433	822,645

32. Dividends

Dividends recognised by the Company:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2017			
Interim ordinary dividend per ordinary share for financial year 2017	15.00	123,472	19.1.2018
2016			
Interim ordinary dividend per ordinary share of RM0.20 each for financial year 2015	7.35	59,964	17.2.2016
Interim ordinary dividend per ordinary share of RM0.20 each for financial year 2016	12.00	98,514	20.1.2017
		158,478	

Notes to the Financial Statements

33. Operating segments

Segment information is presented in respect of the Group's geographical segments. This is based on the Group's management and internal reporting structure. Inter-segment pricing, if any, is determined based on negotiated terms. The Group does not present information by business segment as it is principally engaged as an operator of Family and General takaful / retakaful businesses. The financial position and performance of the Family and General Takaful businesses managed by the Group and the Company have been disclosed separately within these financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise expenses, which are all incurred by Takaful Operator for the management of Takaful funds.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

Geographical segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
2017			
Total external revenue	1,991,293	147,867	2,139,160
Inter-segment revenue	-	-	-
Total segment revenue	1,991,293	147,867	2,139,160
Segment result / Profit before zakat and taxation	254,607	(954)	253,653
Zakat			(1,075)
Tax expense			(47,505)
Profit for the year			205,073
Segment assets by location of assets	7,681,525	513,075	8,194,600
Segment liabilities by location of liabilities	6,915,412	445,734	7,361,146
Capital expenditure by location of assets	2,325	679	3,004
Depreciation and amortisation	23,630	6,706	30,336
Non-cash expenses other than depreciation and amortisation	24,228	3,978	28,206

Notes to the Financial Statements

33. Operating segments (continued)

Geographical segments (continued)

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
2016			
Total external revenue	1,839,267	173,986	2,013,253
Inter-segment revenue	-	-	-
Total segment revenue	1,839,267	173,986	2,013,253
Segment result / Profit before zakat and taxation	219,860	1,018	220,878
Zakat			(346)
Tax expense			(46,168)
Profit for the year			174,364
Segment assets by location of assets	7,168,719	588,961	7,757,680
Segment liabilities by location of liabilities	6,499,820	514,717	7,014,537
Capital expenditure by location of assets	5,740	397	6,137
Depreciation and amortisation	23,162	5,712	28,874
Non-cash expenses other than depreciation and amortisation	30,802	6,586	37,388

34. Risk management framework

The Board with the assistance of the management team is responsible for the Risk Management Framework within the Group. The Board delegates the responsibility of oversight and monitoring of management's initiatives in managing key risk areas and ensuring the functioning of the risk management processes to the Board Risk Committee (BRC). The BRC is supported by the Management Risk Committee (MRC) who is represented by the respective heads of divisions and headed by Group Chief Executive Officer.

The Group established the Enterprise Risk Management (ERM) Framework to ensure an ongoing process of identifying, evaluating, monitoring and managing the significant risk exposures surrounding its business strategies and operations.

By executing the risk management process through robust controls, monitoring and responding to potential risks, the Group is able to mitigate risks to within the risk appetite of the Board. Operational Loss Incidences reporting based on the BNM's ORION requirement are reported to BNM, MRC, BRC and the Board to act as a gauge on the effectiveness of the ERM in place.

Whistle Blowing Policy, Fraud and Integrity Policy and Shariah Governance Framework are also in place to provide basic structure and further strengthen the existing control mechanism underlying the business activities.

Business Continuity Management is consistently practiced in accordance with Bank Negara Malaysia guidelines. The Group tests the Business Continuity Plan annually to ensure the continuity of essential services in the event of major disruption and to safeguard the lives of the employees and others in the office premises. The Disaster Recovery Plan is tested twice a year to ensure the critical IT systems are up and running at all times.

Notes to the Financial Statements

34. Risk management framework (continued)

The Group has an Internal Capital Adequacy Assessment Process Policy to maintain financial resilience and stability, whilst having the flexibility of pursuing strategic business opportunities to optimize shareholder value.

Stress Testing is conducted at least once a year by the Actuarial Division together with Investment Department, Finance Department and Risk Management Department to ensure the Group's financial standing is secure under several risk scenarios.

Asset and Liability Management Framework and Strategic Asset Allocation are also in place to enhance Financial Risk Management and facilitate in the Group's and the Company's investment strategy.

35. Takaful risk management

(a) Family Takaful Fund

The Family Takaful contracts consist of:

(i) Family Takaful non-investment-linked contracts

The Family Takaful non-investment-linked contracts are mainly credit related takaful products, group takaful schemes, yearly renewable individual ordinary medical plans, regular contribution individual ordinary plans and annuity plans. The main product types are Mortgage Reducing Term Takaful (MRTT), Group Credit Takaful, Group Term Takaful and Group Medical Takaful.

(ii) Family Takaful investment-linked contracts

The Family Takaful investment-linked contracts are mainly made up of regular contribution investment-linked products. The main products are Takaful myInvest and Takaful myGenLife.

The key coverage for the Family Takaful contracts

The key coverage for the Family Takaful contracts are death, total and permanent disability, hospital and surgical benefits, personal accident benefits, daily hospitalisation cash allowance benefits, dread disease benefits, waiver of contribution benefits and survival benefits (for annuity).

Concentration of Family Takaful risk

The following gives details of the Group's and the Company's concentration of risks based on outstanding actuarial reserves by main product categories:

	Note	<----- Group ----->		
		Gross RM'000	Retakaful RM'000	Net RM'000
2017				
Term		877,855	-	877,855
Endowment		1,288,089	(1,280)	1,286,809
Mortgage		2,280,304	(178,204)	2,102,100
Annuity		309,646	-	309,646
Total Family actuarial liabilities	15(c)	4,755,894	(179,484)	4,576,410

Notes to the Financial Statements

35. Takaful risk management (continued)

(a) Family Takaful Fund (continued)

		<----- Group ----->		
	Note	Gross RM'000	Retakaful RM'000	Net RM'000
2016				
Term		1,107,821	-	1,107,821
Endowment		1,088,556	-	1,088,556
Mortgage		1,873,489	(144,096)	1,729,393
Annuity		319,730	-	319,730
Total Family actuarial liabilities	15(c)	4,389,596	(144,096)	4,245,500

		<----- Company ----->		
	Note	Gross RM'000	Retakaful RM'000	Net RM'000
2017				
Term		877,067	-	877,067
Endowment		918,868	-	918,868
Mortgage		2,228,559	(159,872)	2,068,687
Annuity		309,646	-	309,646
Total Family actuarial liabilities	15(c)	4,334,140	(159,872)	4,174,268

2016				
Term		838,448	-	838,448
Endowment		1,040,039	-	1,040,039
Mortgage		1,872,655	(129,019)	1,743,636
Annuity		315,037	-	315,037
Total Family actuarial liabilities	15(c)	4,066,179	(129,019)	3,937,160

Key assumptions

Reserves for all plans were valued on a basis that the Appointed Actuary considers adequate and appropriate, and in line with the valuation basis set out by BNM in respect of the Guidelines on Valuation Basis for Liabilities of Family Takaful Business (BNM/RH/GL 004-20) and Risk-Based Capital Framework for Takaful Operator.

Notes to the Financial Statements

35. Takaful risk management (continued)

(a) Family Takaful Fund (continued)

Key assumptions (continued)

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive are as follows:

- *Mortality and morbidity rates*

This is significant for contracts with significant coverage for death, total permanent disability and critical illness and the increase in the mortality or morbidity rates would have direct impact on the liability.

- *Discount rate*

As the liabilities are the present value of future cash flows, both income and outgo, a decrease in discount rate would have an increasing impact on the liabilities and vice-versa.

- *Surrender rate*

This is only applicable to long-term products, where when the rate is reduced (products with PIF) or increased (products without PIF), the impact is an increase of the liability.

Sensitivities

A summary of key assumptions used for sensitivity analysis is as below:

	<-----Group and Company----->		
	Mortality and morbidity rates	Discount rate	Surrender rate
2017			
Endowment	+10%(i)	-1%	-20%
Mortgage	+10%(i)	-1%	-20%
Investment-linked	+10%(i)	-1%	-20%
2016			
Endowment	+10%(i)	-1%	-20%
Mortgage	+10%(i)	-1%	-20%
Investment-linked	+10%(i)	-1%	-20%

(i) 10% Industry mortality and morbidity experience tables M8388 and M9903

35. Takaful risk management (continued)
(a) Family Takaful Fund (continued)
Sensitivities (continued)

The analysis below is performed for reasonably possible movements in each of the key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, and unallocated surplus. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	<----- Group ----->			
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on unallocated surplus RM'000
2017				
Mortality / morbidity rate	+10%	267,895	208,142	(208,142)
Discount rate	-1%	175,447	182,436	(182,436)
Surrender rate	-20%	72,319	47,186	(47,186)

2016				
Mortality / morbidity rate	+10%	245,375	181,556	(181,556)
Discount rate	-1%	202,533	164,157	(164,157)
Surrender rate	-20%	69,457	34,312	(34,312)

	<----- Company ----->			
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on unallocated surplus RM'000
2017				
Mortality / morbidity rate	+10%	189,453	150,798	(150,798)
Discount rate	-1%	103,864	129,905	(129,905)
Surrender rate	-20%	2,527	(4,222)	4,222

2016				
Mortality / morbidity rate	+10%	168,326	121,287	(121,287)
Discount rate	-1%	132,534	108,750	(108,750)
Surrender rate	-20%	792	(20,175)	20,175

Notes to the Financial Statements

35. Takaful risk management (continued)

(b) General Takaful Fund

The General Takaful contracts consist of fire, motor, personal accident, workmen's compensation and employers' liability, liabilities and engineering and others.

Concentration of General Takaful risk

The table below sets out the concentration of General Takaful gross contribution by type of business.

	Note	<-----Group----->		
		Gross RM'000	Retakaful RM'000	Net RM'000
2017				
Fire		203,647	(102,129)	101,518
Motor		274,689	(97,331)	177,358
Marine		17,409	(15,234)	2,175
Miscellaneous		91,599	(35,796)	55,803
Gross contribution	20	587,344	(250,490)	336,854
2016				
Fire		192,899	(91,416)	101,483
Motor		219,995	(68,899)	151,096
Marine		10,888	(8,253)	2,635
Miscellaneous		92,869	(32,554)	60,315
Gross contribution	20	516,651	(201,122)	315,529
	Note	<-----Company----->		
		Gross RM'000	Retakaful RM'000	Net RM'000
2017				
Fire		206,611	(102,156)	104,455
Motor		275,293	(97,237)	178,056
Marine		17,427	(15,242)	2,185
Miscellaneous		91,662	(35,764)	55,898
Gross contribution	20	590,993	(250,399)	340,594
2016				
Fire		185,770	(88,449)	97,321
Motor		209,864	(68,472)	141,392
Marine		10,445	(8,110)	2,335
Miscellaneous		87,739	(31,152)	56,587
Gross contribution	20	493,818	(196,183)	297,635

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Key assumptions

The provision for Takaful liabilities is in accordance with the valuation methods set out by BNM in respect of the Guidelines on Valuation Basis for Liabilities of General Takaful Business (BNM/RH/GL 004-21) and Risk-Based Capital Framework for Takaful Operator. The key assumptions underlying the estimation of liabilities is that the Group's and the Company's future claims development will follow a similar pattern to past claims development experience, including average claim cost, average claim frequency and business mix for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrences, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, underwriting policy, policy conditions and claims handling procedures.

Other key circumstances affecting the reliability of assumptions include delays in settlement and changes in foreign currency rates.

Sensitivities

The General Takaful claim liabilities are sensitive to the above key assumptions and change in these assumptions may impact the liabilities and operating surplus of the General Takaful Fund significantly. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and operating surplus. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive are as follows:

- *Fire loss ratio for latest accident year*

This is significant as Fire portfolio is one of the largest under general business, a change in loss ratio estimate will impact the liabilities significantly.

- *Motor Act loss ratio for latest accident year*

Motor Act business is long tailed in nature and need years before the claim experience matures. A significant impact may result if the ultimate experience differs from current estimation.

- *Average claim cost*

Reserves are based on assumption that historical average claim cost is reflective of the future experience. Increase in average cost will increase future liabilities.

- *Average claim frequency*

Reserves are based on assumption that historical average claim number in each accident year reflects the future experience. A change in average number of claims will impact the future liabilities.

- *Average claim settlement period*

Reserves are based on assumption that claim settlement period will be stable over years. A change in claim handling practice will affect the claim cost and the future liabilities.

Notes to the Financial Statements

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Sensitivities (continued)

Below shows the summary of changes in key assumptions and the impact to the gross and net claim liabilities, and the operating surplus.

<----- Group ----->				
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on operating surplus RM'000
2017				
Fire loss ratio for AY 2017	+10%	19,630	8,534	(8,534)
Motor Act loss ratio for AY 2017	+10%	2,964	2,100	(2,100)
Average unpaid claims	+10%	41,354	18,011	(18,011)
Average claim frequency	+10%	13,875	7,656	(7,656)
Average claim settlement period	Increase by 6 months	43,225	41,420	(41,420)

2016				
Fire loss ratio for AY 2016	+10%	15,301	4,826	(4,826)
Motor Act loss ratio for AY 2016	+10%	3,424	2,550	(2,550)
Average unpaid claims	+10%	35,015	14,921	(14,921)
Average claim frequency	+10%	11,632	6,268	(6,268)
Average claim settlement period	Increase by 6 months	33,986	22,601	(22,601)

<----- Company ----->				
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on operating surplus RM'000
2017				
Fire loss ratio for AY 2017	+10%	19,630	8,534	(8,534)
Motor Act loss ratio for AY 2017	+10%	2,964	2,100	(2,100)
Average unpaid claims	+10%	41,354	18,011	(18,011)
Average claim frequency	+10%	13,875	7,656	(7,656)
Average claim settlement period	Increase by 6 months	43,225	41,420	(41,420)

35. Takaful risk management (continued)
(b) General Takaful Fund (continued)
Sensitivities (continued)

<-----Company----->				
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on operating surplus RM'000
2016				
Fire loss ratio for AY 2016	+10%	15,205	4,767	(4,767)
Motor Act loss ratio for AY 2016	+10%	2,349	1,585	(1,585)
Average unpaid claims	+10%	34,489	14,540	(14,540)
Average claim frequency	+10%	11,431	6,122	(6,122)
Average claim settlement period	Increase by 6 months	33,848	22,501	(22,501)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of reporting period, together with cumulative payments to-date.

In setting provisions for claims, the Group and the Company give consideration to the probability and magnitude of future experience being more adverse than assumed and exercise the degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Notes to the Financial Statements

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Gross General Takaful contract liabilities for 2017 (Group and Company):

Accident year	Before 2010	2010	2011	2012	2013	2014	2015	2016	2017	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	224,758	220,483	215,615	331,800	262,204	221,648	223,780	295,991		
One year later	287,375	232,454	209,161	306,084	251,372	208,227	203,209	-		
Two years later	277,643	215,580	177,695	305,183	250,924	188,734	-	-		
Three years later	248,672	192,988	163,244	264,940	243,501	-	-	-		
Four years later	227,251	178,913	158,686	263,409	-	-	-	-		
Five years later	219,013	170,028	155,598	-	-	-	-	-		
Six years later	216,369	169,000	-	-	-	-	-	-		
Seven years later	212,182	-	-	-	-	-	-	-		
Current estimate of cumulative claims incurred	212,182	169,000	155,598	263,409	243,501	188,734	203,209	295,991	1,731,624	
At end of accident year	(79,900)	(48,450)	(43,107)	(47,866)	(58,855)	(59,362)	(75,630)	(99,942)		
One year later	(148,043)	(113,694)	(99,559)	(117,379)	(138,390)	(124,477)	(137,673)	-		
Two years later	(178,214)	(144,454)	(132,631)	(158,980)	(180,634)	(145,455)	-	-		
Three years later	(191,372)	(158,005)	(146,199)	(240,162)	(212,447)	-	-	-		
Four years later	(198,460)	(161,070)	(152,499)	(255,632)	-	-	-	-		
Five years later	(202,917)	(167,832)	(153,664)	-	-	-	-	-		
Six years later	(207,266)	(168,452)	-	-	-	-	-	-		
Seven years later	(211,995)	-	-	-	-	-	-	-		
Cumulative payments to-date	(211,995)	(168,452)	(153,664)	(255,632)	(212,447)	(145,455)	(137,673)	(99,942)	(1,385,260)	
Gross General Takaful contract liabilities	187	548	1,934	7,777	31,054	43,279	65,536	196,049	346,364	
Additional risk margin									50,824	
Gross General Takaful contract liabilities per financial position (Note 15(a))									397,188	

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Net General Takaful contract liabilities for 2017 (Group and Company):

Accident year	Before 2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident year	193,764	164,771	155,701	145,951	149,409	127,623	130,234	158,981	
One year later	194,943	166,938	155,158	131,597	128,160	121,144	130,936	-	
Two years later	184,831	162,745	138,856	121,436	120,438	112,551	-	-	
Three years later	175,340	151,294	127,442	114,847	114,884	-	-	-	
Four years later	162,922	140,475	124,850	108,663	-	-	-	-	
Five years later	169,151	137,539	122,698	-	-	-	-	-	
Six years later	168,656	137,028	-	-	-	-	-	-	
Seven years later	168,479	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	168,479	137,028	122,698	108,663	114,884	112,551	130,936	158,981	1,054,220
At end of accident year	(68,055)	(44,725)	(40,054)	(41,956)	(43,125)	(42,496)	(54,552)	(67,730)	
One year later	(125,883)	(104,575)	(89,419)	(84,498)	(88,199)	(84,402)	(97,117)	-	
Two years later	(140,510)	(128,583)	(109,666)	(101,303)	(103,471)	(96,660)	-	-	
Three years later	(150,249)	(136,415)	(117,457)	(105,696)	(108,312)	-	-	-	
Four years later	(153,849)	(134,801)	(120,530)	(105,070)	-	-	-	-	
Five years later	(167,151)	(136,230)	(121,442)	-	-	-	-	-	
Six years later	(167,791)	(136,850)	-	-	-	-	-	-	
Seven years later	(168,374)	-	-	-	-	-	-	-	
Cumulative payments to-date	(168,374)	(136,850)	(121,442)	(105,070)	(108,312)	(96,660)	(97,117)	(67,730)	(901,555)
Net General Takaful contract liabilities	105	178	1,256	3,593	6,572	15,891	33,819	91,251	152,665
Additional risk margin									21,694
Net General Takaful contract liabilities per financial position (Note 15(a))									174,359

Notes to the Financial Statements

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Gross General Takaful contract liabilities for 2016 (Group):

Accident year	Before 2009							Total
	2009	2010	2011	2012	2013	2014	2015	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	151,643	256,026	252,127	235,113	348,058	272,807	233,338	233,000
One year later	159,147	325,009	256,803	226,965	322,024	261,752	217,810	-
Two years later	202,227	314,734	237,588	195,807	320,413	260,560	-	-
Three years later	186,882	289,971	216,253	180,409	278,686	-	-	-
Four years later	172,266	261,764	201,539	174,848	-	-	-	-
Five years later	159,098	252,671	192,587	-	-	-	-	-
Six years later	156,675	246,847	-	-	-	-	-	-
Seven years later	157,315	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	157,315	246,847	192,587	174,848	278,686	260,560	217,810	233,000
								1,761,653
At end of accident year	(71,393)	(101,724)	(58,326)	(51,497)	(56,640)	(64,682)	(64,629)	(80,972)
One year later	(132,370)	(174,690)	(132,258)	(113,394)	(130,366)	(147,549)	(133,480)	-
Two years later	(146,646)	(205,770)	(164,490)	(147,379)	(172,203)	(190,618)	-	-
Three years later	(153,005)	(221,959)	(179,202)	(161,275)	(253,500)	-	-	-
Four years later	(155,143)	(230,198)	(182,455)	(167,656)	-	-	-	-
Five years later	(155,984)	(234,687)	(189,253)	-	-	-	-	-
Six years later	(156,160)	(235,794)	-	-	-	-	-	-
Seven years later	(156,627)	-	-	-	-	-	-	-
Cumulative payments to-date	(156,627)	(235,794)	(189,253)	(167,656)	(253,500)	(190,618)	(133,480)	(80,972)
								(1,407,900)
Gross General Takaful contract liabilities	688	11,053	3,334	7,192	25,186	69,942	84,330	353,753
Additional risk margin								56,737
Effect of movement in exchange rates								(3,395)
Gross General Takaful contract liabilities per financial position (Note 15(a))								407,095

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Net General Takaful contract liabilities for 2016 (Group):

Accident year	Before 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	107,014	211,276	179,670	169,228	156,615	156,941	135,775	137,861	
One year later	109,700	214,389	183,927	169,004	143,677	135,810	128,040	-	
Two years later	115,733	203,874	179,313	152,765	132,815	127,752	-	-	
Three years later	107,449	197,585	168,629	140,901	125,377	-	-	-	
Four years later	104,480	185,014	157,457	138,114	-	-	-	-	
Five years later	100,610	190,502	154,513	-	-	-	-	-	
Six years later	99,881	186,828	-	-	-	-	-	-	
Seven years later	95,650	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	95,650	186,828	154,513	138,114	125,377	127,752	128,040	137,861	1,094,135
At end of accident year	(44,099)	(84,167)	(53,570)	(47,769)	(48,340)	(47,835)	(47,288)	(59,380)	
One year later	(79,458)	(143,180)	(119,794)	(101,619)	(94,643)	(95,415)	(91,130)	-	
Two years later	(92,171)	(158,560)	(144,833)	(122,291)	(111,525)	(110,971)	-	-	
Three years later	(97,214)	(171,555)	(152,714)	(130,146)	(116,007)	-	-	-	
Four years later	(98,469)	(175,176)	(151,276)	(133,275)	-	-	-	-	
Five years later	(98,930)	(188,487)	(152,729)	-	-	-	-	-	
Six years later	(99,639)	(185,837)	-	-	-	-	-	-	
Seven years later	(95,125)	-	-	-	-	-	-	-	
Cumulative payments to-date	(95,125)	(185,837)	(152,729)	(133,275)	(116,007)	(110,971)	(91,130)	(59,380)	(944,454)
Net General Takaful contract liabilities	525	991	1,784	4,839	9,370	16,781	36,910	78,481	149,681
Additional risk margin									20,243
Effect of movement in exchange rates									(785)
Net General Takaful contract liabilities per financial position (Note 15(a))									169,139

Notes to the Financial Statements

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Gross General Takaful contract liabilities for 2016 (Company):

Accident year	Before 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	114,835	224,758	220,483	215,615	331,800	262,204	221,648	223,780	
One year later	113,473	287,375	232,454	209,161	306,084	251,372	208,227	-	
Two years later	154,775	277,643	215,580	177,695	305,183	250,924	-	-	
Three years later	139,639	248,672	192,988	163,244	264,940	-	-	-	
Four years later	123,689	227,251	178,913	158,686	-	-	-	-	
Five years later	110,589	219,013	170,028	-	-	-	-	-	
Six years later	109,703	216,369	-	-	-	-	-	-	
Seven years later	115,191	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	115,191	216,369	170,028	158,686	264,940	250,924	208,227	223,780	1,608,145
At end of accident year	(37,036)	(79,900)	(48,450)	(43,107)	(47,866)	(58,855)	(59,362)	(75,630)	
One year later	(90,453)	(148,043)	(113,694)	(99,559)	(117,379)	(138,390)	(124,477)	-	
Two years later	(102,785)	(178,214)	(144,454)	(132,631)	(158,980)	(180,634)	-	-	
Three years later	(106,453)	(191,372)	(158,005)	(146,199)	(240,162)	-	-	-	
Four years later	(108,601)	(198,460)	(161,070)	(152,499)	-	-	-	-	
Five years later	(109,380)	(202,917)	(167,832)	-	-	-	-	-	
Six years later	(109,468)	(207,266)	-	-	-	-	-	-	
Seven years later	(114,753)	-	-	-	-	-	-	-	
Cumulative payments to-date	(114,753)	(207,266)	(167,832)	(152,499)	(240,162)	(180,634)	(124,477)	(75,630)	(1,263,253)
Gross General Takaful contract liabilities	438	9,103	2,196	6,187	24,778	70,290	83,750	148,150	344,892
Additional risk margin									56,737
Gross General Takaful contract liabilities per financial position (Note 15(a))									401,629

35. Takaful risk management (continued)

(b) General Takaful Fund (continued)

Net General Takaful contract liabilities for 2016 (Company):

Accident year	Before 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	90,320	193,764	164,771	155,701	145,951	149,409	127,623	130,234	
One year later	89,557	194,943	166,938	155,158	131,597	128,160	121,144	-	
Two years later	93,924	184,831	162,745	138,856	121,436	120,438	-	-	
Three years later	85,745	175,340	151,294	127,442	114,847	-	-	-	
Four years later	82,749	162,922	140,475	124,850	-	-	-	-	
Five years later	78,799	169,151	137,539	-	-	-	-	-	
Six years later	78,592	168,656	-	-	-	-	-	-	
Seven years later	79,201	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	79,201	168,656	137,539	124,850	114,847	120,438	121,144	130,234	996,909
At end of accident year	(29,194)	(68,055)	(44,725)	(40,054)	(41,956)	(43,125)	(42,496)	(54,552)	
One year later	(62,390)	(125,883)	(104,575)	(89,419)	(84,498)	(88,199)	(84,402)	-	
Two years later	(73,271)	(140,510)	(128,583)	(109,666)	(101,303)	(103,471)	-	-	
Three years later	(76,033)	(150,249)	(136,415)	(117,457)	(105,696)	-	-	-	
Four years later	(77,277)	(153,849)	(134,801)	(120,530)	-	-	-	-	
Five years later	(77,715)	(167,151)	(136,230)	-	-	-	-	-	
Six years later	(78,413)	(167,791)	-	-	-	-	-	-	
Seven years later	(78,838)	-	-	-	-	-	-	-	
Cumulative payments to-date	(78,838)	(167,791)	(136,230)	(120,530)	(105,696)	(103,471)	(84,402)	(54,552)	(851,510)
Net General Takaful contract liabilities	363	865	1,309	4,320	9,151	16,967	36,742	75,682	145,399
Additional risk margin									20,243
Net General Takaful contract liabilities per financial position (Note 15(a))									165,642

Notes to the Financial Statements

36. Financial instruments

36.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (LAR);
- (b) Fair value through profit or loss (FVTPL) - Held for trading (HFT);
- (c) Available-for-sale financial assets (AFS);
- (d) Held-to-maturity financial assets (HTM); and
- (e) Financial liabilities measured at amortised cost (FL).

	Group				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
2017					
Financial assets					
Takaful Operator					
Other investments	577,477	-	5,480	561,963	10,034
Loans and receivables, excluding takaful receivables and prepayment	336,716	336,716	-	-	-
Cash and cash equivalents	205,265	205,265	-	-	-
	1,119,458	541,981	5,480	561,963	10,034
Family Takaful					
Other investments	3,910,047	-	219,309	3,194,248	496,490
Retakaful assets	4,664	4,664	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	927,341	927,341	-	-	-
Takaful receivables	77,441	77,441	-	-	-
Cash and cash equivalents	594,175	594,175	-	-	-
	5,513,668	1,603,621	219,309	3,194,248	496,490
General Takaful					
Other investments	412,829	-	-	402,829	10,000
Retakaful assets	139,243	139,243	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	116,789	116,789	-	-	-
Takaful receivables	94,676	94,676	-	-	-
Cash and cash equivalents	121,740	121,740	-	-	-
	885,277	472,448	-	402,829	10,000
Group					
Other investments	4,861,657	-	224,789	4,120,344	516,524
Retakaful assets	143,907	143,907	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	1,311,085	1,311,085	-	-	-
Takaful receivables	172,117	172,117	-	-	-
Cash and cash equivalents	921,180	921,180	-	-	-
	7,409,946	2,548,289	224,789	4,120,344	516,524

Notes to the Financial Statements

36. Financial instruments (continued)
36.1 Categories of financial instruments (continued)

2017	Company				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial assets					
Takaful Operator					
Other investments	551,960	-	-	551,960	-
Loans and receivables, excluding takaful receivables and prepayment	332,754	332,754	-	-	-
Cash and cash equivalents	177,121	177,121	-	-	-
	1,061,835	509,875	-	551,960	-
Family Takaful					
Other investments	3,678,264	-	94,230	3,159,835	424,199
Retakaful assets	3,616	3,616	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	916,659	916,659	-	-	-
Takaful receivables	72,969	72,969	-	-	-
Cash and cash equivalents	444,794	444,794	-	-	-
	5,116,302	1,438,038	94,230	3,159,835	424,199
General Takaful					
Other investments	412,829	-	-	402,829	10,000
Retakaful assets	139,243	139,243	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	116,789	116,789	-	-	-
Takaful receivables	94,676	94,676	-	-	-
Cash and cash equivalents	121,740	121,740	-	-	-
	885,277	472,448	-	402,829	10,000
Company					
Other investments	4,604,357	-	94,230	4,075,928	434,199
Retakaful assets	142,859	142,859	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	1,296,482	1,296,482	-	-	-
Takaful receivables	167,645	167,645	-	-	-
Cash and cash equivalents	743,655	743,655	-	-	-
	6,954,998	2,350,641	94,230	4,075,928	434,199

Notes to the Financial Statements

36. Financial instruments (continued)

36.1 Categories of financial instruments (continued)

2017	<----- Group ----->				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial liabilities					
Takaful Operator					
Takaful payables	(18,280)	(18,280)	-	-	-
Other payables	(233,202)	(233,202)	-	-	-
	(251,482)	(251,482)	-	-	-
Family Takaful					
Provision for outstanding claims	(28,171)	(28,171)	-	-	-
Takaful payables	(27,701)	(27,701)	-	-	-
Other payables	(100,983)	(100,983)	-	-	-
	(156,855)	(156,855)	-	-	-
General Takaful					
Provision for outstanding claims	(224,950)	(224,950)	-	-	-
Takaful payables	(61,002)	(61,002)	-	-	-
Other payables	(64,551)	(64,551)	-	-	-
	(350,503)	(350,503)	-	-	-
Company					
Provision for outstanding claims	(253,121)	(253,121)	-	-	-
Takaful payables	(106,983)	(106,983)	-	-	-
Other payables	(328,975)	(328,975)	-	-	-
	(689,079)	(689,079)	-	-	-

36. Financial instruments (continued)
36.1 Categories of financial instruments (continued)

2017	<----- Company ----->				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial liabilities					
Takaful Operator					
Takaful payables	(17,167)	(17,167)	-	-	-
Other payables	(229,302)	(229,302)	-	-	-
	(246,469)	(246,469)	-	-	-
Family Takaful					
Provision for outstanding claims	(26,026)	(26,026)	-	-	-
Takaful payables	(25,302)	(25,302)	-	-	-
Other payables	(98,102)	(98,102)	-	-	-
	(149,430)	(149,430)	-	-	-
General Takaful					
Provision for outstanding claims	(224,950)	(224,950)	-	-	-
Takaful payables	(61,002)	(61,002)	-	-	-
Other payables	(64,551)	(64,551)	-	-	-
	(350,503)	(350,503)	-	-	-
Company					
Provision for outstanding claims	(250,976)	(250,976)	-	-	-
Takaful payables	(103,471)	(103,471)	-	-	-
Other payables	(322,235)	(322,235)	-	-	-
	(676,682)	(676,682)	-	-	-

Notes to the Financial Statements

36. Financial instruments (continued)

36.1 Categories of financial instruments (continued)

2016	<----- Group ----->				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial assets					
Takaful Operator					
Other investments	461,176	-	6,973	442,365	11,838
Loans and receivables, excluding takaful receivables and prepayment	320,612	320,612	-	-	-
Cash and cash equivalents	197,663	197,663	-	-	-
	979,451	518,275	6,973	442,365	11,838
Family Takaful					
Other investments	3,626,617	-	193,838	2,914,102	518,677
Retakaful assets	2,292	2,292	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	913,523	913,523	-	-	-
Takaful receivables	124,034	124,034	-	-	-
Cash and cash equivalents	579,349	579,349	-	-	-
	5,245,815	1,619,198	193,838	2,914,102	518,677
General Takaful					
Other investments	436,250	-	-	393,382	42,868
Retakaful assets	148,013	148,013	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	137,014	137,014	-	-	-
Takaful receivables	45,674	45,674	-	-	-
Cash and cash equivalents	164,597	164,597	-	-	-
	931,548	495,298	-	393,382	42,868
Group					
Other investments	4,487,027	-	200,811	3,712,833	573,383
Retakaful assets	150,305	150,305	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	1,299,936	1,299,936	-	-	-
Takaful receivables	169,708	169,708	-	-	-
Cash and cash equivalents	941,609	941,609	-	-	-
	7,048,585	2,561,558	200,811	3,712,833	573,383

Notes to the Financial Statements

36. Financial instruments (continued)

36.1 Categories of financial instruments (continued)

2016	<----- Company ----->				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial assets					
Takaful Operator					
Other investments	427,281	-	-	427,281	-
Loans and receivables, excluding takaful receivables and prepayment	315,259	315,259	-	-	-
Cash and cash equivalents	174,236	174,236	-	-	-
	916,776	489,495	-	427,281	-
Family Takaful					
Other investments	3,382,468	-	71,932	2,868,686	441,850
Retakaful assets	1,384	1,384	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	905,612	905,612	-	-	-
Takaful receivables	121,247	121,247	-	-	-
Cash and cash equivalents	400,784	400,784	-	-	-
	4,811,495	1,429,027	71,932	2,868,686	441,850
General Takaful					
Other investments	430,906	-	-	393,382	37,524
Retakaful assets	146,401	146,401	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	135,661	135,661	-	-	-
Takaful receivables	44,144	44,144	-	-	-
Cash and cash equivalents	143,709	143,709	-	-	-
	900,821	469,915	-	393,382	37,524
Company					
Other investments	4,203,639	-	71,932	3,652,333	479,374
Retakaful assets	147,785	147,785	-	-	-
Loans and receivables, excluding takaful receivables and prepayment	1,285,375	1,285,375	-	-	-
Takaful receivables	165,391	165,391	-	-	-
Cash and cash equivalents	718,729	718,729	-	-	-
	6,520,919	2,317,280	71,932	3,652,333	479,374

Notes to the Financial Statements

36. Financial instruments (continued)

36.1 Categories of financial instruments (continued)

2016	<----- Group ----->				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial liabilities					
Takaful Operator					
Takaful payables	(15,422)	(15,422)	-	-	-
Other payables	(197,798)	(197,798)	-	-	-
	(213,220)	(213,220)	-	-	-
Family Takaful					
Provision for outstanding claims	(24,435)	(24,435)	-	-	-
Takaful payables	(12,252)	(12,252)	-	-	-
Other payables	(114,944)	(114,944)	-	-	-
	(151,631)	(151,631)	-	-	-
General Takaful					
Provision for outstanding claims	(234,840)	(234,840)	-	-	-
Takaful payables	(55,737)	(55,737)	-	-	-
Other payables	(91,679)	(91,679)	-	-	-
	(382,256)	(382,256)	-	-	-
Group					
Provision for outstanding claims	(259,275)	(259,275)	-	-	-
Takaful payables	(83,411)	(83,411)	-	-	-
Other payables	(333,208)	(333,208)	-	-	-
	(675,894)	(675,894)	-	-	-

36. Financial instruments (continued)
36.1 Categories of financial instruments (continued)

2016	<----- Company ----->				
	Carrying amount RM'000	LAR/ (FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial liabilities					
Takaful Operator					
Takaful payables	(15,422)	(15,422)	-	-	-
Other payables	(190,905)	(190,905)	-	-	-
	(206,327)	(206,327)	-	-	-
Family Takaful					
Provision for outstanding claims	(22,376)	(22,376)	-	-	-
Takaful payables	(11,079)	(11,079)	-	-	-
Other payables	(111,508)	(111,508)	-	-	-
	(144,963)	(144,963)	-	-	-
General Takaful					
Provision for outstanding claims	(230,324)	(230,324)	-	-	-
Takaful payables	(55,296)	(55,296)	-	-	-
Other payables	(86,777)	(86,777)	-	-	-
	(372,397)	(372,397)	-	-	-
Company					
Provision for outstanding claims	(252,700)	(252,700)	-	-	-
Takaful payables	(81,797)	(81,797)	-	-	-
Other payables	(318,033)	(318,033)	-	-	-
	(652,530)	(652,530)	-	-	-

Notes to the Financial Statements

36. Financial instruments (continued)

36.2 Net gains and losses arising from use of financial instruments

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator					
Net gains / (losses) arising on:					
FVTPL financial assets					
- recognised in profit or loss		1,230	2,942	-	-
AFS financial assets					
- recognised in other comprehensive income	7(d)	7,277	3,215	6,063	2,925
- recognised in profit or loss		21,912	13,622	21,204	11,550
		29,189	16,837	27,267	14,475
HTM financial assets		661	318	-	-
LAR		16,590	12,709	15,776	11,299
		47,670	32,806	43,043	25,774
Family Takaful					
Net gains / (losses) arising on:					
FVTPL financial assets					
- recognised in profit or loss		(2,698)	20,389	9,190	(363)
AFS financial assets					
- recognised in participants' fund	15(c)	23,667	14,082	20,969	9,432
- recognised in profit or loss		160,850	124,573	159,504	120,385
		184,517	138,655	180,473	129,817
HTM financial assets		26,418	27,342	21,375	22,900
LAR		54,366	47,888	47,826	43,424
		262,603	234,274	258,864	195,778

Notes to the Financial Statements

36. Financial instruments (continued)

36.2 Net gains and losses arising from use of financial instruments (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
General Takaful					
Net gains / (losses) arising on:					
AFS financial assets					
- recognised in participants' fund	15(c)	3,549	2,912	2,635	2,635
- recognised in profit or loss		19,832	15,590	19,832	15,603
		23,381	18,502	22,467	18,238
HTM financial assets		758	1,635	429	1,227
LAR		7,567	5,504	6,883	6,279
		31,706	25,641	29,779	25,744
Group / Company					
Net gains / (losses) arising on:					
FVTPL financial assets					
- recognised in profit or loss		(1,468)	23,331	9,190	(363)
AFS financial assets					
- recognised in other comprehensive income	7(d)	7,277	3,215	6,063	2,925
- recognised in participants' fund	15(c)	27,216	16,994	23,604	12,067
- recognised in profit or loss		202,594	153,785	200,540	147,538
		237,087	173,994	230,207	162,530
HTM financial assets		27,837	29,295	21,804	24,127
LAR		78,523	66,101	70,485	61,002
		341,979	292,721	331,686	247,296

36.3 Financial risk management

The Group and the Company have exposure to the following risks arising from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, profit rate risk, price risk)
- Operational risk

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's and the Company's portfolio of Islamic debt securities, and to a lesser extent short-term and other investments, are subject to credit risk. This risk is defined as the potential loss resulting from adverse changes in a borrower's ability to repay the debt. The Group's and the Company's objective is to earn competitive relative returns by investing in a diversified portfolio of securities. Management has an investment credit risk policy in place. Limits are established to manage credit quality and concentration risk.

The Group and the Company have takaful and other receivables balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, the Group and the Company have established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information. The Group and the Company also periodically review the financial stability of retakaful companies from public and other sources and the settlement trend of amounts due from retakaful companies.

Cash and deposits are generally placed with banks and financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013 which are regulated by Bank Negara Malaysia and Sharia Insurance Regulation in Indonesia.

The Group and the Company manage individual exposures as well as concentration of credit risks. At end of the reporting period, there were no significant concentration of credit risks, other than investments in Islamic debts securities issued by single issuer amounted to RM556,582,000 (2016: RM196,675,000) and investment in Institutional Trust Account amounted to RM251,051,000 (2016: RM160,112,000).

Credit exposure

The table below shows the maximum exposure to credit risk for the components recognised in the statements of financial position.

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Takaful Operator				
AFS financial assets				
Institutional Trust Account	37,032	22,529	37,032	22,529
Islamic debt securities	446,354	312,491	446,354	312,157
FVTPL financial assets				
Islamic debt securities	4,255	3,554	-	-
HTM financial assets				
Islamic debt securities	10,034	11,838	-	-
LAR				
Loans and receivables, excluding takaful receivables	336,716	305,190	332,754	299,837
Cash and cash equivalents	205,265	197,663	177,121	174,236
	1,039,656	853,265	993,261	808,759

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Family Takaful				
AFS financial assets				
Institutional Trust Account	179,706	108,830	179,706	108,830
Islamic debt securities	2,484,098	2,214,294	2,484,098	2,214,294
Malaysian Government Islamic papers	218,952	148,793	218,952	148,793
FVTPL financial assets				
Islamic debt securities	87,035	63,158	31,290	18,591
HTM financial assets				
Islamic debt securities	441,496	446,164	369,205	369,337
Malaysian Government Islamic papers	54,994	72,513	54,994	72,513
LAR				
Retakaful assets	4,664	2,292	3,616	1,384
Loans and receivables, excluding takaful receivables	927,341	913,523	916,659	905,612
Takaful receivables	77,441	124,034	72,969	121,247
Cash and cash equivalents	594,175	579,349	444,794	400,784
	5,069,902	4,672,950	4,776,283	4,361,385
General Takaful				
AFS financial assets				
Institutional Trust Account	34,313	28,753	34,313	28,753
Islamic debt securities	344,758	314,484	344,758	314,484
Malaysian Government Islamic papers	-	-	-	-
HTM financial assets				
Islamic debt securities	5,000	10,344	5,000	5,000
Malaysian Government Islamic papers	5,000	32,524	5,000	32,524
LAR				
Retakaful assets	139,243	148,013	139,243	146,401
Loans and receivables, excluding takaful receivables	116,789	137,014	116,789	135,661
Takaful receivables	94,676	45,674	94,676	44,144
Cash and cash equivalents	121,740	164,597	121,740	143,709
	861,519	881,403	861,519	850,676

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group / Company				
AFS financial assets				
Institutional Trust Account	251,051	160,112	251,051	160,112
Islamic debt securities	3,275,210	2,841,269	3,275,210	2,840,935
Malaysian Government Islamic papers	218,952	148,793	218,952	148,793
FVTPL financial assets				
Islamic debt securities	91,290	66,712	31,290	18,591
HTM financial assets				
Islamic debt securities	456,530	468,346	374,205	374,337
Malaysian Government Islamic papers	59,994	105,037	59,994	105,037
LAR				
Retakaful assets	143,907	150,305	142,859	147,785
Loans and receivables, excluding takaful receivables	1,311,085	1,299,936	1,296,482	1,285,375
Takaful receivables	172,117	169,708	167,645	165,391
Cash and cash equivalents	921,180	941,609	743,655	718,729
	6,901,316	6,351,827	6,561,343	5,965,085

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying assets according to the Group's and the Company's internal credit ratings of counterparties.

	<----- Group ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2017				
Takaful Operator				
AFS financial assets				
Institutional Trust Account	37,032	-	-	37,032
Islamic debt securities	446,354	-	-	446,354
FVTPL financial assets				
Islamic debt securities	4,255	-	-	4,255
HTM financial assets				
Islamic debt securities	10,034	-	600	10,634
LAR				
Loans and receivables, excluding takaful receivables	336,716	-	270	336,986
Cash and cash equivalents	205,265	-	-	205,265
	1,039,656	-	870	1,040,526

36. Financial instruments (continued)
36.4 Credit risk (continued)
Credit exposure by credit rating (continued)

	<----- Group ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2017				
Family Takaful				
AFS financial assets				
Institutional Trust Account	179,706	-	-	179,706
Islamic debt securities	2,484,098	-	1,504	2,485,602
Malaysian Government Islamic papers	218,952	-	-	218,952
FVTPL financial assets				
Islamic debt securities	87,035	-	-	87,035
HTM financial assets				
Islamic debt securities	441,496	-	224	441,720
Malaysian Government Islamic papers	54,994	-	-	54,994
LAR				
Retakaful assets	4,664	-	-	4,664
Loans and receivables, excluding takaful receivables	927,341	-	301	927,642
Takaful receivables	72,006	5,435	1,445	78,886
Cash and cash equivalents	594,175	-	-	594,175
	5,064,467	5,435	3,474	5,073,376
General Takaful				
AFS financial assets				
Institutional Trust Account	34,313	-	-	34,313
Islamic debt securities	344,758	-	-	344,758
HTM financial assets				
Islamic debt securities	5,000	-	-	5,000
Malaysian Government Islamic papers	5,000	-	-	5,000
LAR				
Retakaful assets	139,243	-	-	139,243
Loans and receivables, excluding takaful receivables	116,789	-	381	117,170
Takaful receivables	87,116	7,560	5,843	100,519
Cash and cash equivalents	121,740	-	-	121,740
	853,959	7,560	6,224	867,743

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

	<----- Group ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2017				
Group				
AFS financial assets				
Institutional Trust Account	251,051	-	-	251,051
Islamic debt securities	3,275,210	-	1,504	3,276,714
Malaysian Government Islamic papers	218,952	-	-	218,952
FVTPL financial assets				
Islamic debt securities	91,290	-	-	91,290
HTM financial assets				
Islamic debt securities	456,530	-	824	457,354
Malaysian Government Islamic papers	59,994	-	-	59,994
LAR				
Retakaful assets	143,907	-	-	143,907
Loans and receivables, excluding takaful receivables	1,311,085	-	952	1,312,037
Takaful receivables	159,122	12,995	7,288	179,405
Cash and cash equivalents	921,180	-	-	921,180
	6,888,321	12,995	10,568	6,911,884

36. Financial instruments (continued)
36.4 Credit risk (continued)
Credit exposure by credit rating (continued)

	<----- Group ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2016				
Takaful Operator				
AFS financial assets				
Institutional Trust Account	22,529	-	-	22,529
Islamic debt securities	312,491	-	-	312,491
FVTPL financial assets				
Islamic debt securities	3,554	-	-	3,554
HTM financial assets				
Islamic debt securities	11,838	-	668	12,506
LAR				
Loans and receivables, excluding takaful receivables	305,190	-	509	305,699
Cash and cash equivalents	197,663	-	-	197,663
	853,265	-	1,177	854,442
Family Takaful				
AFS financial assets				
Institutional Trust Account	108,830	-	-	108,830
Islamic debt securities	2,214,294	-	1,675	2,215,969
Malaysian Government Islamic papers	148,793	-	-	148,793
FVTPL financial assets				
Islamic debt securities	63,158	-	-	63,158
HTM financial assets				
Islamic debt securities	446,164	-	-	446,164
Malaysian Government Islamic papers	72,513	-	-	72,513
LAR				
Retakaful assets	2,292	-	-	2,292
Loans and receivables, excluding takaful receivables	913,523	-	301	913,824
Takaful receivables	97,859	26,175	2,709	126,743
Cash and cash equivalents	579,349	-	-	579,349
	4,646,775	26,175	4,685	4,677,635

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

	<----- Group ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2016				
General Takaful				
AFS financial assets				
Institutional Trust Account	28,753	-	-	28,753
Islamic debt securities	314,484	-	-	314,484
HTM financial assets				
Islamic debt securities	10,344	-	-	10,344
Malaysian Government Islamic papers	32,524	-	-	32,524
LAR				
Retakaful assets	148,013	-	-	148,013
Loans and receivables, excluding takaful receivables	137,014	-	381	137,395
Takaful receivables	37,909	7,765	6,666	52,340
Cash and cash equivalents	164,597	-	-	164,597
	873,638	7,765	7,047	888,450
Group				
AFS financial assets				
Institutional Trust Account	160,112	-	-	160,112
Islamic debt securities	2,841,269	-	1,675	2,842,944
Malaysian Government Islamic papers	148,793	-	-	148,793
FVTPL financial assets				
Islamic debt securities	66,712	-	-	66,712
HTM financial assets				
Islamic debt securities	468,346	-	668	469,014
Malaysian Government Islamic papers	105,037	-	-	105,037
LAR				
Retakaful assets	150,305	-	-	150,305
Loans and receivables, excluding takaful receivables	1,299,936	-	1,191	1,301,127
Takaful receivables	135,768	33,940	9,375	179,083
Cash and cash equivalents	941,609	-	-	941,609
	6,317,887	33,940	12,909	6,364,736

36. Financial instruments (continued)
36.4 Credit risk (continued)
Credit exposure by credit rating (continued)

	<----- Company ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2017				
Takaful Operator				
AFS financial assets				
Institutional Trust Account	37,032	-	-	37,032
Islamic debt securities	446,354	-	-	446,354
LAR				
Loans and receivables, excluding takaful receivables	332,754	-	116	332,870
Cash and cash equivalents	177,121	-	-	177,121
	993,261	-	116	993,377
Family Takaful				
AFS financial assets				
Institutional Trust Account	179,706	-	-	179,706
Islamic debt securities	2,484,098	-	-	2,484,098
Malaysian Government Islamic papers	218,952	-	-	218,952
FVTPL financial assets				
Islamic debt securities	31,290	-	-	31,290
HTM financial assets				
Islamic debt securities	369,205	-	-	369,205
Malaysian Government Islamic papers	54,994	-	-	54,994
LAR				
Retakaful assets	3,616	-	-	3,616
Loans and receivables, excluding takaful receivables	916,659	-	301	916,960
Takaful receivables	67,534	5,435	1,445	74,414
Cash and cash equivalents	444,794	-	-	444,794
	4,770,848	5,435	1,746	4,778,029

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

	<----- Company ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2017				
General Takaful				
AFS financial assets				
Institutional Trust Account	34,313	-	-	34,313
Islamic debt securities	344,758	-	-	344,758
HTM financial assets				
Islamic debt securities	5,000	-	-	5,000
Malaysian Government Islamic papers	5,000	-	-	5,000
LAR				
Retakaful assets	139,243	-	-	139,243
Loans and receivables, excluding takaful receivables	116,789	-	381	117,170
Takaful receivables	87,116	7,560	5,843	100,519
Cash and cash equivalents	121,740	-	-	121,740
	853,959	7,560	6,224	867,743
Company				
AFS financial assets				
Institutional Trust Account	251,051	-	-	251,051
Islamic debt securities	3,275,210	-	-	3,275,210
Malaysian Government Islamic papers	218,952	-	-	218,952
FVTPL financial assets				
Islamic debt securities	31,290	-	-	31,290
HTM financial assets				
Islamic debt securities	374,205	-	-	374,205
Malaysian Government Islamic papers	59,994	-	-	59,994
LAR				
Retakaful assets	142,859	-	-	142,859
Loans and receivables, excluding takaful receivables	1,296,482	-	798	1,297,280
Takaful receivables	154,650	12,995	7,288	174,933
Cash and cash equivalents	743,655	-	-	743,655
	6,548,348	12,995	8,086	6,569,429

36. Financial instruments (continued)
36.4 Credit risk (continued)
Credit exposure by credit rating (continued)

2016	<----- Company ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
Takaful Operator				
AFS financial assets				
Institutional Trust Account	22,529	-	-	22,529
Islamic debt securities	312,157	-	-	312,157
LAR				
Loans and receivables, excluding takaful receivables	299,837	-	349	300,186
Cash and cash equivalents	174,236	-	-	174,236
	808,759	-	349	809,108
Family Takaful				
AFS financial assets				
Institutional Trust Account	108,830	-	-	108,830
Islamic debt securities	2,214,294	-	-	2,214,294
Malaysian Government Islamic papers	148,793	-	-	148,793
FVTPL financial assets				
Islamic debt securities	18,591	-	-	18,591
HTM financial assets				
Islamic debt securities	369,337	-	-	369,337
Malaysian Government Islamic papers	72,513	-	-	72,513
LAR				
Retakaful assets	1,384	-	-	1,384
Loans and receivables, excluding takaful receivables	905,612	-	301	905,913
Takaful receivables	95,305	25,942	2,709	123,956
Cash and cash equivalents	400,784	-	-	400,784
	4,335,443	25,942	3,010	4,364,395

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

	<----- Company ----->			
	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2016				
General Takaful				
AFS financial assets				
Institutional Trust Account	28,753	-	-	28,753
Islamic debt securities	314,484	-	-	314,484
HTM financial assets				
Islamic debt securities	5,000	-	-	5,000
Malaysian Government Islamic papers	32,524	-	-	32,524
LAR				
Retakaful assets	146,401	-	-	146,401
Loans and receivables, excluding takaful receivables	135,661	-	381	136,042
Takaful receivables	36,735	7,409	4,411	48,555
Cash and cash equivalents	143,709	-	-	143,709
	843,267	7,409	4,792	855,468
Company				
AFS financial assets				
Institutional Trust Account	160,112	-	-	160,112
Islamic debt securities	2,840,935	-	-	2,840,935
Malaysian Government Islamic papers	148,793	-	-	148,793
FVTPL financial assets				
Islamic debt securities	18,591	-	-	18,591
HTM financial assets				
Islamic debt securities	374,337	-	-	374,337
Malaysian Government Islamic papers	105,037	-	-	105,037
LAR				
Retakaful assets	147,785	-	-	147,785
Loans and receivables, excluding takaful receivables	1,285,375	-	1,031	1,286,406
Takaful receivables	132,040	33,351	7,120	172,511
Cash and cash equivalents	718,729	-	-	718,729
	5,931,734	33,351	8,151	5,973,236

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying assets according to the Rating Agency of Malaysia's (RAM) credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to A are classified as speculative grade.

2017	Group							Total
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000	
Takaful Operator								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	37,032	-	37,032
Islamic debt securities	148,284	218,878	25,047	-	3,808	50,337	-	446,354
FVTPL financial assets								
Islamic debt securities	991	-	601	-	-	2,663	-	4,255
HTM financial assets								
Islamic debt securities	4,200	-	1,200	-	-	4,634	-	10,034
LAR								
Loans and receivables, excluding takaful receivables	19,065	110,901	106,203	-	-	100,547	-	336,716
Cash and cash equivalents	44,114	74,164	17,682	-	-	69,305	-	205,265
	216,654	403,943	150,733	-	3,808	264,518	-	1,039,656

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2017	Group								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000		
Family Takaful									
AFS financial assets									
Institutional Trust Account	-	-	-	-	-	179,706	-	-	179,706
Islamic debt securities	700,591	1,104,270	192,987	20,496	14,836	450,918	-	-	2,484,098
Malaysian Government Islamic papers	-	-	-	-	-	218,952 *	-	-	218,952
FVTPL financial assets									
Islamic debt securities	14,911	-	4,254	-	-	18,814	49,056	-	87,035
HTM financial assets									
Islamic debt securities	178,745	5,700	10,782	-	-	246,269	-	-	441,496
Malaysian Government Islamic papers	-	-	-	-	-	54,994 *	-	-	54,994
LAR									
Retakaful assets	-	-	-	-	-	4,664	-	-	4,664
Loans and receivables, excluding takaful receivables	132,538	406,477	155,351	-	-	230,580	2,395	-	927,341
Takaful receivables	-	-	30,288	-	-	47,153	-	-	77,441
Cash and cash equivalents	145,260	255,246	699	-	-	157,720	35,250	-	594,175
	1,172,045	1,771,693	394,361	20,496	14,836	1,609,770	86,701	-	5,069,902

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2017	Group							Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000	
General Takaful								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	34,313	-	34,313
Islamic debt securities	93,362	154,083	35,018	2,928	4,945	54,422	-	344,758
HTM financial assets								
Islamic debt securities	-	-	-	-	-	5,000	-	5,000
Malaysian Government Islamic papers	-	-	-	-	-	5,000 *	-	5,000
LAR								
Retakaful assets	-	-	-	-	-	139,243	-	139,243
Loans and receivables, excluding takaful receivables	9,291	63,331	25,734	-	-	18,433	-	116,789
Takaful receivables	-	-	-	-	-	94,676	-	94,676
Cash and cash equivalents	34,628	76,623	106	-	-	10,383	-	121,740
	137,281	294,037	60,858	2,928	4,945	361,470	-	861,519

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2017	Group							Total
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000	
Group								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	251,051	-	251,051
Islamic debt securities	942,237	1,477,231	253,052	23,424	23,589	555,677	-	3,275,210
Malaysian Government Islamic papers	-	-	-	-	-	218,952 *	-	218,952
FVTPL financial assets								
Islamic debt securities	15,902	-	4,855	-	-	21,477	49,056	91,290
HTM financial assets								
Islamic debt securities	182,945	5,700	11,982	-	-	255,903	-	456,530
Malaysian Government Islamic papers	-	-	-	-	-	59,994 *	-	59,994
LAR								
Retakaful assets	-	-	-	-	-	143,907	-	143,907
Loans and receivables, excluding takaful receivables	160,894	580,709	287,288	-	-	279,799	2,395	1,311,085
Takaful receivables	-	-	30,288	-	-	141,829	-	172,117
Cash and cash equivalents	224,002	406,033	18,487	-	-	237,408	35,250	921,180
	1,525,980	2,469,673	605,952	23,424	23,589	2,165,997	86,701	6,901,316

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2017	Company							Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000	
Takaful Operator								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	37,032	-	37,032
Islamic debt securities	148,284	218,878	25,047	-	3,808	50,337	-	446,354
LAR								
Loans and receivables, excluding takaful receivables	19,065	110,901	106,203	-	-	96,585	-	332,754
Cash and cash equivalents	44,114	74,164	17,682	-	-	41,161	-	177,121
	211,463	403,943	148,932	-	3,808	225,115	-	993,261

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2017	Company								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000		
Family Takaful									
AFS financial assets									
Institutional Trust Account	-	-	-	-	-	179,706	-	179,706	
Islamic debt securities	700,591	1,104,270	192,987	20,496	14,836	450,918	-	2,484,098	
Malaysian Government Islamic papers	-	-	-	-	-	218,952 *	-	218,952	
FVTPL financial assets									
Islamic debt securities	-	-	-	-	-	-	31,290	31,290	
HTM financial assets									
Islamic debt securities	161,531	-	-	-	-	207,674	-	369,205	
Malaysian Government Islamic papers	-	-	-	-	-	54,994 *	-	54,994	
LAR									
Retakaful assets	-	-	-	-	-	3,616	-	3,616	
Loans and receivables, excluding takaful receivables	132,538	406,477	155,351	-	-	219,898	2,395	916,659	
Takaful receivables	-	-	30,288	-	-	42,681	-	72,969	
Cash and cash equivalents	145,260	255,246	699	-	-	8,339	35,250	444,794	
	1,139,920	1,765,993	379,325	20,496	14,836	1,386,778	68,935	4,776,283	

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2017	<-----Company----->								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000		
General Takaful									
AFS financial assets									
Institutional Trust Account	-	-	-	-	-	34,313	-	34,313	
Islamic debt securities	93,362	154,083	35,018	2,928	4,945	54,422	-	344,758	
HTM financial assets									
Islamic debt securities	-	-	-	-	-	5,000	-	5,000	
Malaysian Government Islamic papers	-	-	-	-	-	5,000 *	-	5,000	
LAR									
Retakaful assets	-	-	-	-	-	139,243	-	139,243	
Loans and receivables, excluding takaful receivables	9,291	63,331	25,734	-	-	18,433	-	116,789	
Takaful receivables	-	-	-	-	-	94,676	-	94,676	
Cash and cash equivalents	34,628	76,623	106	-	-	10,383	-	121,740	
	137,281	294,037	60,858	2,928	4,945	361,470	-	861,519	

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2017	Company								Total
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	D RM'000	Not-rated RM'000	Unit-linked RM'000	RM'000	
Company									
AFS financial assets									
Institutional Trust Account	-	-	-	-	-	251,051	-	251,051	
Islamic debt securities	942,237	1,477,231	253,052	23,424	23,589	555,677	-	3,275,210	
Malaysian Government Islamic papers	-	-	-	-	-	218,952 *	-	218,952	
FVTPL financial assets									
Islamic debt securities	-	-	-	-	-	-	31,290	31,290	
HTM financial assets									
Islamic debt securities	161,531	-	-	-	-	212,674	-	374,205	
Malaysian Government Islamic papers	-	-	-	-	-	59,994 *	-	59,994	
LAR									
Retakaful assets	-	-	-	-	-	142,859	-	142,859	
Loans and receivables, excluding takaful receivables	160,894	580,709	287,288	-	-	265,196	2,395	1,296,482	
Takaful receivables	-	-	30,288	-	-	137,357	-	167,645	
Cash and cash equivalents	224,002	406,033	18,487	-	-	59,883	35,250	743,655	
	1,488,664	2,463,973	589,115	23,424	23,589	1,903,643	68,935	6,561,343	

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	<-----Group----->							
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Not-rated RM'000	Unit-linked RM'000	Total RM'000
Takaful Operator								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	22,529	-	22,529
Islamic debt securities	104,129	159,643	19,872	3,806	-	25,041	-	312,491
FVTPL financial assets								
Islamic debt securities	1,089	-	1,320	-	-	1,145	-	3,554
HTM financial assets								
Islamic debt securities	4,008	-	2,672	-	-	5,158	-	11,838
LAR								
Loans and receivables, excluding takaful receivables	15,331	147,115	47,911	-	-	94,833	-	305,190
Cash and cash equivalents	15,291	136,309	12,557	-	-	33,506	-	197,663
	139,848	443,067	84,332	3,806	-	182,212	-	853,265

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	Group							Total
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Not-rated RM'000	Unit-linked RM'000	
Family Takaful								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	108,830	-	108,830
Islamic debt securities	581,682	1,087,957	203,185	39,362	-	302,108	-	2,214,294
Malaysian Government Islamic papers	-	-	-	-	-	148,793*	-	148,793
FVTPL financial assets								
Islamic debt securities	9,018	7,011	13,815	-	-	12,716	20,598	63,158
HTM financial assets								
Islamic debt securities	171,974	11,333	13,530	-	-	249,327	-	446,164
Malaysian Government Islamic papers	-	-	-	-	-	72,513 *	-	72,513
LAR								
Retakaful assets	-	-	-	-	-	2,292	-	2,292
Loans and receivables, excluding takaful receivables	103,084	425,554	160,948	-	-	222,502	1,435	913,523
Takaful receivables	-	-	32,019	-	-	92,015	-	124,034
Cash and cash equivalents	56,255	242,861	29,210	-	-	136,255	114,768	579,349
	922,013	1,774,716	452,707	39,362	-	1,347,351	136,801	4,672,950

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	Group							Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Not-rated RM'000	Unit-linked RM'000	
General Takaful								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	28,753	-	28,753
Islamic debt securities	98,798	138,955	29,832	7,737	-	39,162	-	314,484
HTM financial assets								
Islamic debt securities	2,338	1,002	1,336	-	-	5,668	-	10,344
Malaysian Government Islamic papers	-	-	-	-	-	32,524 *	-	32,524
LAR								
Retakaful assets	-	-	-	-	-	148,013	-	148,013
Loans and receivables, excluding takaful receivables	12,430	71,381	26,300	-	-	26,903	-	137,014
Takaful receivables	-	-	-	-	-	45,674	-	45,674
Cash and cash equivalents	27,578	115,923	-	-	-	21,096	-	164,597
	141,144	327,261	57,468	7,737	-	347,793	-	881,403

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	Group								Total
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Not-rated RM'000	Unit-linked RM'000	RM'000	
Group									
AFS financial assets									
Institutional Trust Account	-	-	-	-	-	160,112	-	160,112	
Islamic debt securities	784,609	1,386,555	252,889	50,905	-	366,311	-	2,841,269	
Malaysian Government Islamic papers	-	-	-	-	-	148,793 *	-	148,793	
FVTPL financial assets									
Islamic debt securities	10,107	7,011	15,135	-	-	13,861	20,598	66,712	
HTM financial assets									
Islamic debt securities	178,320	12,335	17,538	-	-	260,153	-	468,346	
Malaysian Government Islamic papers	-	-	-	-	-	105,037 *	-	105,037	
LAR									
Retakaful assets	-	-	-	-	-	150,305	-	150,305	
Loans and receivables, excluding takaful receivables	130,845	644,050	235,159	-	-	288,447	1,435	1,299,936	
Takaful receivables	-	-	32,019	-	-	137,689	-	169,708	
Cash and cash equivalents	99,124	495,093	41,767	-	-	190,857	114,768	941,609	
	1,203,005	2,545,044	594,507	50,905	-	1,821,565	136,801	6,351,827	

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	Company								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Not-rated RM'000	Unit-linked RM'000		
Takaful Operator									
AFS financial assets									
Institutional Trust Account	-	-	-	-	-	22,529	-	22,529	
Islamic debt securities	103,795	159,643	19,872	3,806	-	25,041	-	312,157	
LAR									
Loans and receivables, excluding takaful receivables	15,331	147,115	47,911	-	-	89,480	-	299,837	
Cash and cash equivalents	15,291	136,309	12,557	-	-	10,079	-	174,236	
	134,417	443,067	80,340	3,806	-	147,129	-	808,759	

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	Company								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Not-rated RM'000	Unit-linked RM'000		
Family Takaful									
AFS financial assets									
Institutional Trust Account	-	-	-	-	-	108,830	-	108,830	
Islamic debt securities	581,682	1,087,957	203,185	39,362	-	302,108	-	2,214,294	
Malaysian Government Islamic papers	-	-	-	-	-	148,793*	-	148,793	
FVTPL financial assets									
Islamic debt securities	-	-	-	-	-	-	18,591	18,591	
HTM financial assets									
Islamic debt securities	161,558	-	-	-	-	207,779	-	369,337	
Malaysian Government Islamic papers	-	-	-	-	-	72,513*	-	72,513	
LAR									
Retakaful assets	-	-	-	-	-	1,384	-	1,384	
Loans and receivables, excluding takaful receivables	103,084	425,554	160,948	-	-	214,591	1,435	905,612	
Takaful receivables	-	-	32,019	-	-	89,228	-	121,247	
Cash and cash equivalents	56,255	242,861	29,210	-	-	23,992	48,466	400,784	
	902,579	1,756,372	425,362	39,362	-	1,169,218	68,492	4,361,385	

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	Company							Total
	AAA	AA	A	BBB	B	Not-rated	Unit-linked	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General Takaful								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	28,753	-	28,753
Islamic debt securities	98,798	138,955	29,832	7,737	-	39,162	-	314,484
HTM financial assets								
Islamic debt securities	-	-	-	-	-	5,000	-	5,000
Malaysian Government Islamic papers	-	-	-	-	-	32,524*	-	32,524
LAR								
Retakaful assets	-	-	-	-	-	146,401	-	146,401
Loans and receivables, excluding takaful receivables	12,430	71,381	26,300	-	-	25,550	-	135,661
Takaful receivables	-	-	-	-	-	44,144	-	44,144
Cash and cash equivalents	27,578	115,923	-	-	-	208	-	143,709
	138,806	326,259	56,132	7,737	-	321,742	-	850,676

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Credit exposure by credit rating (continued)

2016	Company							Total
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	Not-rated RM'000	Unit-linked RM'000	
Company								
AFS financial assets								
Institutional Trust Account	-	-	-	-	-	160,112	-	160,112
Islamic debt securities	784,275	1,386,555	252,889	50,905	-	366,311	-	2,840,935
Malaysian Government Islamic papers	-	-	-	-	-	148,793*	-	148,793
FVTPL financial assets								
Islamic debt securities	-	-	-	-	-	-	18,591	18,591
HTM financial assets								
Islamic debt securities	161,558	-	-	-	-	212,779	-	374,337
Malaysian Government Islamic papers	-	-	-	-	-	105,037*	-	105,037
LAR								
Retakaful assets	-	-	-	-	-	147,785	-	147,785
Loans and receivables, excluding takaful receivables	130,845	644,050	235,159	-	-	273,886	1,435	1,285,375
Takaful receivables	-	-	32,019	-	-	133,372	-	165,391
Cash and cash equivalents	99,124	495,093	41,767	-	-	34,279	48,466	718,729
	1,175,802	2,525,698	561,834	50,905	-	1,582,354	68,492	5,965,085

* Malaysian Government Islamic papers are not rated by RAM but instead is rated A- based on Malaysia sovereign rating accorded by Standard & Poor.

36. Financial instruments (continued)

36.4 Credit risk (continued)

Age analysis of takaful receivables past-due but not impaired

A financial asset is deemed past-due when the counterparty has failed to make payment even though the outstanding amount is contractually due. Receivables past-due but not impaired includes contribution due and claims recovery from retakaful which remained outstanding after the contractual due date for more than 6 months.

The age analysis of takaful receivables past-due but not impaired as at the end of the reporting period based on days past-due was as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Family Takaful				
<u>Days past-due</u>				
1-30 days	1,451	2,195	1,451	2,194
31-60 days	157	2,903	157	2,849
61-90 days	77	1,572	77	1,560
91-180 days	2,713	19,474	2,713	19,308
> 180 days	1,037	31	1,037	31
	5,435	26,175	5,435	25,942
General Takaful				
<u>Days past-due</u>				
1-30 days	1,044	554	1,044	542
31-60 days	270	527	270	512
61-90 days	248	720	248	704
91-180 days	2,602	1,477	2,602	1,438
> 180 days	3,396	4,487	3,396	4,213
	7,560	7,765	7,560	7,409
Group / Company				
<u>Days past-due</u>				
1-30 days	2,495	2,749	2,495	2,736
31-60 days	427	3,430	427	3,361
61-90 days	325	2,292	325	2,264
91-180 days	5,315	20,951	5,315	20,746
> 180 days	4,433	4,518	4,433	4,244
	12,995	33,940	12,995	33,351

Notes to the Financial Statements

36. Financial instruments (continued)

36.4 Credit risk (continued)

Impairment loss of takaful receivables

The Group and the Company assess impairment on an individual and collective basis. The Group and the Company will assess on a case by case basis, whether there is any objective evidence that the outstanding due is impaired for contribution due and claims recovery that are considered individually significant. The criteria that the Group and the Company use to determine whether there is objective evidence of impairment for those selected for individual assessment include:

- (i) contribution due or claims recovery past-due for 6 months or more and where outstanding receivables is above 2% of total takaful receivables and RM200,000 for Family and General takaful receivables respectively;
- (ii) significant financial difficulty of customer / intermediaries;
- (iii) long outstanding balances where these are disputed and not resolved; and
- (iv) breach of contract, such as default or delinquency in payments.

The Group and the Company record impairment allowance for loans and receivables and takaful receivables in separate "Allowance for Impairment" accounts. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly.

A reconciliation of the allowance for impairment losses for takaful receivables was as follows:

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Family Takaful					
At 1 January	11	2,709	3,130	2,709	3,121
Writeback of impairment debts	24	(1,264)	(421)	(1,264)	(412)
At 31 December	11	1,445	2,709	1,445	2,709
General Takaful					
At 1 January	11	6,666	4,387	4,411	3,833
Allowance for impaired debts	28	1,432	2,123	1,432	578
Disposal of a subsidiary		(2,158)	-	-	-
Effect of movement in exchange rates		(97)	156	-	-
At 31 December	11	5,843	6,666	5,843	4,411
Group / Company					
At 1 January	11	9,375	7,517	7,120	6,954
Writeback of impairment debts	24	(1,264)	(421)	(1,264)	(412)
Allowance for impaired debts	28	1,432	2,123	1,432	578
Disposal of a subsidiary		(2,158)	-	-	-
Effect of movement in exchange rates		(97)	156	-	-
At 31 December	11	7,288	9,375	7,288	7,120

36. Financial instruments (continued)

36.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected retakaful recoveries.

The following policies and procedures are in place to mitigate the Group's and the Company's exposure to liquidity risk:

- The Group and the Company-wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk of the Group and the Company. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Group's and the Company's Risk Management Committee as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting up guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet takaful and investment contracts obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess of loss retakaful contracts contains clauses permitting the immediate draw down of funds to meet claims payments should claims events exceed certain amount.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Group and of the Company based on remaining undiscounted contractual obligations, including profit payable.

For takaful contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities. Investment-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

	<-----Group----->						Total RM'000
	Carrying value RM'000	Up to a year*	1 - 3 years RM'000	3 - 5 years RM'000	More than 5 years RM'000	No Maturity RM'000	
2017							
Takaful Operator							
Takaful payables	18,280	18,280	-	-	-	-	18,280
Other payables	233,202	232,954	248	-	-	-	233,202
	251,482	251,234	248	-	-	-	251,482
Family Takaful							
Provision for outstanding claims	28,171	28,171	-	-	-	-	28,171
Takaful payables	27,701	27,701	-	-	-	-	27,701
Other payables	100,983	99,130	1,853	-	-	-	100,983
	156,855	155,002	1,853	-	-	-	156,855

* expected utilisation or settlement is within 12 months from the reporting date.

Notes to the Financial Statements

36. Financial instruments (continued)

36.5 Liquidity risk (continued)

Maturity profiles (continued)

	<----- Group ----->						
	Carrying value RM'000	Up to a year* RM'000	1 - 3 years RM'000	3 - 5 years RM'000	More than 5 years RM'000	No Maturity RM'000	Total RM'000
2017							
General Takaful							
Provision for outstanding claims	224,950	87,349	106,973	25,011	5,617	-	224,950
Takaful payables	61,002	61,002	-	-	-	-	61,002
Other payables	64,551	64,316	235	-	-	-	64,551
	350,503	212,667	107,208	25,011	5,617	-	350,503
Group							
Provision for outstanding claims	253,121	115,520	106,973	25,011	5,617	-	253,121
Takaful payables	106,983	106,983	-	-	-	-	106,983
Other payables	328,975	326,639	2,336	-	-	-	328,975
	689,079	549,142	109,309	25,011	5,617	-	689,079
2016							
Takaful Operator							
Takaful payables	15,422	15,422	-	-	-	-	15,422
Other payables	197,798	197,455	343	-	-	-	197,798
	213,220	212,877	343	-	-	-	213,220
Family Takaful							
Provision for outstanding claims	24,435	23,510	393	262	270	-	24,435
Takaful payables	12,252	12,252	-	-	-	-	12,252
Other payables	114,944	113,065	1,879	-	-	-	114,944
	151,631	148,827	2,272	262	270	-	151,631
General Takaful							
Provision for outstanding claims	234,840	120,594	79,031	24,770	10,445	-	234,840
Takaful payables	55,737	55,737	-	-	-	-	55,737
Other payables	91,679	91,459	220	-	-	-	91,679
	382,256	267,790	79,251	24,770	10,445	-	382,256
Group							
Provision for outstanding claims	259,275	144,104	79,424	25,032	10,715	-	259,275
Takaful payables	83,411	83,411	-	-	-	-	83,411
Other payables	333,208	330,766	2,442	-	-	-	333,208
	675,894	558,281	81,866	25,032	10,715	-	675,894

* expected utilisation or settlement is within 12 months from the reporting date.

36. Financial instruments (continued)
36.5 Liquidity risk (continued)
Maturity profiles (continued)

	Company						Total RM'000
	Carrying value RM'000	Up to a year*	1 - 3 years RM'000	3 - 5 years RM'000	More than 5 years RM'000	No Maturity RM'000	
2017							
Takaful Operator							
Takaful payables	17,167	17,167	-	-	-	-	17,167
Other payables	229,302	229,054	248	-	-	-	229,302
	246,469	246,221	248	-	-	-	246,469
Family Takaful							
Provision for outstanding claims	26,026	26,026	-	-	-	-	26,026
Takaful payables	25,302	25,302	-	-	-	-	25,302
Other payables	98,102	96,249	1,853	-	-	-	98,102
	149,430	147,577	1,853	-	-	-	149,430
General Takaful							
Provision for outstanding claims	224,950	87,349	106,973	25,011	5,617	-	224,950
Takaful payables	61,002	61,002	-	-	-	-	61,002
Other payables	64,551	64,316	235	-	-	-	64,551
	350,503	212,667	107,208	25,011	5,617	-	350,503
Company							
Provision for outstanding claims	250,976	113,375	106,973	25,011	5,617	-	250,976
Takaful payables	103,471	103,471	-	-	-	-	103,471
Other payables	322,235	319,899	2,336	-	-	-	322,235
	676,682	536,745	109,309	25,011	5,617	-	676,682

* expected utilisation or settlement is within 12 months from the reporting date.

Notes to the Financial Statements

36. Financial instruments (continued)

36.5 Liquidity risk (continued)

Maturity profiles (continued)

	Company						Total RM'000
	Carrying value RM'000	Up to a year*	1 - 3 years RM'000	3 - 5 years RM'000	More than 5 years RM'000	No Maturity RM'000	
2016							
Takaful Operator							
Takaful payables	15,422	15,422	-	-	-	-	15,422
Other payables	190,905	190,676	229	-	-	-	190,905
	206,327	206,098	229	-	-	-	206,327
Family Takaful							
Provision for outstanding claims	22,376	22,376	-	-	-	-	22,376
Takaful payables	11,079	11,079	-	-	-	-	11,079
Other payables	111,508	109,629	1,879	-	-	-	111,508
	144,963	143,084	1,879	-	-	-	144,963
General Takaful							
Provision for outstanding claims	230,324	116,481	78,628	24,770	10,445	-	230,324
Takaful payables	55,296	55,296	-	-	-	-	55,296
Other payables	86,777	86,557	220	-	-	-	86,777
	372,397	258,334	78,848	24,770	10,445	-	372,397
Company							
Provision for outstanding claims	252,700	138,857	78,628	24,770	10,445	-	252,700
Takaful payables	81,797	81,797	-	-	-	-	81,797
Other payables	318,033	315,705	2,328	-	-	-	318,033
	652,530	536,359	80,956	24,770	10,445	-	652,530

* expected utilisation or settlement is within 12 months from the reporting date.

36.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three (3) types of risk - foreign exchange rates (Currency risk), market profit yields (Profit Yield risk) and market prices (Price risk).

The key features of the Group's and the Company's market risk management practices and policies are as follows:

- A Group and the Company-wide market risk policy setting out the evaluation and determination of components of market risk for the Group and the Company. Compliance with the policy is monitored and reported monthly to the Risk Management Committee (RMC) and exposures and breaches are reported as soon as practicable.

36. Financial instruments (continued)

36.6 Market risk (continued)

- Set asset allocation, portfolio limit structure and diversification benchmark to ensure that assets back specific contract liabilities and that assets are held to deliver income and gains for certificate holders in line with terms of the respective contracts expectations of policies. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with Group's and Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

The Group and the Company also issue unit-linked investment policies. In the unit-linked business, the certificate holders bear investment risk on the assets held in the unit-linked funds as the certificate benefits are directly linked to value of the assets in the funds. The Group's and Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

36.7 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's and the Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to Indonesia Rupiah (Rp) and US Dollar (USD).

As the Group's and Company's business is conducted primarily in Malaysia, the Group's and the Company's financial assets are also primarily maintained in Malaysia as required under the Islamic Financial Services Act 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment contract liabilities. Accordingly, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which takaful and investment contract liabilities are expected to be settled.

As the Group's and the Company's main foreign exchange risk from recognised assets and liabilities arises from retakaful transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group and the Company has no significant concentration of foreign currency risk.

The Group's and the Company's exposure to currency risk is immaterial in the context of the financial statements and hence, sensitivity analysis is not presented.

36.8 Profit yield risk

Profit yield risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit yield.

Floating rate / yield instruments expose the Group and the Company to cash flow risk, whereas fixed rate / yield instruments expose the Group and the Company to fair value risk.

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's profit risk policy requires Management to manage the risk by maintaining an appropriate mix of variable and fixed rate / yield instruments. The policy also requires Management to manage the maturities of profit-bearing financial assets and liabilities. Floating rate / yield instruments will be re-priced at intervals of not more than one (1) year. Profit on fixed rate / yield instruments is priced at inception of the financial instrument and is fixed until maturity.

Notes to the Financial Statements

36. Financial instruments (continued)

36.8 Profit yield risk (continued)

Exposure to profit yield risk

The profit yield profile of the Group's and the Company's significant profit-bearing financial instruments, based on carrying amounts as at the end of the reporting period was as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Takaful Operator				
AFS financial assets	446,354	312,491	446,354	312,157
FVTPL financial assets	4,255	3,554	-	-
HTM financial assets	10,034	11,838	-	-
LAR	454,344	429,533	432,961	409,496
	914,987	757,416	879,315	721,653
Family Takaful				
AFS financial assets	2,703,050	2,363,087	2,703,050	2,363,087
FVTPL financial assets	87,035	63,158	31,290	18,591
HTM financial assets	496,490	518,677	424,199	441,850
LAR	1,387,484	1,243,778	1,230,851	1,131,379
	4,674,059	4,188,700	4,389,390	3,954,907
General Takaful				
AFS financial assets	344,758	314,484	344,758	314,484
HTM financial assets	10,000	42,868	10,000	37,524
LAR	195,043	207,236	195,043	186,328
	549,801	564,588	549,801	538,336
Group / Company				
AFS financial assets	3,494,162	2,990,062	3,494,162	2,989,728
FVTPL financial assets	91,290	66,712	31,290	18,591
HTM financial assets	516,524	573,383	434,199	479,374
LAR	2,036,871	1,880,547	1,858,855	1,727,203
	6,138,847	5,510,704	5,818,506	5,214,896

The Group and the Company have no significant concentration of profit yield risk.

A change of 50 basis points in profit rates at the end of the reporting period would have increased / (decreased) other comprehensive income / equity, Family and General Takaful participant's fund by the amounts shown below. This analysis assumes that all other variables remain constant.

36. Financial instruments (continued)
36.8 Profit yield risk (continued)
Exposure to profit yield risk (continued)

		<----- Group ----->			
		Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2017					
Takaful Operator					
AFS financial assets	+50bps	-	(10,244)	-	-
FVTPL financial assets	+50bps	-	13	-	-
		-	(10,231)	-	-
AFS financial assets	-50bps	-	10,738	-	-
FVTPL financial assets	-50bps	-	(13)	-	-
		-	10,725	-	-
Family Takaful					
AFS financial assets	+50bps	-	-	-	(123,868)
FVTPL financial assets	+50bps	-	-	(938)	(1,206)
		-	-	(938)	(125,074)
AFS financial assets	-50bps	-	-	-	131,850
FVTPL financial assets	-50bps	-	-	1,025	1,293
		-	-	1,025	133,143
General Takaful					
AFS financial assets	+50bps	-	-	-	(10,053)
AFS financial assets	-50bps	-	-	-	10,526
Group					
AFS financial assets	+50bps	-	(10,244)	-	(133,921)
FVTPL financial assets	+50bps	-	13	(938)	(1,206)
		-	(10,231)	(938)	(135,127)
AFS financial assets	-50bps	-	10,738	-	142,376
FVTPL financial assets	-50bps	-	(13)	1,025	1,293
		-	10,725	1,025	143,669

* impact on equity reflects adjustments for tax, when applicable.

Notes to the Financial Statements

36. Financial instruments (continued)

36.8 Profit yield risk (continued)

Exposure to profit yield risk (continued)

		<----- Group ----->			
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2016					
Takaful Operator					
AFS financial assets	+50bps	-	(9,690)	-	-
FVTPL financial assets	+50bps	-	16	-	-
		-	(9,674)	-	-
AFS financial assets	-50bps	-	12,337	-	-
FVTPL financial assets	-50bps	-	(16)	-	-
		-	12,321	-	-
Family Takaful					
AFS financial assets	+50bps	-	-	-	(157,747)
FVTPL financial assets	+50bps	-	-	(536)	(536)
		-	-	(536)	(158,283)
AFS financial assets	-50bps	-	-	-	223,211
FVTPL financial assets	-50bps	-	-	820	820
		-	-	820	224,031
General Takaful					
AFS financial assets	+50bps	-	-	-	(14,820)
AFS financial assets	-50bps	-	-	-	19,417
Group					
AFS financial assets	+50bps	-	(9,690)	-	(172,567)
FVTPL financial assets	+50bps	-	16	(536)	(536)
		-	(9,674)	(536)	(173,103)
AFS financial assets	-50bps	-	12,337	-	242,628
FVTPL financial assets	-50bps	-	(16)	820	820
		-	12,321	820	243,448

* impact on equity reflects adjustments for tax, when applicable.

36. Financial instruments (continued)
36.8 Profit yield risk (continued)
Exposure to profit yield risk (continued)

		<----- Company ----->			
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2017					
Takaful Operator					
AFS financial assets	+50bps	-	(10,244)	-	-
AFS financial assets	-50bps	-	10,738	-	-
Family Takaful					
AFS financial assets	+50bps	-	-	-	(123,868)
FVTPL financial assets	+50bps	-	-	(1,206)	(1,206)
		-	-	(1,206)	(125,074)
AFS financial assets	-50bps	-	-	-	131,850
FVTPL financial assets	-50bps	-	-	1,293	1,293
		-	-	1,293	133,143
General Takaful					
AFS financial assets	+50bps	-	-	-	(10,053)
AFS financial assets	-50bps	-	-	-	10,526
Company					
AFS financial assets	+50bps	-	(10,244)	-	(133,921)
FVTPL financial assets	+50bps	-	-	(1,206)	(1,206)
		-	(10,244)	(1,206)	(135,127)
AFS financial assets	-50bps	-	10,738	-	142,376
FVTPL financial assets	-50bps	-	-	1,293	1,293
		-	10,738	1,293	143,669

* impact on equity reflects adjustments for tax, when applicable.

Notes to the Financial Statements

36. Financial instruments (continued)

36.8 Profit yield risk (continued)

Exposure to profit yield risk (continued)

	Change in variables	<----- Company ----->			
		Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2016					
Takaful Operator					
AFS financial assets	+50bps	-	(9,692)	-	-
AFS financial assets	-50bps	-	12,339	-	-
Family Takaful					
AFS financial assets	+50bps	-	-	-	(157,747)
FVTPL financial assets	+50bps	-	-	(749)	(749)
		-	-	(749)	(158,496)
AFS financial assets	-50bps	-	-	-	223,211
FVTPL financial assets	-50bps	-	-	1,033	1,033
		-	-	1,033	224,244
General Takaful					
AFS financial assets	+50bps	-	-	-	(14,820)
AFS financial assets	-50bps	-	-	-	19,417
Company					
AFS financial assets	+50bps	-	(9,692)	-	(172,567)
FVTPL financial assets	+50bps	-	-	(749)	(749)
		-	(9,692)	(749)	(173,316)
AFS financial assets	-50bps	-	12,339	-	242,628
FVTPL financial assets	-50bps	-	-	1,033	1,033
		-	12,339	1,033	243,661

* impact on equity reflects adjustments for tax, when applicable.

36. Financial instruments (continued)

36.9 Other price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (excluding those investment securities held for the account of unit-linked business).

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Group and the Company comply with BNM stipulated limits during the financial year and have no significant concentration of price risk.

Equity price risk sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on OCI / Equity for Takaful Operator, and showing the impact on operating surplus / participants' fund for Investment-linked Fund, and participants' fund for Family Takaful Fund and General Takaful Fund accordingly. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on individual basis. It should be noted that movements in these variables are non-linear.

		<----- Group ----->			
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2017					
Takaful Operator					
Market price	+15%	(41)	8,299	-	-
Market price	-15%	41	(8,299)	-	-
Family Takaful					
Market price	+15%	-	-	10,153	52,556
Market price	-15%	-	-	(10,153)	(52,556)
General Takaful					
Market price	+15%	-	-	-	3,564
Market price	-15%	-	-	-	(3,564)
Group					
Market price	+15%	(41)	8,299	10,153	56,120
Market price	-15%	41	(8,299)	(10,153)	(56,120)

* impact on equity reflects adjustments for tax, when applicable.

Notes to the Financial Statements

36. Financial instruments (continued)

36.9 Other price risk (continued)

Equity price risk sensitivity analysis (continued)

		<----- Group ----->			
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2016					
Takaful Operator					
Market price	+15%	7	10,736	-	-
Market price	-15%	(7)	(10,736)	-	-
Family Takaful					
Market price	+15%	-	-	9,487	69,106
Market price	-15%	-	-	(9,487)	(69,106)
General Takaful					
Market price	+15%	-	-	-	7,564
Market price	-15%	-	-	-	(7,564)
Group					
Market price	+15%	7	10,736	9,487	76,670
Market price	-15%	(7)	(10,736)	(9,487)	(76,670)
<----- Company ----->					
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2017					
Takaful Operator					
Market price	+15%	-	7,774	-	-
Market price	-15%	-	(7,774)	-	-
Family Takaful					
Market price	+15%	-	-	9,441	51,003
Market price	-15%	-	-	(9,441)	(51,003)
General Takaful					
Market price	+15%	-	-	-	3,564
Market price	-15%	-	-	-	(3,564)
Company					
Market price	+15%	-	-	9,441	54,567
Market price	-15%	-	-	(9,441)	(54,567)

* impact on equity reflects adjustments for tax, when applicable.

36. Financial instruments (continued)
36.9 Other price risk (continued)
Equity price risk sensitivity analysis (continued)

	Change in variables	<----- Company ----->			
		Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2016					
Takaful Operator					
Market price	+15%	-	10,513	-	-
Market price	-15%	-	(10,513)	-	-
Family Takaful					
Market price	+15%	-	-	8,001	67,517
Market price	-15%	-	-	(8,001)	(67,517)
General Takaful					
Market price	+15%	-	-	-	7,522
Market price	-15%	-	-	-	(7,522)
Company					
Market price	+15%	-	6,349	8,001	75,039
Market price	-15%	-	(6,349)	(8,001)	(75,039)

* impact on equity reflects adjustments for tax, when applicable.

36.10 Fair value information

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 the respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

Notes to the Financial Statements

36. Financial instruments (continued)

36.10 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Group										
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	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		
2017										
Takaful Operator										
Financial assets										
Equity securities	20,336	-	-	20,336	-	-	-	-	20,336	20,336
Unit trusts	12,873	7,517	-	20,390	-	-	-	-	20,390	20,390
Institutional Trust Account	-	-	37,032	37,032	-	-	-	-	37,032	37,032
Islamic debt securities	4,255	446,354	-	450,609	10,703	-	-	10,703	461,312	460,643
Investment in linked funds	38,696	-	-	38,696	-	-	-	-	38,696	38,696
	76,160	453,871	37,032	567,063	10,703	-	-	10,703	577,766	577,097
Family Takaful										
Financial assets										
Equity securities	289,141	-	-	289,141	-	-	-	-	289,141	289,141
Unit trusts	125,865	28,760	-	154,625	-	-	-	-	154,625	154,625
Institutional Trust Account	-	-	179,706	179,706	-	-	-	-	179,706	179,706
Islamic debt securities	55,745	2,515,388	-	2,571,133	75,676	372,150	-	447,826	3,018,959	3,012,629
Malaysian Government Islamic papers	-	218,952	-	218,952	-	55,518	-	55,518	274,470	273,946
	470,751	2,763,100	179,706	3,413,557	75,676	427,668	-	503,344	3,916,901	3,910,047

36. Financial instruments (continued)

36.10 Fair value information (continued)

	Group										
	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	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			
2017											
General Takaful											
Financial assets											
Equity securities	13,694	-	-	13,694	-	-	-	-	13,694	13,694	13,694
Unit trusts	10,064	-	-	10,064	-	-	-	-	10,064	10,064	10,064
Institutional Trust Account	-	-	34,313	34,313	-	-	-	-	34,313	34,313	34,313
Islamic debt securities	-	344,758	-	344,758	-	5,000	-	5,000	349,758	349,758	349,758
Malaysian Government											
Islamic papers	-	-	-	-	-	5,047	-	5,047	5,047	5,047	5,000
	23,758	344,758	34,313	402,829	-	10,047	-	10,047	412,876	412,829	412,829
Group											
Financial assets											
Equity securities	323,171	-	-	323,171	-	-	-	-	323,171	323,171	323,171
Unit trusts	148,802	36,277	-	185,079	-	-	-	-	185,079	185,079	185,079
Institutional Trust Account	-	-	251,051	251,051	-	-	-	-	251,051	251,051	251,051
Islamic debt securities	60,000	3,306,500	-	3,366,500	86,379	377,150	-	463,529	3,830,029	3,823,030	3,823,030
Malaysian Government											
Islamic papers	-	218,952	-	218,952	-	60,565	-	60,565	279,517	278,946	278,946
	531,973	3,561,729	251,051	4,344,753	86,379	437,715	-	524,094	4,868,847	4,861,277	4,861,277

Notes to the Financial Statements

36. Financial instruments (continued)

36.10 Fair value information (continued)

	Company							Carrying amount		
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	
	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
2017										
Takaful Operator										
Financial assets										
Equity securities	16,625	-	-	16,625	-	-	-	-	16,625	16,625
Unit trusts	12,873	-	-	12,873	-	-	-	-	12,873	12,873
Institutional Trust Account	-	-	37,032	37,032	-	-	-	-	37,032	37,032
Islamic debt securities	-	446,354	-	446,354	-	-	-	-	446,354	446,354
Investment in linked funds	38,696	-	-	38,696	-	-	-	-	38,696	38,696
	68,194	446,354	37,032	551,580	-	-	-	-	551,580	551,580
Family Takaful										
Financial assets										
Equity securities	214,154	-	-	214,154	-	-	-	-	214,154	214,154
Unit trusts	125,865	-	-	125,865	-	-	-	-	125,865	125,865
Institutional Trust Account	-	-	179,706	179,706	-	-	-	-	179,706	179,706
Islamic debt securities	-	2,515,388	-	2,515,388	-	372,150	-	-	2,887,538	2,884,593
Malaysian Government Islamic papers	-	218,952	-	218,952	-	55,518	-	-	274,470	273,946
	340,019	2,734,340	179,706	3,254,065	-	427,668	-	-	3,681,733	3,678,264

36. Financial instruments (continued)

36.10 Fair value information (continued)

		Company								
2017	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount	
	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	RM'000	
General Takaful										
Financial assets										
	Equity securities	13,694	-	-	13,694	-	-	-	13,694	13,694
	Unit trusts	10,064	-	-	10,064	-	-	-	10,064	10,064
	Institutional Trust Account	-	-	34,313	34,313	-	-	-	34,313	34,313
	Islamic debt securities	-	344,758	-	344,758	-	5,000	-	349,758	349,758
	Malaysian Government Islamic papers	-	-	-	-	-	5,047	-	5,047	5,000
		23,758	344,758	34,313	402,829	-	10,047	-	412,876	412,829
Company										
Financial assets										
	Equity securities	244,473	-	-	244,473	-	-	-	244,473	244,473
	Unit trusts	148,802	-	-	148,802	-	-	-	148,802	148,802
	Institutional Trust Account	-	-	251,051	251,051	-	-	-	251,051	251,051
	Islamic debt securities	-	3,306,500	-	3,306,500	-	377,150	-	3,683,650	3,680,705
	Malaysian Government Islamic papers	-	218,952	-	218,952	-	60,565	-	279,517	278,946
		393,275	3,525,452	251,051	4,169,778	-	437,715	-	4,607,493	4,603,977

Notes to the Financial Statements

36. Financial instruments (continued)

36.10 Fair value information (continued)

	Group									
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount	
2016	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	RM'000	RM'000
Takaful Operator										
Financial assets										
Equity securities	40,354	-	-	40,354	-	-	-	-	40,354	40,354
Unit trusts	19,939	13,031	-	32,970	-	-	-	-	32,970	32,970
Institutional Trust Account	-	-	22,529	22,529	-	-	-	-	22,529	22,529
Islamic debt securities	3,888	312,157	-	316,045	11,723	-	-	11,723	327,768	327,883
Investment in linked funds	37,016	-	-	37,016	-	-	-	-	37,016	37,016
	101,197	325,188	22,529	448,914	11,723	-	-	11,723	460,637	460,752
Family Takaful										
Financial assets										
Equity securities	396,058	-	-	396,058	-	-	-	-	396,058	396,058
Unit trusts	124,989	51,818	-	176,807	-	-	-	-	176,807	176,807
Institutional Trust Account	-	-	108,830	108,830	-	-	-	-	108,830	108,830
Islamic debt securities	44,567	2,232,885	-	2,277,452	76,885	371,726	-	448,611	2,726,063	2,723,616
Malaysian Government Islamic papers	-	148,793	-	148,793	-	73,017	-	73,017	221,810	221,306
	565,614	2,433,496	108,830	3,107,940	76,885	444,743	-	521,628	3,629,568	3,626,617

36. Financial instruments (continued)

36.10 Fair value information (continued)

<----- Group ----->									
2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value
	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									
Financial assets									
Equity securities	36,199	-	-	36,199	-	-	-	-	36,199
Unit trusts	13,946	-	-	13,946	-	-	-	-	13,946
Institutional Trust Account	-	-	28,753	28,753	-	-	-	-	28,753
Islamic debt securities	-	314,484	-	314,484	5,382	5,000	-	10,382	324,866
Malaysian Government	-	-	-	-	-	-	-	-	-
Islamic papers	-	-	-	-	-	32,635	-	32,635	32,524
	50,145	314,484	28,753	393,382	5,382	37,635	-	43,017	436,399
									436,250
Group									
Financial assets									
Equity securities	472,611	-	-	472,611	-	-	-	-	472,611
Unit trusts	158,874	64,849	-	223,723	-	-	-	-	223,723
Institutional Trust Account	-	-	160,112	160,112	-	-	-	-	160,112
Islamic debt securities	48,455	2,859,526	-	2,907,981	93,990	376,726	-	470,716	3,378,697
Malaysian Government	-	-	-	-	-	-	-	-	-
Islamic papers	-	148,793	-	148,793	-	105,652	-	105,652	254,445
	679,940	3,073,168	160,112	3,913,220	93,990	482,378	-	576,368	4,489,588
									4,486,603

Notes to the Financial Statements

36. Financial instruments (continued)

36.10 Fair value information (continued)

	Company									
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	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		
2016										
Takaful Operator										
Financial assets										
Equity securities	35,260	-	-	35,260	-	-	-	-	35,260	35,260
Unit trusts	19,939	-	-	19,939	-	-	-	-	19,939	19,939
Institutional Trust Account	-	-	22,529	22,529	-	-	-	-	22,529	22,529
Islamic debt securities	-	312,157	-	312,157	-	-	-	-	312,157	312,157
Investment in linked funds	37,016	-	-	37,016	-	-	-	-	37,016	37,016
	92,215	312,157	22,529	426,901	-	-	-	-	426,901	426,901
Family Takaful										
Financial assets										
Equity securities	325,122	-	-	325,122	-	-	-	-	325,122	325,122
Unit trusts	124,988	-	-	124,988	-	-	-	-	124,988	124,988
Institutional Trust Account	-	-	108,830	108,830	-	-	-	-	108,830	108,830
Islamic debt securities	-	2,232,885	-	2,232,885	-	371,726	-	-	2,604,611	2,602,222
Malaysian Government Islamic papers	-	148,793	-	148,793	-	73,017	-	-	221,810	221,306
	450,110	2,381,678	108,830	2,940,618	-	444,743	-	-	3,385,361	3,382,468

36. Financial instruments (continued)

36.10 Fair value information (continued)

		Company									
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			
General Takaful											
Financial assets											
	Equity securities	36,199	-	-	36,199	-	-	-	-	36,199	36,199
	Unit trusts	13,946	-	-	13,946	-	-	-	-	13,946	13,946
	Institutional Trust Account	-	-	28,753	28,753	-	-	-	-	28,753	28,753
	Islamic debt securities	-	314,484	-	314,484	-	5,000	-	5,000	319,484	319,484
	Malaysian Government Islamic papers	-	-	-	-	-	32,635	-	32,635	32,635	32,524
		50,145	314,484	28,753	393,382	-	37,635	-	37,635	431,017	430,906
Company											
Financial assets											
	Equity securities	396,581	-	-	396,581	-	-	-	-	396,581	396,581
	Unit trusts	158,873	-	-	158,873	-	-	-	-	158,873	158,873
	Institutional Trust Account	-	-	160,112	160,112	-	-	-	-	160,112	160,112
	Islamic debt securities	-	2,859,526	-	2,859,526	-	376,726	-	376,726	3,236,252	3,233,863
	Malaysian Government Islamic papers	-	148,793	-	148,793	-	105,652	-	105,652	254,445	253,830
		555,454	3,008,319	160,112	3,723,885	-	482,378	-	482,378	4,206,263	4,203,259

Notes to the Financial Statements

36. Financial instruments (continued)

36.10 Fair value information (continued)

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 has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either direction).

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:

	Group and Company	
	2017	2016
	RM'000	RM'000
Institutional Trust Account		
Takaful Operator		
Balance at 1 January	22,529	21,411
Purchases	13,000	19,004
Maturities	-	(19,004)
Gains and losses recognised in profit or loss		
Investment income - realised	1,503	1,118
Balance at 31 December	37,032	22,529

36. Financial instruments (continued)
36.10 Fair value information (continued)

	Group and Company	
	2017	2016
	RM'000	RM'000
Institutional Trust Account		
Family Takaful		
Balance at 1 January	108,830	103,801
Purchases	83,272	24,534
Maturities	(20,272)	(24,534)
Gains and losses recognised in profit or loss		
Investment income - realised	7,876	5,029
Balance at 31 December	179,706	108,830
General Takaful		
Balance at 1 January	28,753	27,429
Purchases	5,267	5,007
Maturities	(1,267)	(5,007)
Gains and losses recognised in profit or loss		
Investment income - realised	1,560	1,324
Balance at 31 December	34,313	28,753
Group / Company		
Balance at 1 January	160,112	152,641
Purchases	101,539	48,545
Maturities	(21,539)	(48,545)
Gains and losses recognised in profit or loss		
Investment income - realised	10,939	7,471
Balance at 31 December	251,051	160,112

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Institutional Trust Account	Discounted cash flows using market interest rates for a similar instrument at the measurement date.	Discount rate of 4.58%	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

Notes to the Financial Statements

36. Financial instruments (continued)

36.10 Fair value information (continued)

(a) Financial instruments carried at fair value (continued)

Sensitivity analysis for Level 3

		<----- Group and Company----->			
	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2017					
Takaful Operator					
Discount rate	+1%	-	(558)	-	-
Discount rate	-1%	-	1,527	-	-
Family Takaful					
Discount rate	+1%	-	-	-	(3,074)
Discount rate	-1%	-	-	-	8,342
General Takaful					
Discount rate	+1%	-	-	-	(533)
Discount rate	-1%	-	-	-	1,433
Group / Company					
Discount rate	+1%	-	(558)	-	(3,607)
Discount rate	-1%	-	1,527	-	9,775
2016					
Takaful Operator					
Discount rate	+1%	-	(699)	-	-
Discount rate	-1%	-	839	-	-
Family Takaful					
Discount rate	+1%	-	-	-	(4,459)
Discount rate	-1%	-	-	-	2,120
General Takaful					
Discount rate	+1%	-	-	-	(1,360)
Discount rate	-1%	-	-	-	761
Group / Company					
Discount rate	+1%	-	(699)	-	(5,819)
Discount rate	-1%	-	839	-	2,881

* impact on equity reflects adjustments for tax, when applicable.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, which reports directly to the Chief Investment Officer and Chief Financial Officer. The valuation team regularly review significant unobservable inputs and valuation adjustments.

Notes to the Financial Statements

37. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Non-related parties:				
Less than one year	141	215	141	215
Between one and five years	17,858	5,310	17,858	5,310
	17,999	5,525	17,999	5,525
Related party:				
Less than one year	118	24	118	24
Between one and five years	157	4	157	4
	275	28	275	28
	18,274	5,553	18,274	5,553
Group / Company				
Non-related parties:				
Less than one year	141	215	141	215
Between one and five years	17,858	5,310	17,858	5,310
	17,999	5,525	17,999	5,525
Related party:				
Less than one year	118	24	118	24
Between one and five years	157	4	157	4
	275	28	275	28
	18,274	5,553	18,274	5,553

Lease commitments are wholly payable from the Takaful Operator. The Group and the Company lease a number of computers and equipment under operating leases. The leases typically run for a period of five years, with an option to renew the lease after that date.

Leases as lessor

The Group and the Company lease out their investment properties (see Note 4). The future minimum lease receivables under non-cancellable leases are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Takaful Operator				
Non-related parties:				
Less than one year	184	216	184	216
Between one and five years	64	248	64	248
	248	464	248	464
Related party:				
Less than one year	325	315	325	315
Between one and five years	797	493	797	493
	1,122	808	1,122	808
	1,370	1,272	1,370	1,272

Notes to the Financial Statements

37. Operating leases (continued)

Leases as lessor (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Family Takaful				
Non-related parties:				
Less than one year	5,959	4,838	5,959	4,838
Between one and five years	5,361	2,268	5,361	2,268
	11,320	7,106	11,320	7,106
Related party:				
Less than one year	6,740	430	978	430
Between one and five years	1,076	309	1,076	309
	7,816	739	2,054	739
	19,136	7,845	13,374	7,845
General Takaful				
Non-related parties:				
Less than one year	528	320	528	320
Between one and five years	414	143	414	143
	942	463	942	463
Related party:				
Less than one year	607	60	86	60
Between one and five years	1,323	43	281	43
	1,930	103	367	103
	2,872	566	1,309	566
Group / Company				
Non-related parties:				
Less than one year	6,671	5,374	6,671	5,374
Between one and five years	5,839	2,659	5,839	2,659
	12,510	8,033	12,510	8,033
Related party:				
Less than one year	7,672	805	1,389	805
Between one and five years	3,196	845	2,154	845
	10,868	1,650	3,543	1,650
	23,378	9,683	16,053	9,683

38. Capital commitments

	Group and Company	
	2017	2016
	RM'000	RM'000
Authorised by the Directors and contracted for	20,180	12,354

39. Related parties
Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice-versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group. Compensation paid to key management personnel have been disclosed in Note 27.

The Group has related party relationships with its holding companies, significant investors, subsidiaries, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company, other than key management personnel compensation as disclosed in Note 27, are as follows:

	Group and Company	
	2017	2016
	RM'000	RM'000
<i>Ultimate holding company</i>		
Contribution income for Family Takaful	255	-
Contribution income for General Takaful	116	33
Claims paid for General Takaful	1,165	264
<i>Holding company</i>		
Dividend paid	58,986	36,129

Notes to the Financial Statements

39. Related parties (continued)

Significant related party transactions (continued)

	Group and Company	
	2017	2016
	RM'000	RM'000
Related companies		
Contribution income for Family Takaful	1,690	27,670
Contribution income for General Takaful	4,373	4,586
Claims paid for Family Takaful	2,491	24,583
Claims paid for General Takaful	273	1,600
Investment income	11,632	6,788
Rental income	2,690	2,495
Commission paid	26,844	20,172
Bank charges	2,061	1,378

The significant outstanding balances of the Group and of the Company with its related parties, are as follows:

	Group and Company	
	2017	2016
	RM'000	RM'000
Takaful Operator		
Bank balances	2,826	512
Fixed and call deposits	84,868	135,842
	87,694	136,354
Family Takaful		
Bank balances	24,691	11,655
Fixed and call deposits	153,543	168,508
Islamic debts securities	51,279	50,130
	229,513	230,293
General Takaful		
Bank balances	25,165	62,177
Fixed and call deposits	36,395	58,746
	61,560	120,923
Group / Company		
Bank balances	52,682	74,344
Fixed and call deposits	274,806	363,096
Islamic debts securities	51,279	50,130
	378,767	487,570

40. 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 capital adequacy ratio of 130%. As at period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at 31 December 2017, as prescribed under the RBCT Framework is provided below:

	Company	
	2017	2016
	RM'000	RM'000
Tier 1 capital	1,319,241	1,212,934
Tier 2 capital	5,628	(16,620)
Amount deducted from capital	(126,712)	(122,376)
Total capital available	1,198,157	1,073,938

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 69 to 267 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia and comply with the Principles of Shariah so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak
Director

.....
Mahadzir Azizan
Director

Kuala Lumpur

Date: 25 January 2018

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Jazimin Izzat Wan Zoolkifli, the officer primarily responsible for the financial management of Syarikat Takaful Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 69 to 267 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Jazimin Izzat Wan Zoolkifli in Kuala Lumpur in the Federal Territory on 25 January 2018.

.....
Jazimin Izzat Wan Zoolkifli

Before me:

Independent Auditors' Report

to the members of Syarikat Takaful Malaysia Berhad (Company No. 131646-K) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Syarikat Takaful Malaysia Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 267.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities.

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of hard to value investments

Refer to Note 7 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Included in the Group's and the Company's other investments portfolio are investments in unquoted Islamic debt securities and Malaysian Government Islamic papers of RM3,585,425,000 and RM3,535,425,000 respectively, representing 43% and 45% of the Group's and the Company's total assets respectively. The Group and the Company relies on an external bond pricing agency to obtain quotes to value these instruments at fair value. Due to its significance to total assets and up-to-date quoted prices are not readily available because of low trading volume, we incurred significant effort to determine the appropriateness of the valuation.	We used our own valuation and pricing specialist to assist us in performing independent price checks using various sources of external quotes and comparing them against the Group's and the Company's fair value for these investments.

Independent Auditors' Report

Valuation of takaful contract liabilities

Refer to Note 15 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The takaful contract liabilities comprise of provision for outstanding claims, provision for unearned contributions and participants' funds for both the family and general businesses, representing a significant portion of the Group's and the Company's liabilities at 91% of total liabilities. The main risks associated with the takaful contract liabilities are in respect of valuation of actuarial liabilities for the family takaful business and the provision for outstanding claims for both family and general takaful businesses. Actuarial Liabilities - Family takaful contract liabilities The actuarial liabilities made up 82% and 80% of participants' funds within the family takaful contract liabilities of the Group and the Company respectively. This is an area requiring significant judgment over the estimation of future expected benefits payable to participants of long-term certificates. Economic and operating assumptions such as discount rates, mortality, morbidity and surrender rates are the key inputs used in the estimation of these actuarial liabilities. Provision for outstanding claims – Family and general takaful contract liabilities The provision for outstanding claims for the Group and the Company comprises the estimated cost of settling all claims incurred but unpaid at the year end, whether reported or not. The estimation of outstanding claims with respect to unreported claims requires significant judgment, as it involves the projection of the ultimate cost of all claims incurred but not settled at the end of the reporting period, together with the related claims handling costs. Judgment is required to assess the extent to which past claims trends may not represent the current situation and its impact on the assumptions over claims projection.	We used our own actuarial specialists to assist us in performing our audit procedures in this area, which included amongst others: - We assessed the appropriateness of the Group's and the Company's methodology for calculating the actuarial liabilities and outstanding claims against the requirements of both the Risk-Based Capital Framework for Takaful Operators (RBC-T Framework) and the Guidelines on Valuation Basis for Liabilities of Family and General Takaful Businesses (Valuation Guidelines) as issued by Bank Negara Malaysia (BNM). - We assessed and challenged the appropriateness of discount rates, mortality, morbidity and surrender rate assumptions used in the calculation of actuarial liabilities by reference to the Group and the Company and industry historical data and the requirements of RBC-T Framework and Valuation Guidelines as issued by BNM. - We assessed and challenged the appropriateness of projected claims development assumptions used in the projection of unreported claims at the year end by reference to the Group and the Company and industry historical data. - We tested the underlying data used in the Group's and the Company's estimation process to source documentation.

Reconciliation of cash in bank and bank balances sub-ledger

Refer to Note 12 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's and the Company's reconciliation of cash and bank balances between the balances in the bank statements and the bank sub-ledger is an area requiring significant audit effort and judgment to determine whether certain reconciling items are required to be taken up in the bank sub-ledger. Within these reconciling items are cash receipts in the bank statement which management could not match to the certificate issued or the participant who paid due to lack of required information from the bancatakaful partners. The determination of its nature, i.e. either contribution revenue or receipts to be matched against debtors, is dependent on an estimation process based on past trends and the subsequent clearance by management of the reconciling items.	We performed the following procedures on the bank reconciliations prepared and assumptions made by the Group and the Company: - We tested the bank reconciliations by agreeing the bank balance and reconciling items to the underlying source documents. - We assessed and challenged the appropriateness of the assumptions used in the Group's and the Company's assessment of cash receipts to be taken up in the bank sub-ledger by comparing against past trend of the proportion of these cash receipts being subsequently recognized as contribution revenue or matched against due contributions.

Independent Auditors' Report

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

Independent Auditors' Report

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat PLT
(LLP0010082-LCA & AF 0759)
Chartered Accountants

Ooi Eng Siong
Approval Number: 3240/02/18 (J)
Chartered Accountant

Date: 25 January 2018
Petaling Jaya

Particulars of Properties

A. INVESTMENT PROPERTIES

No	Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square feet)	Net Book Value as at 31.12.2017 (RM)	Date of Revaluation
1	No. 325A & 325B Blok 41, Kompleks Perniagaan Fajar 91000 Tawau, Sabah	Three units of 4 storey Commercial Complex/ Office	999 years town lease expiring on 31.12.2895	26	4,025/ 6,037	3,165,000	31.12.2017
2	No. 64 & 65 Kompleks Jitra Jalan Sungai Korok 06000 Jitra Kedah Darul Aman	Two units of 2 storey Shophouse/Office	Freehold	31	3,095/ 6,935	1,200,000	31.12.2017
3	No. 23 Medan Istana 3 Bandar Ipoh Raya 30450 Ipoh Perak Darul Ridzuan	One unit of 3 storey Shophouse/Office	99 years lease expiring on 30.03.2081	22	1,539/ 4,255	600,000	31.12.2017
4	Lot 54 & 55 Bandar Wilayah Jasa Jalan Bunga Raya 91100 Lahad Datu Sabah	Two units of 3 storey Shophouse/Office	99 years town lease expiring on 31.12.2090	22	2,400/ 7,200	1,720,000	31.12.2017
5	No. 15 & 17 Jalan Kelibang Langkawi Mall 07000 Kuah Langkawi Kedah Darul Aman	Two units of 2 storey Shophouse/Office	Freehold	24	1,440/ 7,720	710,000	31.12.2017
6	No. 26 & 28 Jalan Perda Barat Bukit Mertajam Seberang Prai 14000 Penang	Two units of 3 storey Shophouse/Office	Freehold	19	3,293/ 8,840	1,340,000	31.12.2017
7	No. 433 & 434 Jalan Kulas 93400 Kuching Sarawak	Two units of 4 storey Shophouse/Office	Freehold	22	3,589/ 12,855	4,050,000	31.12.2017
8	Lot 13 & 14 Lazenda Commercial Centre Jalan Okk Abdullah 87007 Wilayah Persekutuan Labuan	Two units of 3 storey Office building	999 years lease expiring on 30.06.2902	23	2,504/ 7,200	2,340,000	31.12.2017

Particulars of Properties

No	Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square feet)	Net Book Value as at 31.12.2017 (RM)	Date of Revaluation
9	No. 1 & 2 Jalan Kelicap Taman Pekan Baru 34200 Parit Buntar Perak Darul Ridzuan	Two units of 2 storey Shophouse/Office	99 years lease expiring on 05.09.2078	30	3,956/ 7,044	935,000	31.12.2017
10	No. 46 & 47 Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Two units of 4 Storey Shophouse/Office	Freehold	28	3,220/ 12,092	1,790,000	31.12.2017
11	No. 180 & 181 Jalan Tuan Hitam 22000 Jerteh Terengganu Darul Iman	Two units of 4 storey Shophouse/Office	Freehold	27	3,200/ 12,250	1,840,000	31.12.2017
12	Lot 82, 84 & 86 Jalan Rugby 13/30 Seksyen 13 40100 Shah Alam Selangor Darul Ehsan	Three units of 2 storey Shophouse/Office	99 years lease expiring on 22.01.2102	18	6,339/ 11,309	3,620,000	31.12.2017
13	No. 229 Jalan Shahab 2 Shahab Perdana Jalan Sultanah Sambungan 05350 Alor Star Kedah Darul Aman	One unit of 2 1/2 storey Shophouse/Office	Freehold	21	1,400/ 3,570	550,000	31.12.2017
14	Lot No. 3803 Jalan Dato' Ulu Muar 72000 Kuala Pilah Negeri Sembilan Darul Khusus	One unit of 3 storey Shophouse/Office	99 years lease expiring on 06.10.2079	18	2,001/ 3,120	580,000	31.12.2017
15	No. 45 Jalan Teluk Sisek 25000 Kuantan Pahang Darul Makmur	One unit of 4 storey Shophouse/Office	99 years lease expiring on 18.09.2068	17	3,200/ 8,019	2,630,000	31.12.2017
16	No. 27 Pusat Komersil Temerloh 28000 Temerloh Pahang Darul Makmur	One unit of 2 1/2 storey Shophouse/Office	99 years lease expiring on 01.04.2095	17	1,398/ 5,017	740,000	31.12.2017

Particulars of Properties

No	Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square feet)	Net Book Value as at 31.12.2017 (RM)	Date of Revaluation
17	No. 2 & 4 Jalan 6C/7 43650 Bandar Baru Bangi Selangor Darul Ehsan	Two units of 2 storey Shophouse/Office	99 years lease expiring on 08.07.2086	30	6,383/ 8,032	2,225,000	31.12.2017
18	Lot 14 Seremban City Centre Jalan Tuanku Munawir 70000 Seremban Negeri Sembilan Darul Khusus	One unit of 6 storey Shophouse/Office	Freehold	21	1,500/ 14,589	3,830,000	31.12.2017
19	No. 29, Jalan Delima Pusat Perdagangan Pontian 82000 Pontian Johor Darul Takzim	One unit of 3 storey Shophouse/Office	99 years lease expiring on 25.09.2097	16	3,899/ 10,248	1,740,000	31.12.2017
20	Lot 1129 & 1130 Bangunan Darul Takaful Jalan Sultan Ismail 20100 Kuala Terengganu Terengganu Darul Iman	One unit of 12 storey Office building	35 years sub lease expiring on 27.02.2037	15	3,600/ 23,637	6,400,000	31.12.2017
21	No. 616 & 617 Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus	Two units of 2 storey Office building	99 years lease expiring on 05.10.2088	25	4,498/ 8,685	1,800,000	31.12.2017
22	No. 6 Jalan 6C/7 43650 Bandar Baru Bangi Selangor Darul Ehsan	One unit of 2 storey Shophouse/Office	99 years lease expiring on 08.07.2086	30	1,905/ 3,508	890,000	31.12.2017
23	Suite 3B/G Blok 3B, Plaza Sentral Jalan Stesen Sentral 5 50470 Kuala Lumpur	One floor of 22 storey Office building	Freehold	16	6,409*	8,680,000	31.12.2017

Particulars of Properties

No	Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square feet)	Net Book Value as at 31.12.2017 (RM)	Date of Revaluation
24	No. 26 & 27 Jalan Tanjung Pasar Baru 18500 Machang Kelantan Darul Naim	Two units of 2 storey Office building	66 years lease expiring on 18.02.2069	36	1,600/ 4,000	720,000	31.12.2017
25	No. 330 & 331 Jalan Sultan Yahya Petra 15720 Kota Bharu Kelantan Darul Naim	Two units of 4 1/2 storey Office building	99 years lease expiring on 09.12.2069	35	3,200/ 15,200	2,240,000	31.12.2017
26	Menara Takaful Malaysia No. 4, Jalan Sultan Sulaiman 50000 Kuala Lumpur	Two units of Office building Main Block - 26 storey Annexe Block - 29 storey	Freehold	Main Block - 44 Annexe Block - 37	90,427/ 393,508	180,000,000	06.11.2017
27	No. 2408 Taman Samudera 32040 Sri Manjung Perak Darul Ridzuan	One unit of 2 storey Shophouse/Office	99 years lease expiring on 19.05.2091	21	2,800/ 5,300	850,000	31.12.2017
28	No. 76A & 76 Pusat Perniagaan Jalan Tupai 34000 Taiping Perak Darul Ridzuan	Two units of 3 storey Office building	Freehold	14	3,134/ 18,304	1,640,000	31.12.2017
29	No. 10 & 11 Jalan Sultan Yahya Petra 15200 Kota Bharu Kelantan Darul Naim	Two units of 3 storey Office building	Freehold	15	3,852/ 9,120	2,450,000	31.12.2017
30	No. 4197 Jalan Teluk Wanjah 05200 Alor Star Kedah Darul Aman	One unit of 4 storey Office building	Freehold	15	8,716/ 18,440	1,850,000	31.12.2017
31	No. 10 & 8 Jalan Padi Emas 5/2 Bandar Baru UDA 81200 Johor Bharu Johor Darul Takzim	Two units of 3 storey Office building	99 years lease expiring on 16.02.2099	12	3,080/ 8,024	2,200,000	31.12.2017

Particulars of Properties

No	Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square feet)	Net Book Value as at 31.12.2017 (RM)	Date of Revaluation
32	No. 4 Kompleks Seri Temin Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	One unit of 4 storey Office building	99 years lease expiring on 03.10.2080	32	1,400/ 5,510	680,000	31.12.2017
33	Lot 1340 Miri Waterfront Commercial Centre 98000 Miri Sarawak	One unit of 4 storey Office building	60 years lease expiring on 30.09.2066	13	1,400/ 5,500	1,480,000	31.12.2017
34	No. 6 Jalan Padi Emas 5/2 Bandar Baru UDA 81200 Johor Bharu Johor Darul Takzim	One unit of 3 storey Office building	99 years lease expiring on 16.02.2099	12	1,540/ 4,012	1,100,000	31.12.2017
35	No. 148, Kompleks Munshi Abdullah 75200 Melaka	One unit of 4 1/2 storey Office building	99 years lease expiring on 23.04.2102	24	1,470/ 6,117	1,100,000	31.12.2017
36	No. 16474 & 16475 Pusat Perniagaan Inderapura Jalan Tras Raub Pahang Darul Makmur	Two units of 3 storey Office building	99 years lease expiring on 29.06.2092	18	3,218/ 9,280	1,700,000	31.12.2017
37	No. 20, Fasa 1A Jalan Haji Manan 86000 Kluang Johor Darul Takzim	One unit of 4 storey Shophouse/Office	99 years lease expiring on 10.12.2108	21	2,658/ 9,930	2,200,000	31.12.2017
Total						253,585,000	

* Built-up Area

Particulars of Properties

B. SELF-OCCUPIED PROPERTY

No	Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square feet)	Net Book Value as at 31.12.2017 (RM)	Date of Revaluation
1	No. 435 Jalan Kulas 93400 Kuching Sarawak	One unit of 4 storey Shophouse/Office	Freehold	22	1,214/ 4,262	1,530,000	31.12.2017

Shareholding Statistics

SHARE CAPITAL

Authorised Capital	: 2,500,000,000 ordinary shares
Issued and fully paid-up capital as at 5 February 2018	: 823,145,670 ordinary shares
No. of shareholders as at 5 February 2018	: 3,553
Class of shares	: Ordinary shares
Voting right	: 1 vote per ordinary share on a poll

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS (5% AND ABOVE) AS AT 5 FEBRUARY 2018

Name of Shareholders	Direct Interest		Indirect Interest/Deemed Interest	
	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
BIMB Holdings Berhad	491,550,925	59.72	-	-
Employees Provident Fund Board	101,383,200	12.32	-	-
Total	592,934,125	72.04	-	-

DIRECTORS' SHAREHOLDINGS AS AT 5 FEBRUARY 2018

Name of Directors	Direct Interest		Indirect Interest/Deemed Interest	
	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	-	-	-	-
Datuk Rozaida Omar	-	-	-	-
Mahadzir Azizan	-	-	-	-
Zakaria Ismail	-	-	-	-
Dato' Othman Abdullah	-	-	-	-
Mohd Tarmidzi Ahmad Nordin	-	-	-	-
Datin Sri Azlin Arshad	-	-	-	-

GROUP CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AS AT 5 FEBRUARY 2018

Name of Group Chief Executive Director	Direct Interest		Indirect Interest/Deemed Interest	
	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)
Dato' Sri Mohamed Hassan Kamil	95	0.00001	Refer Note*	

Note :

* Dato' Sri Mohamed Hassan Kamil has indirect/deemed interest in the shares of the Company by virtue of his acceptance of the following ordinary shares granted under the Long-Term Incentive Plan (LTIP):

- 1) 530,000 shares granted under the 3rd tranche of Performance Share Plan (PSP).
- 2) 592,500 shares granted under the 4th tranche of PSP.
- 3) 552,600 shares granted under the 5th tranche of PSP.

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 5 FEBRUARY 2018

Size of Shareholdings	Number of Shareholders	Percentage (%)	Total Shareholdings	Percentage (%)
Less than 100	518	14.58	9,498	0.00
100 - 1,000	927	26.09	620,235	0.08
1,001 - 10,000	1,468	41.32	6,951,675	0.84
10,001 - 100,000	497	13.99	14,835,917	1.80
100,001 to 41,157,282 (less than 5% of issued shares)	141	3.97	219,777,220	26.70
41,157,283 (5% of issued shares) and above	2	0.06	580,951,125	70.58
Total	3,553	100.00	823,145,670	100.00

DISTRIBUTION TABLE ACCORDING TO CATEGORY OF HOLDERS AS AT 5 FEBRUARY 2018

Category of Shareholders		Number of Shareholders			Total Shareholdings			Percentage (%)		
		Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
		Bumiputra	Non-Bumiputra		Bumiputra	Non-Bumiputra		Bumiputra	Non-Bumiputra	
1	Individual	580	2,238	37	4,081,577	21,713,282	898,210	0.50	2.64	0.11
2	Body Corporate									
	A. Banks/Finance Companies	35	1	0	534,480,325	672,500	0	64.93	0.08	0.00
	B. Investments Trusts/ Foundation/ Charities	1	0	0	18,000	0	0	0.00	0.00	0.00
	C. Other types of Companies	13	23	2	1,591,600	3,395,000	27,500	0.19	0.41	0.00
3	Government Agencies/ Institutions	5	0	0	7,074,900	0	0	0.86	0.00	0.00
4	Nominees	328	215	75	19,282,180	152,076,396	77,834,200	2.34	18.48	9.46
5	Others	0	0	0	0	0	0	0.00	0.00	0.00
Total		962	2,477	114	566,528,582	177,857,178	78,759,910	68.82	21.61	9.57
Grand Total		3,553			823,145,670			100.00		

Shareholding Statistics

THIRTY (30) LARGEST SHAREHOLDERS AS AT 5 FEBRUARY 2018

Name of Shareholders	Number of Shares	Percentage (%)
BIMB Holdings Berhad	491,550,925	59.72
Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	89,400,200	10.86
Bimsec Nominees (Asing) Sdn Bhd Islamic Development Bank	35,000,000	4.25
Cartaban Nominees (Asing) Sdn Bhd Exempt An for Daiwa Securities Co. Ltd. Client Acc	24,450,000	2.97
Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	13,920,200	1.69
Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for AIA Bhd	11,402,200	1.39
Amanahraya Trustees Berhad Public Islamic Opportunities Fund	9,124,000	1.11
Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	8,328,700	1.01
Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AMUNDI)	6,038,200	0.73
Cartaban Nominees (Tempatan) Sdn Bhd PBTB for Takafulink Dana Ekuiti	5,816,100	0.71
Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Dana Unggul	5,492,500	0.67
Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Maybank)	4,500,000	0.55
Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	3,919,500	0.48
HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	3,833,100	0.47
HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Affin Hwang AIIIMAN Growth Fund (4207)	3,826,100	0.46

THIRTY (30) LARGEST SHAREHOLDERS AS AT 5 FEBRUARY 2018 (Continued)

Name of Shareholders	Number of Shares	Percentage (%)
Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Participating Fund	3,502,500	0.43
DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastpring Investments Dana Al-Ilham	3,372,400	0.41
Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,151,000	0.38
Amsec Nominees (Tempatan) Sdn Bhd Mtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	3,071,600	0.37
HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	2,897,100	0.35
Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	2,871,400	0.35
T.O. Lim Holdings Sdn Bhd	2,750,000	0.33
Universiti Sains Malaysia	2,500,000	0.30
Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Kenanga)	2,237,800	0.27
CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund	2,195,700	0.27
Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	2,158,400	0.26
Amin Baitulmal Johor	2,000,000	0.24
Majlis Agama Islam dan Adat Melayu Perak Darul Ridzuan	1,600,000	0.19
Amanahraya Trustees Berhad Public Islamic Treasures Growth Fund	1,582,100	0.19
Valuecap Sdn Bhd	1,557,900	0.19
Total	754,049,625	91.60

Branch Network & Subsidiary Companies

HEAD OFFICE

SYARIKAT TAKAFUL MALAYSIA BERHAD (131646-K)

26th Floor, Annexe Block
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
50000 Kuala Lumpur
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50746 Kuala Lumpur

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☎ 603-2274 0237
🌐 takaful-malaysia.com.my
✉ csu@takaful-malaysia.com.my
🏢 Syarikat Takaful Malaysia Berhad

TAKAFUL myCARE CENTRES

KUALA LUMPUR

Menara Takaful Malaysia
Tingkat Bawah, Blok Utama
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
50000 Kuala Lumpur

SELANGOR

Shah Alam
Tingkat Bawah
Lot. No 82, 84, 86
Jalan Rugby 13/30, Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan

PERAK

Ipoh
No. 23, Medan Istana 3
Bandar Ipoh Raya
30000 Ipoh
Perak Darul Ridzuan

MELAKA

Melaka
148, Kompleks Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka

PULAU PINANG

Bandar Perda
No.28, Jalan Perda Barat 1
Bandar Baru Perda
14000 Bukit Mertajam
Pulau Pinang

Gelugor

No. 2480, Tingkat Bawah
Jalan Sultan Azlan Shah
11700 Gelugor
Pulau Pinang

KEDAH

Alor Setar
No. 229, Jalan Shahab 2
Shahab Perdana
Jalan Sultanah Sambungan
05150 Alor Setar
Kedah Darul Aman

Sungai Petani

No. 4, Kompleks Seri Temin
Jalan Ibrahim
08000 Sungai Petani
Kedah Darul Aman

JOHOR

Batu Pahat
Tingkat Bawah
No. 46, Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim

Johor Bahru

Tingkat Bawah
No. 5, Jalan Setia Tropika 1/30
Taman Setia Tropika
81200 Johor Bahru
Johor Darul Takzim

NEGERI SEMBILAN

Seremban
Suite 14-2, Tingkat 2
Seremban City Centre
Jalan Tuanku Munawir
70000 Seremban
Negeri Sembilan Darul Khusus

TERENGGANU

Kuala Terengganu
Tingkat 2, Lot 1129 & 1130
Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu Darul Iman

PAHANG

Kuantan
No. 45, Tingkat Bawah
Jalan Teluk Sisek
25000 Kuantan
Pahang Darul Makmur

Temerloh

No. 27, Jalan Dato' Bahaman 3
Pusat Dagangan Temerloh
28000 Temerloh
Pahang Darul Makmur

KELANTAN

Kota Bharu
Lot 331 & 332
Tingkat Bawah
Jalan Sultan Yahya Petra
Wakaf Siku, 15200 Kota Bharu
Kelantan Darul Naim

SARAWAK

Miri
Lot 1340, Tingkat Bawah
Miri Waterfront
Commercial Centre
Jalan Waterfront
98000 Miri, Sarawak

Kuching

Lot 435, Tingkat 1 & 2
Bangunan Tuanku Haji
Mohammad Al-Edrus
Jalan Kulas
93400 Kuching, Sarawak

SABAH

Kota Kinabalu
Lot A 202 & 203, Tingkat 2
Blok A, Wisma MUIS
Jalan Tengku Abdul Rahman
88850 Kota Kinabalu, Sabah

TAKAFUL RETAIL CENTRES

IFiC KL Sentral

Aras Bawah, Menara TH Sentral
Blok D, Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur

IFiC Jalan Tun Razak

Aras 2, Menara Tabung Haji
201, Jalan Tun Razak
54000 Kuala Lumpur

IFiC Johor Bahru

Tingkat Bawah
Menara TH Johor Bahru
PTB 20485, Jalan Ayer Molek
80000 Johor Bahru
Johor Darul Takzim

IFiC Banda Kaba

Bangunan Tabung Haji
Lot 250, Jalan Banda Kaba
Peti Surat 205, 75740 Melaka

IFiC Ipoh

Aras 1, Bangunan Tabung Haji
Jalan Koo Chong Kong
30000 Ipoh, Perak

IFiC Putrajaya

Kompleks Islam Putrajaya
Blok B, Jalan Tunku Abdul Rahman
Presint 3, Pusat Pentadbiran
Kerajaan Persekutuan
62100 Putrajaya

SUBSIDIARY COMPANIES

PT SYARIKAT TAKAFUL INDONESIA

Graha Takaful Indonesia
Jalan Mampang Prapatan Raya
No. 100, Jakarta
12790 Indonesia
☎ 6221-799 1234
☎ 6221-790 1435

PT ASURANSI TAKAFUL KELUARGA

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SYARIKAT TAKAFUL MALAYSIA AM BERHAD (1246486-D)

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FORM OF PROXY

FOR 33RD AGM



TAKAFULmalaysia

SYARIKAT TAKAFUL MALAYSIA BERHAD (131646-K)
(Incorporated in Malaysia under the Companies Act, 1965)

NUMBER OF ORDINARY SHARES HELD	CDS ACCOUNT NO

I / We
(Full Name of Shareholder as per NRIC)

NRIC No. / Passport No. / Company No.

of
(Full Address)

Telephone No. being a member / members of Syarikat Takaful Malaysia Berhad ("the Company"), hereby appoint;

Proxy 1		No. of Shares	%
Full Name of Proxy as per NRIC			
NRIC / Passport No.			
Full Address			

and/or failing him/her;

Proxy 2		No. of Shares	%
Full Name of Proxy as per NRIC			
NRIC / Passport No.			
Full Address			

TOTAL SHARES 100%

or failing him/her, the Chairman of the Meeting as my / our proxy to vote for me / us on my / our behalf at the THIRTY-THIRD ANNUAL GENERAL MEETING of SYARIKAT TAKAFUL MALAYSIA BERHAD, to be held at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Tuesday, 3 April 2018 at 10:00 a.m. and any adjournment thereof.

Please indicate an "X" in the space provided below, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two proxies, please specify the proportions of holdings to be represented by each proxy.

My / Our proxy is to vote as indicated hereunder:

NO.	RESOLUTION	FOR	AGAINST
	To re-elect the following Directors, each of whom retires pursuant to Article 62 of the Company's Constitution and being eligible, had offered themselves for re-election:		
1	Mahadzir Azizan		
2	Zakaria Ismail		
3	To approve the payment of Non-Executive Directors' fees and benefits of up to RM1,875,000 from this Annual General Meeting of the Company until the next Annual General Meeting of the Company.		
4	To approve the payment of the Shariah Advisory Body Members' fees of RM198,000 for the financial year ended 31 December 2017. (financial year ended 31 December 2016: RM203,000)		
5	To re-appoint Messrs. KPMG Desa Megat PLT as the Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration.		
6	Proposed Shareholders' Mandate for Recurrent Related Party Transactions.		

Dated this.....day of 2018

.....
Signature / Common Seal of Shareholders

Notes:

- (i) A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and to vote instead of him at the same meeting and a proxy need not be a member of the Company.
- (ii) Where a member of the Company appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (iii) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (iv) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney and in the case of a corporation, must be under seal or under the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Office of the Poll Administrator of the Company's 33rd AGM, Securities Services (Holdings) Sdn Bhd, Level 7, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.
- (vi) Only members whose names appear in the Record of Depositors on 26 March 2018 shall be eligible to attend, speak and vote at the AGM or appoint proxy(ies) to attend, speak and/or vote on their behalf.
- (vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote by poll.

AFFIX
STAMP HERE

SECURITIES SERVICES (HOLDINGS) SDN BHD (36869-T)
LEVEL 7, MENARA MILENIUM
JALAN DAMANLELA
PUSAT BANDAR DAMANSARA
DAMANSARA HEIGHTS
50490 KUALA LUMPUR



TakaFULmalaysia

Syarikat Takaful Malaysia Berhad

(131646-K)

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