

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2014

0723A5/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 2014.

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	<u>17,302</u>

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2014.

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 is no issuance of shares by the Company during the financial year.

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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.

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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 at the Board Meetings held during the financial year are as follows:

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

In accordance with Article 69 of the Company's Articles of Association, Encik Ahmad Farouk Bin Mohamed, Encik Renzo Christopher Viegas and Encik Jose Isidro Navato Camacho shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, 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 004-1 Guidelines on Directorship for Takaful Operators, BNM/RH/GL_012_3 Shariah Governance Framework for Islamic Financial Institutions, BNM/RH/GL 018-5 on Fit and Proper Criteria, BNM/RH/GL/003-2 Prudential Framework of Corporate Governance for Insurers, other directives and the principles of Shariah.

SUN LIFE MALAYSIA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC")

The composition of the AC comprises a majority of Independent Directors of the Company and the attendances of the AC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir - Chairman (Independent Non-Executive Director)	7/7
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	7/7
Encik Roger David Steel (Non-Independent Non-Executive Director)	6/7

The duties and responsibilities of the AC are as follows:

Financial Reporting

- (i) Reviews with management and the External Auditor and makes recommendations to the Board of Directors 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 should be disclosed to the Board together with the recommendations on the proposed actions to be taken.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

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; and
- (iii) Reviews with the management and the Head of Internal Audit:
 - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed on it in the External Auditor's audit plan, and the adequacy of the resources available to the Head of Internal Audit; and
 - (b) The effectiveness of the internal control procedures.

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 the material transactions that are being proposed by the Company;
- (vi) Reviews, and discusses with the External Auditor and Appointed Actuary 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
- (ix) Reviews any related party transactions and conflicts of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Others

- (i) Performs such other duties and exercises such 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 at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir - Chairman (Independent Non-Executive Director)	3/3
Encik Izlan Bin Izhab (Independent Non-Executive Director)	3/3
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	3/3
Encik Renzo Christopher Viegas (Non-Independent Non-Executive Director)	3/3
Encik Roger David Steel (Non-Independent Non-Executive Director)	2/3

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

- (i) Establishing minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing 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;
- (ii) Recommending and assessing 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 as proposed for re-appointment before an application for approval is submitted to Bank Negara Malaysia;
- (iii) Establishing a mechanism for formal assessment and assessing 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;
- (iv) Recommending to the Board on removal of a Director, Chief Executive Officer and Shariah Committee Member if he is ineffective, errant or negligent in discharging his responsibilities;
- (v) Ensuring that all Directors and Shariah Committee Members undergo appropriate induction programmes and receive continuous training;

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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 nominating role are as follows:
(continued)

- (vi) Overseeing the appointments, management succession planning and performance evaluation of Key Senior Officers and recommending to the Board the removal of Key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities;
- (vii) To seek the services of such advisors or consultants as it deems necessary to fulfil its responsibilities; and
- (viii) Review 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) Recommending a framework of remuneration for Directors, Chief Executive Officer, Shariah Committee Members and Key Senior Officers; and
- (ii) Recommending specific remuneration packages for Directors, Chief Executive Officer, Shariah Committee Members and Key Senior Officers.

Risk Management Committee ("RMC")

The composition of the RMC comprises Non-Executive Directors of the Company and the attendance of the RMC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Encik Jose Isidro Navato Camacho – Chairman (Independent Non-Executive Director)	5/5
Dato' Mohd Shukri Bin Hussin (Non-Independent Non-Executive Director)	5/5
Encik Roger David Steel (Non-Independent Non-Executive Director)	5/5

The duties and responsibilities of the RMC are as follows:

Risk Management

- (i) Reviewing and recommending risk management strategies, policies, risk tolerance and risk appetite for the Board's approval;
- (ii) Reviewing at least annually and assessing 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) Ensuring adequate infrastructure, resources and systems are in place for an effective risk management;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

Risk Management (continued)

- (iv) Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (v) Reviewing and assessing on matters as recommended by the Executive Committee, for the Board's approval;
- (vi) Monitoring 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) Reviewing and assessing 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 the senior management in addressing the identified risks;
- (viii) Reviewing annually key risk-related issues incorporated into the business plans; and
- (ix) Through the processes set out in the Risk Management Policies, reviewing management's actions related to the product design.

Compliance

- (i) Reviewing at least annually and approving changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviewing 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) Reviewing quarterly compliance reports presented to the 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) Reviewing, at least annually, and approving 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 (the Nominees), with a maximum of two Nominees from each shareholder. The attendance of the EC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Encik Ahmad Farouk Bin Mohamed	3/3
Encik Roger David Steel	3/3

The duties and responsibilities of the EC are as follows:

- (i) Reviewing and recommending for approval of the matters set out in the Shareholders Agreement before being tabled to the RMC and subsequently to the Board of Directors for deliberation and approval; and
- (ii) Performing 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 at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Associate Professor Dr. Shafaai Musa (Chairman)	5/6
Professor Dr. Mohammad Hashim Kamali	6/6
Dr. Haji Mohd Nai'm Haji Mokhtar	5/6
Professor Dr. Noor Inayah Yaakub	6/6
Ustaz Mohd Fadhly Md Yusoff	5/6

The duties and responsibilities of the SC are as follows:

- (i) To have active participation, including attending meetings of the SC, evaluating reports, reading minutes, and others;
- (ii) To engage actively in deliberating Shariah issues presented before them;
- (iii) To advise the Board of Directors and/or the Management of the Company on Shariah matters in order to ensure that the Takaful business is Shariah-compliant at all times;
- (iv) To set 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;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Shariah Committee ("SC") (continued)

- (v) To set 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) To advise 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) To ensure high standards in arriving at Shariah decisions through a proper Shariah ruling framework;
- (viii) To be 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, ijthad, fatwas or findings;
- (ix) To review and endorse 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) To review and respond to proposals submitted for the Members' Circular Resolution within 7 (seven) calendar days after the proposals have been circulated;
- (xi) To attend 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) To maintain and portray 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 ordinary shares			
	At <u>1.1.2014</u>	<u>Acquired</u>	<u>(Sold)</u>	At <u>31.12.2014</u>
<u>Sun Life Financial Inc.</u>				
Roger David Steel	15,675	5,864	(3,555)	17,984

	No. of options over ordinary shares			
	At <u>1.1.2014</u>	<u>Granted</u>	<u>(Sold)</u>	At <u>31.12.2014</u>
<u>Sun Life Financial Inc.</u>				
Roger David Steel	60,681	-	(38,393)	22,288

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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SUN LIFE MALAYSIA TAKAFUL BERHAD
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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 of Directors in accordance with their resolution.

DATUK DR. SYED MUHAMAD BIN
SYED ABDUL KADIR
CHAIRMAN

MUHAMMAD FIKRI BIN
MOHAMAD RAWI
DIRECTOR

Kuala Lumpur
30 March 2015

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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 accompanying financial statements set out on pages 18 to 141 are drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2014 and of the financial performance and the cash flows of the Company for the financial year then ended.

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
30 March 2015

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

I, Choong Yick Kheong, 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 18 to 141 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHOONG YICK KHEONG

Subscribed and solemnly declared by the abovenamed Choong Yick Kheong at Kuala Lumpur in Malaysia on 30 March 2015, before me.

COMMISSIONER FOR OATHS

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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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 2014. 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 operation 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 by the Company during the financial year ended 31 December 2014 are in compliance with the Shariah principles.
2. The allocation of profit sharing and surplus sharing relating to Participant Accounts and Participant Special Accounts (i.e. Tabarru’ Funds) conforms to the basis stipulated in the Takaful Investment Allocation and Surplus Recognition and Allocation policies, that had been approved by us.
3. The Qardhul Hasan recovery by the Shareholders Fund from Family Takaful Fund is in accordance with the standard Takaful practice.
4. There is no Shariah non-compliant earning recorded for year ended 31 December 2014.
5. All Shariah review findings have been addressed, deliberated and ratified by us.
6. The allocation of zakat amounting to RM200,000 has been deliberated and approved by the Shariah Committee.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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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 2014 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
30 March 2015

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Sun Life Malaysia Takaful Berhad, which comprise the statement of financial position as at 31 December 2014 of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and explanatory notes, as set out on pages 18 to 141.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("the Act") 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

SHIRLEY GOH
(No. 1778/08/16 (J))
Chartered Accountant

Kuala Lumpur
30 March 2015

Company No.

689263 M

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014				2013			
		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	209	-	-	209	265	-	-	265
Intangible assets	4	-	-	-	-	770	-	-	770
Available-for-sale financial assets Fair value through profit or loss	5	170,078	19,446	420,721	610,245	54,842	24,159	256,821	335,822
financial assets	5	2,120	-	40,568	34,940	5,959	-	39,144	37,292
Financing and receivables	6	16,376	30,988	60,050	107,414	93,390	39,878	97,762	231,030
Qardhul Hasan receivables	7	277	-	-	-	284	-	-	-
Takaful receivables	8	-	4,327	24,988	29,315	-	2,443	15,962	18,405
Retakaful assets	9	-	26,465	4,363	30,828	-	17,359	8,588	25,947
Other receivables	10	33,330	1,193	4,244	6,387	33,065	78	1,705	3,477
Deferred tax assets	11	5,656	38	(80)	5,685	2,878	42	91	3,118
Cash and bank balances		9,086	3,592	16,211	28,889	5,853	8,025	24,263	38,141
Total assets		237,132	86,049	571,065	853,912	197,306	91,984	444,336	694,267

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014 (CONTINUED)

	Note	2014				2013			
		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		1,450	-	-	1,450	287	-	-	287
Accumulated losses		(12,876)	-	(285)	(13,082)	(30,207)	-	(425)	(30,384)
Total equity		188,574	-	(285)	188,368	170,080	-	(425)	169,903
LIABILITIES									
Qardhul Hasan payables		-	-	285	-	-	-	425	-
Takaful contract liabilities	12	-	70,930	527,929	591,111	-	66,733	418,604	477,526
Takaful payables	13	-	3,377	16,726	20,103	-	3,274	11,722	14,996
Other payables	14	22,858	12,042	26,237	28,757	14,514	20,946	13,898	17,987
Expense liabilities		23,504	-	-	23,504	12,262	-	-	12,262
Current tax liabilities		2,196	(300)	173	2,069	450	1,031	112	1,593
Total liabilities		48,558	86,049	571,350	665,544	27,226	91,984	444,761	524,364
TOTAL EQUITY AND LIABILITIES		237,132	86,049	571,065	853,912	197,306	91,984	444,336	694,267

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014				2013			
		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)	-	57,182	310,579	367,761	-	44,403	228,700	273,103
Contribution ceded to retakaful operators	16(b)	-	(5,751)	(73,656)	(79,407)	-	(3,855)	(39,774)	(43,629)
Net earned contribution		-	51,431	236,923	288,354	-	40,548	188,926	229,474
Wakalah income		132,618	-	-	-	98,770	-	-	-
Surplus sharing from General and Family Takaful funds		17,241	-	-	-	15,633	-	-	-
Investment income	17	8,245	1,864	18,024	26,760	5,570	1,991	14,798	20,956
Realised (losses)/gains	18	(82)	(28)	1,561	1,451	507	102	347	956
Net fair value gains	19	-	-	-	-	241	-	2,661	2,902
Commission income		-	-	9,871	9,871	-	-	7,035	7,035
Other operating income	20	588	217	127	932	402	8,144	56	8,602
Writeback of impairment charge on Qardhul Hasan extended to General and Family Takaful funds		133	-	-	-	198	-	-	-
Total income		158,743	53,484	266,506	327,368	121,321	50,785	213,823	269,925

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	2014				2013			
		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)	-	(7,801)	(70,077)	(77,878)	-	(5,493)	(74,029)	(79,522)
Claims ceded to retakaful operators	21(b)	-	5,817	26,717	32,534	-	1,528	9,262	10,790
Gross change to contract liabilities	21(c)	-	(16,101)	(106,784)	(122,885)	-	(10,907)	(63,888)	(74,795)
Change in contract liabilities ceded to retakaful operators	21(d)	-	8,028	(4,225)	3,803	-	5,745	3,526	9,271
		-	(10,057)	(154,369)	(164,426)	-	(9,127)	(125,129)	(134,256)
Surplus sharing with Takaful operator		-	(11,971)	(5,270)	-	-	(12,688)	(2,945)	-
Wakalah expenses		-	(31,533)	(101,085)	-	-	(20,454)	(78,316)	-
Net fair value gains/(losses)	19	551	-	(2,830)	(2,279)	-	-	-	-
Commission expenses		(53,720)	-	-	(53,720)	(39,601)	-	-	(39,601)
Management expenses	22	(66,739)	-	-	(66,739)	(58,179)	-	-	(58,179)
Other operating expenses	23	(13,122)	(3)	(2,729)	(14,481)	(8,341)	(1,684)	(8,078)	(16,700)
Total expenses		(133,030)	(43,507)	(111,914)	(137,219)	(106,121)	(34,826)	(89,339)	(114,480)
Profit/(loss) before taxation		25,713	(80)	223	25,723	15,200	6,832	(645)	21,189

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SUN LIFE MALAYSIA TAKAFUL BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	2014				2013			
		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
Profit/(loss) before taxation		25,713	(80)	223	25,723	15,200	6,832	(645)	21,189
Tax expense attributable to participants		-	80	(83)	(3)	-	(6,832)	919	(5,913)
Profit before taxation attributable to Shareholders		25,713	-	140	25,720	15,200	-	274	15,276
Taxation	24	(8,182)	80	(83)	(8,221)	(6,050)	(6,832)	919	(12,031)
Tax expense attributable to participants		-	(80)	83	3	-	6,832	(919)	5,913
Tax expense attributable to Shareholders		(8,182)	-	-	(8,218)	(6,050)	-	-	(6,118)
Zakat		(200)	-	-	(200)	(150)	-	-	(150)
Net profit for the financial year		17,331	-	140	17,302	9,000	-	274	9,008

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SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	2014				2013			
		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
Other comprehensive income/(loss):									
Items that may be subsequently reclassified to profit or loss:									
Fair value changes on available-for-sale financial assets:									
- Gross fair value changes	5(c)	1,551	13	2,762	4,326	(806)	(403)	(11,220)	(12,429)
- Deferred taxation	11	(388)	(3)	(221)	(612)	203	101	897	1,201
- Net fair value changes		1,163	10	2,541	3,714	(603)	(302)	(10,323)	(11,228)
Changes in Takaful contract liabilities arising from unrealised net fair value changes	12	-	(10)	(2,541)	(2,551)	-	302	10,323	10,625
Other comprehensive income/(loss) for the financial year, net of tax		1,163	-	-	1,163	(603)	-	-	(603)
Total comprehensive income for the financial year		18,494	-	140	18,465	8,397	-	274	8,405

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

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital RM'000	Share premium RM'000	Non-distributable Available- for-sale reserve RM'000	Accumu- lated losses RM'000	Total RM'000
At 1 January 2014	100,010	99,990	287	(30,384)	169,903
Total comprehensive income for the financial year	-	-	1,163	17,302	18,465
At 31 December 2014	100,010	99,990	1,450	(13,082)	188,368
At 1 January 2013	100,010	99,990	890	(39,392)	161,498
Total comprehensive (loss)/ income for the financial year	-	-	(603)	9,008	8,405
At 31 December 2013	100,010	99,990	287	(30,384)	169,903

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 2014

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit after taxation for the financial year	17,302	9,008
Adjustments for:		
Depreciation of property and equipment	99	48
Write off of property and equipment	-	27
Amortisation of intangible assets	770	1,739
Amortisation of premiums/(accretion of discounts)	94	(225)
Realised gains on disposal of financial assets	(1,451)	(956)
Profit income	(25,539)	(19,192)
Dividend income	(1,315)	(1,539)
Net fair value losses/(gains)	2,279	(2,902)
Provision for expense liability	11,242	7,659
Writeback of allowance for doubtful debts on Takaful receivables	(4)	(1,515)
Decrease in General Takaful contract liabilities	4,187	12,366
Decrease in Family Takaful contract liabilities	106,784	63,888
Taxation	8,221	12,031
	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	122,669	80,437
Proceeds from disposal and maturity of investments	243,080	316,102
Purchase of investments	(508,708)	(346,679)
Increase in other receivables	(3,073)	(2,584)
Increase in Takaful receivables	(10,906)	(7,506)
Decrease/(increase) in financing and receivables	123,488	(17,519)
Increase in retakaful assets	(4,881)	(9,475)
Increase/(decrease) in other payables	10,772	(7,672)
Increase in Takaful payables	5,107	3,216
	<hr/>	<hr/>
Income tax paid, net of refund	(22,452)	8,320
Profit income received	(10,926)	(10,121)
Dividend income received	22,691	18,767
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(9,209)	18,289
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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	<u>2014</u> RM'000	<u>2013</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(43)	(289)
Net cash used in investing activities	<u>(43)</u>	<u>(289)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(9,252)	18,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>38,141</u>	<u>20,141</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u><u>28,889</u></u>	<u><u>38,141</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>28,889</u></u>	<u><u>38,141</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.

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SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 30 March 2015.

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.

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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:

The amendments and improvements to published standards and interpretations that have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 132 "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities
- Amendments to MFRS 136 "Impairment of Assets" on the recoverable amount disclosures for non-financial assets
- IC Interpretation 21 "Levies"

There were no material changes to the Company's accounting policies other than enhanced disclosures to the financial statements.

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

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement”. The complete version of MFRS 9 was issued in November 2014.

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 contractual 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 interest.

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.

There is now a new 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 has yet to assess the full impact of MFRS 9 onto the Company’s financial statements

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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
Furniture and fittings	10 years
Motor vehicles	3 years
Office equipment	5 years
Renovation	10 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.

SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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 the 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.

SUN LIFE MALAYSIA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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.

SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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 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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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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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 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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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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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.

Surpluses 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.

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 both ceded and assumed retakaful.

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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)

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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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 at maturity and 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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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Commission expenses and management expenses

Acquisition costs, commissions and management expenses are borne by the Family 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 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 and available-for-sale reserve.

(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 less the present value of future gross considerations 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 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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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)

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.

(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 arising 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.

(iv) Net asset value attributable to certificate holders

The unit liability of 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.

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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)

Family Takaful contract liabilities (continued)

(v) Unallocated surplus (continued)

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 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.

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 incepted for which certificates have not been issued as of the date of the statement of financial position are accrued at that date.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(k) General Takaful contracts (continued)**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

Acquisition costs, 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 and unearned contribution reserve.

(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.

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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)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(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 is used 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.

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

Where unrealised gains or losses arising 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.

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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)

(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.

(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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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 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 spot rates. Future deficits are defined as the excess of future expense stream 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 interest 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.

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 transaction.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Summary of significant accounting policies (continued)****(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.

(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.

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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)

(s) Employee benefits (continued)

(iii) Share-based payment plan

The Company participated in a share-based payment plan granted to certain employees of Sun Life Financial Inc. ("SLF"), the ultimate holding company of a significant shareholder, as consideration for services rendered.

The share-based payment plan based on the value of SLF's common shares are accounted for as cash-settled share-based payment transactions. 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 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.

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.

SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(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 2014, 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. Actuarial Partners has considered the Ultimate Loss Ratio ("ULR") method for the estimation of IBNR claims for the Motor Act class, while the Link Ratio method with a Bornhuetter-Ferguson ("BF") adjustment on a paid claims basis was considered for the rest of the business classes.

The ULR method requires a selected ULR to be applied to the net earned contribution in order to project the amount of ultimate claims incurred for each loss year. Then claims incurred for known claims are subtracted from the projected ultimate claims incurred for each loss year in order to estimate the amount of IBNR claims. Assumptions regarding the ULR vary by class of business and take into account the following:

- (i) The Company's claims incurred development to-date;
- (ii) Net contribution remaining after deducting Wakalah fee; and
- (iii) The industry loss experience.

The BF method can be seen as a combination of the ULR and unadjusted Link Ratio methods. An adopted ULR is selected based on the resultant loss ratios from the Link Ratio method, where appropriate, taking into consideration historical experience, industry loss ratios as well as incurred claims ratios to-date. The outstanding claims are calculated using the expected payment pattern (based on the average grossing up factors over the most recent three years) and an externally determined estimate of ultimate claims incurred for each loss year (determined by multiplying the adopted ULR with the net earned contribution). The IBNR is determined by subtracting the case estimate from the estimated outstanding claims.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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 ("GII").

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 PROPERTY AND EQUIPMENT

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>							
At 1 January 2013	1,621	40	230	37	7	-	1,935
Additions	-	-	289	-	-	-	289
Write off	(1,005)	(40)	-	(37)	(7)	-	(1,089)
At 31 December 2013/1 January 2014	616	-	519	-	-	-	1,135
Additions	15	-	-	-	-	28	43
Disposals	-	-	(230)	-	-	-	(230)
At 31 December 2014	631	-	289	-	-	28	948

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Accumulated depreciation</u>							
At 1 January 2013	1,621	24	216	17	6	-	1,884
Charge for the financial year (note 22)	-	3	38	6	1	-	48
Write off	(1,005)	(27)	-	(23)	(7)	-	(1,062)
At 31 December 2013/1 January 2014	616	-	254	-	-	-	870
Charge for the financial year (note 22)	2	-	97	-	-	-	99
Disposals	-	-	(230)	-	-	-	(230)
At 31 December 2014	618	-	121	-	-	-	739
<u>Net carrying amount</u>							
31 December 2013	-	-	265	-	-	-	265
31 December 2014	13	-	168	-	-	28	209

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

4 INTANGIBLE ASSETS

	<u>Shareholders' fund/Company</u> RM'000
<u>Cost</u>	
At 1 January 2013	15,020
Write off	(1,495)
At 31 December 2013/31 December 2014	<u>13,525</u>
<u>Accumulated amortisation</u>	
At 1 January 2013	12,511
Amortisation for the financial year (note 22)	1,739
Write off	(1,495)
At 31 December 2013/1 January 2014	<u>12,755</u>
Amortisation for the financial year (note 22)	770
At 31 December 2014	<u>13,525</u>
<u>Net carrying amount</u>	
31 December 2013	<u>770</u>
31 December 2014	<u>-</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

5 FINANCIAL ASSETS

	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2014</u>				
Government Investment Issues	18,196	4,895	68,316	91,407
Cagamas Sukuk	-	-	19,922	19,922
Unquoted Sukuk	142,484	14,381	332,115	485,408
Quoted equity securities	2,120	-	35,989	33,933
Investments in investment-linked funds	7,748	-	-	7,748
Accrued profit	1,650	170	4,947	6,767
Total	<u>172,198</u>	<u>19,446</u>	<u>461,289</u>	<u>645,185</u>
<u>2013</u>				
Government Investment Issues	-	15,011	129,100	144,111
Unquoted Sukuk	46,626	8,878	128,713	180,744
Quoted equity securities	5,959	-	35,036	36,657
Investments in investment-linked funds	7,811	-	-	7,811
Accrued profit	405	270	3,116	3,791
Total	<u>60,801</u>	<u>24,159</u>	<u>295,965</u>	<u>373,114</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>2014</u>				
AFS	170,078	19,446	420,721	610,245
FVTPL – designated upon initial recognition	2,120	-	40,568	34,940
Total	<u>172,198</u>	<u>19,446</u>	<u>461,289</u>	<u>645,185</u>
<u>2013</u>				
AFS	54,842	24,159	256,821	335,822
FVTPL – designated upon initial recognition	5,959	-	39,144	37,292
Total	<u>60,801</u>	<u>24,159</u>	<u>295,965</u>	<u>373,114</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

The following financial assets mature after 12 months:

	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>2014</u>				
AFS	155,678	18,276	411,818	585,772
FVTPL – designated upon initial recognition	-	-	3,032	643
	<u>155,678</u>	<u>18,276</u>	<u>414,850</u>	<u>586,415</u>

2013

AFS	46,626	18,881	238,723	304,230
FVTPL – designated upon initial recognition	-	-	4,071	598
	<u>46,626</u>	<u>18,881</u>	<u>242,794</u>	<u>304,828</u>

(a) AFS

	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>2014</u>				
Government Investment Issues	18,196	4,895	68,316	91,407
Cagamas Sukuk	-	-	19,922	19,922
Unquoted Sukuk	142,484	14,381	327,582	484,447
Investments in investment-linked funds	7,748	-	-	7,748
Accrued profit	1,650	170	4,901	6,721
Total	<u>170,078</u>	<u>19,446</u>	<u>420,721</u>	<u>610,245</u>
<u>2013</u>				
Government Investment Issues	-	15,011	129,100	144,111
Unquoted Sukuk	46,626	8,878	124,642	180,146
Investments in investment-linked funds	7,811	-	-	7,811
Accrued profit	405	270	3,079	3,754
Total	<u>54,842</u>	<u>24,159</u>	<u>256,821</u>	<u>335,822</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(b) FVTPL – designated upon initial recognition

	<u>Shareholders' fund</u>	<u>Family Takaful fund</u>	<u>Company RM'000</u>
<u>2014</u>			
Unquoted Sukuk	-	4,533	961
Quoted equity securities	2,120	35,989	33,933
Accrued profit	-	46	46
Total	<u>2,120</u>	<u>40,568</u>	<u>34,940</u>
<u>2013</u>			
Unquoted Sukuk	-	4,071	598
Quoted equity securities	5,959	35,036	36,657
Accrued profit	-	37	37
Total	<u>5,959</u>	<u>39,144</u>	<u>37,292</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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 2013	45,010	16,048	244,695	-	52,522	358,275
Purchases	212,446	32,262	58,800	5,718	37,453	346,679
Maturities	(179,936)	(4,000)	(10,940)	-	(1,772)	(196,648)
Disposals	(22,041)	(19,895)	(24,812)	-	(48,912)	(115,660)
Fair value gains/(losses) recorded in:						
Profit or loss	-	-	-	241	(177)	64
Other comprehensive income (page 23)	(806)	(403)	(11,220)	-	-	(12,429)
Elimination of Shareholders' fund investment in investment-linked funds (note 12(c))	-	-	-	-	-	(7,811)
Movement in accrued profit	177	60	175	-	7	419
(Amortisation)/accretion adjustments (note 17)	(8)	87	123	-	23	225
At 31 December 2013/1 January 2014	<u>54,842</u>	<u>24,159</u>	<u>256,821</u>	<u>5,959</u>	<u>39,144</u>	<u>373,114</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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 31 December 2013/1 January 2014	54,842	24,159	256,821	5,959	39,144	373,114
Purchases	142,606	11,382	259,326	7,244	88,150	508,708
Maturities	-	(5,002)	(9,943)	-	-	(14,945)
Disposals	(30,159)	(11,022)	(89,979)	(10,772)	(86,194)	(228,126)
Fair value gains/(losses) recorded in:						
Profit or loss	-	-	-	(311)	(526)	(837)
Other comprehensive income (page 23)	1,551	13	2,762	-	-	4,326
Elimination of fair value loss from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	63
Movement in accrued profit	1,245	(100)	1,822	-	9	2,976
(Amortisation)/accretion adjustments (note 17)	(7)	16	(88)	-	(15)	(94)
At 31 December 2014	<u>170,078</u>	<u>19,446</u>	<u>420,721</u>	<u>2,120</u>	<u>40,568</u>	<u>645,185</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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 2014.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2014</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	18,196	18,196
- Unquoted Sukuk	-	142,484	142,484
- Investments in investment-linked funds	7,748	-	7,748
- Accrued profit	-	1,650	1,650
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	2,120	-	2,120
	<u>9,868</u>	<u>162,330</u>	<u>172,198</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2014 (continued)</u>			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	4,895	4,895
- Unquoted Sukuk	-	14,381	14,381
- Accrued profit	-	170	170
	<u>-</u>	<u>19,446</u>	<u>19,446</u>
	<u>-</u>	<u>19,446</u>	<u>19,446</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	68,316	68,316
- Cagamas Sukuk	-	19,922	19,922
- Unquoted Sukuk	-	327,582	327,582
- Accrued profit	-	4,901	4,901
	<u>-</u>	<u>425,300</u>	<u>425,300</u>
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	35,989	-	35,989
- Unquoted Sukuk	-	4,533	4,533
- Accrued profit	-	46	46
	<u>35,989</u>	<u>46</u>	<u>35,989</u>
	<u>35,989</u>	<u>425,300</u>	<u>461,289</u>
	<u>35,989</u>	<u>425,300</u>	<u>461,289</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	91,407	91,407
- Cagamas Sukuk	-	19,922	19,922
- Unquoted Sukuk	-	484,447	484,447
- Investments in investment-linked funds	7,748	-	7,748
- Accrued profit	-	6,721	6,721
	<u>7,748</u>	<u>6,721</u>	<u>7,748</u>
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	33,933	-	33,933
- Unquoted Sukuk	-	961	961
- Accrued profit	-	46	46
	<u>33,933</u>	<u>961</u>	<u>33,933</u>
	<u>41,681</u>	<u>603,504</u>	<u>645,185</u>
	<u>41,681</u>	<u>603,504</u>	<u>645,185</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2013</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Unquoted Sukuk	-	46,626	46,626
- Investments in investment-linked funds	7,811	-	7,811
- Accrued profit	-	405	405
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	5,959	-	5,959
	<u>13,770</u>	<u>47,031</u>	<u>60,801</u>
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	15,011	15,011
- Unquoted Sukuk	-	8,878	8,878
- Accrued profit	-	270	270
	<u>-</u>	<u>24,159</u>	<u>24,159</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	129,100	129,100
- Unquoted Sukuk	-	124,642	124,642
- Accrued profit	-	3,079	3,079
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	35,036	-	35,036
- Unquoted Sukuk	-	4,071	4,071
- Accrued profit	-	37	37
	<u>35,036</u>	<u>260,929</u>	<u>295,965</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2013 (continued)</u>			
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	144,111	144,111
- Unquoted Sukuk	-	180,146	180,146
- Investments in investment-linked funds	7,811	-	7,811
- Accrued profit	-	3,754	3,754
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	36,657	-	36,657
- Unquoted Sukuk	-	598	598
- Accrued profit	-	37	37
	<u>44,468</u>	<u>328,646</u>	<u>373,114</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>2014</u>				
Fixed and call deposits with licensed financial institutions	16,374	30,936	59,976	107,286
Accrued profit	2	52	74	128
	<u>16,376</u>	<u>30,988</u>	<u>60,050</u>	<u>107,414</u>
Receivable within 12 months	<u>16,376</u>	<u>30,988</u>	<u>60,050</u>	<u>107,414</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

6 FINANCING AND RECEIVABLES (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
Fixed and call deposits with licensed financial institutions	93,345	39,828	97,601	230,774
Accrued profit	45	50	161	256
	<u>93,390</u>	<u>39,878</u>	<u>97,762</u>	<u>231,030</u>
Receivable within 12 months	<u>93,390</u>	<u>39,878</u>	<u>97,762</u>	<u>231,030</u>

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 RM1,680,042 (2013: RM1,632,561) which have been pledged to a financial institution for bank guarantee facility.

7 QARDHUL HASAN RECEIVABLES

	Shareholders' fund RM'000	Company RM'000
<u>2014</u>		
Family Takaful fund, at cost (note 10)	285	-
Less: Allowance for impairment	(8)	-
	<u>277</u>	<u>-</u>
<u>2013</u>		
Family Takaful fund, at cost (note 10)	425	-
Less: Allowance for impairment	(141)	-
	<u>284</u>	<u>-</u>

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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8 TAKAFUL RECEIVABLES	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2014</u>			
Claims recoverable	-	2,508	2,508
Outstanding contributions including agents, brokers and co-takaful balances	2,928	22,480	25,408
Less: Allowance for impairment (note 30)	(18)	-	(18)
	<u>2,910</u>	<u>22,480</u>	<u>25,390</u>
Amount due from retakaful operators	1,436	-	1,436
Less: Allowance for impairment (note 30)	(19)	-	(19)
	<u>1,417</u>	<u>-</u>	<u>1,417</u>
	<u>4,327</u>	<u>24,988</u>	<u>29,315</u>
Receivable within 12 months	<u>4,327</u>	<u>24,988</u>	<u>29,315</u>
Gross amounts of recognised financial assets	4,327	27,823	32,150
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	-	(2,835)	(2,835)
Net amounts of financial assets presented in the statement of financial position	<u>4,327</u>	<u>24,988</u>	<u>29,315</u>

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8 TAKAFUL RECEIVABLES (CONTINUED)	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2013</u>			
Claims recoverable	-	5,000	5,000
Outstanding contributions including agents, brokers and co-takaful balances	2,440	10,962	13,402
Less: Allowance for impairment (note 30)	(4)	-	(4)
	<u>2,436</u>	<u>10,962</u>	<u>13,398</u>
Amount due from retakaful operators	103	-	103
Less: Allowance for impairment (note 30)	(96)	-	(96)
	<u>7</u>	<u>-</u>	<u>7</u>
	<u>2,443</u>	<u>15,962</u>	<u>18,405</u>
Receivable within 12 months	<u>2,443</u>	<u>15,962</u>	<u>18,405</u>
Gross amounts of recognised financial assets	2,443	16,657	19,100
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	-	(695)	(695)
Net amounts of financial assets presented in the statement of financial position	<u>2,443</u>	<u>15,962</u>	<u>18,405</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 2014 (2013: nil).

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9	RETAKAFUL ASSETS	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	
	<u>2014</u>				
	Retakaful of Takaful contracts				
	- Takaful contract liabilities (note 12)	26,465	4,363	30,828	
	Receivable within 12 months	23,143	5,055	28,198	
	Receivable after 12 months	3,322	(692)	2,630	
		<u>26,465</u>	<u>4,363</u>	<u>30,828</u>	
	<u>2013</u>				
	Retakaful of Takaful contracts				
	- Takaful contract liabilities (note 12)	17,359	8,588	25,947	
	Receivable within 12 months	11,834	4,481	16,315	
	Receivable after 12 months	5,525	4,107	9,632	
		<u>17,359</u>	<u>8,588</u>	<u>25,947</u>	
10	OTHER RECEIVABLES				
		Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
	<u>2014</u>				
	Amount due from related party	15	-	-	15
	Dividend receivable	5	-	56	61
	Interfund balances	12,296	1,157	285	-
	Surplus sharing from General Takaful fund	11,971	-	-	-
	Surplus sharing from Family Takaful fund	5,301	-	-	-
	Sharing of investment income from Participants' Account fund	1,370	-	-	-
	Knock for knock claims recoverable	-	14	-	14
	Other receivables	2,372	22	3,903	6,297
		<u>33,330</u>	<u>1,193</u>	<u>4,244</u>	<u>6,387</u>
	Receivable within 12 months	<u>33,330</u>	<u>1,193</u>	<u>4,244</u>	<u>6,387</u>

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10 OTHER 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>2013</u>				
Amount due from related party	1,929	-	-	1,929
Dividend receivable	8	-	216	224
Interfund balances	11,484	-	425	-
Surplus sharing from General Takaful fund	15,153	-	-	-
Surplus sharing from Family Takaful fund	2,926	-	-	-
Sharing of investment income from Participants' Account fund	1,383	-	-	-
Knock for knock claims recoverable	-	57	-	57
Other receivables	182	21	1,064	1,267
	<u>33,065</u>	<u>78</u>	<u>1,705</u>	<u>3,477</u>
Receivable within 12 months	<u>33,065</u>	<u>78</u>	<u>1,705</u>	<u>3,477</u>

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

The interfund balances of RM285,000 (2013: RM425,000) 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). The amounts are unsecured, not subject to profit element and have no fixed terms of repayment.

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

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11 DEFERRED TAXATION

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 RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2014</u>				
Deferred tax assets/(liabilities)	5,656	38	(80)	5,685
Current	5,493	-	-	5,493
Non-current	163	38	(80)	192
	<u>5,656</u>	<u>38</u>	<u>(80)</u>	<u>5,685</u>
<u>2013</u>				
Deferred tax assets	2,878	42	91	3,118
Current	3,186	(2)	(5)	3,286
Non-current	(308)	44	96	(168)
	<u>2,878</u>	<u>42</u>	<u>91</u>	<u>3,118</u>

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11 DEFERRED TAXATION (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>2014</u>				
At 1 January	2,878	42	91	3,118
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	40	-	-	40
- FVTPL financial assets	79	(5)	50	124
- Qardhul Hasan	36	-	-	-
- Allowance for doubtful debts	-	4	-	4
- Expense liabilities	740	-	-	740
- Provision of expenses	2,271	-	-	2,271
Taxation (note 24)	3,166	(1)	50	3,179
<u>Charged to other comprehensive income</u>				
- AFS financial assets (page 23)	(388)	(3)	(221)	(612)
At 31 December	<u>5,656</u>	<u>38</u>	<u>(80)</u>	<u>5,685</u>
<u>2013</u>				
At 1 January	3,133	2,522	(794)	5,036
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	475	-	-	475
- FVTPL financial assets	(61)	(21)	(12)	(94)
- Qardhul Hasan	68	-	-	-
- Allowance for doubtful debts	-	(2,560)	-	(2,560)
- Provision of expenses	(940)	-	-	(940)
Taxation (note 24)	(458)	(2,581)	(12)	(3,119)
<u>Credited to other comprehensive income</u>				
- AFS financial assets (page 23)	203	101	897	1,201
At 31 December	<u>2,878</u>	<u>42</u>	<u>91</u>	<u>3,118</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

11 DEFERRED TAXATION (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>2014</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets (before offsetting)</u>				
Financial assets	-	33	-	33
Allowance for doubtful debts	-	5	-	5
Expense liabilities	740	-	-	740
Provision of expenses	5,564	-	-	5,564
	<u>6,304</u>	<u>38</u>	<u>-</u>	<u>6,342</u>
Offsetting	(648)	-	-	(657)
Deferred tax assets (after offsetting)	<u><u>5,656</u></u>	<u><u>38</u></u>	<u><u>-</u></u>	<u><u>5,685</u></u>
<u>Deferred tax liabilities (before offsetting)</u>				
Financial assets	465	-	80	545
Property and equipment	112	-	-	112
Qardhul Hasan	71	-	-	-
	<u>648</u>	<u>-</u>	<u>80</u>	<u>657</u>
Offsetting	(648)	-	-	(657)
Deferred tax liabilities (after offsetting)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>80</u></u>	<u><u>-</u></u>

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11 DEFERRED TAXATION (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets (before offsetting)</u>				
Financial assets	-	41	91	132
Allowance for doubtful debts	-	1	-	1
Provision of expenses	3,293	-	-	3,293
	<u>3,293</u>	<u>42</u>	<u>91</u>	<u>3,426</u>
Offsetting	(415)	-	-	(308)
Deferred tax assets (after offsetting)	<u><u>2,878</u></u>	<u><u>42</u></u>	<u><u>91</u></u>	<u><u>3,118</u></u>
<u>Deferred tax liabilities (before offsetting)</u>				
Financial assets	156	-	-	156
Property and equipment	152	-	-	152
Qardhul Hasan	107	-	-	-
	<u>415</u>	<u>-</u>	<u>-</u>	<u>308</u>
Offsetting	(415)	-	-	(308)
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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12 TAKAFUL CONTRACT LIABILITIES

	2014			2013		
	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 Retakaful (note 9)	70,930 (26,465)	527,929 (4,363)	591,111 (30,828)	66,733 (17,359)	418,604 (8,588)	477,526 (25,947)
Net	<u>44,465</u>	<u>523,566</u>	<u>560,283</u>	<u>49,374</u>	<u>410,016</u>	<u>451,579</u>
Current	33,825	49,138	82,963	34,416	34,337	68,753
Non-current	10,640	474,428	477,320	14,958	375,679	382,826
	<u>44,465</u>	<u>523,566</u>	<u>560,283</u>	<u>49,374</u>	<u>410,016</u>	<u>451,579</u>

(a) Family Takaful contract liabilities

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

	2014			2013		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificateholders' liabilities	501,448	762	502,210	392,738	(4,442)	388,296
Net asset value attributable to certificateholders	16,330	-	16,330	15,776	-	15,776
Actuarial liabilities	517,778	762	518,540	408,514	(4,442)	404,072
Claims liabilities	7,484	(5,125)	2,359	6,705	(4,146)	2,559
Unallocated surplus	2,199	-	2,199	5,458	-	5,458
Available-for-sale fair value adjustment						
- gross	509	-	509	(2,253)	-	(2,253)
- deferred tax	(41)	-	(41)	180	-	180
- net	468	-	468	(2,073)	-	(2,073)
	<u>527,929</u>	<u>(4,363)</u>	<u>523,566</u>	<u>418,604</u>	<u>(8,588)</u>	<u>410,016</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>2014</u>	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2014	418,604	(8,588)	410,016
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	23,464	(16,753)	6,711
Benefits	(38,327)	21,132	(17,195)
Investment returns	13,834	(1,337)	12,497
Others	(16,102)	(2,242)	(18,344)
Experience variance on inforce Takaful certificates	4,089	(963)	3,126
Reserve on new Takaful certificates	128,568	781	129,349
Miscellaneous	(6,816)	4,586	(2,230)
Movement in net asset value attributable to certificateholders	554	-	554
Movement in claims liabilities	779	(979)	(200)
Movement in unallocated surplus	(3,259)	-	(3,259)
Movement in AFS fair value adjustment	2,541	-	2,541
At 31 December 2014	<u>527,929</u>	<u>(4,363)</u>	<u>523,566</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>2013</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2013	365,039	(5,062)	359,977
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	22,284	(10,559)	11,725
Benefits	(26,930)	13,724	(13,206)
Investment returns	8,595	(1,004)	7,591
Others	(17,345)	(2,800)	(20,145)
Experience variance on inforce Takaful certificates	4,067	885	4,952
Reserve on new Takaful certificates	101,995	(3,444)	98,551
Miscellaneous	(1,905)	123	(1,782)
Movement in net asset value attributable to certificateholders	(29,866)	-	(29,866)
Movement in claims liabilities	983	(451)	532
Movement in unallocated surplus	2,010	-	2,010
Movement in AFS fair value adjustment	(10,323)	-	(10,323)
At 31 December 2013	<u>418,604</u>	<u>(8,588)</u>	<u>410,016</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:

	2014			2013		
	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000
Provision for claims reported by certificateholders	6,640	(3,776)	2,864	8,854	(4,116)	4,738
Provision for IBNR	41,628	(21,049)	20,579	35,284	(12,681)	22,603
Provision for outstanding claims (i)	48,268	(24,825)	23,443	44,138	(16,797)	27,341
Unearned contribution reserve (ii)	10,796	(1,640)	9,156	7,557	(562)	6,995
Unallocated surplus	11,971	-	11,971	15,153	-	15,153
Available-for-sale fair value adjustment						
- gross	(140)	-	(140)	(153)	-	(153)
- deferred tax	35	-	35	38	-	38
- net	(105)	-	(105)	(115)	-	(115)
	<u>70,930</u>	<u>(26,465)</u>	<u>44,465</u>	<u>66,733</u>	<u>(17,359)</u>	<u>49,374</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(i) Provision for outstanding claims

	2014			2013		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	44,138	(16,797)	27,341	45,919	(11,052)	34,867
Claims incurred in the current accident year	21,254	(11,942)	9,312	17,009	(7,790)	9,219
Other movements in claims incurred in prior accident years	(9,323)	(1,903)	(11,226)	(13,297)	517	(12,780)
Claims paid during the financial year (note 21(a) and (b))	(7,801)	5,817	(1,984)	(5,493)	1,528	(3,965)
At 31 December	<u>48,268</u>	<u>(24,825)</u>	<u>23,443</u>	<u>44,138</u>	<u>(16,797)</u>	<u>27,341</u>

(ii) Unearned contribution reserve

At 1 January	7,557	(562)	6,995	6,098	(358)	5,740
Contribution written in the financial year (note 16(a) and (b))	60,421	(6,829)	53,592	45,862	(4,059)	41,803
Contribution earned during the financial year (note 16(a) and (b))	(57,182)	5,751	(51,431)	(44,403)	3,855	(40,548)
At 31 December	<u>10,796</u>	<u>(1,640)</u>	<u>9,156</u>	<u>7,557</u>	<u>(562)</u>	<u>6,995</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	2014			Company 2013		
	<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))	527,929	(4,363)	523,566	418,604	(8,588)	410,016
General Takaful fund (note 12(b))	70,930	(26,465)	44,465	66,733	(17,359)	49,374
	598,859	(30,828)	568,031	485,337	(25,947)	459,390
Elimination of Shareholders' fund investment in investment-linked funds (note 5(c))	(7,748)	-	(7,748)	(7,811)	-	(7,811)
Total	591,111	(30,828)	560,283	477,526	(25,947)	451,579

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13 TAKAFUL PAYABLES	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2014</u>			
Due to agents and intermediaries	1,489	4,200	5,689
Due to retakaful operators and cedants	1,888	12,526	14,414
	<u>3,377</u>	<u>16,726</u>	<u>20,103</u>
Payable within 12 months	<u>3,377</u>	<u>16,726</u>	<u>20,103</u>
Gross amounts of recognised financial liabilities	3,377	19,561	22,938
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(2,835)	(2,835)
Net amounts of financial liabilities presented in the statement of financial position	<u>3,377</u>	<u>16,726</u>	<u>20,103</u>
<u>2013</u>			
Due to agents and intermediaries	1,496	2,077	3,573
Due to retakaful operators and cedants	1,778	9,645	11,423
	<u>3,274</u>	<u>11,722</u>	<u>14,996</u>
Payable within 12 months	<u>3,274</u>	<u>11,722</u>	<u>14,996</u>
Gross amounts of recognised financial liabilities	3,274	12,417	15,691
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(695)	(695)
Net amounts of financial liabilities presented in the statement of financial position	<u>3,274</u>	<u>11,722</u>	<u>14,996</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 2014 (2013: nil).

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NOTES TO THE FINANCIAL STATEMENTS
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14 OTHER PAYABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2014</u>				
Amount due to related parties	3,187	-	-	3,187
Accrual for professional fees	773	-	-	773
Interfund balances	285	-	13,453	-
Deposits received	-	-	2,547	2,547
Surplus sharing to Takaful Operator	-	11,971	5,301	-
Sharing of investment income from Participants' Account fund	-	-	1,370	-
Accrual for telemarketing expenses	901	-	-	901
Other payables and accrued liabilities	17,712	71	3,566	21,349
	<u>22,858</u>	<u>12,042</u>	<u>26,237</u>	<u>28,757</u>
Payable within 12 months	<u>22,858</u>	<u>12,042</u>	<u>26,237</u>	<u>28,757</u>
<u>2013</u>				
Accrual for professional fees	956	-	-	956
Interfund balances	425	5,350	6,134	-
Deposits received	-	-	603	603
Surplus sharing to Takaful Operator	-	15,153	2,926	-
Sharing of investment income from Participants' Account fund	-	-	1,383	-
Accrual for telemarketing expenses	1,509	-	-	1,509
Other payables and accrued liabilities	11,624	443	2,852	14,919
	<u>14,514</u>	<u>20,946</u>	<u>13,898</u>	<u>17,987</u>
Payable within 12 months	<u>14,514</u>	<u>20,946</u>	<u>13,898</u>	<u>17,987</u>

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

The interfund balances in the Shareholders' fund comprised amounts due to 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).

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15 SHARE CAPITAL

	2014		2013	
	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 can only be redeemed 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.

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16	NET EARNED CONTRIBUTION		
		<u>2014</u>	<u>2013</u>
		RM'000	RM'000
(a)	Gross earned contribution		
	Takaful contracts:		
	Family Takaful	310,579	228,700
	General Takaful (note 12(b)(ii))	60,421	45,862
	Movement in unearned contribution reserves	(3,239)	(1,459)
		57,182	44,403
		<u>367,761</u>	<u>273,103</u>
(b)	Contribution ceded		
	Takaful contracts:		
	Family Takaful	(73,656)	(39,774)
	General Takaful (note 12(b)(ii))	(6,829)	(4,059)
	Movement in unearned contribution reserves	1,078	204
		(5,751)	(3,855)
		<u>(79,407)</u>	<u>(43,629)</u>
	Net earned contribution	<u>288,354</u>	<u>229,474</u>

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17 INVESTMENT INCOME	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2014</u>				
<u>AFS financial assets</u>				
Profit income	5,709	915	13,901	20,525
(Amortisation of premiums) / accretion of discounts – net	(7)	16	(88)	(79)
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	-	202	202
Dividend income	174	-	1,141	1,315
Amortisation of premiums – net	-	-	(15)	(15)
<u>Financing and receivables</u>				
Profit income	996	933	2,883	4,812
Sharing of investment income from Participants' Account fund	1,373	-	-	-
	<u>8,245</u>	<u>1,864</u>	<u>18,024</u>	<u>26,760</u>
<u>2013</u>				
<u>AFS financial assets</u>				
Profit income	1,164	911	10,557	12,632
(Amortisation of premiums) / accretion of discounts – net	(8)	87	123	202
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	-	196	196
Dividend income	136	-	1,403	1,539
Accretion of discounts – net	-	-	23	23
<u>Financing and receivables</u>				
Profit income	2,875	993	2,496	6,364
Sharing of investment income from Participants' Account fund	1,403	-	-	-
	<u>5,570</u>	<u>1,991</u>	<u>14,798</u>	<u>20,956</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

18 REALISED (LOSSES)/GAINS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2014</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	(115)	(4)	(19)	(138)
Government Investment Issues	33	(24)	1,580	1,589
	<u>(82)</u>	<u>(28)</u>	<u>1,561</u>	<u>1,451</u>
<u>2013</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	81	438	519
Government Investment Issues	496	21	(91)	426
Investments in investment-linked funds	11	-	-	11
	<u>507</u>	<u>102</u>	<u>347</u>	<u>956</u>

19 NET FAIR VALUE GAINS/(LOSSES)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2014</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	862	(2,304)	(1,442)
- unrealised	(311)	(526)	(837)
	<u>551</u>	<u>(2,830)</u>	<u>(2,279)</u>
<u>2013</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	-	2,838	2,838
- unrealised	241	(177)	64
	<u>241</u>	<u>2,661</u>	<u>2,902</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

20 OTHER OPERATING INCOME

	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>2014</u>				
Gain on disposal of property and equipment	56	-	-	56
Writeback of allowance for doubtful debts (note 30)	-	4	-	4
Others	532	213	127	872
	<u>588</u>	<u>217</u>	<u>127</u>	<u>932</u>
<u>2013</u>				
Writeback of allowance for doubtful debts (note 30)	-	1,515	-	1,515
Others	402	6,629	56	7,087
	<u>402</u>	<u>8,144</u>	<u>56</u>	<u>8,602</u>

21 NET BENEFITS AND CLAIMS

	<u>2014</u> <u>RM'000</u>	<u>2013</u> <u>RM'000</u>
(a) Gross benefits and claims paid		
Takaful contracts:		
Family Takaful	(70,077)	(74,029)
General Takaful (note 12 (b)(i))	(7,801)	(5,493)
	<u>(77,878)</u>	<u>(79,522)</u>
(b) Claims ceded to retakaful operators		
Takaful contracts:		
Family Takaful	26,717	9,262
General Takaful (note 12 (b)(i))	5,817	1,528
	<u>32,534</u>	<u>10,790</u>

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NOTES TO THE FINANCIAL STATEMENTS
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21	NET BENEFITS AND CLAIMS (CONTINUED)	<u>2014</u> RM'000	<u>2013</u> RM'000
	(c) Gross change in contract liabilities		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	(109,264)	(60,895)
	- Movement in claims liabilities	(779)	(983)
	- Movement in unallocated surplus	3,259	(2,010)
		<u>(106,784)</u>	<u>(63,888)</u>
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	(4,130)	1,781
	- Movement in unallocated surplus	(11,971)	(12,688)
		<u>(16,101)</u>	<u>(10,907)</u>
		<u>(122,885)</u>	<u>(74,795)</u>
	(d) Change in contract liabilities ceded to retakaful operators		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	(5,204)	3,075
	- Movement in claims liabilities	979	451
		<u>(4,225)</u>	<u>3,526</u>
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	8,028	5,745
		<u>3,803</u>	<u>9,271</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

22 MANAGEMENT EXPENSES

	<u>2014</u> RM'000	<u>2013</u> RM'000
<u>Shareholders' fund/Company</u>		
Staff salaries and bonus	20,152	19,886
Defined contribution plan	2,616	2,862
Share based payment plan (note 22(a))	94	-
Other staff costs	820	223
	<u>23,682</u>	<u>22,971</u>
Auditors' remuneration:		
Statutory audit		
- current financial year	293	369
- (over)/under provision in prior financial years	(10)	18
Non-audit services	12	-
Directors' fees and other emoluments:		
- current financial year (note 22(b))	978	666
Shariah committee remuneration:		
- fees	133	168
Amortisation of intangible assets (note 4)	770	1,739
Depreciation of property and equipment (note 3)	99	48
Write off of property and equipment	-	27
Third party administrator fee	2,499	2,244
Printing and stationery	1,304	501
Sales related expenses	23,790	16,823
Professional fees	2,531	2,882
Electronic data processing expenses	3,166	4,379
Other expenses	7,492	5,344
	<u>66,739</u>	<u>58,179</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>2014</u> RM'000	<u>2013</u> RM'000
Sun Share Unit Plan	<u>94</u>	<u>-</u>

Cash-settled share-based compensation

Sun Share units ("SSU") are granted to certain employees of SLF 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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NOTES TO THE FINANCIAL STATEMENTS
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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:

	<u>2014</u> RM'000	<u>2013</u> RM'000
Executive:		
Salaries and bonus	661	697
Defined contribution plan	93	97
Benefits-in-kind	26	21
	<u>780</u>	<u>815</u>
Non-executive:		
Fees and allowance	978	666
	<u>1,758</u>	<u>1,481</u>
Represented by:		
Directors' fees and allowance	978	666
Amount included in employee benefits expense	754	794
Estimated monetary value of benefits-in-kind	26	21
	<u>1,758</u>	<u>1,481</u>

The Executive Director is the Chief Executive Officer of the Company.

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NOTES TO THE FINANCIAL STATEMENTS
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23 OTHER OPERATING EXPENSES

	<u>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>2014</u>				
Provision for expense liability	11,242	-	-	11,242
Sharing of investment income to Shareholders' fund	-	-	1,373	-
Others	1,880	3	1,356	3,239
	<u>13,122</u>	<u>3</u>	<u>2,729</u>	<u>14,481</u>
<u>2013</u>				
Provision for expense liability	7,659	-	-	7,659
Sharing of investment income to Shareholders' fund	-	-	1,403	-
Others	682	1,684	6,675	9,041
	<u>8,341</u>	<u>1,684</u>	<u>8,078</u>	<u>16,700</u>

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NOTES TO THE FINANCIAL STATEMENTS
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24 TAXATION

	2014				2013			
	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
Tax expense on the profit for the financial year								
Income tax:								
Current financial year	11,546	(300)	172	11,418	6,832	4,669	356	11,857
(Over)/under provision in prior financial years	(198)	219	(39)	(18)	(1,240)	(418)	(1,287)	(2,945)
	<u>11,348</u>	<u>(81)</u>	<u>133</u>	<u>11,400</u>	<u>5,592</u>	<u>4,251</u>	<u>(931)</u>	<u>8,912</u>
Deferred tax (note 11):								
Relating to origination and reversal of temporary differences	(3,166)	1	(50)	(3,179)	458	2,581	12	3,119
	<u>8,182</u>	<u>(80)</u>	<u>83</u>	<u>8,221</u>	<u>6,050</u>	<u>6,832</u>	<u>(919)</u>	<u>12,031</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2014</u>	<u>2013</u>
	RM'000	RM'000
Profit before taxation attributable to Shareholders' fund	25,720	15,276
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	6,430	3,819
Income not subject to tax	(530)	(84)
Expenses not deductible for tax purposes	2,516	3,623
Tax expense attributable to participants	3	5,913
Overprovision in prior financial years	(198)	(1,240)
Tax expense for the financial year	<u>8,221</u>	<u>12,031</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>2014</u>	<u>2013</u>
	RM'000	RM'000
ASSETS		
Fair value through profit or loss financial assets	13,879	14,228
Financing and receivables	2,665	1,215
Other receivables	14	420
Cash and bank balances	39	82
Current tax assets	11	-
	<u>16,608</u>	<u>15,945</u>
LIABILITIES		
Other liabilities	225	7
Deferred tax liabilities	53	73
Current tax liabilities	-	89
	<u>278</u>	<u>169</u>
NET ASSET VALUE	<u>16,330</u>	<u>15,776</u>

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NOTES TO THE FINANCIAL STATEMENTS
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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>2014</u> RM'000	<u>2013</u> RM'000
REPRESENTED BY:		
CERTIFICATEHOLDERS' ACCOUNT		
At beginning of the financial year	15,776	45,642
Net creation of units	1,972	1,218
Net cancellation of units	(1,110)	(33,070)
(Deficit)/surplus for the financial year after taxation	(308)	1,986
	<u>16,330</u>	<u>15,776</u>

STATEMENT OF INCOME AND EXPENDITURE

Investment income	479	638
Net fair value (losses)/gains	(596)	1,734
Other operating expenses	(222)	(222)
	<u>(339)</u>	<u>2,150</u>
(Deficit)/surplus before taxation		
Taxation:		
- current tax	11	(180)
- deferred tax	20	16
	<u>(308)</u>	<u>1,986</u>
(Deficit)/surplus for the financial year after taxation		

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NOTES TO THE FINANCIAL STATEMENTS
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26 SEGMENTAL INFORMATION ON CASH FLOWS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2014</u>				
Cash flows from:				
Operating activities	3,276	(4,433)	(8,052)	(9,209)
Investing activities	(43)	-	-	(43)
	<u>3,233</u>	<u>(4,433)</u>	<u>(8,052)</u>	<u>(9,252)</u>
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents:				
At beginning of the financial year	5,853	8,025	24,263	38,141
At end of the financial year	<u>9,086</u>	<u>3,592</u>	<u>16,211</u>	<u>28,889</u>
<u>2013</u>				
Cash flows from:				
Operating activities	1,883	4,001	12,405	18,289
Investing activities	(289)	-	-	(289)
	<u>1,594</u>	<u>4,001</u>	<u>12,405</u>	<u>18,000</u>
Net increase in cash and cash equivalents				
Cash and cash equivalents:				
At beginning of the financial year	4,259	4,024	11,858	20,141
At end of the financial year	<u>5,853</u>	<u>8,025</u>	<u>24,263</u>	<u>38,141</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 (“ACAP”)	Malaysia	Penultimate holding company (financial holding company)
Renggis Ventures Sdn Bhd (“RV”)	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	Associate of the ultimate holding company and shareholder of the immediate holding company
CIMB Bank Berhad (“CIMB Bank”)	Malaysia	Associate of the ultimate holding company
CIMB Wealth Advisor Berhad (“CWAB”)	Malaysia	Associate of the ultimate holding company
CIMB Islamic Bank Berhad (“CIBB”)	Malaysia	Associate of the ultimate holding company
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 comprised 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 2014 (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>2014</u> RM'000	<u>2013</u> RM'000
Contribution income received from CIMB Bank	(1,747)	(172)
Contribution income received from SLMAB	(246)	(56)
Profit income earned from deposits placed with CIBB	(2,059)	(2,560)
Shared services expenses paid/payable to SLMAB	27,267	29,434
Commissions paid to CIMB Bank and CWAB	17,237	12,722
Internal audit fees paid to CIMBG	-	106
Internal audit fees paid to SLACC	46	-
Shariah fees paid to CIBB	-	114
Rental expenses paid to SLMAB	56	33
	<u> </u>	<u> </u>

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
Amount due from/(to) other related companies within Khazanah Nasional Berhad:		
Bank balances with CIBB and CIMB Bank	28,375	35,509
Fixed and call deposits with CIBB	1,680	1,633
Money market placement with CIBB	19,944	54,134
Quoted equity securities	9,281	-
Unquoted Sukuk	109,324	-
	<u> </u>	<u> </u>
Amount due (to)/from SLMAB *	<u>(3,187)</u>	<u>1,929</u>

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2014</u> RM'000	<u>2013</u> RM'000
Salaries and other short-term employee benefits	938	917
Defined contribution plan	131	130
Fees and allowance	978	666
	<u>2,047</u>	<u>1,713</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM25,994 (2013: RM21,371).

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.

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 compliance functions (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).

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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 objectives, policies and approach

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 where capital resources must be managed in a way which optimises returns to shareholders whilst safeguarding the profits 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 maintain the level of capital as required by BNM.

(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 assessment of 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.

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28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(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 policy owner 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 business 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.

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.

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29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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>2014</u>			
Mortgage	360,064	2	360,066
Endowment	17,105	-	17,105
Term	121,518	760	122,278
Others	19,091	-	19,091
Total	<u>517,778</u>	<u>762</u>	<u>518,540</u>
<u>2013</u>			
Mortgage	321,344	-	321,344
Endowment	16,627	-	16,627
Term	63,436	(4,442)	58,994
Others	7,107	-	7,107
Total	<u>408,514</u>	<u>(4,442)</u>	<u>404,072</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 and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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 Islamic Issuance ("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 product is 85% of the industry's mortality table with provision of risk margin for adverse deviation ("PRAD") of 10%.

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 3.8% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been capitalised and 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 fund 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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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>2014</u>					
Mortality/morbidity	+10	19,914	2,251	(209)	(157)
Expenses	+10	6,142	6,142	(6,142)	(4,607)
Lapse and surrender rates	+10	1,123	1,135	(676)	(507)
Discount rate	-1	7,522	7,487	(4,092)	(3,069)

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29 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities (continued)

	Change in best estimate assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
<u>2013</u>					
Mortality/morbidity	+10	20,232	1,511	(269)	(201)
Expenses	+10	6,032	6,032	(6,032)	(4,524)
Lapse and surrender rates	+10	929	1,017	(812)	(609)
Discount rate	-1	4,701	2,732	(415)	(311)

* 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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NOTES TO THE FINANCIAL STATEMENTS

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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 the 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.

	2014			2013		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
Motor	6,796	(24)	6,772	13,722	(275)	13,447
Fire	28,963	(15,411)	13,552	15,550	(4,764)	10,786
Marine Cargo, Aviation Cargo and Transit	-	-	-	4	-	4
Personal Accident	22,422	(10,717)	11,705	19,927	(10,997)	8,930
Miscellaneous	883	(313)	570	2,492	(1,323)	1,169
	<u>59,064</u>	<u>(26,465)</u>	<u>32,599</u>	<u>51,695</u>	<u>(17,359)</u>	<u>34,336</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>2014</u>					
ULRs for all business classes for all loss years	+10	9,798	6,369	(3,185)	(2,389)
ULRs for Motor Act class for all loss years	+20	7,540	7,770	(3,885)	(2,914)
ULRs for Personal Accident class for all loss years	+20	6,515	3,384	(1,692)	(1,269)
ULRs for Fire class for all loss years	+20	5,324	1,465	(733)	(550)

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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>2013</u>					
ULRs for all business classes for all loss years	+10	15,047	11,894	(5,947)	(4,460)
ULRs for Motor Act class for all loss years	+20	8,921	8,710	(4,355)	(3,266)
ULRs for Personal Accident class for all loss years	+20	7,950	3,595	(1,798)	(1,348)
ULRs for Fire class for all loss years	+20	2,573	1,496	(748)	(561)

* 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 2014

<u>Gross claims incurred</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	77,169	81,866	88,551	11,983	9,012	11,692	17,009	21,254	
One year later	64,286	101,362	70,263	5,967	8,521	9,532	19,326		
Two years later	55,373	98,189	59,942	4,031	7,618	7,185			
Three years later	60,815	93,678	54,893	3,921	5,560				
Four years later	58,837	89,896	50,617	4,113					
Five years later	50,829	84,509	48,586						
Six years later	50,467	80,358							
Seven years later	49,348								
Current estimate of cumulative claims incurred	49,348	80,358	48,586	4,113	5,560	7,185	19,326	21,254	235,730

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2014 (continued)

<u>Gross claims paid</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	(12,034)	(22,122)	(14,656)	(860)	(1,940)	(1,333)	(2,934)	(1,933)	
One year later	(31,197)	(52,867)	(37,580)	(3,220)	(3,366)	(2,549)	(8,157)		
Two years later	(36,918)	(71,621)	(40,654)	(3,330)	(3,699)	(2,881)			
Three years later	(44,579)	(76,230)	(41,358)	(3,351)	(3,708)				
Four years later	(46,957)	(77,408)	(41,493)	(3,353)					
Five years later	(47,383)	(77,764)	(41,623)						
Six years later	(47,871)	(77,851)							
Seven years later	(47,956)								
Cumulative payments to-date	(47,956)	(77,851)	(41,623)	(3,353)	(3,708)	(2,881)	(8,157)	(1,933)	(187,462)
Gross General Takaful claims liabilities	1,392	2,507	6,963	760	1,852	4,304	11,169	19,321	48,268

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2013

<u>Gross claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	3,851	77,169	81,866	88,551	11,983	9,012	11,692	17,009	
One year later	18,141	64,286	101,362	70,263	5,967	8,521	9,532		
Two years later	7,276	55,373	98,189	59,942	4,031	7,618			
Three years later	8,620	60,815	93,678	54,893	3,921				
Four years later	9,645	58,837	89,896	50,617					
Five years later	8,919	50,829	84,509						
Six years later	8,118	50,467							
Seven years later	8,019								
Current estimate of cumulative claims incurred	8,019	50,467	84,509	50,617	3,921	7,618	9,532	17,009	231,692

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2013 (continued)

<u>Gross claims paid</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	(776)	(12,034)	(22,122)	(14,656)	(860)	(1,940)	(1,333)	(2,934)	
One year later	(4,376)	(31,197)	(52,867)	(37,580)	(3,220)	(3,366)	(2,549)		
Two years later	(5,537)	(36,918)	(71,621)	(40,654)	(3,330)	(3,699)			
Three years later	(6,259)	(44,579)	(76,230)	(41,358)	(3,351)				
Four years later	(7,861)	(46,957)	(77,408)	(41,493)					
Five years later	(7,863)	(47,383)	(77,764)						
Six years later	(7,883)	(47,871)							
Seven years later	(7,893)								
Cumulative payments to-date	(7,893)	(47,871)	(77,764)	(41,493)	(3,351)	(3,699)	(2,549)	(2,934)	(187,554)
Gross General Takaful claims liabilities	126	2,596	6,745	9,124	570	3,919	6,983	14,075	44,138

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2014

<u>Net claims incurred</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	55,964	63,095	40,371	3,302	4,272	4,852	9,219	9,312	
One year later	55,113	68,384	36,699	3,063	3,477	4,783	7,449		
Two years later	50,913	70,865	39,268	2,198	3,501	3,618			
Three years later	56,532	68,238	36,473	2,072	2,476				
Four years later	55,449	66,871	29,827	2,069					
Five years later	47,453	61,457	27,949						
Six years later	46,989	57,632							
Seven years later	45,551								
Current estimate of cumulative claims incurred	<u>45,551</u>	<u>57,632</u>	<u>27,949</u>	<u>2,069</u>	<u>2,476</u>	<u>3,618</u>	<u>7,449</u>	<u>9,312</u>	<u>156,056</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 2014 (continued)

<u>Net claims paid</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	(11,627)	(16,749)	(11,562)	(509)	(891)	(757)	(1,957)	(1,114)	
One year later	(29,516)	(38,729)	(20,312)	(1,741)	(1,474)	(1,626)	(2,892)		
Two years later	(35,212)	(49,607)	(23,202)	(1,762)	(1,720)	(1,694)			
Three years later	(42,071)	(53,828)	(23,861)	(1,765)	(1,720)				
Four years later	(43,810)	(54,727)	(23,990)	(1,765)					
Five years later	(44,092)	(55,061)	(24,120)						
Six years later	(44,510)	(55,144)							
Seven years later	(44,164)								
Cumulative payments to-date	(44,164)	(55,144)	(24,120)	(1,765)	(1,720)	(1,694)	(2,892)	(1,114)	(132,613)
Net General Takaful claims liabilities	1,387	2,488	3,829	304	756	1,924	4,557	8,198	23,443

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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 2014 (CONTINUED)

29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2013

<u>Net claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	3,851	55,964	63,095	40,371	3,302	4,272	4,852	9,219	
One year later	7,118	55,113	68,384	36,699	3,063	3,477	4,783		
Two years later	6,507	50,913	70,865	39,268	2,198	3,501			
Three years later	7,261	56,532	68,238	36,473	2,072				
Four years later	8,196	55,449	66,871	29,827					
Five years later	7,429	47,453	61,457						
Six years later	6,723	46,989							
Seven years later	6,637								
Current estimate of cumulative claims incurred	<u>6,637</u>	<u>46,989</u>	<u>61,457</u>	<u>29,827</u>	<u>2,072</u>	<u>3,501</u>	<u>4,783</u>	<u>9,219</u>	<u>164,485</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2013 (continued)

<u>Net claims paid</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	(776)	(11,627)	(16,749)	(11,562)	(509)	(891)	(757)	(1,957)	
One year later	(4,079)	(29,516)	(38,729)	(20,312)	(1,741)	(1,474)	(1,626)		
Two years later	(5,214)	(35,212)	(49,607)	(23,202)	(1,762)	(1,720)			
Three years later	(5,937)	(42,071)	(53,828)	(23,861)	(1,765)				
Four years later	(6,667)	(43,810)	(54,727)	(23,990)					
Five years later	(6,496)	(44,092)	(55,061)						
Six years later	(6,507)	(44,510)							
Seven years later	(6,515)								
Cumulative payments to-date	(6,515)	(44,510)	(55,061)	(23,990)	(1,765)	(1,720)	(1,626)	(1,957)	(137,144)
Net General Takaful claims liabilities	122	2,479	6,396	5,837	307	1,781	3,157	7,262	27,341

SUN LIFE MALAYSIA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****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 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 certificateholders 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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.

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Investment- linked fund RM'000	Company RM'000
<u>2014</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	16,374	30,936	57,311	2,665	107,286
Accrued profit	2	52	74	-	128
<u>FVTPL - designated upon initial recognition</u>					
Unquoted Sukuk	-	-	-	4,533	961
Quoted equity securities *	2,120	-	26,689	9,300	33,933
Accrued profit	-	-	-	46	46
<u>Available-for-sale financial assets</u>					
Government Investment Issues	18,196	4,895	68,316	-	91,407
Cagamas Sukuk	-	-	19,922	-	19,922
Unquoted Sukuk	142,484	14,381	327,582	-	484,447
Investments in investment-linked funds *	7,748	-	-	-	7,748
Accrued profit	1,650	170	4,901	-	6,721
Takaful receivables	-	4,327	24,988	-	29,315
Retakaful assets	-	26,465	4,363	-	30,828
Other receivables	33,330	1,193	4,230	14	6,387
Cash and bank balances	9,086	3,592	16,172	39	28,889
	<u>230,990</u>	<u>86,011</u>	<u>554,548</u>	<u>16,597</u>	<u>848,018</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2013</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	93,345	39,828	96,386	1,215	230,774
Accrued profit	45	50	161	-	256
<u>FVTPL - designated upon initial recognition</u>					
Unquoted Sukuk	-	-	-	4,071	598
Quoted equity securities *	5,959	-	24,916	10,120	36,657
Accrued profit	-	-	-	37	37
<u>Available-for-sale financial assets</u>					
Government Investment Issues	-	15,011	129,100	-	144,111
Unquoted Sukuk	46,626	8,878	124,642	-	180,146
Investments in investment-linked funds *	7,811	-	-	-	7,811
Accrued profit	405	270	3,079	-	3,754
Takaful receivables	-	2,443	15,962	-	18,405
Retakaful assets	-	17,359	8,588	-	25,947
Other receivables	33,065	78	1,285	420	3,477
Cash and bank balances	5,853	8,025	24,181	82	38,141
	<u>193,109</u>	<u>91,942</u>	<u>428,300</u>	<u>15,945</u>	<u>690,114</u>

* Not subject to credit risk

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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 2014 (CONTINUED)

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 Company's credit ratings of counterparties.

<u>Shareholders' fund</u>	Neither past due nor impaired					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<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>2014</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	18,196	-	-	-	18,196
Unquoted Sukuk	37,144	52,289	-	-	53,051	-	-	-	142,484
Investment-linked funds	-	-	-	-	-	7,748	-	-	7,748
Accrued profit	657	372	-	-	621	-	-	-	1,650
<u>FVTPL financial assets</u>									
Quoted equity securities	-	-	-	-	-	2,120	-	-	2,120
<u>Financing and receivables</u>									
Fixed and call deposits	2,045	14,329	-	-	-	-	-	-	16,374
Accrued profit	-	2	-	-	-	-	-	-	2
Other receivables	-	-	-	-	33,330	-	-	-	33,330
Cash and bank balances	9,086	-	-	-	-	-	-	-	9,086
	<u>48,932</u>	<u>66,992</u>	<u>-</u>	<u>-</u>	<u>105,198</u>	<u>9,868</u>	<u>-</u>	<u>-</u>	<u>230,990</u>

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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 2014 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Shareholders' fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	-	13,029	-	-	33,597	-	-	-	46,626
Investment-linked funds	-	-	-	-	-	7,811	-	-	7,811
Accrued profit	-	154	-	-	251	-	-	-	405
<u>FVTPL financial assets</u>									
Quoted equity securities	-	-	-	-	-	5,959	-	-	5,959
<u>Financing and receivables</u>									
Fixed and call deposits	65,457	27,888	-	-	-	-	-	-	93,345
Accrued profit	21	24	-	-	-	-	-	-	45
Other receivables	-	-	-	-	33,065	-	-	-	33,065
Cash and bank balances	5,853	-	-	-	-	-	-	-	5,853
	<u>71,331</u>	<u>41,095</u>	<u>-</u>	<u>-</u>	<u>66,913</u>	<u>13,770</u>	<u>-</u>	<u>-</u>	<u>193,109</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2014</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	-	4,502	-	-	9,879	-	-	-	14,381
Government Investment Issues	-	-	-	-	4,895	-	-	-	4,895
Accrued profit	-	45	-	-	125	-	-	-	170
<u>Financing and receivables</u>									
Fixed and call deposits	30,936	-	-	-	-	-	-	-	30,936
Accrued profit	52	-	-	-	-	-	-	-	52
Takaful receivables	-	-	-	-	3,583	-	744	37	4,364
Other receivables	-	-	-	-	1,193	-	-	-	1,193
Retakaful assets	-	-	-	-	26,465	-	-	-	26,465
Cash and bank balances	3,222	42	-	-	328	-	-	-	3,592
Allowance for impairment losses	-	-	-	-	-	-	-	(37)	(37)
	<u>34,210</u>	<u>4,589</u>	<u>-</u>	<u>-</u>	<u>46,468</u>	<u>-</u>	<u>744</u>	<u>-</u>	<u>86,011</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	1,003	2,996	-	-	4,879	-	-	-	8,878
Government Investment Issues	-	-	-	-	15,011	-	-	-	15,011
Accrued profit	20	24	-	-	226	-	-	-	270
<u>Financing and receivables</u>									
Fixed and call deposits	39,828	-	-	-	-	-	-	-	39,828
Accrued profit	50	-	-	-	-	-	-	-	50
Takaful receivables	-	-	-	-	2,121	-	322	100	2,543
Other receivables	-	-	-	-	78	-	-	-	78
Retakaful assets	-	-	-	-	17,359	-	-	-	17,359
Cash and bank balances	6,576	-	-	-	1,449	-	-	-	8,025
Allowance for impairment losses	-	-	-	-	-	-	-	(100)	(100)
	<u>47,477</u>	<u>3,020</u>	<u>-</u>	<u>-</u>	<u>41,123</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>91,942</u>

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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 2014 (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>2014</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	70,965	112,034	-	-	144,583	-	-	-	-	327,582
Cagamas Sukuk	19,922	-	-	-	-	-	-	-	-	19,922
Government Investment Issues	-	-	-	-	68,316	-	-	-	-	68,316
Accrued profit	1,257	1,215	-	-	2,429	-	-	-	-	4,901
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	4,533	-	-	4,533
Quoted equity securities	-	-	-	-	-	26,689	9,300	-	-	35,989
Accrued interest	-	-	-	-	-	-	46	-	-	46
<u>Financing and receivables</u>										
Fixed and call deposits	4,302	52,003	-	-	1,006	-	2,665	-	-	59,976
Accrued profit	-	69	-	-	5	-	-	-	-	74
Takaful receivables	-	-	-	-	24,988	-	-	-	-	24,988
Retakaful assets	-	3,493	-	-	870	-	-	-	-	4,363
Other receivables	-	-	-	-	4,230	-	14	-	-	4,244
Cash and bank balances	16,034	126	-	-	12	-	39	-	-	16,211
	<u>112,480</u>	<u>168,940</u>	<u>-</u>	<u>-</u>	<u>246,439</u>	<u>26,689</u>	<u>16,597</u>	<u>-</u>	<u>-</u>	<u>571,145</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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	Investment-linked fund	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	RM'000
<u>2013</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	9,955	32,048	-	-	82,639	-	-	-	-	124,642
Government Investment Issues	-	-	-	-	129,100	-	-	-	-	129,100
Accrued profit	155	492	-	-	2,432	-	-	-	-	3,079
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	4,071	-	-	4,071
Quoted equity securities	-	-	-	-	-	24,916	10,120	-	-	35,036
Accrued interest	-	-	-	-	-	-	37	-	-	37
<u>Financing and receivables</u>										
Fixed and call deposits	54,755	41,631	-	-	-	-	1,215	-	-	97,601
Accrued profit	44	117	-	-	-	-	-	-	-	161
Takaful receivables	-	-	-	-	15,962	-	-	-	-	15,962
Retakaful assets	-	8,516	-	-	72	-	-	-	-	8,588
Other receivables	-	-	-	-	1,285	-	420	-	-	1,705
Cash and bank balances	23,093	382	-	-	706	-	82	-	-	24,263
	<u>88,002</u>	<u>83,186</u>	<u>-</u>	<u>-</u>	<u>232,196</u>	<u>24,916</u>	<u>15,945</u>	<u>-</u>	<u>-</u>	<u>444,245</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>Company</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>2014</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	108,109	168,825	-	-	207,513	-	-	-	-	484,447
Cagamas Sukuk	19,922	-	-	-	-	-	-	-	-	19,922
Government Investment Issues	-	-	-	-	91,407	-	-	-	-	91,407
Investment-linked funds	-	-	-	-	-	7,748	-	-	-	7,748
Accrued profit	1,914	1,632	-	-	3,175	-	-	-	-	6,721
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	961	-	-	961
Quoted equity securities	-	-	-	-	-	28,809	5,124	-	-	33,933
Accrued interest	-	-	-	-	-	-	46	-	-	46
<u>Financing and receivables</u>										
Fixed and call deposits	37,283	66,332	-	-	1,006	-	2,665	-	-	107,286
Accrued profit	53	70	-	-	5	-	-	-	-	128
Takaful receivables	-	-	-	-	28,571	-	-	744	37	29,352
Retakaful assets	-	3,493	-	-	27,335	-	-	-	-	30,828
Other receivables	-	-	-	-	6,373	-	14	-	-	6,387
Cash and bank balances	28,342	168	-	-	340	-	39	-	-	28,889
Allowance for impairment losses	-	-	-	-	-	-	-	-	(37)	(37)
	<u>195,623</u>	<u>240,520</u>	<u>-</u>	<u>-</u>	<u>365,725</u>	<u>36,557</u>	<u>8,849</u>	<u>744</u>	<u>-</u>	<u>848,018</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

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

Company	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>2013</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	10,958	48,073	-	-	121,115	-	-	-	-	180,146
Government Investment Issues	-	-	-	-	144,111	-	-	-	-	144,111
Investment-linked funds	-	-	-	-	-	7,811	-	-	-	7,811
Accrued profit	175	670	-	-	2,909	-	-	-	-	3,754
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	598	-	-	598
Quoted equity securities	-	-	-	-	-	30,875	5,782	-	-	36,657
Accrued interest	-	-	-	-	-	-	37	-	-	37
<u>Financing and receivables</u>										
Fixed and call deposits	160,040	69,519	-	-	-	-	1,215	-	-	230,774
Accrued profit	115	141	-	-	-	-	-	-	-	256
Takaful receivables	-	-	-	-	18,083	-	-	322	100	18,505
Retakaful assets	-	8,516	-	-	17,431	-	-	-	-	25,947
Other receivables	-	-	-	-	3,057	-	420	-	-	3,477
Cash and bank balances	35,522	382	-	-	2,155	-	82	-	-	38,141
Allowance for impairment losses	-	-	-	-	-	-	-	-	(100)	(100)
	<u>206,810</u>	<u>127,301</u>	<u>-</u>	<u>-</u>	<u>308,861</u>	<u>38,686</u>	<u>8,134</u>	<u>322</u>	<u>-</u>	<u>690,114</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Aged analysis of financial assets past due but not impaired

<u>General Takaful fund/Company</u>	<u>< 90 days RM'000</u>	<u>> 90 days RM'000</u>	<u>Total RM'000</u>
<u>2014</u>			
Takaful receivables	659	85	744
	<u> </u>	<u> </u>	<u> </u>
<u>2013</u>			
Takaful receivables	124	198	322
	<u> </u>	<u> </u>	<u> </u>

Impaired Takaful receivables

At 31 December 2014, impaired Takaful receivables amounted to RM0.04 million (2013: RM0.1 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 for Takaful receivables is as follows:

	<u>2014 General Takaful fund/Company RM'000</u>	<u>2013 General Takaful fund/Company RM'000</u>
As at 1 January	100	10,536
Writeback during the financial year (note 20)	(4)	(1,515)
Write off against Takaful receivables	(59)	(8,921)
	<u> </u>	<u> </u>
As at 31 December (note 8)	37	100
	<u> </u>	<u> </u>

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30 FINANCIAL RISKS (CONTINUED)

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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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>2014</u>								
<u>AFS financial assets</u>								
Government Investment Issues	18,196	767	1,533	1,533	21,553	-	-	25,386
Unquoted Sukuk	142,484	11,672	19,336	24,191	142,159	7,896	-	205,254
Investment-linked funds	7,748	-	-	-	-	-	7,748	7,748
Accrued profit	1,650	1,650	-	-	-	-	-	1,650
<u>FVTPL financial assets</u>								
Quoted equity securities	2,120	-	-	-	-	-	2,120	2,120
<u>Financing and receivables</u>								
Fixed and call deposits	16,374	16,379	-	-	-	-	-	16,379
Accrued profit	2	2	-	-	-	-	-	2
Other receivables	33,330	33,330	-	-	-	-	-	33,330
Cash and bank balances	9,086	9,086	-	-	-	-	-	9,086
Total financial assets	<u>230,990</u>	<u>72,886</u>	<u>20,869</u>	<u>25,724</u>	<u>163,712</u>	<u>7,896</u>	<u>9,868</u>	<u>300,955</u>
Other payables	<u>22,858</u>	<u>22,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,858</u>
Total financial liabilities	<u>22,858</u>	<u>22,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,858</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>2013</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	46,626	1,966	3,931	14,496	42,823	-	-	63,216
Investment-linked funds	7,811	-	-	-	-	-	7,811	7,811
Accrued profit	405	405	-	-	-	-	-	405
<u>FVTPL financial assets</u>								
Quoted equity securities	5,959	-	-	-	-	-	5,959	5,959
<u>Financing and receivables</u>								
Fixed and call deposits	93,345	93,406	-	-	-	-	-	93,406
Accrued profit	45	45	-	-	-	-	-	45
Other receivables	33,065	33,065	-	-	-	-	-	33,065
Cash and bank balances	5,853	5,853	-	-	-	-	-	5,853
Total financial assets	<u>193,109</u>	<u>134,740</u>	<u>3,931</u>	<u>14,496</u>	<u>42,823</u>	<u>-</u>	<u>13,770</u>	<u>209,760</u>
Other payables	<u>14,514</u>	<u>14,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,514</u>
Total financial liabilities	<u>14,514</u>	<u>14,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,514</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>2014</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	14,381	1,584	1,129	9,394	5,130	-	-	17,237
Government Investment Issues	4,895	186	372	372	5,228	-	-	6,158
Accrued profit	170	170	-	-	-	-	-	170
<u>Financing and receivables</u>								
Fixed and call deposits	30,936	30,956	-	-	-	-	-	30,956
Accrued profit	52	52	-	-	-	-	-	52
Takaful receivables	4,327	4,327	-	-	-	-	-	4,327
Other receivables	1,193	1,193	-	-	-	-	-	1,193
Retakaful assets	24,825	23,143	342	442	898	-	-	24,825
Cash and bank balances	3,592	3,592	-	-	-	-	-	3,592
Total financial assets	84,371	65,203	1,843	10,208	11,256	-	-	88,510
<u>Takaful contract liabilities</u>								
Takaful contract liabilities	60,239	56,968	665	859	1,747	-	-	60,239
Takaful payables	3,377	3,377	-	-	-	-	-	3,377
Other payables	12,042	12,042	-	-	-	-	-	12,042
Total financial liabilities	75,658	72,387	665	859	1,747	-	-	75,658

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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>2013</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	8,878	377	755	1,735	8,458	-	-	11,325
Government Investment Issues	15,011	5,345	10,185	-	-	-	-	15,530
Accrued profit	270	270	-	-	-	-	-	270
<u>Financing and receivables</u>								
Fixed and call deposits	39,828	39,850	-	-	-	-	-	39,850
Accrued profit	50	50	-	-	-	-	-	50
Takaful receivables	2,443	2,443	-	-	-	-	-	2,443
Other receivables	78	78	-	-	-	-	-	78
Retakaful assets	16,797	11,834	671	3,100	1,192	-	-	16,797
Cash and bank balances	8,025	8,025	-	-	-	-	-	8,025
Total financial assets	91,380	68,272	11,611	4,835	9,650	-	-	94,368
Takaful contract liabilities	59,291	46,250	1,762	8,146	3,133	-	-	59,291
Takaful payables	3,274	3,274	-	-	-	-	-	3,274
Other payables	20,946	20,946	-	-	-	-	-	20,946
Total financial liabilities	83,511	70,470	1,762	8,146	3,133	-	-	83,511

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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>2014</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	327,582	19,653	42,703	59,433	287,092	110,338	-	-	519,219
Cagamas Sukuk	19,922	890	1,780	1,780	24,153	-	-	-	28,603
Government Investment Issues	68,316	2,910	5,820	5,820	77,098	-	-	-	91,648
Accrued profit	4,901	4,901	-	-	-	-	-	-	4,901
<u>FVTPL financial assets</u>									
Unquoted Sukuk	4,533	-	-	-	-	-	-	4,533	4,533
Quoted equity securities	35,989	-	-	-	-	-	26,689	9,300	35,989
Accrued interest	46	-	-	-	-	-	-	46	46
<u>Financing and receivables</u>									
Fixed and call deposits	59,976	57,405	-	-	-	-	-	2,665	60,070
Accrued profit	74	74	-	-	-	-	-	-	74
Takaful receivables	24,988	24,988	-	-	-	-	-	-	24,988
Retakaful assets	4,363	5,055	(124)	(103)	(306)	(159)	-	-	4,363
Other receivables	4,244	4,230	-	-	-	-	-	14	4,244
Cash and bank balances	16,211	16,172	-	-	-	-	-	39	16,211
Total financial assets	<u>571,145</u>	<u>136,278</u>	<u>50,179</u>	<u>66,930</u>	<u>388,037</u>	<u>110,179</u>	<u>26,689</u>	<u>16,597</u>	<u>794,889</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2014 (continued)</u>									
Takaful contract liabilities	527,461	49,534	74,281	61,542	183,687	95,362	25,532	16,330	506,268
Takaful payables	16,726	16,726	-	-	-	-	-	-	16,726
Other payables	26,237	26,012	-	-	-	-	-	225	26,237
Total financial liabilities	<u>570,424</u>	<u>92,272</u>	<u>74,281</u>	<u>61,542</u>	<u>183,687</u>	<u>95,362</u>	<u>25,532</u>	<u>16,555</u>	<u>549,231</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	124,642	5,948	13,373	24,251	105,610	60,212	-	-	209,394
Government Investment Issues	129,100	19,960	9,531	88,966	35,355	-	-	-	153,812
Accrued profit	3,079	3,079	-	-	-	-	-	-	3,079
<u>FVTPL financial assets</u>									
Unquoted Sukuk	4,071	-	-	-	-	-	-	4,071	4,071
Quoted equity securities	35,036	-	-	-	-	-	24,916	10,120	35,036
Accrued interest	37	-	-	-	-	-	-	37	37
<u>Financing and receivables</u>									
Fixed and call deposits	97,601	96,496	-	-	-	-	-	1,215	97,711
Accrued profit	161	161	-	-	-	-	-	-	161
Takaful receivables	15,962	15,962	-	-	-	-	-	-	15,962
Retakaful assets	8,588	4,481	611	535	1,909	1,052	-	-	8,588
Other receivables	1,705	1,285	-	-	-	-	-	420	1,705
Cash and bank balances	24,263	24,181	-	-	-	-	-	82	24,263
Total financial assets	<u>444,245</u>	<u>171,553</u>	<u>23,515</u>	<u>113,752</u>	<u>142,874</u>	<u>61,264</u>	<u>24,916</u>	<u>15,945</u>	<u>553,819</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>2013 (continued)</u>									
Takaful contract liabilities	420,677	34,503	50,612	44,344	158,278	87,232	16,906	15,776	407,651
Takaful payables	11,722	11,722	-	-	-	-	-	-	11,722
Other payables	13,898	13,891	-	-	-	-	-	7	13,898
Total financial liabilities	<u>446,297</u>	<u>60,116</u>	<u>50,612</u>	<u>44,344</u>	<u>158,278</u>	<u>87,232</u>	<u>16,906</u>	<u>15,783</u>	<u>433,271</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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>2014</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	484,447	32,909	63,168	93,018	434,381	118,234	-	-	741,710
Cagamas Sukuk	19,922	890	1,780	1,780	24,153	-	-	-	28,603
Government Investment Issues	91,407	3,863	7,725	7,725	103,879	-	-	-	123,192
Investment-linked funds	7,748	-	-	-	-	-	7,748	-	7,748
Accrued profit	6,721	6,721	-	-	-	-	-	-	6,721
<u>FVTPL financial assets</u>									
Unquoted Sukuk	961	-	-	-	-	-	-	961	961
Quoted equity securities	33,933	-	-	-	-	-	28,809	5,124	33,933
Accrued interest	46	-	-	-	-	-	-	46	46
<u>Financing and receivables</u>									
Fixed and call deposits	107,286	104,740	-	-	-	-	-	2,665	107,405
Accrued profit	128	128	-	-	-	-	-	-	128
Takaful receivables	29,315	29,315	-	-	-	-	-	-	29,315
Retakaful assets	29,188	28,198	218	339	592	(159)	-	-	29,188
Other receivables	6,387	6,373	-	-	-	-	-	14	6,387
Cash and bank balances	28,889	28,850	-	-	-	-	-	39	28,889
Total financial assets	<u>846,378</u>	<u>241,987</u>	<u>72,891</u>	<u>102,862</u>	<u>563,005</u>	<u>118,075</u>	<u>36,557</u>	<u>8,849</u>	<u>1,144,226</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>2014</u> (continued)									
Takaful contract liabilities	579,952	106,502	74,946	62,401	185,434	95,362	25,532	8,582	558,759
Takaful payables	20,103	20,103	-	-	-	-	-	-	20,103
Other payables	28,757	28,532	-	-	-	-	-	225	28,757
Total financial liabilities	<u>628,812</u>	<u>155,137</u>	<u>74,946</u>	<u>62,401</u>	<u>185,434</u>	<u>95,362</u>	<u>25,532</u>	<u>8,807</u>	<u>607,619</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>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	180,146	8,291	18,059	40,482	156,891	60,212	-	-	283,935
Government Investment Issues	144,111	25,305	19,716	88,966	35,355	-	-	-	169,342
Investment-linked funds	7,811	-	-	-	-	-	7,811	-	7,811
Accrued profit	3,754	3,754	-	-	-	-	-	-	3,754
<u>FVTPL financial assets</u>									
Unquoted Sukuk	598	-	-	-	-	-	-	598	598
Quoted equity securities	36,657	-	-	-	-	-	30,875	5,782	36,657
Accrued interest	37	-	-	-	-	-	-	37	37
<u>Financing and receivables</u>									
Fixed and call deposits	230,774	229,752	-	-	-	-	-	1,215	230,967
Accrued profit	256	256	-	-	-	-	-	-	256
Takaful receivables	18,405	18,405	-	-	-	-	-	-	18,405
Retakaful assets	25,385	16,315	1,282	3,635	3,101	1,052	-	-	25,385
Other receivables	3,477	3,057	-	-	-	-	-	420	3,477
Cash and bank balances	38,141	38,059	-	-	-	-	-	82	38,141
Total financial assets	689,552	343,194	39,057	133,083	195,347	61,264	38,686	8,134	818,765

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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 2014 (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>2013</u> (continued)									
Takaful contract liabilities	472,157	80,753	52,374	52,490	161,411	87,232	16,906	7,965	459,131
Takaful payables	14,996	14,996	-	-	-	-	-	-	14,996
Other payables	17,987	17,980	-	-	-	-	-	7	17,987
Total financial liabilities	<u>505,140</u>	<u>113,729</u>	<u>52,374</u>	<u>52,490</u>	<u>161,411</u>	<u>87,232</u>	<u>16,906</u>	<u>7,972</u>	<u>492,114</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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 certificateholders 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 market prices 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.

Floating rate instruments expose the Company to cash flow profit risk, whereas fixed rate instruments expose the Company to fair value profit risk.

The Company's asset liability risk management policy requires management to manage the profit rate risk by maintaining an appropriate maturity of profit-bearing financial assets and liabilities. Floating rate instruments will be re-priced at intervals of not more than one (1) year. Profit on fixed rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Company has no significant concentration of profit rate risk.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(i) Profit rate risk (continued)

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.

<u>2014</u>	<u>Impact on profit before taxation RM'000</u>	<u>Impact on equity* RM'000</u>
<u>Change in variables</u>		
+ 100 basis points	-	(8,309)
- 100 basis points	-	9,169
	<u> </u>	<u> </u>
 <u>2013</u>		
<u>Change in variables</u>		
+ 100 basis points	-	(2,240)
- 100 basis points	-	2,428
	<u> </u>	<u> </u>

* 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)(ii) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes 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 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.

<u>2014</u>	Impact on profit <u>before taxation</u> RM'000	Impact on <u>equity*</u> RM'000
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	(848)	(636)
Investment-linked funds:		
Decrease in net asset value by 40%	-	(1,008)
	<u> </u>	<u> </u>
 <u>2013</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	(2,384)	(1,788)
Investment-linked funds:		
Decrease in net asset value by 40%	-	(1,150)
	<u> </u>	<u> </u>

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)(ii) Price risk (continued)

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 the Shareholders' fund's investments in Investment-linked funds which are classified as AFS financial assets. There is no impact to the Company's profit before taxation as the impact of changes in price risk to the equities securities of the Family Takaful fund and Investment-linked funds is 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 Framework ("ORMF") which outlines the approach in managing operational risks. From the governance perspective, the RMC and ERM monitor and oversee the implementation of the ORMF to ensure that the operational risk management process is in place and functioning effectively.

31 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2014, as prescribed under the Risk Based Capital Framework is provided below:

	<u>2014</u> RM'000	<u>2013</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,010	100,010
Share premium	99,990	99,990
Accumulated losses	(12,876)	(30,207)
Eligible contract liabilities	2,199	5,458
	<u>189,323</u>	<u>175,251</u>
<u>Tier 2 Capital</u>		
Eligible reserves	2,076	1,105
Amounts deducted from capital	(5,932)	(3,932)
	<u>185,467</u>	<u>172,424</u>