

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2016

0937A7/nm

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the principal activities of the Company during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	88,077

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year. The Directors have not recommended any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

PROVISION FOR TAKAFUL LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims and adequate provision for Takaful contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia.

SHARE CAPITAL

There was no issuance of shares by the Company during the financial year.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent or other liability of the Company 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 Company to meet its obligations as and when they fall due.

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report and the attendance of the Directors during the financial year are as follows:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	6/6
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	6/6
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	5/6
Dato' Mohd Shukri Bin Hussin (Non-Independent Non-Executive Director)	6/6
Encik Izlan Bin Izhah (Non-Independent Non-Executive Director)	5/6
Encik Ahmad Farouk Bin Mohamed (Non-Independent Non-Executive Director)	6/6
Encik Renzo Christopher Viegas (Non-Independent Non-Executive Director)	6/6
Encik Muhammad Fikri Bin Mohamad Rawi (Chief Executive Officer / Executive Director)	6/6
Encik Roger David Steel (Executive Director) ⁽¹⁾	6/6

(1) Encik Roger David Steel was a Non-Independent Non-Executive Director and was reclassified as an Executive Director on 8 November 2016.

In accordance with Article 69 of the Company's Articles of Association, Encik Jose Isidro Navato Camacho, Encik Muhammad Fikri Bin Mohamad Rawi and Encik Roger David Steel shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements and adopts management practices that are consistent with the principles prescribed under the Islamic Financial Services Act, 2013, Bank Negara Malaysia ("BNM") Guidelines in particular BNM/RH/GL_012_3 Shariah Governance Framework for Islamic Financial Institutions, BNM/RH/GL 018-5 on Fit and Proper Criteria, BNM/RH/PD_029-9 on Corporate Governance, other directives and the principles of Shariah, supercedes BNM/RH/GL 004-1 on Directorship for Takaful Operators and BNM/RH/GL/003-2 on Prudential Framework of Corporate Governance for Insurers.

Board of Directors ("the Board")

The Board of Directors is responsible for supervising the management of the business and affairs of the Company.

In discharging its stewardship responsibilities, the Board assumes the following duties and responsibilities either directly or through its Committees and notwithstanding that, it still remains fully accountable for any authority delegated to the Committees:

Board

- (i) Plans Board and Committee's size and composition, establishes Board Committees and Shariah Committee and appoints its members, and determines Director compensation;
- (ii) Maintains formal orientation program for new Directors and ongoing education programs for all Directors;
- (iii) Establishes corporate governance practices and policies; and
- (iv) Assesses its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, as well as the effectiveness including the fitness and proper criteria of individual Directors on an annual basis.

Senior Management

- (i) Selects, evaluates and, if necessary, replaces the Chief Executive Officer and other members of senior management, including the Appointed Actuary;
- (ii) Delegates powers to management to manage the Company;
- (iii) Oversees succession planning for senior management positions;
- (iv) Approves compensation of senior management;
- (v) Advises the Chief Executive Officer; and
- (vi) Reviews and approves the organizational structure on an annual basis.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors ("the Board") (continued)

Ethics and Integrity

- (i) Sets an ethical tone for the Company;
- (ii) Satisfies itself that senior management maintains a culture of integrity throughout the Company; and
- (iii) Approves amendments and reviews employee compliance to Code of Business Conduct.

Strategy

- (i) Approves the Company's vision and mission statements;
- (ii) Reviews the effectiveness of the strategic planning process;
- (iii) Approves the Company's business objectives, strategies, capital and financial plans on an annual basis; and
- (iv) Monitors the Company's performance against these statements, objectives and plans on an ongoing basis.

Risk Management, Capital Management and Internal Control

- (i) At least on an annual basis, approves policies and procedures for the management and control of risk and capital, and reviews compliance with these policies and procedures;
- (ii) Reviews the internal control and management information systems that provide reasonable assurance as to the reliability of the Company's financial information and the safeguarding of its assets; and
- (iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

- (i) Reviews and approves material investments and transactions.

Financial Reporting

- (i) Reviews and approves annual and interim financial statements.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors ("the Board") (continued)

Communication and Disclosure

- (i) Oversees the reporting of financial results to Shareholders and other stakeholders on a timely basis;
- (ii) Reviews and, when appropriate, approves policies with regard to public disclosure, confidentiality of information and securities trading; and
- (iii) Enables Shareholders to provide feedback to the independent Directors.

Other

- (i) Engages any special advisors it deems necessary to provide independent advice at the expense of the Company; and
- (ii) Performs such other functions as prescribed by the law or as assigned to the Board in the Company's governing documents.

Directors' Training

Remuneration and Nomination Committee ensures that all Directors undergo appropriate induction programmes and receive continuous training. The induction programmes include briefing on the operations and businesses of the Company and the applicable BNM guidelines and other legislations. Financial Institutions Directors' Education (FIDE) Forum has organised various topics for the participation of the Directors.

During the year, the Directors were briefed and updated on the BNM guidelines pertaining to Corporate Governance and Directors have also participated in external training programmes on various topics to keep abreast with the latest developments.

Audit Committee ("AC")

The composition of the AC comprises a majority of Independent Directors of the Company and the attendances of the AC members during the financial year are as follows:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir - Chairman	5/5
Encik Pushpanathan A/L S.A. Kanagarayar	5/5
Encik Jose Isidro Navato Camacho (Appointed on 8 November 2016)	1/1
Encik Roger David Steel (Resigned on 8 November 2016)	4/4

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

The duties and responsibilities of the AC are as follows:

Financial Reporting

- (i) Reviews with the External Auditor and management and makes recommendations to the Board on the approval of:
 - (a) The interim unaudited financial statements including the notes thereto; and
 - (b) The annual audited financial statements including the notes thereto.

External Auditor

- (i) Reviews the independence of the External Auditor, including the requirements relating to such independence in the laws governing the Company and the applicable financial legislative and regulatory requirements;
- (ii) Assesses the performance of the External Auditor and recommends to the Board the appointment or, if so determined by the AC, the replacement of the External Auditor, subject to the approval of the Shareholders;
- (iii) Determines, reviews and approves the services to be performed by the External Auditor and the fees to be paid to the External Auditor for audit, audit-related and other services permitted by law;
- (iv) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures and the resources that the External Auditor will devote to the audit;
- (v) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor; and
- (vi) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board together with the recommendations on the proposed actions to be taken.

Internal Control and Audit

- (i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves the procedures;
- (ii) Reviews management's reports on the effectiveness of the Company's disclosure controls and procedures and its internal control over financial reporting;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Internal Control and Audit (continued)

- (iii) Reviews with the Head of Internal Audit and management:
 - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor's audit plan, and the adequacy of the resources available to the Head of Internal Audit;
 - (b) The effectiveness of the internal control procedures;
- (iv) Ensures that management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and any other issues identified by the internal audit and other control functions;
- (v) Notes any significant disagreements between the Head of Internal Audit and management, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
- (vi) Reviews third-party opinions on the design and effectiveness of the Company's internal control framework.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit;
- (ii) Ensures that the Head of Internal Audit has adequate authority, independence and resources to perform the Internal Audit mandate;
- (iii) Approves the appointment, remuneration, performance evaluation, removal and deployment of the Head of Internal Audit;
- (iv) Ensures that an independent review of the Internal Audit function is conducted, as needed;
- (v) Discusses with the External Auditor if necessary, on the impact of the financial and control-related aspects of material transactions that are being proposed by the Company;
- (vi) Reviews and discusses with the External Auditor and Appointed Actuary on such reports and regulatory returns of the Company as may be specified by law;
- (vii) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities including management's responses and recommendations;
- (viii) Discusses the qualifications for and determines whether a member of the AC is a financial expert and in conjunction with the Remuneration and Nomination Committee ensures the on-going financial literacy of the AC members; and

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Governance (continued)

- (ix) Reviews, updates and monitors any related party transactions and conflict of interest situations that may arise within the Company including any transactions, procedures or conduct that raises question of management integrity.

Others

- (i) Performs such other duties and exercises such other powers as may, from time to time, be assigned to or vested in the AC by the Board, and such other functions as may be required of an AC by law and regulations.

Remuneration and Nomination Committee ("RNC")

The composition of the RNC comprises Non-Executive Directors and the attendance of the RNC members during the financial year are as follows:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir - Chairman	2/2
Encik Jose Isidro Navato Camacho	2/2
Encik Pushpanathan A/L S.A. Kanagarayar (Appointed on 8 November 2016)	1/1
Encik Renzo Christopher Viegas	2/2
Encik Izlan Bin Izhab	1/2
Encik Roger David Steel (Resigned on 8 November 2016)	1/1

The duties and responsibilities of the RNC with regards to the nomination role are as follows:

- (i) Establishes minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively and oversees the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive and Independent Directors, and other core competencies required through annual reviews.

The RNC shall also review the mix of skills of the members of the Audit Committee through annual reviews;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee ("RNC") (continued)

The duties and responsibilities of the RNC with regards to the nomination role are as follows:
(continued)

- (ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, members of the Shariah Committee as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors, members of the Shariah Committee and the Chief Executive Officer proposals for re-appointment before an application for approval is submitted to BNM;
- (iii) Establishes a mechanism for formal assessment and assesses the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees including members of the Shariah Committee and the performance of the Chief Executive Officer on an annual basis;
- (iv) Recommends to the Board on the removal of a Director, Chief Executive Officer and Shariah Committee Member for ineffectiveness, or being errant or negligent in discharging responsibilities;
- (v) Ensures that all Directors and Shariah Committee Members undergo appropriate induction programmes and receive continuous training;
- (vi) Oversees the appointments, succession planning of management and performance evaluation of key senior officers and recommends to the Board the removal of key senior officers for ineffectiveness, or being errant and negligent in discharging responsibilities;
- (vii) Seeks the services of advisors or consultants as it deems necessary to fulfill its responsibilities; and
- (viii) Reviews the list of key responsible persons, as defined in BNM guidelines, annually and make changes as appropriate.

The duties and responsibilities of the RNC with regards to the remuneration role are as follows:

- (i) Recommends a framework of remuneration for Directors, Chief Executive Officer, Shariah Committee Members and key senior officers; and
- (ii) Recommends specific remuneration packages for Directors, Chief Executive Officer, Shariah Committee Members and key senior officers.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC")

The composition of the RMC comprises Non-Executive Directors of the Company and the attendance of the RMC members during the financial year are as follows:

	<u>Attendance</u>
Encik Jose Isidro Navato Camacho – Chairman	4/5
Encik Pushpanathan A/L S.A. Kanagarayar (Appointed on 8 November 2016)	1/1
Dato' Mohd Shukri Bin Hussin	5/5
Encik Roger David Steel (Resigned on 8 November 2016)	4/4

The duties and responsibilities of the RMC are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance and risk appetite for Board's approval;
- (ii) Reviews at least annually and assesses the adequacy of and compliance with Risk Management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (iii) Ensures adequate infrastructure, resources and systems are in place for an effective risk management;
- (iv) Reviews management periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (v) Reviews and assesses on matters set out in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;
- (vi) Monitors the performance of the Enterprise Risk Management Committee ("ERMC"), the Asset and Liability Committee ("ALCO") and the Investment Committee ("IC") within the context of the Company's strategy, risk appetite and charter of the respective Committees;
- (vii) Reviews and assesses the results of the stress and scenario testings, before endorsing for approval by the Board. In addition, ensuring timely identification and continuous monitoring of suitable corrective action plans by management in addressing the identified risks;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

The duties and responsibilities of the RMC are as follows: (continued)

Risk Management (continued)

- (viii) Reviews key risk-related issues incorporated into the business plans annually;
- (ix) Reviews management's actions related to product design through the process set out in the Risk Management policies; and
- (x) Assists the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, examining whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity and the likelihood and timing of earnings.

Compliance

- (i) Reviews at least annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviews at least annually the adequacy of and compliance with the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption and fraud; and
- (iii) Reviews quarterly compliance reports presented to RMC with respect to, among other things, compliance trends and themes on an enterprise-wide basis, regulatory reviews and the Company's compliance risks and programmes.

Governance

- (i) Reviews, at least annually, and approves changes to the statements of mandate, responsibility and authority of the Chief Risk Officer and the Chief Actuary.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Executive Committee (“EC”)

The EC comprises an equal number of Directors nominated by each of the Shareholders, with a maximum of two nominees from each Shareholder. The composition of the EC is as follows:

Encik Ahmad Farouk Bin Mohamed
Encik Roger David Steel

The duties and responsibilities of the EC are as follows:

- (i) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the RMC and subsequently to the Board for deliberation and approval;
- (ii) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the Board for deliberation and approval; and
- (iii) Performs such other duties and exercises and such other powers as may, from time to time, be assigned to or vested in the EC by the Board.

Shariah Committee (“SC”)

The members of the SC and the attendance of the SC members during the financial year are as follows:

	<u>Attendance</u>
Associate Professor Dr. Shafaai Musa - Chairman	9/9
Professor Dr. Mohammad Hashim Kamali	9/9
Dato’ Dr. Haji Mohd Nai’m Haji Mokhtar	7/9
Professor Dato’ Dr. Noor Inayah Yaakub	8/9
Ustaz Mohd Fadhly Md Yusoff	8/9

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Shariah Committee ("SC") (continued)

The duties and responsibilities of the SC are as follows:

- (i) Active participation, including attending meetings of the SC, evaluating reports, reading minutes and others;
- (ii) Engages actively in deliberating Shariah issues presented before them;
- (iii) Advises the Board and/or Management of the Company on Shariah matters in order to ensure that the Takaful business is Shariah-compliant at all times;
- (iv) Sets the policies and procedures for the Company's Takaful business, to endorse all the Manuals governing the Takaful business of the Company including the Guidelines, Rules, Terms and Procedures ("GRTP") and to suggest for their revision, improvement and updates from time to time as may be necessary;
- (v) Sets the policies and guidelines to allow the Shariah Department of the Company to process and decide on submissions from any division within the Company;
- (vi) Advises the Company to refer to the Shariah Advisory Council For Islamic Banking And Takaful of Bank Negara Malaysia ("the SACBNM") and the Shariah Advisory Council for the Islamic Capital Market of the Securities Commission ("the SACSC") on any Shariah matter that requires the SACSC's endorsement;
- (vii) Ensures high standards in arriving at Shariah decisions through a proper Shariah ruling framework;
- (viii) Being well informed of the latest development of Takaful business globally, regulatory changes affecting the Company's business, rulings made by the SACBNM and changes in the latest Shariah research, ijihad, fatwas or findings;
- (ix) Reviews and endorses the Shariah Governance Framework as provided by various tools such as the Shariah Compliance Policy and General Procedure Manual and various implementation functions within the Company including Shariah research, Shariah review, Shariah audit and Shariah risk management;
- (x) Reviews and responds to proposals submitted for the Members' Circular Resolution within 7 (seven) calendar days after the proposals have been circulated;
- (xi) Attendance by members of at least 75% of all the SC meetings held in a year. Any member who does not meet the minimum requirement might be subjected to a review of his or her service; and
- (xii) Maintains and portrays professionalism in the best manner to reflect the integrity of the SC.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in the notes to the financial statements of the Company) 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.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

The Directors in office at the end of the financial year did not hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares and debentures or have beneficial interests in the shares, options over shares and debentures of its related companies during and at the end of the financial year, other than as shown below:

	No. of options over ordinary shares			
	At <u>1.1.2016</u>	<u>Granted</u>	<u>(Sold)</u>	At <u>31.12.2016</u>
<u>Sun Life Financial Inc.</u>				
Roger David Steel	22,288	3,897	-	26,185

HOLDING COMPANIES

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is also a financial holding company. All companies are incorporated in Malaysia.

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DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with their resolution.

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR
CHAIRMAN

MUHAMMAD FIKRI BIN
MOHAMAD RAWI
DIRECTOR

Kuala Lumpur
28 February 2017

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Muhammad Fikri Bin Mohamad Rawi, being two of the Directors of Sun Life Malaysia Takaful Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 24 to 149 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2016 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

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

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR
CHAIRMAN

MUHAMMAD FIKRI BIN
MOHAMAD RAWI
DIRECTOR

Kuala Lumpur
28 February 2017

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 24 to 149 are in my opinion correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM

Subscribed and solemnly declared by the abovenamed Chew Chin Lim at Kuala Lumpur in the State of Federal Territory this 28 February, 2017.

Before me,

COMMISSIONER FOR OATHS

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, the Sun Life Malaysia Takaful Berhad Shariah Committee (the “Shariah Committee”) have reviewed the principles and the contracts relating to the transactions and applications introduced by Sun Life Malaysia Takaful Berhad (“the Company”) through the product literature, contract documents, financial statements, policies and specific issues during the financial year ended 31 December 2016. We have also conducted our review to form an opinion as to whether the Company, 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 the Company is responsible for ensuring that it conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on review of the operations by the Shariah Review, Risk Management and the Internal Audit of the Company as presented to the Shariah Committee, and to report to you.

We have assessed the work carried out by the Shariah review which included examining the relevant documentation and operational procedures adopted by the Company.

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 the Company has not violated the Shariah principles.

In our opinion:

1. The contracts, transactions and dealings entered into and concluded by the Company during the financial year ended 31 December 2016 are in compliance with the Shariah principles.
2. The allocation of surplus sharing from the Participant Risk Fund (Tabarru’ Funds) to the customers and Company conforms to the basis stipulated in the Surplus Recognition and Allocation policy that had been approved by us.
3. The allocation of profit sharing to the Participant Accounts had been presented to us and matters arising from the allocation exercise had been deliberated by us under the Shariah Review.
4. The Qardhul Hasan recovery by the Shareholders Fund from the Family Takaful Fund is in accordance with the standard Takaful practice.
5. There is no Shariah non-compliant earnings recorded for the financial year ended 31 December 2016.
6. All Shariah review findings have been addressed to us, deliberated and ratified by us.
7. The allocation of zakat amounting to RM570,000 has been deliberated and approved by the Shariah Committee.

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

We, being two of the members of the Shariah Committee of the Company, do hereby confirm that the operations of the Company for the financial year ended 31 December 2016 have been conducted in conformity with the Shariah, except where it is disclosed otherwise.

SHEIKH ASSOCIATE PROFESSOR DR. SHAFAAI BIN MUSA
CHAIRMAN

SHEIKH PROFESSOR DR. MOHAMMAD HASHIM KAMALI
MEMBER

Kuala Lumpur
28 February 2017

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Takaful Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its 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, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 149.

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 “Auditors’ responsibilities for the audit of the financial statements” section of our 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 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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, 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 the financial statements 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, 1965 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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:

- (a) Identify and assess the risks of material misstatement of the financial statements 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.
- (b) 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 Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 Company's ability 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 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 Company to cease to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
(No. 2954/03/17 (J))
Chartered Accountant

Kuala Lumpur
28 February 2017

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016				2015			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Property and equipment	3	222	-	-	222	80	-	-	80
Intangible assets	4	36	-	-	36	-	-	-	-
Available-for-sale financial assets	5	267,547	29,857	701,075	990,441	220,513	36,426	539,183	788,182
Fair value through profit or loss financial assets	5	-	-	32,791	32,791	-	-	30,916	30,916
Financing and receivables	6	40,761	14,827	84,021	139,609	27,119	12,784	80,194	120,097
Qardhul Hasan receivables	7	-	-	-	-	246	-	-	-
Takaful receivables	8	-	3,026	30,366	33,392	-	3,218	31,011	34,229
Retakaful assets	9	-	7,140	37,743	44,883	-	9,129	5,744	14,873
Other receivables	10	62,116	28	7,158	7,271	25,116	2,337	830	969
Deferred tax assets	11	3,209	240	94	3,543	5,637	23	348	6,070
Current tax assets		-	-	-	-	2,297	333	113	2,743
Cash and bank balances		4,983	3,015	15,745	23,743	2,295	2,826	14,399	19,520
Total assets		<u>378,874</u>	<u>58,133</u>	<u>908,993</u>	<u>1,275,931</u>	<u>283,303</u>	<u>67,076</u>	<u>702,738</u>	<u>1,017,679</u>

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONTINUED)

	Note	2016				2015			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES									
Share capital	15	100,010	-	-	100,010	100,010	-	-	100,010
Share premium		99,990	-	-	99,990	99,990	-	-	99,990
Available-for-sale reserve		717	-	-	717	(353)	-	-	(353)
Retained earnings/(accumulated losses)		101,526	-	-	101,526	13,633	-	(246)	13,449
Total equity		302,243	-	-	302,243	213,280	-	(246)	213,096
LIABILITIES									
Qardhul Hasan payables		-	-	-	-	-	-	246	-
Takaful contract liabilities	12	-	44,186	834,531	870,679	-	50,607	668,723	711,390
Takaful payables	13	-	2,764	17,505	20,269	-	4,424	13,880	18,304
Other payables	14	28,521	10,938	56,552	33,980	34,313	12,045	20,135	39,179
Expense liabilities		42,664	-	-	42,664	35,710	-	-	35,710
Current tax liabilities		5,446	245	405	6,096	-	-	-	-
Total liabilities		76,631	58,133	908,993	973,688	70,023	67,076	702,984	804,583
TOTAL EQUITY AND LIABILITIES		378,874	58,133	908,993	1,275,931	283,303	67,076	702,738	1,017,679

Note:

In preparing the Company-level financial statements, balances and transactions of Shareholders' fund and Takaful funds are amalgamated with elimination of interfund balances and transactions.

The accompanying notes are an integral part of these financial statements.

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016				2015			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution	16(a)	-	65,931	486,905	552,836	-	68,853	380,232	449,085
Contribution ceded to retakaful operators	16(b)	-	(5,782)	(47,152)	(52,934)	-	(8,961)	(52,484)	(61,445)
Net earned contribution		-	60,149	439,753	499,902	-	59,892	327,748	387,640
Wakalah income		230,360	-	-	-	170,911	-	-	-
Surplus sharing from General and Family Takaful funds		54,214	-	-	-	17,578	-	-	-
Investment income	17	12,489	1,817	32,659	45,032	10,354	1,807	25,544	35,971
Realised gains	18	569	193	722	1,484	1,389	3	1,206	2,598
Commission income		-	-	176	176	-	1	4,927	4,928
Other operating income	20	1,697	64	5	1,766	1,445	142	145	1,732
Writeback of impairment charge on Qardhul Hasan extended to Family Takaful fund		-	-	-	-	8	-	-	-
Total income		299,329	62,223	473,315	548,360	201,685	61,845	359,570	432,869

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	2016				2015			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid	21(a)	-	(14,232)	(151,986)	(166,218)	-	(10,555)	(109,965)	(120,520)
Claims ceded to retakaful operators	21(b)	-	9,307	49,955	59,262	-	6,240	39,779	46,019
Gross change in Takaful contract liabilities	21(c)	-	(4,594)	(162,323)	(166,917)	-	7,740	(145,417)	(137,677)
Change in Takaful contract liabilities ceded to retakaful operators	21(d)	-	(2,737)	31,999	29,262	-	(15,983)	1,381	(14,602)
		-	(12,256)	(232,355)	(244,611)	-	(12,558)	(214,222)	(226,780)
Surplus sharing with Takaful operator		-	(9,884)	(44,330)	-	-	(11,458)	(6,120)	-
Wakalah expenses		-	(39,237)	(191,123)	-	-	(38,091)	(132,820)	-
Net fair value losses	19	-	-	(463)	(463)	(338)	-	(2,210)	(2,548)
Commission expenses		(77,846)	-	-	(77,846)	(65,401)	-	-	(65,401)
Management expenses	22	(104,073)	-	-	(104,073)	(86,743)	-	-	(86,743)
Other operating expenses	23	(15,658)	(606)	(3,847)	(18,178)	(17,589)	(90)	(3,352)	(19,297)
Total expenses		(197,577)	(49,727)	(239,763)	(200,560)	(170,071)	(49,639)	(144,502)	(173,989)
Profit/(loss) before taxation		101,752	240	1,197	103,189	31,614	(352)	846	32,100

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	2016				2015			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation		101,752	240	1,197	103,189	31,614	(352)	846	32,100
Tax expense attributable to participants		-	(240)	(951)	(1,191)	-	352	(807)	(455)
Profit before taxation attributable to Shareholders		101,752	-	246	101,998	31,614	-	39	31,645
Taxation	24	(13,289)	(240)	(951)	(14,542)	(4,885)	352	(807)	(5,349)
Tax expense attributable to participants		-	240	951	1,191	-	(352)	807	455
Tax expense attributable to Shareholders		(13,289)	-	-	(13,351)	(4,885)	-	-	(4,894)
Zakat		(570)	-	-	(570)	(220)	-	-	(220)
Net profit for the financial year		87,893	-	246	88,077	26,509	-	39	26,531

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	2016				2015			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):									
Items that may be subsequently reclassified to profit or loss:									
Fair value changes on available-for-sale financial assets:									
- Revaluation		1,286	(70)	3,726	4,942	(3,213)	79	(5,012)	(8,146)
- Transfer to profit or loss upon disposal		128	(52)	62	138	809	(1)	(13)	795
- Gross fair value changes	5(c)	1,414	(122)	3,788	5,080	(2,404)	78	(5,025)	(7,351)
- Deferred taxation	11	(344)	28	(303)	(619)	601	(19)	402	984
- Net fair value changes		1,070	(94)	3,485	4,461	(1,803)	59	(4,623)	(6,367)
Changes in Takaful contract liabilities arising from unrealised net fair value changes	12	-	94	(3,485)	(3,391)	-	(59)	4,623	4,564
Other comprehensive income/(loss) for the financial year, net of tax		1,070	-	-	1,070	(1,803)	-	-	(1,803)
Total comprehensive income for the financial year		88,963	-	246	89,147	24,706	-	39	24,728

Note:

In preparing the Company-level financial statements, balances and transactions of Shareholders' fund and Takaful funds are amalgamated with elimination of interfund balances and transactions.

The accompanying notes are an integral part of these financial statements.

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Non-distributable			Retained	earnings/ Total RM'000
	Share capital RM'000	Share premium RM'000	Available- for-sale reserve RM'000	(accumu- lated losses) RM'000	
At 1 January 2016	100,010	99,990	(353)	13,449	213,096
Total comprehensive income for the financial year	-	-	1,070	88,077	89,147
At 31 December 2016	<u>100,010</u>	<u>99,990</u>	<u>717</u>	<u>101,526</u>	<u>302,243</u>
At 1 January 2015	100,010	99,990	1,450	(13,082)	188,368
Total comprehensive (loss)/income for the financial year	-	-	(1,803)	26,531	24,728
At 31 December 2015	<u>100,010</u>	<u>99,990</u>	<u>(353)</u>	<u>13,449</u>	<u>213,096</u>

The accompanying notes are an integral part of these financial statements.

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	88,077	26,531
Adjustments for:		
Depreciation of property and equipment	78	101
Write off of property and equipment	-	28
Amortisation of intangible assets	2	-
Amortisation of premiums - net	424	149
Realised gains on disposal of financial assets	(1,484)	(2,598)
Profit income	(44,655)	(35,257)
Dividend income	(801)	(863)
Net fair value losses	463	2,548
Provision for expense liability	6,954	12,206
Allowance for impairment loss on Takaful receivables	(612)	23
Decrease in General Takaful contract liabilities	(6,327)	(20,382)
Increase in Family Takaful contract liabilities	162,323	145,416
Taxation	14,542	5,349
Zakat	570	220
	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	219,554	133,471
Proceeds from disposal and maturity of investments	180,548	308,837
Purchase of investments	(376,971)	(487,501)
(Increase)/decrease in other receivables	(6,331)	5,384
Decrease/(increase) in Takaful receivables	1,449	(4,937)
Increase in financing and receivables	(19,545)	(12,661)
(Increase)/decrease in retakaful assets	(30,010)	15,955
(Decrease)/increase in other payables	(5,549)	8,824
Increase/(decrease) in Takaful payables	1,965	(1,799)
	<hr/>	<hr/>
	(34,890)	(34,427)
Income tax paid, net of refund	(3,793)	(7,982)
Zakat paid	(220)	(200)
Profit income received	42,556	32,343
Dividend income received	828	897
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	4,481	(9,369)
	<hr/>	<hr/>

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	<u>2016</u> RM'000	<u>2015</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(246)	-
Purchase of intangible assets	(12)	-
Net cash used in investing activities	<u>(258)</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,223	(9,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>19,520</u>	<u>28,889</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u><u>23,743</u></u>	<u><u>19,520</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>23,743</u></u>	<u><u>19,520</u></u>

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows associated with the origination of Takaful contracts, net of cash flows for payments of benefits and claims incurred for Takaful contracts, which are respectively treated under the operating activities.

The accompanying notes are an integral part of these financial statements.

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at the 11th Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at the 8th Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is also a financial holding company. All companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965.

Following the adoption of MFRS, a Takaful Operator is required to present its financial statements for itself and the Takaful funds it manages.

In preparing the Company's financial statements as a whole, the assets, liabilities, income and expenses of the Takaful fund are combined with those of the Takaful Operator. Interfund balances and transactions are eliminated in arriving at the Company's financial statements.

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the financial information of the Company as a whole in the statement of financial position, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act, 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for transactions and events in similar circumstances.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(a) Standards, amendments to published standards and interpretations that are effective:

All new standards, amendments to published standards and interpretations that are effective for the current financial year are not relevant to the Company.

(b) Standards, amendments to published standards and interpretation to existing standards that are applicable to the Company but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretation to existing standards that are applicable to the Company but not yet effective: (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profit.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue'. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretation to existing standards that are applicable to the Company but not yet effective: (continued)

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard includes, amongst others:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift some revenue which is currently recognised at a point in time at the end of a contract to be recognised over the contract term and vice versa.

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

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Computer equipment	3 years
Motor vehicles	3 years

Work-in-progress is not depreciable until the asset is ready for its intended use.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(e) on impairment of assets.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives of 3 years.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(e) on impairment of assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(c) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), financing and receivables ("FAR") and available-for-sale ("AFS").

The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Company classifies assets acquired for the purpose of selling in the short term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Investments held by investment-linked-funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

FAR

FAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, FAR are measured at amortised cost, using the effective yield method, less impairment loss. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. These financial assets are initially recognised at fair value. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of AFS, net of income tax, are recognised directly in other comprehensive income, except for impairment losses.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the profit or loss as net realised gains or losses on AFS financial assets.

(d) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices on the date of the statement of financial position.

For investments in real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of Government Investment Issues, Cagamas Sukuk and unquoted Sukuk are based on indicative fair market prices or index by reference to quotations provided by banks and rating agencies.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued profit. The fair value of fixed profit/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Fair value of financial instruments (continued)

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets.

(e) Impairment

(i) Financial assets

The Company assesses at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. The impairment assessment is performed as of each date of the statement of financial position.

If, in a subsequent financial period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(ii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the date of the statement of financial position. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(f) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Equity instruments

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares and preference shares classified as equity instruments are recognised as a liability and deducted from equity when they are declared.

Dividends for the financial year that are declared after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

(h) Product classification

The Company issues contracts that transfer Takaful risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is the risk other than financial risk.

Takaful contracts are those contracts whereby significant Takaful risks are shared among the participants. A Takaful contract is a contract under which the Takaful operator (the provider) has agreed to administer Takaful risk faced by the participants by agreeing to compensate the participants from the Tabarru' Fund if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company defines significant Takaful risk to be the possibility of having to pay benefits on the occurrence of a Takaful event that are at least 5% more than the benefits payable if the Takaful event did not occur.

Investment contracts are those contracts that do not transfer significant Takaful risk.

Once a Takaful 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. Investment contracts can, however, be reclassified as Takaful contracts after inception if Takaful risk becomes significant.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

Based on the Company's assessment, all Takaful contracts underwritten by the Company meet the definition of Takaful contracts and accordingly are classified as Takaful contracts.

Takaful contracts are further classified as being either with or without discretionary participation features ("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.

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts, subject to the advice of the Company's Appointed Actuary.

Takaful contracts that contain both a financial risk component and a significant Takaful risk component are not unbundled and classified as Takaful contracts as the current accounting policy recognises all Takaful contributions, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the profit or loss.

An investment-linked Takaful contract is a Takaful contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of a Takaful contract and is therefore not accounted for separately from the host Takaful contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

(i) Retakaful contracts

Contracts entered into by the Company with retakaful operators under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for Takaful contracts in Note 2.2(h) (on product classification) are classified as Takaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Takaful contracts entered into by the Company under which the contract holder is another Takaful operator (inward retakaful) are included within Takaful contracts.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Retakaful contracts (continued)

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of short-term balances due from retakaful operators, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful operators are measured consistently with the amounts associated with the original Takaful contracts to which the retakaful relates and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

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

Retakaful assets are reviewed for impairment at each date of the statement of financial position 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 occurs after initial recognition of the retakaful asset that the Company may not receive all outstanding amounts due under the terms of the retakaful contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful operator. The Company gathers objective evidence that a retakaful asset is impaired using the same process adopted for financial assets held at amortised cost and the impairment loss is calculated following the same method used for these financial assets as set out in Note 2.2(e) to the financial statements. The impairment loss is recorded in profit or loss.

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

(j) Family Takaful contracts

Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amount attributable to participants.

The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee.

All actuarial deficits in the Family Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

The deficits reported by the Takaful funds during the financial year that are attributable to the Shareholders' fund will be reported as a loss in the financial statements of the respective Takaful funds. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund are treated as equity in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds. Contribution income from the Family Takaful fund are recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised when due.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

Contribution income of the Investment-linked funds includes the net creation of units, which represents contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of the contract. Net creation of units is recognised on a receipt basis.

Retakaful contributions

Retakaful contributions are recognised as an expense when payable or on the date on which the certificate is effective.

Benefits and claims expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the Takaful operator is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a Family Takaful certificate are recognised as follows:

- maturity and other certificate benefit payments due on specified dates are treated as benefits payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- benefits payable under the Investment-linked funds are in respect of net cancellation of units and are recognised as surrenders; and
- surplus sharing of Takaful certificates in the financial year when surplus arises.

Retakaful claims are recognised when the related gross Takaful claim is recognised according to the terms of the relevant retakaful contracts.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Commission expenses and management expenses

Commissions and management expenses are borne by the Family Takaful fund in profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of “Wakalah” as approved by the Company’s Shariah Committee and agreed between the participants and the Company. These expenses are transferred to the Shareholders’ fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that give rise to income.

At each date of the statement of financial position, the Company estimates its net future expense cash flows required on the maintenance of the Family Takaful fund. If the estimate shows that there is a deficiency in the net future expense cash flows, the deficiency is immediately charged to the profit or loss of the Shareholders’ fund with a corresponding credit to the provision of expense liabilities.

Family Takaful contract liabilities

Family Takaful contract liabilities comprise liabilities attributable to the certificate holders, claims liabilities, available-for-sale reserve on financial assets, net asset value attributable to certificate holders and unallocated surplus.

(i) Liabilities attributable to the certificate holders

Actuarial liabilities are recognised when Takaful contracts are entered into and contributions are charged.

Actuarial liabilities as determined by the annual actuarial valuation are based on the Islamic Financial Services Act, 2013 as well as the relevant statutory requirements stated in the Guidelines on Valuation Basis for Liabilities of Family Takaful Business. The actuarial liabilities are derecognised when the Takaful contract expires, is discharged or is cancelled.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed 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. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with the Guidelines on Valuation Basis for Liabilities of Family Takaful Business and any related Circulars issued by BNM relevant to the guidelines.

The liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of these liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(i) Liabilities attributable to the certificate holders (continued)

Adjustments to the liabilities at each date of the statement of financial position are recorded in the Family Takaful fund. Profits originating from margins of adverse deviations on run-off contracts are recognised in the Family Takaful fund over the life of the contracts, whereas losses are fully recognised in the Family Takaful fund during the first year of run-off.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each date of the statement of financial position, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test.

Any inadequacy is recorded in profit or loss, initially by impairing PVIF and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of Family Takaful Business", as specified by BNM.

(ii) Claims liabilities

The amounts payable under a Family Takaful certificate in respect of benefits and claims, including settlement costs, are accounted for using the case-by-case method as further set out in Note 2.2(j) on the accounting policy for benefits and claims expenses for Family Takaful contracts.

(iii) Fair value adjustment on available-for-sale financial assets

Where unrealised gains or losses arise from AFS financial assets of the Family Takaful fund, the adjustment to the Takaful contract liabilities is equal to the effect that the realisation of these gains or losses at the end of the reporting period would have on these liabilities is recognised directly in other comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(iv) Net asset value attributable to certificate holders

The unit liability of an Investment-linked certificate is equal to the net asset value of the Investment-linked funds, which represents the net contributions received and investment returns credited to the certificate less deduction for mortality, morbidity costs and expense charges.

(v) Unallocated surplus

Surpluses of contracts under the surplus sharing Family Takaful fund are attributable to certificate holders and shareholders and the amount and timing of distribution to both the certificate holders and shareholders are determined by an actuarial valuation of the long term liabilities to certificate holders at the date of the statement of financial position and is made in accordance with the provisions of the Islamic Financial Services Act, 2013 and the related regulations by the Company's Appointed Actuary.

Surpluses in the non-surplus sharing fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Unallocated surpluses of the surplus sharing funds where the amount of surplus allocation to either the certificate holders or shareholders has yet to be determined by the end of the financial year are held within the Takaful contract liabilities.

(k) General Takaful contracts

General Takaful fund

The General Takaful fund is maintained in accordance with the Islamic Financial Services Act, 2013 and consists of unearned contribution reserves and surplus/deficit attributable to participants which represents the participants' share in the net surplus of the General Takaful fund's profit or loss. Surplus is distributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee. Any deficit in the General Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

Contribution income

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah. Gross contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Gross contributions from direct business are recognised during the financial year upon the issuance of certificates. Gross contributions in respect of risks accepted for which certificates have not been issued as of the date of the statement of financial position are accrued at that date.

Claims and expenses

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to certificate holders or third parties losses caused by the certificate holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

Commission expenses and management expenses

Commissions and management expenses are borne by the General Takaful fund in the profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are transferred to the Shareholders' fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that they give rise to income.

General Takaful contract liabilities

General Takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities comprise of outstanding claims provisions, unearned contribution reserve and available-for-sale reserve on financial assets.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(i) Outstanding claims provision

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of General Takaful Business", as specified by BNM.

(ii) Unearned contribution reserve

Unearned contribution reserve ("UCR") represents the portion of the gross contributions of Takaful certificates written net of the related retakaful contributions ceded to qualified retakaful operators that relate to the unexpired periods of the certificates at the end of the financial year.

In determining UCR at the date of the statement of financial position, the method that most accurately reflects the actual unearned contribution used is as follows:

- 1/365th method for all classes of General Takaful business; and
- Non-annual certificates are time-apportioned over the period of the risks.

UCR is determined on net contribution reduced by the corresponding percentage of accounted gross direct business commission, agency related expenses and management expenses, not exceeding the limits specified by BNM.

Generally, the reserve is released over the term of the contract and is recognised as contribution income.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of General Takaful Business", as specified by BNM.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(iii) Fair value adjustment on available-for-sale financial assets

Where unrealised gains or losses arise from AFS financial assets of the General Takaful fund, the adjustment to the Takaful contract liabilities is equal to the effect that the realisation of these gains or losses at the end of the reporting period would have on these liabilities is recognised directly in other comprehensive income.

(l) Takaful receivables

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

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that Takaful receivables are impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets as set out in Note 2.2(e) to the financial statements.

Takaful receivables are derecognised when the derecognition criteria for financial assets as set out in Note 2.2(f) to the financial statements have been met.

(m) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Qardhul Hasan

Qardhul Hasan is stated at cost and as of the date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable in the near term. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(e) to the financial statements on impairment of assets.

Qardhul Hasan balances are eliminated in preparing the Company's statement of financial position.

(o) Expense liabilities

Expense liabilities are maintained in the Shareholders' fund in accordance with the requirements stated in the Guidelines on Valuation Basis for Liabilities of General Takaful and Family Takaful Business issued by BNM. The expense liabilities with respect to General Takaful business are calculated at the higher of aggregate of the provision for unearned wakalah fee (excluding commission) or the unexpired expense risk and for Family Takaful business, the expense liabilities are determined by taking the present value of projected future deficits, discounted at appropriate risk discount rate. Future deficits are defined as the excess of future expense streams over future income cash flows, on an aggregate basis. An appropriate allowance for provision of risk margin for adverse deviation is made in the valuation of these liabilities.

(p) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Wakalah fees

Wakalah fees represent fees charged by the Shareholders' fund to manage the Takaful certificates issued by the General and Family Takaful funds under the principle of Wakalah and are recognised as soon as the contributions, to which they relate, can be reliably measured in accordance with the principles of Shariah.

Profit income

Profit income is recognised using the effective profit rate method.

Other profit income, including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Other revenue recognition

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised costs and are recorded on occurrence of the sale transactions.

(q) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profits and surplus for the financial year and is measured using the tax rates that have been enacted at the date of the statement of financial position. Current tax is recognised in profit or loss.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

(r) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post employment benefits

The Company's contributions to the Employees' Provident Fund ("EPF"), the national defined contribution plan, are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Share-based payment plan

Certain employees of the Company are granted a share-based payment plan as consideration for services rendered.

The share-based payment plan is based on the value of Sun Life Financial Inc.'s ("SLF") common shares. The total liabilities for this plan is computed based on the estimated number of SLF's common shares expected to vest at the end of the vesting period. The liabilities are recomputed at the end of each reporting period and are measured at the fair value of SLF's common shares at the reporting date. The liabilities are accrued and expensed on a straight-line basis over the vesting periods. The liabilities are settled in cash at the end of the vesting period.

(t) Zakat

This represents the tithe amount allocated by the Company to the zakat authorities as approved by the Company's Shariah Committee.

(u) Other financial liabilities and Takaful payables

Other financial liabilities and Takaful payables are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the date of the statement of financial position. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in any future periods. These factors could include:

(a) Critical judgements made in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of a specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

(b) Key sources of estimation uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Provision for Incurred But Not Reported ("IBNR") claims

For the financial year ended 31 December 2016, the estimation of IBNR claims has been computed by an independent actuarial firm, Actuarial Partners Consulting Sdn Bhd (Actuarial Partners). Different methods have been used to analyse past data and project past patterns into the future. For the purpose of calculating the final best estimate of the outstanding claims liability, Actuarial Partners adopted the Link Ratio method with a Bornhuetter-Ferguson ("BF") adjustment on an incurred claims basis for the Fire and Personal Accident classes while the Retrospective Approach was adopted for the other classes which are on a run-off mode.

The BF method is an extension to the Link Ratio method where the Link Ratio method identifies claims patterns experienced in the past and projects these same patterns over future years through the selection of link ratio factors. At each claims development year, the grossing up factors under the BF method are then derived as the inverse of the product of the link ratio factors from the subsequent development year to ultimate. In the BF method, an adopted Ultimate Loss Ratio is then incorporated to arrive at the resultant Ultimate Loss Ratio, where the former is selected based on the historical claims experience, industry loss ratios as well as incurred claims ratios to-date. The IBNR is then determined by subtracting the case estimate from the estimated outstanding claims as derived from the BF method.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

- 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- 2.3 Significant accounting judgements, estimates and assumptions (continued)
- (b) Key sources of estimation uncertainty and assumptions (continued)
- (ii) Actuarial liabilities for Family Takaful fund

The liability for Family Takaful contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time of its determination and increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on established Malaysian industry tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing the Family Takaful contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rate for Family Takaful certificates and the non-unit liability of Investment-linked certificates accord a level of guarantee which is no less certain than that accorded by a Government Investment Issue ("GI").

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3 PROPERTY AND EQUIPMENT

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>				
At 1 January 2015	631	289	28	948
Write off (note 22)	-	-	(28)	(28)
At 31 December 2015/ 1 January 2016	631	289	-	920
Additions	-	-	246	246
Reclassification of work in progress to intangible assets	-	-	(26)	(26)
At 31 December 2016	631	289	220	1,140
<u>Accumulated depreciation</u>				
At 1 January 2015	618	121	-	739
Charge for the financial year (note 22)	5	96	-	101
At 31 December 2015/ 1 January 2016	623	217	-	840
Charge for the financial year (note 22)	6	72	-	78
At 31 December 2016	629	289	-	918
<u>Net carrying amount</u>				
31 December 2015	8	72	-	80
31 December 2016	2	-	220	222

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

4 INTANGIBLE ASSETS

	<u>Shareholders' fund/Company</u> RM'000
<u>Cost</u>	
At 1 January 2015/1 January 2016	13,525
Additions	12
Reclassification of work in progress from property and equipment	26
At 31 December 2015/31 December 2016	<u>13,563</u>
<u>Accumulated amortisation</u>	
At 1 January 2015/1 January 2016	13,525
Amortisation for the financial year (note 22)	2
At 31 December 2016	<u>13,527</u>
<u>Net carrying amount</u>	
31 December 2015	<u>-</u>
31 December 2016	<u>36</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5 FINANCIAL ASSETS

	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Government Investment Issues	127,955	12,275	172,234	312,464
Cagamas Sukuk	-	-	15,234	15,234
Unquoted Sukuk	131,554	17,582	513,607	662,743
Quoted equity securities	-	-	11,868	11,868
Unit trust funds	-	-	20,923	20,923
Investments in investment-linked funds	8,038	-	-	-
Total	<u>267,547</u>	<u>29,857</u>	<u>733,866</u>	<u>1,023,232</u>
<u>2015</u>				
Government Investment Issues	127,802	16,796	90,237	234,835
Cagamas Sukuk	-	-	19,779	19,779
Unquoted Sukuk	84,771	19,630	433,921	538,322
Quoted equity securities	-	-	24,505	24,505
Unit trust funds	-	-	1,657	1,657
Investments in investment-linked funds	7,940	-	-	-
Total	<u>220,513</u>	<u>36,426</u>	<u>570,099</u>	<u>819,098</u>

The Company's financial assets are summarised by categories as follows:

	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
AFS	267,547	29,857	701,075	990,441
FVTPL – designated upon initial recognition	-	-	32,791	32,791
Total	<u>267,547</u>	<u>29,857</u>	<u>733,866</u>	<u>1,023,232</u>
<u>2015</u>				
AFS	220,513	36,426	539,183	788,182
FVTPL – designated upon initial recognition	-	-	30,916	30,916
Total	<u>220,513</u>	<u>36,426</u>	<u>570,099</u>	<u>819,098</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

The following financial assets are expected to be realised after 12 months:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
AFS	259,510	28,857	701,075	989,442
FVTPL - designated upon initial recognition	-	-	-	-
	<u>259,510</u>	<u>28,857</u>	<u>701,075</u>	<u>989,442</u>
<u>2015</u>				
AFS	209,625	36,141	530,305	773,180
FVTPL - designated upon initial recognition	-	-	3,681	3,681
	<u>209,625</u>	<u>36,141</u>	<u>533,986</u>	<u>776,861</u>
<u>(a) AFS</u>				
	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
Government Investment Issues	127,955	12,275	172,234	312,464
Cagamas Sukuk	-	-	15,234	15,234
Unquoted Sukuk	131,554	17,582	513,607	662,743
Investments in investment-linked funds	8,038	-	-	-
Total	<u>267,547</u>	<u>29,857</u>	<u>701,075</u>	<u>990,441</u>
<u>2015</u>				
Government Investment Issues	127,802	16,796	89,722	234,320
Cagamas Sukuk	-	-	19,779	19,779
Unquoted Sukuk	84,771	19,630	429,682	534,083
Investments in investment-linked funds	7,940	-	-	-
Total	<u>220,513</u>	<u>36,426</u>	<u>539,183</u>	<u>788,182</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(b) FVTPL – designated upon initial recognition

	Family Takaful fund	Company RM'000
<u>2016</u>		
Quoted equity securities	11,868	11,868
Unit trust funds	20,923	20,923
	<hr/>	<hr/>
Total	32,791	32,791
	<hr/> <hr/>	<hr/> <hr/>
<u>2015</u>		
Government Investment Issues	515	515
Unquoted Sukuk	4,239	4,239
Quoted equity securities	24,505	24,505
Unit trust funds	1,657	1,657
	<hr/>	<hr/>
Total	30,916	30,916
	<hr/> <hr/>	<hr/> <hr/>

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2016	220,513	36,426	539,183	-	30,916	819,098
Purchases	94,860	8,612	219,444	-	54,055	376,971
Maturities	-	-	(3,075)	-	(500)	(3,575)
Disposals	(49,427)	(14,922)	(59,988)	-	(50,810)	(175,147)
Fair value gains/(losses) recorded in:						
Profit or loss (note 19)	-	-	-	-	(805)	(805)
Other comprehensive income	1,414	(122)	3,788	-	-	5,080
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(98)
Movement in accrued profit	322	(20)	1,895	-	(65)	2,132
Amortisation adjustments (note 17)	(135)	(117)	(172)	-	-	(424)
At 31 December 2016	<u>267,547</u>	<u>29,857</u>	<u>701,075</u>	<u>-</u>	<u>32,791</u>	<u>1,023,232</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2015	170,078	19,446	420,721	2,120	40,568	645,185
Purchases	159,461	24,290	257,654	2,424	43,672	487,501
Maturities	(7,807)	(6,503)	-	-	(2,459)	(16,769)
Disposals	(100,090)	(1,001)	(135,499)	(4,613)	(50,720)	(291,923)
Fair value gains/(losses) recorded in:						
Profit or loss (note 19)	-	-	-	69	(163)	(94)
Other comprehensive income	(2,404)	78	(5,025)	-	-	(7,351)
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(192)
Movement in accrued profit	1,297	115	1,460	-	18	2,890
(Amortisation)/accretion adjustments (note 17)	(22)	1	(128)	-	-	(149)
At 31 December 2015	<u>220,513</u>	<u>36,426</u>	<u>539,183</u>	<u>-</u>	<u>30,916</u>	<u>819,098</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as profit rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which are not market observable, including assumptions about risk.

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2016.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2016</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	127,955	127,955
- Unquoted Sukuk	-	131,554	131,554
- Investments in investment-linked funds	8,038	-	8,038
	<u>8,038</u>	<u>259,509</u>	<u>267,547</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2016 (continued)</u>			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,275	12,275
- Unquoted Sukuk	-	17,582	17,582
	<u>-</u>	<u>29,857</u>	<u>29,857</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	172,234	172,234
- Cagamas Sukuk	-	15,234	15,234
- Unquoted Sukuk	-	513,607	513,607
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	11,868	-	11,868
- Unit trust funds	20,923	-	20,923
	<u>32,791</u>	<u>701,075</u>	<u>733,866</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	312,464	312,464
- Cagamas Sukuk	-	15,234	15,234
- Unquoted Sukuk	-	662,743	662,743
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	11,868	-	11,868
- Unit trust funds	20,923	-	20,923
	<u>32,791</u>	<u>990,441</u>	<u>1,023,232</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2015</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	127,802	127,802
- Unquoted Sukuk	-	84,771	84,771
- Investments in investment-linked funds	7,940	-	7,940
	<u>7,940</u>	<u>212,573</u>	<u>220,513</u>
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	16,796	16,796
- Unquoted Sukuk	-	19,630	19,630
	<u>-</u>	<u>36,426</u>	<u>36,426</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	89,722	89,722
- Cagamas Sukuk	-	19,779	19,779
- Unquoted Sukuk	-	429,682	429,682
<u>FVTPL – designated upon initial recognition</u>			
- Government Investment Issues	-	515	515
- Quoted equity securities	24,505	-	24,505
- Unquoted Sukuk	-	4,239	4,239
- Unit trust funds	1,657	-	1,657
	<u>26,162</u>	<u>543,937</u>	<u>570,099</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2015</u>			
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	234,320	234,320
- Cagamas Sukuk	-	19,779	19,779
- Unquoted Sukuk	-	534,083	534,083
<u>FVTPL – designated upon initial recognition</u>			
- Government Investment Issues	-	515	515
- Quoted equity securities	24,505	-	24,505
- Unquoted Sukuk	-	4,239	4,239
- Unit trust funds	1,657	-	1,657
	<u>26,162</u>	<u>792,936</u>	<u>819,098</u>

There are no transfers between Level 1 and 2 of the fair value hierarchy during the current financial year.

6 FINANCING AND RECEIVABLES

	<u>Shareholders'</u> <u>fund</u> RM'000	<u>General</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Family</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Company</u> RM'000
<u>2016</u>				
Fixed and call deposits with licensed financial institutions	<u>40,761</u>	<u>14,827</u>	<u>84,021</u>	<u>139,609</u>
Receivable within 12 months	<u>40,761</u>	<u>14,827</u>	<u>84,021</u>	<u>139,609</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6 FINANCING AND RECEIVABLES (CONTINUED)

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2015</u>				
Fixed and call deposits with licensed financial institutions	27,119	12,784	80,194	120,097
Receivable within 12 months	27,119	12,784	80,194	120,097

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

Included in the fixed and call deposits with licensed financial institutions is an amount of RM1,785,652 (2015: RM1,728,630) which has been pledged to a financial institution for a bank guarantee facility.

7 QARDHUL HASAN RECEIVABLES

	Shareholders' fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2016</u>		
Family Takaful fund, at cost (note 10)	-	-
Less: Allowance for impairment	-	-
	-	-
<u>2015</u>		
Family Takaful fund, at cost (note 10)	246	-
Less: Allowance for impairment	-	-
	246	-

Qardhul Hasan represents a benevolent loan to the Family and General Takaful funds to make good the actuarial deficit and underwriting deficit in the respective funds. The amounts are unsecured, not subject to any profit element and have no fixed terms of repayment.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8 TAKAFUL RECEIVABLES

	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>			
Outstanding contributions including agents, brokers and co-takaful balances	3,052	21,559	24,611
Less: Allowance for impairment (note 30)	(32)	(6)	(38)
	<u>3,020</u>	<u>21,553</u>	<u>24,573</u>
Amount due from retakaful operators	633	8,813	9,446
Less: Allowance for impairment (note 30)	(627)	-	(627)
	<u>6</u>	<u>8,813</u>	<u>8,819</u>
	<u>3,026</u>	<u>30,366</u>	<u>33,392</u>
Gross amounts of recognised financial assets	3,027	31,690	34,717
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(1)	(1,324)	(1,325)
Net amounts of financial assets presented in the statement of financial position	<u>3,026</u>	<u>30,366</u>	<u>33,392</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8 TAKAFUL RECEIVABLES (CONTINUED)

	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2015</u>			
Outstanding contributions including agents, brokers and co-takaful balances	3,126	23,920	27,046
Less: Allowance for impairment (note 30)	(37)	-	(37)
	<u>3,089</u>	<u>23,920</u>	<u>27,009</u>
Amount due from retakaful operators	152	7,091	7,243
Less: Allowance for impairment (note 30)	(23)	-	(23)
	<u>129</u>	<u>7,091</u>	<u>7,220</u>
	<u>3,218</u>	<u>31,011</u>	<u>34,229</u>
Gross amounts of recognised financial assets	4,359	31,857	36,216
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(1,141)	(846)	(1,987)
Net amounts of financial assets presented in the statement of financial position	<u>3,218</u>	<u>31,011</u>	<u>34,229</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2016 (2015: nil).

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NOTES TO THE FINANCIAL STATEMENTS
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9	RETAKAFUL ASSETS	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	
	<u>2016</u>				
	Retakaful of Takaful contracts				
	- Takaful contract liabilities (note 12)	7,140	37,743	44,883	
	Receivable within 12 months	3,469	12,781	16,250	
	Receivable after 12 months	3,671	24,962	28,633	
		<u>7,140</u>	<u>37,743</u>	<u>44,883</u>	
	<u>2015</u>				
	Retakaful of Takaful contracts				
	- Takaful contract liabilities (note 12)	9,129	5,744	14,873	
	Receivable within 12 months	6,040	5,744	11,784	
	Receivable after 12 months	3,089	-	3,089	
		<u>9,129</u>	<u>5,744</u>	<u>14,873</u>	
10	OTHER RECEIVABLES	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
	<u>2016</u>				
	Amount due from related party	-	2	-	2
	Dividend receivable	-	-	75	75
	Interfund balances	4,797	21	-	-
	Surplus sharing from General Takaful fund	9,884	-	-	-
	Surplus sharing from Family Takaful fund	45,396	-	-	-
	Sharing of investment income from Participants' Account fund	1,933	-	-	-
	Knock for knock claims recoverable	-	4	-	4
	Other receivables	106	1	7,083	7,190
		<u>62,116</u>	<u>28</u>	<u>7,158</u>	<u>7,271</u>
	Receivable within 12 months	<u>62,116</u>	<u>28</u>	<u>7,158</u>	<u>7,271</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

10 OTHER RECEIVABLES (CONTINUED)	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2015</u>				
Dividend receivable	-	-	27	27
Interfund balances	4,904	2,315	246	-
Surplus sharing from General Takaful fund	11,458	-	-	-
Surplus sharing from Family Takaful fund	6,659	-	-	-
Sharing of investment income from Participants' Account fund	1,732	-	-	-
Knock for knock claims recoverable	-	11	-	11
Other receivables	363	11	557	931
	<u>25,116</u>	<u>2,337</u>	<u>830</u>	<u>969</u>
Receivable within 12 months	<u>25,116</u>	<u>2,337</u>	<u>830</u>	<u>969</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

The interfund balances of RM nil (2015: RM246,000) comprising amounts due from Shareholders' fund in the Family Takaful fund, represent the benevolent financing from the Shareholders' fund to the Family Takaful fund under the Qardhul Hasan principle as disclosed in Note 2.2(j) to the financial statements. The amounts are unsecured, not subject to profit element and have no fixed terms of repayment.

Amount due from related party is unsecured, profit free and has no fixed repayment terms.

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NOTES TO THE FINANCIAL STATEMENTS
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11 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>2016</u>				
Deferred tax assets	3,209	240	94	3,543
	<u>1,983</u>	<u>149</u>	<u>-</u>	<u>2,132</u>
Current	1,226	91	94	1,411
Non-current	<u>3,209</u>	<u>240</u>	<u>94</u>	<u>3,543</u>
<u>2015</u>				
Deferred tax assets	5,637	23	348	6,070
	<u>4,342</u>	<u>-</u>	<u>-</u>	<u>4,342</u>
Current	1,295	23	348	1,728
Non-current	<u>5,637</u>	<u>23</u>	<u>348</u>	<u>6,070</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11 DEFERRED TAX ASSETS (CONTINUED)

The movements in deferred tax assets/(liabilities) are as follows:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
At 1 January	5,637	23	348	6,070
<u>(Charged)/credited to profit or loss</u>				
- Property and equipment	112	12	(29)	95
- FVTPL financial assets	32	28	78	138
- Qardhul Hasan	62	-	-	-
- Allowance for doubtful debts	-	149	-	149
- Expense liabilities	131	-	-	131
- Provision of expenses	(2,421)	-	-	(2,421)
Taxation (note 24)	(2,084)	189	49	(1,908)
<u>(Charged)/credited to other comprehensive income</u>				
- AFS financial assets (page 29)	(344)	28	(303)	(619)
At 31 December	<u>3,209</u>	<u>240</u>	<u>94</u>	<u>3,543</u>
<u>2015</u>				
At 1 January	5,656	38	(80)	5,685
<u>(Charged)/credited to profit or loss</u>				
- Property and equipment	-	-	-	-
- FVTPL financial assets	(10)	-	26	16
- Qardhul Hasan	9	-	-	-
- Allowance for doubtful debts	-	4	-	4
- Expense liabilities	542	-	-	542
- Provision of expenses	(1,161)	-	-	(1,161)
Taxation (note 24)	(620)	4	26	(599)
<u>Credited/(charged) to other comprehensive income</u>				
- AFS financial assets (page 29)	601	(19)	402	984
At 31 December	<u>5,637</u>	<u>23</u>	<u>348</u>	<u>6,070</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11 DEFERRED TAX ASSETS (CONTINUED)

The composition of deferred tax assets/liabilities before and after appropriate offsetting, is as follows:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets</u> (before offsetting)				
Financial assets	-	70	123	193
Property and equipment	-	12	-	12
Allowance for doubtful debts	-	158	-	158
Expense liabilities	1,413	-	-	1,413
Provision of expenses	1,982	-	-	1,982
	<u>3,395</u>	<u>240</u>	<u>123</u>	<u>3,758</u>
Offsetting	(186)	-	(29)	(215)
Deferred tax assets (after offsetting)	<u><u>3,209</u></u>	<u><u>240</u></u>	<u><u>94</u></u>	<u><u>3,543</u></u>
<u>Deferred tax liabilities</u> (before offsetting)				
Financial assets	186	-	-	186
Property and equipment	-	-	29	29
	<u>186</u>	<u>-</u>	<u>29</u>	<u>215</u>
Offsetting	(186)	-	(29)	(215)
Deferred tax liabilities (after offsetting)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
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11 DEFERRED TAX ASSETS (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2015</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets</u> (before offsetting)				
Financial assets	126	14	348	488
Allowance for doubtful debts	-	9	-	9
Expense liabilities	1,282	-	-	1,282
Provision of expenses	4,403	-	-	4,403
	<u>5,811</u>	<u>23</u>	<u>348</u>	<u>6,182</u>
Offsetting	(174)	-	-	(112)
Deferred tax assets (after offsetting)	<u>5,637</u>	<u>23</u>	<u>348</u>	<u>6,070</u>
<u>Deferred tax liabilities</u> (before offsetting)				
Financial assets	-	-	-	-
Property and equipment	112	-	-	112
Qardhul Hasan	62	-	-	-
	<u>174</u>	<u>-</u>	<u>-</u>	<u>112</u>
Offsetting	(174)	-	-	(112)
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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12 TAKAFUL CONTRACT LIABILITIES

	2016			2015		
	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Gross	44,186	834,531	870,679	50,607	668,723	711,390
Retakaful (note 9)	(7,140)	(37,743)	(44,883)	(9,129)	(5,744)	(14,873)
Net	<u>37,046</u>	<u>796,788</u>	<u>825,796</u>	<u>41,478</u>	<u>662,979</u>	<u>696,517</u>
Current	21,834	129,273	151,107	25,335	90,182	115,517
Non-current	15,212	667,515	674,689	16,143	572,797	581,000
	<u>37,046</u>	<u>796,788</u>	<u>825,796</u>	<u>41,478</u>	<u>662,979</u>	<u>696,517</u>

(a) Family Takaful contract liabilities

The Family Takaful contract liabilities and its movements are further analysed as follows:

	2016			2015		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificate holders' liabilities	770,867	(29,208)	741,659	623,992	-	623,992
Net asset value attributable to certificate holders	<u>20,975</u>	<u>-</u>	<u>20,975</u>	<u>18,523</u>	<u>-</u>	<u>18,523</u>
Actuarial liabilities	791,842	(29,208)	762,634	642,515	-	642,515
Claims liabilities	17,292	(8,535)	8,757	9,272	(5,744)	3,528
Unallocated surplus	26,066	-	26,066	21,090	-	21,090
Available-for-sale fair value adjustment						
- gross	(727)	-	(727)	(4,515)	-	(4,515)
- deferred tax	58	-	58	361	-	361
- net	<u>(669)</u>	<u>-</u>	<u>(669)</u>	<u>(4,154)</u>	<u>-</u>	<u>(4,154)</u>
	<u>834,531</u>	<u>(37,743)</u>	<u>796,788</u>	<u>668,723</u>	<u>(5,744)</u>	<u>662,979</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

The Family Takaful contract liabilities and its movements are further analysed as follows:
(continued)

<u>2016</u>	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2016	668,723	(5,744)	662,979
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	16,159	(37,123)	(20,964)
Benefits	(74,835)	39,859	(34,976)
Investment returns	20,898	(1,305)	19,593
Others	(21,292)	(1,887)	(23,179)
Experience variance on inforce Takaful certificates	(5,603)	(247)	(5,850)
Reserve on new Takaful certificates	221,409	(6,475)	214,934
Miscellaneous	(9,861)	(22,030)	(31,891)
Movement in net asset value attributable to certificate holders	2,452	-	2,452
Movement in claims liabilities	8,020	(2,791)	5,229
Movement in unallocated surplus	4,976	-	4,976
Movement in AFS fair value adjustment	3,485	-	3,485
At 31 December 2016	<u>834,531</u>	<u>(37,743)</u>	<u>796,788</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

The Family Takaful contract liabilities and its movements are further analysed as follows:
(continued)

<u>2015</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2015	527,929	(4,363)	523,566
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	(6,436)	-	(6,436)
Benefits	(24,049)	-	(24,049)
Investment returns	16,253	-	16,253
Others	(15,276)	-	(15,276)
Experience variance on inforce Takaful certificates	(7,146)	-	(7,146)
Reserve on new Takaful certificates	159,387	-	159,387
Miscellaneous	(189)	(762)	(951)
Movement in net asset value attributable to certificate holders	2,193	-	2,193
Movement in claims liabilities	1,788	(619)	1,169
Movement in unallocated surplus	18,891	-	18,891
Movement in AFS fair value adjustment	(4,622)	-	(4,622)
At 31 December 2015	<u>668,723</u>	<u>(5,744)</u>	<u>662,979</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

The General Takaful contract liabilities and its movements are further analysed as follows:

	2016			2015		
	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000
Provision for claims reported by certificate holders	2,901	(1,426)	1,475	5,285	(3,212)	2,073
Provision for IBNR	20,878	(4,679)	16,199	23,785	(5,630)	18,155
Provision for outstanding claims (i)	23,779	(6,105)	17,674	29,070	(8,842)	20,228
Unearned contribution reserve (ii)	8,757	(1,035)	7,722	10,065	(287)	9,778
Unallocated surplus	11,790	-	11,790	11,518	-	11,518
Available-for-sale fair value adjustment						
- gross	(184)	-	(184)	(62)	-	(62)
- deferred tax	44	-	44	16	-	16
- net	(140)	-	(140)	(46)	-	(46)
	<u>44,186</u>	<u>(7,140)</u>	<u>37,046</u>	<u>50,607</u>	<u>(9,129)</u>	<u>41,478</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(i) Provision for outstanding claims

	2016			2015		
	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- takaful RM'000	<u>Net</u> RM'000
At 1 January	29,070	(8,842)	20,228	48,268	(24,825)	23,443
Claims incurred in the current accident year	14,978	(4,567)	10,411	14,871	(4,316)	10,555
Other movements in claims incurred in prior accident years	(6,037)	(2,003)	(8,040)	(23,514)	14,059	(9,455)
Claims paid during the financial year (note 21(a) and (b))	(14,232)	9,307	(4,925)	(10,555)	6,240	(4,315)
At 31 December	<u>23,779</u>	<u>(6,105)</u>	<u>17,674</u>	<u>29,070</u>	<u>(8,842)</u>	<u>20,228</u>

(ii) Unearned contribution reserve

At 1 January	10,065	(287)	9,778	10,796	(1,640)	9,156
Contribution written in the financial year (note 16(a) and (b))	64,623	(6,530)	58,093	68,122	(7,608)	60,514
Contribution earned during the financial year (note 16(a) and (b))	(65,931)	5,782	(60,149)	(68,853)	8,961	(59,892)
At 31 December	<u>8,757</u>	<u>(1,035)</u>	<u>7,722</u>	<u>10,065</u>	<u>(287)</u>	<u>9,778</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	2016			2015		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Family Takaful fund (note 12(a))	834,531	(37,743)	796,788	668,723	(5,744)	662,979
General Takaful fund (note 12(b))	44,186	(7,140)	37,046	50,607	(9,129)	41,478
	<u>878,717</u>	<u>(44,883)</u>	<u>833,834</u>	<u>719,330</u>	<u>(14,873)</u>	<u>704,457</u>
Elimination of shareholders' fund investment in investment-linked funds	(8,038)	-	(8,038)	(7,940)	-	(7,940)
Total	<u>870,679</u>	<u>(44,883)</u>	<u>825,796</u>	<u>711,390</u>	<u>(14,873)</u>	<u>696,517</u>

13 TAKAFUL PAYABLES

	<u>General Takaful fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Company</u> RM'000
<u>2016</u>			
Due to agents and intermediaries	1,452	5,770	7,222
Due to retakaful operators and cedants	1,312	11,735	13,047
	<u>2,764</u>	<u>17,505</u>	<u>20,269</u>
Gross amounts of recognised financial liabilities	2,765	18,829	21,594
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(1)	(1,324)	(1,325)
Net amounts of financial liabilities presented in the statement of financial position	<u>2,764</u>	<u>17,505</u>	<u>20,269</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13 TAKAFUL PAYABLES (CONTINUED)

	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2015</u>			
Due to agents and intermediaries	1,886	4,982	6,868
Due to retakaful operators and cedants	2,538	8,898	11,436
	<u>4,424</u>	<u>13,880</u>	<u>18,304</u>
Gross amounts of recognised financial liabilities	5,565	14,726	20,291
Less: Gross amounts of recognised financial assets set off in the statement of financial position	<u>(1,141)</u>	<u>(846)</u>	<u>(1,987)</u>
Net amounts of financial liabilities presented in the statement of financial position	<u>4,424</u>	<u>13,880</u>	<u>18,304</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2016 (2015: nil).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14 OTHER PAYABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
Amount due to related parties	5,202	-	22	5,224
Accrual for professional fees	813	-	-	813
Interfund balances	-	-	4,818	-
Deposits received	-	537	1,532	2,069
Surplus sharing to Takaful Operator	-	9,884	45,396	-
Sharing of investment income from Participants' Account fund	-	-	1,933	-
Accrual for sales and marketing expenses	15,091	-	-	15,091
Accrual for sharing of wakalah fees	1,409	-	-	1,409
Other payables and accrued liabilities	6,006	517	2,851	9,374
	<u>28,521</u>	<u>10,938</u>	<u>56,552</u>	<u>33,980</u>
Payable within 12 months	<u>28,521</u>	<u>10,938</u>	<u>56,552</u>	<u>33,980</u>
<u>2015</u>				
Amount due to related parties	6,026	-	-	6,026
Accrual for professional fees	672	-	-	672
Interfund balances	246	-	7,219	-
Deposits received	-	-	2,322	2,322
Surplus sharing to Takaful Operator	-	11,458	6,659	-
Sharing of investment income from Participants' Account fund	-	-	1,732	-
Accrual for sales and marketing expenses	10,688	-	-	10,688
Accrual for sharing of wakalah fees	8,623	-	-	8,623
Other payables and accrued liabilities	8,058	587	2,203	10,848
	<u>34,313</u>	<u>12,045</u>	<u>20,135</u>	<u>39,179</u>
Payable within 12 months	<u>34,313</u>	<u>12,045</u>	<u>20,135</u>	<u>39,179</u>

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

The interfund balances of RM nil (2015: RM246,000) in the Shareholders' fund comprised amounts due to the Family Takaful fund, representing benevolent financing from the Shareholders' fund to the Family Takaful fund under the Qardhul Hasan principle as disclosed in Note 2.2(j) to the financial statements.

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15 SHARE CAPITAL

	2016		2015	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Authorised</u>				
Ordinary shares of RM1.00 each:				
- At beginning/end of the financial year	200,000	200,000	200,000	200,000
Preference shares of RM0.10 each:				
- At beginning/end of the financial year	100,000	10,000	100,000	10,000
	<u>300,000</u>	<u>210,000</u>	<u>300,000</u>	<u>210,000</u>
<u>Issued and paid up</u>				
Ordinary shares of RM1.00 each:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
Preference shares of RM0.10 each:				
- At beginning/end of the financial year	100	10	100	10
	<u>100,100</u>	<u>100,010</u>	<u>100,100</u>	<u>100,010</u>

Features of the Islamic Perpetual Non-Cumulative Preference Shares ("IPPS")

The IPPS are subordinated and unsecured obligations of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The IPPS shall not represent any fixed charge on the earnings of the Company and shall carry no right to vote at any general meeting of the ordinary shareholders of the Company.

The IPPS confers on the holder the right to receive a non-cumulative gross dividend of 8% per annum, payable annually in arrears on the anniversary of the issue date of the IPPS. The payment of dividend under the IPPS is at the Company's discretion.

The IPPS are not convertible to ordinary shares of the Company and the tenure of the IPPS is perpetual and redeemable after year 5 (33,000 in year 2015 and 67,000 in year 2016) at the sole option of the Company subject to Bank Negara Malaysia's approval. At the date of this report, the Company has yet to exercise its redemption option.

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16	NET EARNED CONTRIBUTION				
			<u>2016</u>		<u>2015</u>
			RM'000		RM'000
(a)	Gross earned contribution				
	Takaful contracts:				
	Family Takaful		486,905		380,232
	General Takaful (note 12(b)(ii))		64,623		68,122
	Movement in unearned contribution reserves		1,308		731
			65,931		68,853
			<u>552,836</u>		<u>449,085</u>
(b)	Contribution ceded				
	Takaful contracts:				
	Family Takaful		(47,152)		(52,484)
	General Takaful (note 12(b)(ii))		(6,530)		(7,608)
	Movement in unearned contribution reserves		748		(1,353)
			(5,782)		(8,961)
			<u>(52,934)</u>		<u>(61,445)</u>
	Net earned contribution		<u>499,902</u>		<u>387,640</u>
17	INVESTMENT INCOME				
		Shareholders'	General	Family	Company
		<u>fund</u>	<u>Takaful</u>	<u>Takaful</u>	<u>Company</u>
		RM'000	RM'000	RM'000	RM'000
	<u>2016</u>				
	<u>AFS financial assets</u>				
	Profit income	9,791	1,403	29,370	40,564
	Amortisation of premiums – net	(135)	(117)	(172)	(424)
	<u>FVTPL – designated upon initial recognition</u>				
	Profit income	-	-	175	175
	Dividend income	-	-	801	801
	<u>Financing and receivables</u>				
	Profit income	900	531	2,485	3,916
	Sharing of investment income from Participants' Account fund	1,933	-	-	-
		<u>12,489</u>	<u>1,817</u>	<u>32,659</u>	<u>45,032</u>

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17 INVESTMENT INCOME (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2015</u>				
<u>AFS financial assets</u>				
Profit income	7,990	990	22,232	31,212
(Amortisation of premiums)/ accretion of discounts – net	(22)	1	(128)	(149)
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	-	203	203
Dividend income	21	-	842	863
<u>Financing and receivables</u>				
Profit income	631	816	2,395	3,842
Sharing of investment income from Participants' Account fund	1,734	-	-	-
	<u>10,354</u>	<u>1,807</u>	<u>25,544</u>	<u>35,971</u>

18 REALISED GAINS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	61	280	341
Government Investment Issues	569	132	366	1,067
Cagamas Sukuk	-	-	76	76
	<u>569</u>	<u>193</u>	<u>722</u>	<u>1,484</u>
<u>2015</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	1,495	3	877	2,375
Government Investment Issues	(106)	-	329	223
	<u>1,389</u>	<u>3</u>	<u>1,206</u>	<u>2,598</u>

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19 NET FAIR VALUE LOSSES

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	-	342	342
- unrealised	-	(805)	(805)
	-	(463)	(463)
	<u>-</u>	<u>(463)</u>	<u>(463)</u>
<u>2015</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	(407)	(2,047)	(2,454)
- unrealised	69	(163)	(94)
	(338)	(2,210)	(2,548)
	<u>(338)</u>	<u>(2,210)</u>	<u>(2,548)</u>

20 OTHER OPERATING INCOME

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
Fee income	1,348	-	-	1,348
Others	349	64	5	418
	1,697	64	5	1,766
	<u>1,697</u>	<u>64</u>	<u>5</u>	<u>1,766</u>
<u>2015</u>				
Fee income	1,081	-	1	1,082
Others	364	142	144	650
	1,445	142	145	1,732
	<u>1,445</u>	<u>142</u>	<u>145</u>	<u>1,732</u>

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21	NET BENEFITS AND CLAIMS	<u>2016</u> RM'000	<u>2015</u> RM'000
(a)	Gross benefits and claims paid		
	Takaful contracts:		
	Family Takaful	(151,986)	(109,965)
	General Takaful (note 12 (b)(i))	(14,232)	(10,555)
		<u>(166,218)</u>	<u>(120,520)</u>
(b)	Claims ceded to retakaful operators		
	Takaful contracts:		
	Family Takaful	49,955	39,779
	General Takaful (note 12 (b)(i))	9,307	6,240
		<u>59,262</u>	<u>46,019</u>
(c)	Gross change in Takaful contract liabilities		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	(149,327)	(124,738)
	- Movement in claims liabilities	(8,020)	(1,788)
	- Movement in unallocated surplus	(4,976)	(18,891)
		<u>(162,323)</u>	<u>(145,417)</u>
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	5,291	19,198
	- Movement in unallocated surplus	(9,885)	(11,458)
		<u>(4,594)</u>	<u>7,740</u>
		<u>(166,917)</u>	<u>(137,677)</u>
(d)	Change in Takaful contract liabilities ceded to retakaful operators		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	29,208	762
	- Movement in claims liabilities	2,791	619
		<u>31,999</u>	<u>1,381</u>
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	(2,737)	(15,983)
		<u>29,262</u>	<u>(14,602)</u>

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22 MANAGEMENT EXPENSES

	<u>2016</u> RM'000	<u>2015</u> RM'000
<u>Shareholders' fund/Company</u>		
Staff salaries and bonus	28,261	24,719
Defined contribution plan	3,759	3,234
Share based payment plan (note 22(a))	357	216
Other staff costs	1,167	956
	<u>33,544</u>	<u>29,125</u>
Auditors' remuneration:		
Statutory audit		
- current financial year	297	269
- over provision in prior financial years	13	-
Non-audit services	167	12
Directors' fees and other emoluments:		
- current financial year (note 22(b))	981	977
Shariah committee remuneration:		
- fees	201	224
Amortisation of intangible assets (note 4)	2	-
Depreciation of property and equipment (note 3)	78	101
Write off of property and equipment (note 3)	-	28
Third party administrator fee	2,612	2,573
Printing and stationery	1,756	820
Sales and marketing expenses	44,998	37,150
Professional fees	3,599	2,174
Electronic data processing expenses	4,103	3,121
Other expenses	11,722	10,169
	<u>104,073</u>	<u>86,743</u>

(a) Share-based payment plan

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefits expense were as follows:

	<u>2016</u> RM'000	<u>2015</u> RM'000
Sun Share Unit Plan	357	216

Sun Share Units ("SSU") are granted to certain employees of the Company as part of the annual performance reward cycle and has a vesting period of over 36 months from grant date. Each SSU entitles the recipient to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting, subject to any performance conditions. These SSU expenses are paid out in cash at the end of the vesting period.

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

The details of remuneration received and receivable by Directors during the financial year are as follows:

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits- in-kind RM'000	Fees and allowance RM'000	Total RM'000
<u>2016</u>					
Executive:					
Encik Muhammad Fikri Bin Mohamad Rawi	899	126	27	-	1,052
Encik Roger David Steel	-	-	-	16	16
	<u>899</u>	<u>126</u>	<u>27</u>	<u>16</u>	<u>1,068</u>
Non-executive:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	159	159
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	119	119
Encik Jose Isidro Navato Camacho	-	-	-	130	130
Dato' Mohd Shukri Bin Hussin	-	-	-	115	115
Encik Izlan Bin Izhab	-	-	-	110	110
Encik Ahmad Farouk Bin Mohamed	-	-	-	97	97
Encik Renzo Christopher Viegas	-	-	-	112	112
Encik Roger David Steel	-	-	-	123	123
	<u>899</u>	<u>126</u>	<u>27</u>	<u>981</u>	<u>2,033</u>

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

The details of remuneration received and receivable by Directors during the financial year are as follows: (continued)

	<u>Fixed remuneration</u>	<u>Variable remuneration</u>		<u>Total RM'000</u>
	<u>Cash-based RM'000</u>	<u>Cash-based RM'000</u>	<u>Benefits-in-kind RM'000</u>	
<u>Total value of remuneration awards for the financial year:</u>				
<u>2016</u>				
Executive:				
Encik Muhammad Fikri Bin Mohamad Rawi	603	422	27	1,052
Encik Roger David Steel	15	1	-	16
	<u>618</u>	<u>423</u>	<u>27</u>	<u>1,068</u>
Non-executive:				
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	144	15	-	159
Encik Pushpanathan A/L S.A. Kanagarayar	105	14	-	119
Encik Jose Isidro Navato Camacho	116	14	-	130
Dato' Mohd Shukri Bin Hussin	102	13	-	115
Encik Izlan Bin Izhab	102	8	-	110
Encik Ahmad Farouk Bin Mohamed	90	7	-	97
Encik Renzo Christopher Viegas	102	10	-	112
Encik Roger David Steel	106	17	-	123
	<u>1,485</u>	<u>521</u>	<u>27</u>	<u>2,033</u>

All the remuneration awards above are non-deferred remuneration.

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NOTES TO THE FINANCIAL STATEMENTS
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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

The details of remuneration received and receivable by Directors during the financial year are as follows: (continued)

	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2015</u>					
Executive:					
Encik Muhammad Fikri Bin Mohamad Rawi	684	96	25	-	805
Non-executive:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	159	159
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	114	114
Encik Jose Isidro Navato Camacho	-	-	-	128	128
Dato' Mohd Shukri Bin Hussin	-	-	-	114	114
Encik Izlan Bin Izhab	-	-	-	110	110
Encik Ahmad Farouk Bin Mohamed	-	-	-	96	96
Encik Renzo Christopher Viegas	-	-	-	110	110
Encik Roger David Steel	-	-	-	146	146
	<u>684</u>	<u>96</u>	<u>25</u>	<u>977</u>	<u>1,782</u>

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration (continued)

The details of remuneration received and receivable by Directors during the financial year are as follows: (continued)

	Fixed	Variable		Total
	remuneration	remuneration		
<u>Total value of remuneration awards for the financial year:</u>	<u>Cash-based</u>	<u>Cash-based</u>	<u>Benefits-in-kind</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2015</u>				
Executive:				
Encik Muhammad Fikri Bin Mohamad Rawi	551	229	25	805
Non-executive:				
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	144	15	-	159
Encik Pushpanathan A/L S.A. Kanagarayar	102	12	-	114
Encik Jose Isidro Navato Camacho	114	14	-	128
Dato' Mohd Shukri Bin Hussin	102	12	-	114
Encik Izlan Bin Izhab	102	8	-	110
Encik Ahmad Farouk Bin Mohamed	90	6	-	96
Encik Renzo Christopher Viegas	102	8	-	110
Encik Roger David Steel	126	20	-	146
	<u>1,433</u>	<u>324</u>	<u>25</u>	<u>1,782</u>

All the remuneration awards above are non-deferred remuneration.

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23 OTHER OPERATING EXPENSES

	<u>Shareholders'</u> <u>fund</u> RM'000	<u>General</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Family</u> <u>Takaful</u> <u>fund</u> RM'000	<u>Company</u> RM'000
<u>2016</u>				
Provision for expense liability	6,954	-	-	6,954
Sharing of investment income to Shareholders' fund	-	-	1,933	-
Allowance for impairment loss (note 30)	-	606	6	612
Others	8,704	-	1,908	10,612
	<u>15,658</u>	<u>606</u>	<u>3,847</u>	<u>18,178</u>
<u>2015</u>				
Provision for expense liability	12,206	-	-	12,206
Sharing of investment income to Shareholders' fund	-	-	1,734	-
Allowance for impairment loss (note 30)	-	23	-	23
Others	5,383	67	1,618	7,068
	<u>17,589</u>	<u>90</u>	<u>3,352</u>	<u>19,297</u>

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24 TAXATION

	2016				2015			
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Tax expense on the profit for the financial year								
Income tax:								
Current financial year	12,907	(236)	1,198	13,869	5,037	(648)	815	5,204
(Over)/under provision in prior financial years	(1,702)	665	(198)	(1,235)	(772)	300	18	(454)
	<u>11,205</u>	<u>429</u>	<u>1,000</u>	<u>12,634</u>	<u>4,265</u>	<u>(348)</u>	<u>833</u>	<u>4,750</u>
Deferred tax (note 11):								
Relating to origination and reversal of temporary differences	2,084	(189)	(49)	1,908	620	(4)	(26)	599
	<u>13,289</u>	<u>240</u>	<u>951</u>	<u>14,542</u>	<u>4,885</u>	<u>(352)</u>	<u>807</u>	<u>5,349</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24 TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory income tax rate to the effective income tax rate of the Company is as follows:

	<u>Company</u>	
	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
Profit before taxation attributable to Shareholders	101,998	31,645
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	24,480	7,911
Income not subject to tax	(45,865)	(33,219)
Expenses not deductible for tax purposes	36,217	28,289
Tax expense attributable to participants	1,191	455
Overprovision in prior financial years	(1,702)	(772)
Reversal of deferred tax assets in prior year due to change in tax law	-	2,685
Effect of changes in tax rate	221	-
Tax expense for the financial year	<u>14,542</u>	<u>5,349</u>

25 INVESTMENT-LINKED FUNDS

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows:

STATEMENT OF FINANCIAL POSITION

	<u>2016</u>	<u>2015</u>
	RM'000	RM'000
ASSETS		
Fair value through profit or loss financial assets	20,923	15,992
Financing and receivables	-	2,248
Other receivables	16	389
Cash and bank balances	94	37
Deferred tax assets/(liabilities)	33	(42)
	<u>21,066</u>	<u>18,624</u>
LIABILITIES		
Other liabilities	7	63
Current tax liabilities	83	38
	<u>90</u>	<u>101</u>
NET ASSET VALUE	<u>20,976</u>	<u>18,523</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

25 INVESTMENT-LINKED FUNDS (CONTINUED)

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows: (continued)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<u>2016</u> RM'000	<u>2015</u> RM'000
REPRESENTED BY:		
CERTIFICATE HOLDERS' ACCOUNT		
At beginning of the financial year	18,523	16,330
Net creation of units	6,032	4,028
Net cancellation of units	(3,892)	(2,181)
Surplus for the financial year after taxation	313	346
	<u>20,976</u>	<u>18,523</u>
At end of the financial year	<u>20,976</u>	<u>18,523</u>

STATEMENT OF INCOME AND EXPENDITURE

Investment income	664	511
Net fair value (losses)/gains	(158)	92
Other operating expenses	(185)	(230)
	<u>321</u>	<u>373</u>
Surplus before taxation	321	373
Taxation:		
- current tax	(83)	(38)
- deferred tax	75	11
	<u>313</u>	<u>346</u>
Surplus for the financial year after taxation	<u>313</u>	<u>346</u>

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NOTES TO THE FINANCIAL STATEMENTS
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26 INFORMATION ON CASH FLOWS BY FUNDS

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2016</u>				
Cash flows from:				
Operating activities	2,946	189	1,346	4,481
Investing activities	(258)	-	-	(258)
	<u>2,688</u>	<u>189</u>	<u>1,346</u>	<u>4,223</u>
Net increase in cash and cash equivalents				
Cash and cash equivalents:				
At beginning of the financial year	2,295	2,826	14,399	19,520
At end of the financial year	<u>4,983</u>	<u>3,015</u>	<u>15,745</u>	<u>23,743</u>
<u>2015</u>				
Cash flows from:				
Operating activities	(6,791)	(766)	(1,812)	(9,369)
Investing activities	-	-	-	-
	<u>(6,791)</u>	<u>(766)</u>	<u>(1,812)</u>	<u>(9,369)</u>
Net decrease in cash and cash equivalents				
Cash and cash equivalents:				
At beginning of the financial year	9,086	3,592	16,211	28,889
At end of the financial year	<u>2,295</u>	<u>2,826</u>	<u>14,399</u>	<u>19,520</u>

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NOTES TO THE FINANCIAL STATEMENTS
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27 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with, the Company are as follows:

<u>Company</u>	<u>Country of incorporation</u>	<u>Relationship</u>
Khazanah Nasional Berhad (“KNB”)	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd (“ACSB”)	Malaysia	Penultimate holding company (financial holding company)
Renggis Ventures Sdn Bhd (“RVSB”)	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada (“SLACC”)	Canada	Significant shareholder
Sun Life Financial Inc. (“SLF”)	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad (“CIMBG”)	Malaysia	Associate of the ultimate holding company
CIG Berhad (“CIGB”)	Malaysia	Subsidiary of CIMBG and shareholder of the immediate holding company
CIMB Bank Berhad (“CIMB Bank”)	Malaysia	Subsidiary of CIMBG
CIMB Wealth Advisor Berhad (“CWAB”)	Malaysia	Subsidiary of CIMBG
CIMB Islamic Bank Berhad (“CIBB”)	Malaysia	Subsidiary of CIMBG
CIMB-Principal Asset Management Berhad	Malaysia	Subsidiary of CIMBG
Sun Life Malaysia Assurance Berhad (“SLMAB”)	Malaysia	Fellow subsidiary of the ultimate holding company
Key management personnel		*

* Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company comprise of the Board of Directors, Chief Executive Officer and the management committee members of the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on terms and conditions negotiated between the related parties.

	<u>2016</u> RM'000	<u>2015</u> RM'000
Contribution income received from CIMB Bank	(7)	(1,439)
Contribution income received from CIBB	(1,036)	-
Contribution income received from SLMAB	(268)	(248)
Contribution income received from CIMB-Principal Asset Management Berhad	(212)	-
Profit income earned from deposits placed with CIBB	(882)	(1,622)
Shared services expenses paid/payable to SLMAB	46,481	34,308
Commissions paid to CIMB Bank	1,830	25,006
Commissions paid to CIBB	32,745	58
Internal audit fees paid to SLACC	58	37
Rental expenses paid to SLMAB	67	62
Sales and marketing expenses paid to CIMB Bank	11,826	22,428
	<u> </u>	<u> </u>

Included in the statement of financial position of the Company are significant related party balances, represented by the following:

	<u>2016</u> RM'000	<u>2015</u> RM'000
Amount due from/(to) other related companies within the KNB group:		
Amount due to SLMAB *	(5,222)	(6,026)
Amount due to CIMB Bank *	(5,704)	(4,306)
	<u> </u>	<u> </u>

* These related party balances are current, unsecured, non-profit bearing and have no fixed repayment terms.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

Total compensation paid and payable to the Company's key management personnel during the financial year was as follows:

	<u>2016</u> RM'000	<u>2015</u> RM'000
Salaries and other short-term employee benefits	1,450	971
Defined contribution plan	203	136
Fees and allowance	981	977
Share-based payment plan	357	216
	<u>2,991</u>	<u>2,300</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM27,015 (2015: RM25,138).

Compensation of senior management and other material risk takers

Total value of remuneration awards paid and payable to the Company's senior management and other material risk takers during the financial year was as follows:

	<u>2016</u>			<u>2015</u>		
	<u>Number of persons</u>	<u>Unrestricted RM'000</u>	<u>Deferred RM'000</u>	<u>Number of persons</u>	<u>Unrestricted RM'000</u>	<u>Deferred RM'000</u>
Fixed remuneration						
Cash-based	3	1,139	-	2	816	-
Variable remuneration						
Cash-based	2	514	-	2	291	-
Benefits-in-kind	1	27	-	1	25	-

28 RISK MANAGEMENT FRAMEWORK

(a) Risk management

The Board recognises that risk management is an integral part of the Company's business objectives and is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has put in place a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Risk Management Committee ("RMC") with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee ("ERMC"), the Asset and Liability Committee ("ALCO") and the Investment Committee ("IC"), that provides oversight responsibilities on operational, financial and Takaful risks management in facilitating the optimisation of the risk and return profile of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)****28 RISK MANAGEMENT FRAMEWORK (CONTINUED)****(a) Risk management (continued)**

The RMF involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the achievement of the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Company's strategies and functional activities throughout the financial year.

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by the risk management function (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Internal Audit division (the third line of defence).

To promote a consistent and rigorous approach to risk management, the Company has a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As the Company's business responds to changing market conditions and customer needs, the management regularly monitors the appropriateness of the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management

Capital management risk is defined as the risk of having an insufficient capital base, which undermines execution of strategic objectives, reduces the ability of the Company to cope with losses not anticipated, and reduces confidence of the market, policyholders and creditors.

The Company's capital management objective is to maintain effective capital management processes and a prudent level of capital resources, consistent with the risk appetite agreed by the Board from time to time. It is designed to provide the principles to ensure the efficient management of capital whereby capital resources must be managed in a way which optimises returns to shareholders whilst safeguarding the interests of other stakeholders and the regulator.

The capital management strategy of the Company is to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of shareholders and complies with externally imposed capital requirements by maintaining the level of capital required under the Risk-Based Capital Framework by BNM, as set out in note 32 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
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28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Governance

The risk management policies identify the risks inherent in different elements of the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks (where the risk is material) and the minimum standards of control the Company is expected to maintain. From a risk management governance perspective, the RMC has been established to assist the Board in its oversight of risk and risk management in the Company. The RMC reports and recommends to the Board on the risk management strategies, policies, risk tolerance levels, review and assess the adequacy of the risk management policies and framework, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

(d) Asset-Liability Management (“ALM”) framework

The Company’s ALM modelling is based on a projection of both assets and liabilities into the future. The Company monitors its asset and liability matching positions through monthly profit rate sensitivity tests and low risk government bond management. The Company’s investment policy requires that assets match as closely as possible with liabilities of the appropriate amount, type and duration to minimise ALM risk. It is a requirement of the asset liability risk management policy to match the duration within a maximum deviation of one (1) year. At times, this may either not be possible due to lack of availability of assets or not desirable if additional risk is required to make returns sufficient to meet certificate holders’ guarantees.

29 TAKAFUL RISKS

(a) Family Takaful

Takaful risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

The Company’s Family Takaful businesses are exposed to a range of Family Takaful risks from various products. In providing financial advisory services coupled with Takaful protection, the Company has to manage risks such as mortality (the death of certificate holders), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of retakaful to transfer excessive risk exposures, using appropriate actuarial techniques as well as other mitigation measures.

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, applying best practices in the setting of lapse assumptions, product design requirements, experience monitoring and management actions.

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NOTES TO THE FINANCIAL STATEMENTS
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29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through the product cycle development process, financial analysis and pricing.

The table below shows the concentration of Family Takaful actuarial liabilities by types of contract.

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>2016</u>			
Mortgage	381,658	(17,743)	363,915
Endowment	21,528	-	21,528
Term	368,508	(11,465)	357,043
Others	20,148	-	20,148
	<u>791,842</u>	<u>(29,208)</u>	<u>762,634</u>
<u>2015</u>			
Mortgage	408,093	-	408,093
Endowment	19,299	-	19,299
Term	199,016	-	199,016
Others	16,107	-	16,107
	<u>642,515</u>	<u>-</u>	<u>642,515</u>

As all of the business is derived from Malaysia, the entire Family Takaful actuarial liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the actuarial liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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NOTES TO THE FINANCIAL STATEMENTS
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29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive are as follows:

Discount rate

Risk free discount rate is used to discount the cash flows for corresponding durations for Takaful certificates' liabilities calculation.

The risk free rates from durations of 1 to 15 years are the Government Investment Issues ("GII") yields taken from Bond Web, which is a recognised bond pricing agency in Malaysia. As the GII yields are only available for terms of 1, 2, 3, 5, 7, 10 and 15 years, the yields in between these terms are interpolated.

For durations of 15 years or more, the GII yields with 15 years term to maturity are used.

The risk free rates employed are gross of tax on investment income of the Takaful fund.

Mortality and morbidity

Best estimate assumptions are based on the Company's recent experience studies. Mortality assumption used for the Company's major products are based on a percentage of the industry's mortality table with provision of risk margin for adverse deviation ("PRAD") of 8%.

Lapse rate

Best estimate assumptions are based on the Company's recent experience studies. Depending on the product's feature, PRAD is set at 25% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of the Company. An inflation rate of 3.6% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked funds' future growth rate

The expected funds' investment return, net of tax, is used to estimate the growth rate assumption of the unit value of the investment-linked funds.

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NOTES TO THE FINANCIAL STATEMENTS
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29 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities

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 actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial 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.

	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2016</u>					
Mortality/morbidity	+10	45,064	8,703	(2,666)	(2,025)
Expenses	+10	9,375	9,375	(9,375)	(9,375)
Lapse and surrender rates	+10	3,583	4,331	(2,696)	(2,638)
Discount rate	-1	19,429	16,966	(8,365)	(7,543)

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NOTES TO THE FINANCIAL STATEMENTS
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29 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities (continued)

	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2015</u>					
Mortality/morbidity	+10	20,553	3,145	(267)	(199)
Expenses	+10	6,632	6,632	(6,632)	(6,632)
Lapse and surrender rates	+10	1,413	1,422	(509)	(512)
Discount rate	-1	11,662	11,595	(6,359)	(6,250)

* Impact on equity reflects adjustments for tax, where applicable.

The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful

The General Takaful fund is exposed to underwriting risk which includes the risk of incurring claims costs that are higher than expected due to the random nature of claims, frequency, severity and risk of exposure to changes in legal and economic condition. This could also arise from the underpricing of the contributions, which results in the Company having to receive too little contribution to cover for the risks that it underwrites.

These risks are managed through various risk mitigation measures such as retakaful arrangements as well as appropriate actuarial techniques such as pricing.

The table below sets out the concentration of General Takaful contract liabilities (i.e. provision for outstanding claims and unearned contribution reserve) by type of contracts.

	2016			2015		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Motor	-	-	-	1,440	(23)	1,417
Fire	12,044	(1,560)	10,484	17,185	(4,126)	13,059
Personal Accident	20,081	(5,336)	14,745	19,659	(4,413)	15,246
Miscellaneous	411	(244)	167	851	(567)	284
	<u>32,536</u>	<u>(7,140)</u>	<u>25,396</u>	<u>39,135</u>	<u>(9,129)</u>	<u>30,006</u>

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation may affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities

The General Takaful claims liabilities are sensitive to the key assumptions shown below. 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 Takaful claims liabilities, profit before tax and equity. 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.

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2016</u>					
ULRs for all business classes for all loss years	+10	7,227	4,489	(2,244)	(1,683)
ULRs for Motor Act class for all loss years	+20	-	-	-	-
ULRs for Personal Accident class for all loss years	+20	10,125	6,068	(3,034)	(2,275)
ULRs for Fire class for all loss years	+20	4,674	2,986	(1,493)	(1,120)

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities (continued)

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2015</u>					
ULRs for all business classes for all loss years	+10	9,614	4,986	(2,754)	(2,066)
ULRs for Motor Act class for all loss years	+20	1,489	1,445	(797)	(598)
ULRs for Personal Accident class for all loss years	+20	13,227	6,666	(3,650)	(2,738)
ULRs for Fire class for all loss years	+20	4,465	1,834	(1,038)	(778)

* Impact on equity reflects adjustments for tax, where applicable.

** ULR denotes for ultimate loss ratio.

The method used for deriving sensitivity information and significant assumptions did not change from the previous financial year.

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table

The following tables show the estimate of cumulative claims incurred, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a 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 the 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.

Gross General Takaful claims liabilities for 31 December 2016

<u>Gross claims incurred</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	88,551	11,983	9,012	11,692	17,009	21,254	14,871	14,978	
One year later	70,263	5,967	8,521	9,532	19,326	16,487	13,925		
Two years later	59,942	4,031	7,618	7,185	12,652	12,483			
Three years later	54,893	3,921	5,560	2,949	9,608				
Four years later	50,617	4,113	4,023	3,176					
Five years later	48,586	3,629	3,874						
Six years later	46,453	3,574							
Seven years later	48,575								
Current estimate of cumulative claims incurred	48,575	3,574	3,874	3,176	9,608	12,483	13,925	14,978	110,193

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2016 (continued)

<u>Gross claims paid</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(14,656)	(860)	(1,940)	(1,333)	(2,934)	(1,933)	(3,208)	(3,817)	
One year later	(37,580)	(3,220)	(3,366)	(2,549)	(8,157)	(8,150)	(6,514)		
Two years later	(40,654)	(3,330)	(3,699)	(2,881)	(8,783)	(8,502)			
Three years later	(41,358)	(3,351)	(3,708)	(2,887)	(8,942)				
Four years later	(41,493)	(3,353)	(3,808)	(3,123)					
Five years later	(41,623)	(3,574)	(3,808)						
Six years later	(41,772)	(3,574)							
Seven years later	(48,134)								
Cumulative payments to-date	(48,134)	(3,574)	(3,808)	(3,123)	(8,942)	(8,502)	(6,514)	(3,817)	(86,414)
Gross General Takaful claims liabilities	441	-	66	53	666	3,981	7,411	11,161	23,779

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2015

<u>Gross claims incurred</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
<u>Accident year</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	81,866	88,551	11,983	9,012	11,692	17,009	21,254	14,871	
One year later	101,362	70,263	5,967	8,521	9,532	19,326	16,487		
Two years later	98,189	59,942	4,031	7,618	7,185	12,652			
Three years later	93,678	54,893	3,921	5,560	2,949				
Four years later	89,896	50,617	4,113	4,023					
Five years later	84,509	48,586	3,629						
Six years later	80,358	46,453							
Seven years later	78,067								
Current estimate of cumulative claims incurred	<u>78,067</u>	<u>46,453</u>	<u>3,629</u>	<u>4,023</u>	<u>2,949</u>	<u>12,652</u>	<u>16,487</u>	<u>14,871</u>	<u>179,131</u>

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2015 (continued)

<u>Gross claims paid</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(22,122)	(14,656)	(860)	(1,940)	(1,333)	(2,934)	(1,933)	(3,208)	
One year later	(52,867)	(37,580)	(3,220)	(3,366)	(2,549)	(8,157)	(8,150)		
Two years later	(71,621)	(40,654)	(3,330)	(3,699)	(2,881)	(8,783)			
Three years later	(76,230)	(41,358)	(3,351)	(3,708)	(2,887)				
Four years later	(77,408)	(41,493)	(3,353)	(3,808)					
Five years later	(77,764)	(41,623)	(3,574)						
Six years later	(77,851)	(41,772)							
Seven years later	(77,879)								
Cumulative payments to-date	(77,879)	(41,772)	(3,574)	(3,808)	(2,887)	(8,783)	(8,150)	(3,208)	(150,061)
Gross General Takaful claims liabilities	188	4,681	55	215	62	3,869	8,337	11,663	29,070

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)Claims development table (continued)Net General Takaful claims liabilities for 31 December 2016

<u>Net claims incurred</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
<u>Accident year</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	40,371	3,302	4,272	4,852	9,219	9,312	10,555	10,411	
One year later	36,699	3,063	3,477	4,783	7,449	8,667	9,793		
Two years later	39,268	2,198	3,501	3,618	6,859	5,822			
Three years later	36,473	2,072	2,476	1,735	3,799				
Four years later	29,827	2,069	1,808	1,788					
Five years later	27,949	1,995	1,750						
Six years later	26,034	1,985							
Seven years later	24,845								
Current estimate of cumulative claims incurred	<u>24,845</u>	<u>1,985</u>	<u>1,750</u>	<u>1,788</u>	<u>3,799</u>	<u>5,822</u>	<u>9,793</u>	<u>10,411</u>	<u>60,193</u>

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2016 (continued)

<u>Net claims paid</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(11,562)	(509)	(891)	(757)	(1,957)	(1,114)	(2,023)	(2,508)	
One year later	(20,312)	(1,741)	(1,474)	(1,626)	(2,892)	(2,658)	(3,883)		
Two years later	(23,202)	(1,762)	(1,720)	(1,694)	(3,292)	(2,567)			
Three years later	(23,861)	(1,765)	(1,720)	(1,699)	(3,402)				
Four years later	(23,990)	(1,765)	(1,741)	(1,746)					
Five years later	(24,120)	(1,985)	(1,741)						
Six years later	(24,196)	(1,985)							
Seven years later	(24,687)								
Cumulative payments to-date	(24,687)	(1,985)	(1,741)	(1,746)	(3,402)	(2,567)	(3,883)	(2,508)	(42,519)
Net General Takaful claims liabilities	158	-	9	42	397	3,255	5,910	7,903	17,674

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)Claims development table (continued)Net General Takaful claims liabilities for 31 December 2015

<u>Net claims incurred</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
<u>Accident year</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	63,095	40,371	3,302	4,272	4,852	9,219	9,312	10,555	
One year later	68,384	36,699	3,063	3,477	4,783	7,449	8,667		
Two years later	70,865	39,268	2,198	3,501	3,618	6,859			
Three years later	68,238	36,473	2,072	2,476	1,735				
Four years later	66,871	29,827	2,069	1,808					
Five years later	61,457	27,949	1,995						
Six years later	57,632	26,034							
Seven years later	55,339								
Current estimate of cumulative claims incurred	55,339	26,034	1,995	1,808	1,735	6,859	8,667	10,555	112,992

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2015 (continued)

<u>Net claims paid</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)									
At end of accident year	(16,749)	(11,562)	(509)	(891)	(757)	(1,957)	(1,114)	(2,023)	
One year later	(38,729)	(20,312)	(1,741)	(1,474)	(1,626)	(2,892)	(2,658)		
Two years later	(49,607)	(23,202)	(1,762)	(1,720)	(1,694)	(3,292)			
Three years later	(53,828)	(23,861)	(1,765)	(1,720)	(1,699)				
Four years later	(54,727)	(23,990)	(1,765)	(1,741)					
Five years later	(55,061)	(24,120)	(1,985)						
Six years later	(55,144)	(24,196)							
Seven years later	(55,170)								
Cumulative payments to-date	(55,170)	(24,196)	(1,985)	(1,741)	(1,699)	(3,292)	(2,658)	(2,023)	(92,764)
Net General Takaful claims liabilities	169	1,838	10	67	36	3,567	6,009	8,532	20,228

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30 **FINANCIAL RISKS**

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations of the principal and/or profit. Exposure to such risk arises primarily from default risk of unquoted Sukuk purchased.

The Company manages the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Company is also exposed to credit risk through its use of retakaful. Retakaful arrangements are only placed with providers who meet the Company's counterparty credit standards.

The Company only purchases Sukuk of high credit standing (with minimum rating of AA) as rated by authorised rating agencies. The Company also actively monitors and considers the risk of fall in the value of fixed profit securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Investment Guidelines of the Company.

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The method used in monitoring the credit risk exposure to the Company did not change from the previous financial year.

The Company has not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to certificate holders are linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in these assets. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	<u>Shareholders' fund</u> RM'000	<u>General Takaful fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Company</u> RM'000
<u>2016</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	40,761	14,827	84,021	-	139,609
<u>FVTPL - designated upon initial recognition</u>					
Quoted equity securities *	-	-	11,868	-	11,868
Unit trust funds	-	-	-	20,923	20,923
<u>AFS financial assets</u>					
Government Investment Issues	127,955	12,275	172,234	-	312,464
Cagamas Sukuk	-	-	15,234	-	15,234
Unquoted Sukuk	131,554	17,582	513,607	-	662,743
Investments in investment-linked funds *	8,038	-	-	-	-
Takaful receivables	-	3,026	30,366	-	33,392
Retakaful assets	-	7,140	37,743	-	44,883
Other receivables	62,116	28	7,142	16	7,271
Cash and bank balances	4,983	3,015	15,651	94	23,743
	<u>375,407</u>	<u>57,893</u>	<u>887,866</u>	<u>21,033</u>	<u>1,272,130</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure (continued)

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Investment- linked fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2015</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	27,119	12,784	77,946	2,248	120,097
<u>FVTPL - designated upon initial recognition</u>					
Government Investment Issues	-	-	-	515	515
Unquoted Sukuk	-	-	-	4,239	4,239
Quoted equity securities *	-	-	14,924	9,581	24,505
Unit trust funds	-	-	-	1,657	1,657
<u>AFS financial assets</u>					
Government Investment Issues	127,802	16,796	89,722	-	234,320
Cagamas Sukuk	-	-	19,779	-	19,779
Unquoted Sukuk	84,771	19,630	429,682	-	534,083
Investments in investment-linked funds *	7,940	-	-	-	-
Takaful receivables	-	3,218	31,011	-	34,229
Retakaful assets	-	9,129	5,744	-	14,873
Other receivables	25,116	2,337	441	389	969
Cash and bank balances	2,295	2,826	14,362	37	19,520
	<u>275,043</u>	<u>66,720</u>	<u>683,611</u>	<u>18,666</u>	<u>1,008,786</u>

* Not subject to credit risk

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2016</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	127,955	-	-	-	127,955
Unquoted Sukuk	20,388	5,061	-	-	106,105	-	-	-	131,554
Investment-linked funds	-	-	-	-	-	8,038	-	-	8,038
<u>Financing and receivables</u>									
Fixed and call deposits	24,096	16,665	-	-	-	-	-	-	40,761
Other receivables	-	-	-	-	62,116	-	-	-	62,116
Cash and bank balances	4,977	-	-	-	6	-	-	-	4,983
	<u>49,461</u>	<u>21,726</u>	<u>-</u>	<u>-</u>	<u>296,182</u>	<u>8,038</u>	<u>-</u>	<u>-</u>	<u>375,407</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2015</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	127,802	-	-	-	127,802
Unquoted Sukuk	10,239	5,060	-	-	69,472	-	-	-	84,771
Investment-linked funds	-	-	-	-	-	7,940	-	-	7,940
<u>Financing and receivables</u>									
Fixed and call deposits	12,499	14,620	-	-	-	-	-	-	27,119
Other receivables	-	-	-	-	25,116	-	-	-	25,116
Cash and bank balances	2,292	-	-	-	3	-	-	-	2,295
	<u>25,030</u>	<u>19,680</u>	<u>-</u>	<u>-</u>	<u>222,393</u>	<u>7,940</u>	<u>-</u>	<u>-</u>	<u>275,043</u>

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NOTES TO THE FINANCIAL STATEMENTS
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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>General Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2016</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	12,275	-	-	-	12,275
Unquoted Sukuk	-	7,644	-	-	9,938	-	-	-	17,582
<u>Financing and receivables</u>									
Fixed and call deposits	6,843	7,984	-	-	-	-	-	-	14,827
Takaful receivables	-	-	-	-	2,995	-	31	659	3,685
Retakaful assets	-	-	-	-	7,140	-	-	-	7,140
Other receivables	-	-	-	-	28	-	-	-	28
Cash and bank balances	2,412	577	-	-	26	-	-	-	3,015
Allowance for impairment losses	-	-	-	-	-	-	-	(659)	(659)
	<u>9,255</u>	<u>16,205</u>	<u>-</u>	<u>-</u>	<u>32,402</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>57,893</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>General Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2015</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	16,796	-	-	-	16,796
Unquoted Sukuk	-	9,627	-	-	10,003	-	-	-	19,630
<u>Financing and receivables</u>									
Fixed and call deposits	1,777	11,007	-	-	-	-	-	-	12,784
Takaful receivables	-	-	143	8	2,796	-	271	60	3,278
Retakaful assets	-	-	-	-	9,129	-	-	-	9,129
Other receivables	-	-	-	-	2,337	-	-	-	2,337
Cash and bank balances	2,083	497	-	-	246	-	-	-	2,826
Allowance for impairment losses	-	-	-	-	-	-	-	(60)	(60)
	<u>3,860</u>	<u>21,131</u>	<u>143</u>	<u>8</u>	<u>41,307</u>	<u>-</u>	<u>271</u>	<u>-</u>	<u>66,720</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2016</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	172,234	-	-	-	-	172,234
Cagamas Sukuk	15,234	-	-	-	-	-	-	-	-	15,234
Unquoted Sukuk	123,942	127,799	-	-	261,866	-	-	-	-	513,607
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	-	-	-	-
Unquoted Sukuk	-	-	-	-	-	-	-	-	-	-
Quoted equity securities	-	-	-	-	-	11,868	-	-	-	11,868
Unit trust funds	-	-	-	-	-	-	20,923	-	-	20,923
<u>Financing and receivables</u>										
Fixed and call deposits	43,869	40,152	-	-	-	-	-	-	-	84,021
Takaful receivables	-	-	-	-	30,366	-	-	-	6	30,372
Retakaful assets	-	36,563	176	-	1,004	-	-	-	-	37,743
Other receivables	-	-	-	-	7,142	-	16	-	-	7,158
Cash and bank balances	15,145	488	-	-	18	-	94	-	-	15,745
Allowance for impairment losses	-	-	-	-	-	-	-	-	(6)	(6)
	<u>198,190</u>	<u>205,002</u>	<u>176</u>	<u>-</u>	<u>472,630</u>	<u>11,868</u>	<u>21,033</u>	<u>-</u>	<u>-</u>	<u>908,899</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2015</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	89,722	-	-	-	-	89,722
Cagamas Sukuk	19,779	-	-	-	-	-	-	-	-	19,779
Unquoted Sukuk	111,494	100,534	-	-	217,654	-	-	-	-	429,682
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	515	-	-	515
Unquoted Sukuk	-	-	-	-	-	-	4,239	-	-	4,239
Quoted equity securities	-	-	-	-	-	14,924	9,581	-	-	24,505
Unit trust funds	-	-	-	-	-	-	1,657	-	-	1,657
<u>Financing and receivables</u>										
Fixed and call deposits	5,845	72,101	-	-	-	-	2,248	-	-	80,194
Takaful receivables	-	-	-	-	31,011	-	-	-	-	31,011
Retakaful assets	-	4,918	211	-	615	-	-	-	-	5,744
Other receivables	-	-	-	-	441	-	389	-	-	830
Cash and bank balances	13,755	594	-	-	13	-	37	-	-	14,399
	<u>150,873</u>	<u>178,147</u>	<u>211</u>	<u>-</u>	<u>339,456</u>	<u>14,924</u>	<u>18,666</u>	<u>-</u>	<u>-</u>	<u>702,277</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>Company</u>	Neither past due nor impaired					Not subject to <u>credit risk</u> RM'000	Investment- <u>linked fund</u> RM'000	Past due but not <u>impaired</u> RM'000	Past due and <u>impaired</u> RM'000	<u>Total</u> RM'000
	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000					
<u>2016</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	312,464	-	-	-	-	312,464
Cagamas Sukuk	15,234	-	-	-	-	-	-	-	-	15,234
Unquoted Sukuk	144,330	140,504	-	-	377,909	-	-	-	-	662,743
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	-	-	-	-
Unquoted Sukuk	-	-	-	-	-	-	-	-	-	-
Quoted equity securities	-	-	-	-	-	11,868	-	-	-	11,868
Unit trust funds	-	-	-	-	-	-	20,923	-	-	20,923
<u>Financing and receivables</u>										
Fixed and call deposits	74,808	64,801	-	-	-	-	-	-	-	139,609
Takaful receivables	-	-	-	-	33,361	-	-	31	665	34,057
Retakaful assets	-	36,563	176	-	8,144	-	-	-	-	44,883
Other receivables	-	-	-	-	7,255	-	16	-	-	7,271
Cash and bank balances	22,534	1,065	-	-	50	-	94	-	-	23,743
Allowance for impairment losses	-	-	-	-	-	-	-	-	(665)	(665)
	<u>256,906</u>	<u>242,933</u>	<u>176</u>	<u>-</u>	<u>739,183</u>	<u>11,868</u>	<u>21,033</u>	<u>31</u>	<u>-</u>	<u>1,272,130</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>Company</u>	Neither past due nor impaired					Not subject to <u>credit risk</u> RM'000	Investment- <u>linked fund</u> RM'000	Past due but not <u>impaired</u> RM'000	Past due and <u>impaired</u> RM'000	<u>Total</u> RM'000
	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000					
<u>2015</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	234,320	-	-	-	-	234,320
Cagamas Sukuk	19,779	-	-	-	-	-	-	-	-	19,779
Unquoted Sukuk	121,733	115,220	-	-	297,130	-	-	-	-	534,083
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	515	-	-	515
Unquoted Sukuk	-	-	-	-	-	-	4,239	-	-	4,239
Quoted equity securities	-	-	-	-	-	14,924	9,581	-	-	24,505
Unit trust funds	-	-	-	-	-	-	1,657	-	-	1,657
<u>Financing and receivables</u>										
Fixed and call deposits	20,121	97,728	-	-	-	-	2,248	-	-	120,097
Takaful receivables	-	-	143	8	33,807	-	-	271	60	34,289
Retakaful assets	-	4,918	211	-	9,744	-	-	-	-	14,873
Other receivables	-	-	-	-	826	-	143	-	-	969
Cash and bank balances	18,130	1,091	-	-	262	-	37	-	-	19,520
Allowance for impairment losses	-	-	-	-	-	-	-	-	(60)	(60)
	<u>179,763</u>	<u>218,957</u>	<u>354</u>	<u>8</u>	<u>576,089</u>	<u>14,924</u>	<u>18,420</u>	<u>271</u>	<u>-</u>	<u>1,008,786</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Aged analysis of financial assets past due but not impaired

<u>General Takaful fund/Company</u>	< 90 <u>days</u> RM'000	> 90 <u>days</u> RM'000	<u>Total</u> RM'000
<u>2016</u>			
Takaful receivables	26	5	31
<u>2015</u>			
Takaful receivables	140	131	271

Impaired Takaful receivables

At 31 December 2016, impaired Takaful receivables amounted to RM0.7 million (2015: RM0.06 million). Impairment of Takaful receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

A reconciliation of the allowance for impairment losses on Takaful receivables is as follows:

	<u>2016</u>		
	<u>General</u> <u>Takaful fund</u> RM'000	<u>Family</u> <u>Takaful fund</u> RM'000	<u>Company</u> RM'000
As at 1 January	60	-	60
Allowance for impairment loss during the financial year (note 23)	599	6	605
As at 31 December (note 8)	659	6	665
	<u>2015</u>		
	<u>General</u> <u>Takaful fund</u> RM'000	<u>Family</u> <u>Takaful fund</u> RM'000	<u>Company</u> RM'000
As at 1 January	37	-	37
Allowance for impairment loss during the financial year (note 23)	23	-	23
As at 31 December (note 8)	60	-	60

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Impaired other receivables

At 31 December 2016, impaired other receivables amounted to RM nil (2015: RM nil). Impairment of other receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

A reconciliation of the allowance for impairment losses on other receivables is as follows:

	<u>2016</u>	<u>2015</u>
	<u>General Takaful</u>	<u>General Takaful</u>
	<u>fund/Company</u>	<u>fund/Company</u>
	RM'000	RM'000
As at 1 January	-	-
Write off against other receivables	(7)	-
Allowance for impairment loss during the financial year (note 23)	7	-
	<u> </u>	<u> </u>
As at 31 December	<u> </u>	<u> </u>

Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Investment department of the Company manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company has a strong liquidity position and seeks to maintain sufficient financial resources to meet its obligations as they fall due.

The method used in monitoring the liquidity risk did not change from the previous financial year.

Maturity profiles

The table below summarises the maturity profile of the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for Takaful contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised Takaful contract liabilities.

Available-for-sale fair value adjustment, unearned contribution reserve, retakaful's share of unearned contribution reserve and expense liabilities have been excluded from the analysis as they are not contractual obligations.

Investment-linked fund liabilities are repayable or transferable upon notice by certificate holders and are disclosed separately under the "Investment-linked fund" column. Repayments which are subject to notice are treated as if such notices were to be given immediately.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Total RM'000
<u>2016</u>								
<u>AFS financial assets</u>								
Government Investment Issues	127,955	5,332	10,665	13,579	137,802	-	-	167,378
Unquoted Sukuk	131,554	5,777	16,545	29,889	126,852	-	-	179,063
Investment-linked funds	8,038	-	-	-	-	-	8,038	8,038
<u>Financing and receivables</u>								
Fixed and call deposits	40,761	40,797	-	-	-	-	-	40,797
Other receivables	62,116	62,116	-	-	-	-	-	62,116
Cash and bank balances	4,983	4,983	-	-	-	-	-	4,983
Total financial assets	<u>375,407</u>	<u>119,005</u>	<u>27,210</u>	<u>43,468</u>	<u>264,654</u>	<u>-</u>	<u>8,038</u>	<u>462,375</u>
Other payables	28,521	28,521	-	-	-	-	-	28,521
Expense liabilities	42,664	18,958	12,075	7,507	7,247	774	-	46,561
Total financial liabilities	<u>71,185</u>	<u>47,479</u>	<u>12,075</u>	<u>7,507</u>	<u>7,247</u>	<u>774</u>	<u>-</u>	<u>75,082</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Total RM'000
<u>2015</u>								
<u>AFS financial assets</u>								
Government Investment Issues	127,802	7,358	10,664	10,664	137,799	-	-	166,485
Unquoted Sukuk	84,771	4,603	7,361	31,784	71,229	-	-	114,977
Investment-linked funds	7,940	-	-	-	-	-	7,940	7,940
<u>Financing and receivables</u>								
Fixed and call deposits	27,119	27,131	-	-	-	-	-	27,131
Other receivables	25,116	25,116	-	-	-	-	-	25,116
Cash and bank balances	2,295	2,295	-	-	-	-	-	2,295
Total financial assets	<u>275,043</u>	<u>66,503</u>	<u>18,025</u>	<u>42,448</u>	<u>209,028</u>	<u>-</u>	<u>7,940</u>	<u>343,944</u>
Other payables	34,313	34,313	-	-	-	-	-	34,313
Expense liabilities	35,710	14,775	7,648	6,473	9,874	1,937	-	40,707
Total financial liabilities	<u>70,023</u>	<u>49,088</u>	<u>7,648</u>	<u>6,473</u>	<u>9,874</u>	<u>1,937</u>	<u>-</u>	<u>75,020</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
<u>General Takaful fund</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2016</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	17,582	1,746	4,879	8,778	5,961	-	-	21,364
Government Investment Issues	12,275	513	10,525	168	2,045	-	-	13,251
<u>Financing and receivables</u>								
Fixed and call deposits	14,827	14,850	-	-	-	-	-	14,850
Takaful receivables	3,026	3,026	-	-	-	-	-	3,026
Other receivables	28	28	-	-	-	-	-	28
Retakaful assets	6,105	3,469	2,446	190	-	-	-	6,105
Cash and bank balances	3,015	3,015	-	-	-	-	-	3,015
Total financial assets	56,858	26,647	17,850	9,136	8,006	-	-	61,639
<u>Takaful contract liabilities</u>								
Takaful payables	2,764	2,764	-	-	-	-	-	2,764
Other payables	10,938	10,938	-	-	-	-	-	10,938
Total financial liabilities	49,271	39,005	9,525	740	1	-	-	49,271

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	<u>Total</u> RM'000
<u>General Takaful fund</u>								
<u>2015</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	19,630	968	8,478	12,979	-	-	-	22,425
Government Investment Issues	16,796	837	10,788	539	7,172	-	-	19,336
<u>Financing and receivables</u>								
Fixed and call deposits	12,784	12,798	-	-	-	-	-	12,798
Takaful receivables	3,218	3,218	-	-	-	-	-	3,218
Other receivables	2,337	2,337	-	-	-	-	-	2,337
Retakaful assets	8,842	6,040	2,753	44	5	-	-	8,842
Cash and bank balances	2,826	2,826	-	-	-	-	-	2,826
Total financial assets	<u>66,433</u>	<u>29,024</u>	<u>22,019</u>	<u>13,562</u>	<u>7,177</u>	<u>-</u>	<u>-</u>	<u>71,782</u>
Takaful contract liabilities	40,588	31,375	9,050	145	18	-	-	40,588
Takaful payables	4,424	4,424	-	-	-	-	-	4,424
Other payables	12,045	12,045	-	-	-	-	-	12,045
Total financial liabilities	<u>57,057</u>	<u>47,844</u>	<u>9,050</u>	<u>145</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>57,057</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2016</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	513,607	24,465	74,858	79,137	437,474	231,778	-	-	847,712
Cagamas Sukuk	15,234	683	1,365	1,365	17,614	-	-	-	21,027
Government Investment Issues	172,234	7,691	15,382	28,880	117,795	104,412	-	-	274,160
<u>FVTPL financial assets</u>									
Quoted equity securities	11,868	-	-	-	-	-	11,868	-	11,868
Unit trust funds	20,923	-	-	-	-	-	-	20,923	20,923
<u>Financing and receivables</u>									
Fixed and call deposits	84,021	84,063	-	-	-	-	-	-	84,063
Takaful receivables	30,366	30,366	-	-	-	-	-	-	30,366
Retakaful assets	37,743	12,683	5,710	4,100	10,135	5,115	-	-	37,743
Other receivables	7,158	7,142	-	-	-	-	-	16	7,158
Cash and bank balances	15,745	15,651	-	-	-	-	-	94	15,745
Total financial assets	<u>908,899</u>	<u>182,744</u>	<u>97,315</u>	<u>113,482</u>	<u>583,018</u>	<u>341,305</u>	<u>11,868</u>	<u>21,033</u>	<u>1,350,765</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2016</u> (continued)									
Takaful contract liabilities	835,200	130,618	155,998	112,020	276,916	139,741	26,066	20,976	862,335
Takaful payables	17,505	17,505	-	-	-	-	-	-	17,505
Other payables	56,552	56,545	-	-	-	-	-	7	56,552
Total financial liabilities	<u>909,257</u>	<u>204,668</u>	<u>155,998</u>	<u>112,020</u>	<u>276,916</u>	<u>139,741</u>	<u>26,066</u>	<u>20,983</u>	<u>936,392</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2015</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	429,682	28,639	49,028	57,273	382,440	216,078	-	-	733,458
Cagamas Sukuk	19,779	1,049	1,780	6,745	18,298	-	-	-	27,872
Government Investment Issues	89,722	4,754	8,047	14,512	67,833	47,092	-	-	142,238
<u>FVTPL financial assets</u>									
Government Investment Issues	515	-	-	-	-	-	-	515	515
Unquoted Sukuk	4,239	-	-	-	-	-	-	4,239	4,239
Quoted equity securities	24,505	-	-	-	-	-	14,924	9,581	24,505
Unit trust funds	1,657	-	-	-	-	-	-	1,657	1,657
<u>Financing and receivables</u>									
Fixed and call deposits	80,194	78,099	-	-	-	-	-	2,248	80,347
Takaful receivables	31,011	31,011	-	-	-	-	-	-	31,011
Retakaful assets	5,744	5,744	-	-	-	-	-	-	5,744
Other receivables	830	441	-	-	-	-	-	389	830
Cash and bank balances	14,399	14,362	-	-	-	-	-	37	14,399
Total financial assets	<u>702,277</u>	<u>164,099</u>	<u>58,855</u>	<u>78,530</u>	<u>468,571</u>	<u>263,170</u>	<u>14,924</u>	<u>18,666</u>	<u>1,066,815</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2015 (continued)</u>									
Takaful contract liabilities	672,877	90,769	108,487	87,235	244,502	125,444	21,090	18,523	696,050
Takaful payables	13,880	13,880	-	-	-	-	-	-	13,880
Other payables	20,135	20,076	-	-	-	-	-	62	20,138
Total financial liabilities	<u>706,892</u>	<u>124,725</u>	<u>108,487</u>	<u>87,235</u>	<u>244,502</u>	<u>125,444</u>	<u>21,090</u>	<u>18,585</u>	<u>730,068</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2016</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	662,743	31,988	96,282	117,804	570,287	231,778	-	-	1,048,139
Cagamas Sukuk	15,234	683	1,365	1,365	17,614	-	-	-	21,027
Government Investment Issues	312,464	13,536	36,572	42,627	257,642	104,412	-	-	454,789
<u>FVTPL financial assets</u>									
Quoted equity securities	11,868	-	-	-	-	-	11,868	-	11,868
Unit trust funds	20,923	-	-	-	-	-	-	20,923	20,923
<u>Financing and receivables</u>									
Fixed and call deposits	139,609	139,710	-	-	-	-	-	-	139,710
Takaful receivables	33,392	33,392	-	-	-	-	-	-	33,392
Retakaful assets	43,848	16,152	8,156	4,290	10,135	5,115	-	-	43,848
Other receivables	7,271	7,255	-	-	-	-	-	16	7,271
Cash and bank balances	23,743	23,649	-	-	-	-	-	94	23,743
Total financial assets	<u>1,271,095</u>	<u>266,365</u>	<u>142,375</u>	<u>166,086</u>	<u>855,678</u>	<u>341,305</u>	<u>11,868</u>	<u>21,033</u>	<u>1,804,710</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked fund</u> RM'000	<u>Total</u> RM'000
<u>2016</u> (continued)									
Takaful contract liabilities	870,769	155,921	165,523	112,760	276,917	139,741	26,066	12,938	889,866
Takaful payables	20,269	20,269	-	-	-	-	-	-	20,269
Other payables	33,980	33,973	-	-	-	-	-	7	33,980
Expense liabilities	42,664	18,958	12,075	7,507	7,247	774	-	-	46,561
Total financial liabilities	967,682	229,121	177,598	120,267	284,164	140,515	26,066	12,945	990,676

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2015</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	534,083	34,210	64,867	102,036	453,669	216,078	-	-	870,860
Cagamas Sukuk	19,779	1,049	1,780	6,745	18,298	-	-	-	27,872
Government Investment Issues	234,320	12,949	29,499	25,715	212,804	47,092	-	-	328,059
<u>FVTPL financial assets</u>									
Government Investment Issues	515	-	-	-	-	-	-	515	515
Unquoted Sukuk	4,239	-	-	-	-	-	-	4,239	4,239
Quoted equity securities	24,505	-	-	-	-	-	14,924	9,581	24,505
Unit trust funds	1,657	-	-	-	-	-	-	1,657	1,657
<u>Financing and receivables</u>									
Fixed and call deposits	120,097	118,028	-	-	-	-	-	2,248	120,276
Takaful receivables	34,229	34,229	-	-	-	-	-	-	34,229
Retakaful assets	14,586	11,784	2,753	44	5	-	-	-	14,586
Other receivables	969	826	-	-	-	-	-	143	969
Cash and bank balances	19,520	19,483	-	-	-	-	-	37	19,520
Total financial assets	<u>1,008,499</u>	<u>232,558</u>	<u>98,899</u>	<u>134,540</u>	<u>684,776</u>	<u>263,170</u>	<u>14,924</u>	<u>18,420</u>	<u>1,447,287</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2015</u> (continued)									
Takaful contract liabilities	713,465	122,144	117,537	87,380	244,520	125,444	21,090	10,583	728,698
Takaful payables	18,304	18,304	-	-	-	-	-	-	18,304
Other payables	39,179	39,117	-	-	-	-	-	62	39,179
Expense liabilities	35,710	14,775	7,648	6,473	9,874	1,937	-	-	40,707
Total financial liabilities	<u>806,658</u>	<u>194,340</u>	<u>125,185</u>	<u>93,853</u>	<u>254,394</u>	<u>127,381</u>	<u>21,090</u>	<u>10,645</u>	<u>826,888</u>

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30 FINANCIAL RISKS (CONTINUED)

Market risk

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and profit rates. It is recognised that such risk is inevitable from the business that the Company undertakes, and that a certain level of market risk is desirable to deliver benefits to both certificate holders and shareholders by achieving the Company's financial objectives.

The Company manages market risk by adopting asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However where any mismatch is within the Company's appetite, the impact is monitored through economic capital measures.

Volatility in profit rates is the Company's largest market risk exposure. The Company monitors market price movements through regular stress/sensitivity testing and constant supervision.

The method used in monitoring market risk did not change from the previous financial year.

(i) Profit rate risk

Profit rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market profit rate.

The Company's concentration of profit rate risk arises from fixed rate instruments and the Company's asset liability risk management policy requires management to manage the profit rate risk by maintaining an appropriate liability driven investment strategy. Profit on fixed rate instruments is priced at the issuance of the financial instrument and is fixed until the instrument matures.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation and equity. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit <u>before taxation</u> RM'000	Company Impact on <u>equity*</u> RM'000
<u>2016</u>		
<u>Change in profit rate</u>		
+ 100 basis points	-	(12,011)
- 100 basis points	-	13,101
	=====	=====

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30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(i) Profit rate risk (continued)

<u>2015</u>	<u>Company</u>	
	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in profit rate</u>		
+ 100 basis points	-	(9,353)
- 100 basis points	-	10,101
	=====	=====

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year.

The impact to the Company's equity arose from AFS financial assets in the Shareholders' fund. The impact arising from changes in profit rate risk to AFS and FVTPL fixed income securities of the General Takaful fund, Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities and as such, does not impact the profit before taxation and equity of the Company.

(ii) Price risk

Price risk is the risk that the fair value of a financial instrument or portfolio will decline from adverse movement in the market price of an asset, whether those changes are caused by factors specific to the individual financial instrument, overall performance of the market and economy, or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to risk of losses arising from equity assets as a result of movement in market prices, principally investment securities not held for the account of unit-linked business.

The Company's asset liability risk management policy requires it to manage equity price risk and profit rate risk by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in the country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM's stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation and equity. 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 an individual basis. It should be noted that movements in these variables are non-linear.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(ii) Price risk (continued)

	Impact on profit <u>before taxation</u> RM'000	Company Impact on <u>equity*</u> RM'000
<u>2016</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	-	-
	=====	=====
<u>2015</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	-	-
	=====	=====

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year.

There is no impact to the Company's profit before taxation and equity from changes in equity price risk of the Family Takaful fund and Investment-linked funds as these are retained in the Takaful contract liabilities.

Operational risk

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company has in place an Operational Risk Management ("ORM") policy which outlines the approach in managing operational risks. From the governance perspective, the RMC and ERMC monitor and oversee the implementation of the ORM policy to ensure that the operational risk management process is in place and functioning effectively.

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31 COMMITMENTS AND CONTINGENCIES

There were no commitments and contingencies that have arisen during the current financial year ended 31 December 2016.

32 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2016, as prescribed under the Risk Based Capital Framework is provided below:

	<u>2016</u> RM'000	<u>2015</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,010	100,010
Share premium	99,990	99,990
Retained earnings	101,526	13,633
Eligible contract liabilities	18,082	16,429
	<u>319,608</u>	<u>230,062</u>
<u>Tier 2 Capital</u>		
Eligible reserves	297	(775)
Amounts deducted from capital	(3,296)	(5,998)
Total capital available	<u><u>316,609</u></u>	<u><u>223,289</u></u>

33 EVENTS AFTER THE REPORTING YEAR

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 and was passed by Parliament on 4 April 2016 and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium account.

The adoption of the New Act is not expected to have any financial impact on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the financial statements of the Company for the financial year ending 31 December 2017.