

Directors' Report
and Audited
Financial Statements
For the financial year
ended 31 December 2025



Registration No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

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CORPORATE GOVERNANCE STATEMENT

Introduction

Zurich General Takaful Malaysia Berhad (“ZGTMB” or “the Company”) is committed to effective corporate governance for the benefit of its shareholder, customers, employees, and other stakeholders based on the principles of fairness, transparency and accountability.

The Board of Directors (“the Board”) is satisfied that the Company has complied with all prescriptive requirements including the principles of Shariah and adopts the Corporate Governance policy document issued by Bank Negara Malaysia (“BNM”). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholder’s value and the financial performance of the Company.

The Board

The Board is responsible for the overall governance of the Company by ensuring strategic guidance, internal control, risk management and reporting procedures are in place. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure compliance with relevant rules, regulations, directives, and guidelines in addition to adopting best practices and acting in the best interest of its shareholder.

The Board Charter

The Board Charter sets out the Board’s roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles prescribed under the Policy Document on Corporate Governance issued by BNM. The Board regularly reviews the Charter and ensures it remains consistent and relevant to the Board’s objectives and responsibilities, and all regulations/laws in connection thereto.

Roles and Responsibilities of the Board

The Board sets the strategic direction and vision of the Company. It has an overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of long-term implications of the Board’s decisions on the Company and its customers, officers, and general public. In fulfilling this role, the Board shall:

- a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company’s risk profile;
- b) oversee the selection, performance, remuneration, succession plans of the CEO, control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company;
- c) oversee the implementation of the Company’s governance framework and internal control frameworks, and periodically review whether these remain appropriate in light of material changes to the size, nature, and complexity of the Company’s operations;
- d) together with Senior Management, promote a sound corporate culture within the Company which reinforces ethical, prudent, and professional behavior;

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Roles and Responsibilities of the Board (continued)

- e) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- f) oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- g) promote timely and effective communication between the Company and BNM and other relevant regulatory bodies on matters affecting or that may affect the safety and soundness of the Company; and
- h) promote Shariah compliance in accordance with expectations set out in the Shariah Governance Policy Document issued by BNM.

Composition of the Board

The composition of the Board since the date of the last report is as follows:

Name of Directors	Designation
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah *	Chairman, Independent Non-Executive Director
Manogaran A/L Sinnathamby	Member, Independent Non-Executive Director
Datin Sri Joan Hoi Lai Ping	Member, Independent Non-Executive Director
Matthew James Vincent (Appointed on 7 August 2025)	Member, Executive Director
Hasnah Binti Omar (Retired on 5 August 2025)	Chairperson, Independent Non-Executive Director
Matthew William Swinfen Cottrell (Resigned on 7 April 2025)	Member, Executive Director

**Dato' Wan Mohd Fadzmi was appointed as the Chairman of the Company on 19 August 2025.*

The Board comprises of majority Independent Non-Executive Directors, each from diverse backgrounds and qualification and bring a wide range of professional skills and operational experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities, and competencies to the Company. The roles and activities of the Chairman and Chief Executive Officer ("CEO") are distinct and separate. The Company sets the tenure limit of its independent directors to a maximum of nine years.

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Profile of Directors

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah

Malaysian, Male

Chairman, Independent Non-Executive Director

Dato' Wan Mohd Fadzmi was appointed as an Independent Non-Executive Director of the Company on 17 May 2021 and Chairman of the Company on 19 August 2025. He is a member of Risk Management and Sustainability Committee, Audit Committee and Nomination and Remuneration Committee of the Company.

Dato' Wan Mohd Fadzmi is a professional banker with over 25 years of experience in domestic and international banking. His career began in Melbourne, Australia as a Cost Estimator with Peter Slattery & Co in March 1986. Upon his return to Malaysia in 1988, Dato' Wan Mohd Fadzmi joined Malayan Banking Berhad ("MBB") and held various positions at MBB's head office until December 1994. In December 1994, Dato' Wan Mohd Fadzmi moved to MBB's London branch as its Credit & Marketing Manager. This was followed by his appointment as General Manager/Country Head of the London branch in September 1999 where he was responsible for the United Kingdom operations. Dato' Wan Mohd Fadzmi then spent three years as MBB's New York General Manager/Country Head and had overall responsibility for the New York City branch's banking operations. Dato' Wan Mohd Fadzmi then returned to the head office in Malaysia to helm Overseas Operations in November 2005 before leaving for the republic of China in September 2006. He spent the following four years as the General Manager/Chief Executive of MBB's Hong Kong branch.

Thereafter, he joined RHB Bank Berhad as Director, Global Business Banking Strategic Business Group in July 2010 where he was responsible for RHB's international banking operations comprising of branches in Singapore, Thailand, and Brunei Darussalam.

Dato' Wan Mohd Fadzmi was then appointed as the President/Chief Executive Officer of Bank Pertanian (M) Berhad (Agrobank) in July 2011 until August 2017 and was fully responsible for leading Agrobank's full operations via 188 outlets in Peninsular Malaysia, Sabah, and Sarawak.

Dato' Wan Mohd Fadzmi has received many accolades in his career including Outstanding CEO 2017 from Association Development Financial Institution in Asia Pacific in Macau, China, and CEO of the Year at the Global Islamic Finance Award 2016 in Jakarta, Indonesia.

Dato' Wan Mohd Fadzmi holds a Bachelor of Construction Economics from RMIT University, Melbourne, Australia and attended the Advanced Management Program at The Wharton Business School, University of Pennsylvania, USA and the Senior Executive Finance Program at the Templeton College, University of Oxford, United Kingdom. He is a Fellow Chartered Banker at the Asian Institute of Chartered Bankers, a Fellow of Institute of Corporate Directors Malaysia, and Chartered Professional in Islamic Finance.

He is currently the Non-Executive Chairman and Independent Director of Sumitomo Mitsui Banking Corporation Malaysia Berhad, Chairman and Independent Non-Executive Director of Zurich Takaful Malaysia Berhad, Independent Director of Hap Seng Consolidated Berhad, V.S International Group Limited and Malaysian Rating Corporation Berhad. He also serves as an Independent Investment Panel Member of Armed Forces Provident Fund as well as Chairman of Sedania As Salam Capital Sdn Bhd.

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Profile of Directors (continued)

Manogaran A/L Sinnathamby

Malaysian, Male

Independent Non-Executive Director

Mr. Manogaran A/L Sinnathamby was appointed as Independent Non-Executive Director of the Company on 17 May 2021. He is the Chairman of the Risk Management and Sustainability Committee and is also a member of the Audit Committee and Nomination and Remuneration Committee of the Company.

Mr. Manogaran is a Fellow-CIP of the Australian and New Zealand Institute of Insurance and Finance, a Chartered Insurer of Chartered Insurance Institute of London and an Associate of the Malaysian Insurance Institute.

Mr. Manogaran joined the Malaysian insurance industry in 1976, held various responsibilities and positions and have a total of 44 years of experience in all areas of operation especially in the business development, claims, underwriting and reinsurance.

From 2004 to 2006 prior to the merger with Aviva Insurance Berhad, Mr Manogaran was the Chief Operating Officer of Mitsui Sumitomo Insurance (M) Berhad. He oversaw the operations of the company, involved in formulating and implementing business strategies and plans. Subsequently, he held the position of Executive Vice President in MSIG Insurance (M) Bhd and was in charge of claims, underwriting and reinsurance.

In 2015, Mr. Manogaran was the Chief Executive Officer of the Malaysian Motor Insurance Pool ("MMIP") until he retired in 2020. He provided support, guidance and strategic recommendations to the MMIP Council for effective governance and oversight function of MMIP, ensuring the administration of the MMIP are in accordance with the Collective Agreement signed by the member companies, ensuring the Administration Manager services are in accordance with the Service Level Agreement signed with MMIP and acted as the liaison with various stakeholders such as BNM, Persatuan Insuran Am Malaysia and ISM Insurance Services Malaysia Berhad.

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Profile of Directors (continued)

Datin Sri Joan Hoi Lai Ping

Malaysian, Female

Independent Non-Executive Director

Datin Sri Joan Hoi Lai Ping was appointed as an Independent Non-Executive Director of the Company on 1 March 2022. Datin Sri Joan Hoi is the Chairperson of the Audit Committee. She is also a member of the Nomination and Remuneration Committee and Risk Management and Sustainability Committee of the Company.

Datin Sri Joan Hoi was a former Partner of Accenture, specialising in Change Management and the financial services industry. She joined Accenture in 1994 as a manager and was promoted to Associate Partner in 1999 and became Partner in 2005. She retired from Accenture in March 2009 after 15 years.

Datin Sri Joan Hoi served as the Head of the Finance Service Human Performance Service Line in ASEAN from 2000 and Lead for Talent and Organization Performance in Kuala Lumpur from 2005. During her time with Accenture, she worked with organisations to implement different types of change such as merger integration, group organisation structure changes including designing of group wide organisation structure, designation and implementation of new business operating models for commercial and corporate banking, bank branches, trade finance, collections, sales and marketing functions, creation of human resource shared services for an airline, reengineering of business functions/customer segments in banks, sales force effectiveness and learning centers. Besides Malaysia, she has also worked with organisations in Australia, Indonesia and assisted projects in Portugal, Singapore, South Korea and China.

Prior to joining Accenture, Datin Sri Joan Hoi was in the banking industry for 11 years, working with Hong Leong Finance and the Commonwealth Bank of Australia. As a banker, she evaluated property development projects, managed loan syndications, managed the credit department, the regional office overseeing branches, business banking, corporate banking, implemented risk rating, centralisation and underwent two mergers.

Datin Sri Joan Hoi is the author of "Take on Change," a management book launched in Malaysia in June 2012 which provides valuable insights and perspectives on managing change effectively. She also served as a mentor for a leadership development program.

Datin Sri Joan Hoi graduated with a Bachelor of Economics from Monash University, Victoria, Australia in 1983. She is a member of the Malaysian Institute of Accountants and fellow of CPA Australia.

Datin Sri Joan Hoi is currently a Director of General Rewards Sdn. Bhd., a private property investment company.

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Profile of Directors (continued)

Matthew James Vincent

Australian, Male
Executive Director

Mr Matthew James Vincent (“Mr Matthew Vincent”) was appointed as Executive Director of the Company on 7 August 2025.

Mr Matthew Vincent is currently the Regional Chief Investment Officer, Asia Pacific (“APAC”). He has over 30 years of investment experience over 12 years of which at the Regional Chief Investment Officer level. In his current role, he is also accountable for managing APAC investment management staff for the delivery of agreed investment plans and objectives, planning staff development and ensure robust succession plans; expanding the unit linked distribution activity/product set within the region; driving strategies to optimise the net investment income result, subject to parameters such as solvency capital consumption, risk budget and available asset classes; undertaking merger and acquisition due diligence (for investment management) through to recommendations for country, and regional opportunities; and ensuring best practice to in-house managed balance sheets (Malaysia, Indonesia and India).

In previous roles, Mr Matthew Vincent was the Regional Chief Investment Officer based in Zurich, Switzerland. He co-formulated a composite top down/bottom-up strategy for unit-linked business globally to build out Asset Under Management (“AUM”) platform - key element of Group’s 2020-2023 strategic ambition; and co-led the launch of an ICAV retail unit-linked product (Zurich Blue) focused on margin capture and margin creation as well as launched Environmental, Social and Corporate Governance (“ESG”) equity funds. He was also the representative for Investment Management in the UK/ Group Brexit branch strategy execution (covering investment strategy and asset transition planning) for general insurance plus reinsurance entities.

He holds a Bachelor of Economics, from Newcastle University, Australia. He graduated with a Diploma of Applied Finance and Investment from Financial Services Institute of Australasia (FINSIA), Australia and also holds a Diploma, from the Australian Institute of Company Directors (AICD).

Mr Matthew Vincent also serves as an Executive Director of Zurich General Insurance Malaysia Berhad and Zurich Finance (UK) PLC.

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Directors' Training

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training programmes attended by the Directors during the financial year ended 31 December 2025 included areas of leadership, governance, risk management, finance, investment, cybersecurity information technology, sustainability and takaful related matters.

Board Meetings

The Board is scheduled to meet at least four times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2025, all the Directors satisfied the minimum attendance of 75% of the Board meetings.

The number of meetings attended by each member of the Board for the financial year ended 31 December 2025 is as follows:

Name of Directors	No. of Board Meetings Attended
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, Chairman	10/10
Manogaran A/L Sinnathamby	10/10
Datin Sri Joan Hoi Lai Ping	10/10
Matthew James Vincent (<i>Appointed on 7 August 2025</i>)	2/2
Hasnah Binti Omar (<i>Retired on 5 August 2025</i>)	7/8
Matthew William Swinfen Cottrell (<i>Resigned on 7 April 2025</i>)	5/5

Board Committees

The Board has established Board Committees. The Board Committees are the Audit Committee, Nomination and Remuneration Committee, and Risk Management and Sustainability Committee. The Board Committees are chaired by an Independent Non-Executive Director.

Each Board Committee operates within defined terms of reference. The Board Committees have the authority to examine particular issues, but they report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matters rest with the Board.

Audit Committee ("AC")

The principal objectives of the AC are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The AC meets regularly with Senior Management, the internal auditors and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

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Board Committees (continued)

Audit Committee (“AC”) (continued)

The AC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of the AC are:

- (i) To approve the internal auditors’ audit plan, review the adequacy of the scope, functions, resources and competency and ensure that it has the necessary authority to carry out its work;
- (ii) To review the results of the internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;
- (iii) To consider the appointment of the external auditors, the audit fees and any question of resignation or dismissal;
- (iv) To discuss with the external auditors before the audit commences, the nature and scope of audit;
- (v) To provide assurance that the financial information presented by Management is relevant, reliable and timely;
- (vi) To review the Compliance Policy and oversee its implementation, establish the Compliance function, review and evaluate the effectiveness of the overall management of compliance risk;
- (vii) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct;
- (viii) To determine the quality, adequacy and effectiveness of the Company’s internal control environment;
- (ix) To ensure that the officers who perform the Shariah review function are qualified to undertake compliance function responsibilities and have sound understanding of the relevant Shariah requirements applicable to Islamic financial business; and
- (x) To provide oversight over Shariah review related matters including the Shariah review plan on a yearly basis.

The AC meets at least once every quarter, or more frequently as circumstances dictate. For the financial year ended 31 December 2025, the AC held five meetings to review the Company’s financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The members and number of meetings attended by each member of the AC for the financial year ended 31 December 2025 is as follows:

Members	No. of AC Meetings Attended
Datin Sri Joan Hoi Lai Ping, Chairperson	5/5
Dato’ Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	5/5
Manogaran A/L Sinnathamby	5/5
Hasnah Binti Omar (<i>Retired on 5 August 2025</i>)	2/3

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Board Committees (continued)

Nomination and Remuneration Committee (“NRC”)

The NRC assists the Board in fulfilling its fiduciary responsibilities relating to assessment of the nomination and selection process of Board members and Senior Management, review of the remuneration framework of Board members and Senior Management, annual review of the effectiveness of the Board, Board Committees, individual Directors and the Chief Executive Officer. In considering the right candidate for appointment to the Board, the NRC considers the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfill its fiduciary responsibilities.

The principal duties and responsibilities of the NRC as per the Terms of Reference approved by the Board are:

- (i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, the Chief Executive Officer, key senior officers (including the expatriates, if any) and members of the Shariah Committee of the Company;
- (ii) To recommend specific remuneration packages for Directors, the Chief Executive Officer, key senior officers (including the expatriates, if any) and members of the Shariah Committee of the Company; and
- (iii) To review and assess the nomination and selection of the Board, Senior Management (including the Chief Executive Officer and expatriates), members of the Shariah Committee and the Company Secretary, the performance of the Board, Chief Executive Officer and Shariah Committee, fit and proper assessments, succession planning and training and development needs.

The members and number of meetings attended by each member of the NRC for the financial year ended 31 December 2025 is as follows:

Members	No. of NRC Meetings Attended
Dato’ Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, Chairman *	7/7
Manogaran A/L Sinnathamby	7/7
Datin Sri Joan Hoi Lai Ping	7/7
Hasnah Binti Omar (<i>Retired on 5 August 2025</i>)	4/5

*Dato’ Wan Mohd Fadzmi had relinquished his role as the NRC Chairman in August 2025.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Risk Management and Sustainability Committee (“RMSC”)

The RMSC reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also reviews risk management policies and action plans and evaluates the adequacy of overall risk management policies and procedures.

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC are as follows:

- (i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;
- (iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management;
- (iv) To review the management’s periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (v) To provide oversight on sustainability related matters which include review of the Company’s sustainability strategy and objectives, review of the Company’s approach and conduct concerning sustainability, assessing progress against agreed actions at least annually, review of legislative and regulatory developments and reporting requirements relating to sustainability, review of the proposal to the Board for approval targets on environmental, social and corporate governance (“ESG”) matters which have a material impact on business strategy, underwriting or business performance; and
- (vi) To provide oversight over technology-related matters which include review of technology frameworks, review and recommendation of technology risk appetite and risk tolerance for technology related events, ensure key performance indicators and forward looking risk indicators are in place, ensure adequacy of IT and cybersecurity strategic plans and effective implementation of sound and robust technology risk management framework (“TRMF”) and cyber resilience framework (“CRF”) and ensure that risk assessments undertaken in relation to material technology applications submitted to BNM are robust and comprehensive.

The members and number of meetings attended by each member of the RMSC for the financial year ended 31 December 2025 is as follows:

Members	No. of RMSC Meetings Attended
Manogaran A/L Sinnathamby, Chairman	6/6
Dato’ Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	6/6
Datin Sri Joan Hoi Lai Ping	6/6
Hasnah Binti Omar (<i>Retired on 5 August 2025</i>)	3/4

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Shariah Committee (“SC”)

The SC is entrusted by the Board to ensure that the Company’s aims and operations, business, affairs, activities and products offered are in compliance with Shariah, and, in accordance with the advice or rulings of Shariah Advisory Council (“SAC”). All matters which require the Shariah Committee’s opinion and decisions are deliberated at the Shariah Committee’s meetings with the attendance of the Management and the representatives from the Shariah Department (Shariah Management Services) as well as other Shariah control functions. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

SC Roles and Responsibilities

In consideration of BNM’s Policy Document on Shariah Governance (BNM/RH/PD028-100), the Company has established its own Shariah Committee Charter as part and parcel of the robust Shariah governance framework to promote highest standard of Shariah governance within the Company.

The objectives of the Shariah Committee Charter are to ensure that all SC members are aware of their duties, roles and responsibilities as outlined by various legislations and regulations as well as to ensure that all SC members carry themselves at the highest level of integrity that commands confidence in effectively discharging their accountability over Shariah governance.

The principal duties and responsibilities of SC are, but not limited to the following:

1. Responsibility and accountability
The SC is expected to understand that in the course of discharging the duties and responsibilities as a SC member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them. The SC is also expected to perform an oversight role on all Shariah matters related to the Company’s business operations and activities.
2. Advise the Board and the Company
The SC shall advise the Board and provide input to the Company on any matters related to Shariah in order for the Company’s aims and operations, business, affairs and activities to comply with Shariah principles at all times.
3. Endorse Shariah policies and procedures
The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure the contents do not contain any elements which are not in line with Shariah.
4. Endorse and validate relevant documentations
To ensure that the products of the Company comply with Shariah principles, the SC must approve:
 - (i) The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - (ii) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

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Board Committees (continued)

Shariah Committee (“SC”) (continued)

SC Roles and Responsibilities (continued)

The principal duties and responsibilities of SC are, but not limited to the following: (continued)

5. Assess work carried out by Shariah Risk, Shariah Compliance and Shariah Audit
To assess the work carried out by Shariah Risk, Shariah Compliance and Shariah Audit in order to ensure compliance with Shariah principles which forms part of their duties in providing their assessment of Shariah compliance and accurate information in the annual report.
6. Assist related parties on Shariah matters
The related parties of the Company such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting party.
7. Advise on matters to be referred to the Shariah Advisory Council (“SAC”)
The SC may advise the Company to consult the SAC of Bank Negara Malaysia on Shariah matters that could not be resolved.
8. Provide written Shariah opinions
The SC is required to record any opinion given. In particular, the SC shall prepare written Shariah opinions in the following circumstances:
 - (i) Where the Company makes reference to the SAC for advice; or
 - (ii) Where the Company submits applications to BNM for new product approval.

SC Composition

As at 31 December 2025, SC consists of six members with diverse backgrounds in terms of qualification, experience and knowledge, which includes the fields of Shariah, accounting and economics, to support the depth and breadth of the Shariah deliberations. Majority of the members are scholars with qualification, expertise and experience in the areas of Shariah especially Islamic Jurisprudence (Fiqh & Usul al-Fiqh).

SC Meeting & Attendance

For the financial year ended 31 December 2025, SC held six meetings. The composition of SC members and record of meetings attended by each member of the SC for the financial year ended 31 December 2025 is as follows:

Members	No. of SC Meetings Attended
Dr. Mohamed Fairouz Bin Abdul Khir, Chairman	6/6
Assoc. Prof. Datin Dr. Wan Marhaini Binti Wan Ahmad	5/6
Dr. Zaharuddin Bin Abdul Rahman	6/6
Prof. Dr. Zurina Binti Shafii	6/6
Assoc. Prof. Dr. Mohamed Zaharuddin Bin Zakaria	6/6
Dr. Nur I'ffah Binti Muhammad Nasir	6/6

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Other Key Elements of Risk Management and Internal Control

Management accountability

The Company has an organisation structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits which are documented in the Company's internal control procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict-of-interest situation. None of the Directors and Senior Management of the Company has, in any circumstances, conflicts of interest referred to in Part B, paragraph 14 of BNM/RH/PD 029-9 Corporate Governance as issued by BNM and paragraph 67 of the Islamic Financial Services Act 2013 ("IFSA").

Corporate independence

The Company has complied with the requirements of BNM's Policy Document on Related Party Transactions (BNM/RH/GL 018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and, where required, the Board's prior approval for the transaction was obtained. All material related party transactions have been disclosed in the financial statements.

Internal controls

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are running in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interests.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action is taken in a timely manner, where necessary. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to the Senior Management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee, and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

Zurich promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across Zurich Malaysia. Management is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Testing effectiveness of relevant internal controls by the second line of defense also forms part of the control life cycle.

Risk management

The RMSC meets periodically to review risk management reports of the Company. The RMSC has categorised risks into seven risk types affecting the Company namely (i) Property and Casualty Risk, (ii) Market Risk, (iii) Credit Risk, (iv) Operational Risk, (v) Strategic, Reputation Risk and Sustainability Risk, (vi) Capital Management and Liquidity Risk and (vii) Shariah Non-Compliance Risk.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Other Key Elements of Risk Management and Internal Control (continued)

Risk management (continued)

The Company has established, within its risk management framework, a structured approach to enterprise-wide risk management. The process involves risk identification, assessment, mitigation and monitoring process whereby all department heads of the Company are required to assess and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity, and regularly monitor risks and actions in relation to identified risks.

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities. Annual financial statements are prepared in accordance with applicable regulations and approved accounting standards and are audited.

Remuneration policy

The Company's remuneration policy is based on Zurich Insurance Group Limited's ("ZIGL") remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which is aligned with risk considerations and provides competitive total remuneration opportunities to attract, retain, motivate, and reward employees to deliver outstanding performance.

The remuneration system is also an important element of the risk management framework and is designed to not encourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the overall business strategy and plans. Aligned with the Company's corporate governance standards, there are separate responsibilities for the business planning and performance management process and for the implementation of the remuneration system.

The Board of Directors reviews and approves the remuneration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board of Directors may approve amendments to the remuneration architecture in general or to the applicable plans including exceptions to the short-term incentive plan and/or long-term incentive plan target amounts, to the performance criteria, vesting and/or performance periods and related retention periods.

With respect to the regular review and the oversight of the implementation of the Zurich's Remuneration Rules ("ZRR") issued by the Group, the Board of Directors is supported by the Nomination and Remuneration Committee and respective monitoring process as stated in the ZRR.

Registration No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Other Key Elements of Risk Management and Internal Control (continued)

Remuneration policy (continued)

The guiding principles of the remuneration philosophy as set out in the ZRR are as follows:

- The remuneration architecture is simple, transparent and can be put into practice.
- Remuneration is tied to long-term results for individuals who have a material impact on the Company's risk profile.
- The structure and level of total remuneration are aligned with the Company's risk policies and risk-taking capacity.
- A high-performance culture is promoted by differentiating total remuneration based on the relative performance of business and individuals.
- Expected performance is clearly defined through a structured system of performance management and this is used to support remuneration decisions.
- Variable remuneration awards are linked to key performance factors which can include the performance of the Company, business units, functions as well as individual achievements.
- The Company's Short Term Incentive Plan ("STIP"), General Insurance Performance Plan ("GIPP") and Long-Term Incentive Plan ("LTIP") are forms of variable remuneration which are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with the Company's long term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market practices.
- Reward decisions are made on the basis of merit – performance, skills, experience, qualifications, and potential – and are free from discrimination towards or against diverse backgrounds. The remuneration system and practices ensure all employees have equal opportunities.

Total remuneration and its composition may be influenced by factors such as scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, professional experience, internal equity, external competitiveness, and legal requirements.

Total remuneration can include elements of base salary and variable remuneration.

- Base salary is the fixed pay for the role performed, determined by the scope and complexity of the role, and is reviewed regularly. Overall base salary structures are positioned to manage salaries around the relevant market medians. Key factors to be considered are the individual's overall experience and performance.
- The variable remuneration architecture is aligned with the achievement of the key financial objectives and the execution of the business strategy, Enterprise Risk Management Framework and operational plans, via short-term and long-term incentive plans. The plan designs are reviewed regularly by the Nomination and Remuneration Committee and the Board of Directors. The incentive plans are discretionary and can be terminated, modified, changed, or revised, at any time, except for previously awarded grants. A claw-back framework is in place, however, for members of the Executive Committee and, in some jurisdictions, may apply for additional STIP and LTIP participants based on local legal and regulatory requirements to allow for recovery, forfeiture and/or claw-back, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP, GIPP and LTIP participants.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Other Key Elements of Risk Management and Internal Control (continued)

Remuneration policy (continued)

Total remuneration can include elements of base salary and variable remuneration. (continued)

- Variable remuneration is structured such that, on average, there is a higher weighting towards the longer-term sustainable performance for the most senior employees of the Company, including the individuals with the most impact on the Company's risk profile, i.e., key risk takers. This ensures that a significant portion of the variable pay for the senior group is deferred to promote risk awareness among the participants and to encourage the participants to operate the business in a sustainable manner.

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ZURICH GENERAL TAKAFUL MALAYSIA 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 2025.

PRINCIPAL ACTIVITY

The Company is principally engaged in the underwriting of all classes of general takaful business. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>92,291</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

DIVIDENDS

No dividend has been declared or paid by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

SHARE CAPITAL

No new ordinary shares were issued during the financial year.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report to the date of this report or who were appointed during the financial year are as follows:

<u>Name of Directors</u>	<u>Designation</u>
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah*	Chairman, Independent Non-Executive Director
Manogaran A/L Sinnathamby	Independent Non-Executive Director
Datin Sri Joan Hoi Lai Ping	Independent Non-Executive Director
Matthew James Vincent	Executive Director (Appointed on 7 August 2025)
Hasnah Binti Omar (Retired on 5 August 2025)	Chairperson, Independent Non-Executive Director
Matthew William Swinfen Cottrell (Resigned on 7 April 2025)	Executive Director

**Dato' Wan Mohd Fadzmi was appointed as the Chairman of the Company on 19 August 2025.*

DIRECTORS' BENEFITS

Since the end of previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 21(a) to the financial statements) by reason of a contract made by the Company or a related corporation with a 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.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, 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.

INDEMNITY AND INSURANCE COST

The Company, through its ultimate holding corporation, Zurich Insurance Group Ltd. ("ZIGL"), has maintained a Directors' and Officers' Liability Insurance ("Group's D&O Insurance") on a group basis up to an aggregate limit of USD375 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Company has also placed Directors' and Officers' Liability Insurance with a local insurer up to the deductible amount under the Group's D&O Insurance. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The total amount paid and payable for indemnity insurance effected for the Directors of the Company for the financial year amounted to RM7,352.

There was no indemnity given to, or insurance effected for, the auditors of the Company during and at the end of the financial year.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act 2016, particulars of interests of Directors in office at the end of the financial year in shares in the ultimate holding company, Zurich Insurance Group Ltd, are as follows:

	Number deferred/restricted/performance share units			
	At 1.1.2025	Granted/ reinvested dividends	Exercised	At 31.12.2025
<u>Units in Zurich Insurance Group Ltd.</u>				
Direct interest:				
Matthew James Vincent	2,887	465	-	3,352

Deferred, restricted and performance share units are granted to the Group's most senior executives under Zurich Insurance Group Ltd's Long Term Incentive Plan ("LTIP") and entitled the holder to receive cash payments equal to the value of the same number of common shares plus credited dividends upon retirement or termination of employment or as they are sold, subject to any performance conditions.

Other than as disclosed above, no other Directors in office at the end of the financial year held any interests in shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

The Directors' remuneration paid and payable by the Company was as follows.

Directors of the Company	RM'000
Non-executive directors	
Fees	390
Other emoluments	130
	<u>520</u>

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were made out, the Directors took reasonable steps:

- (i) to ascertain that there was adequate provision for its takaful certificate liabilities in accordance with the requirements of MFRS 17 *Insurance Contracts* issued by the Malaysian Accounting Standards Board ("MASB");
- (ii) 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 there were no known bad debts, and that adequate provision had been made for doubtful debts; and
- (iii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i), contingent and other liabilities do not include liabilities arising from certificates of takaful underwritten in the ordinary course of business of the Company.

AUDITORS' REMUNERATION

The auditors' remuneration of the Company during the financial year was RM370,000.

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The Directors regard Zurich Holdings Malaysia Berhad, a company incorporated in Malaysia, as the immediate holding company of the Company. The penultimate holding and ultimate holding companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd. respectively. Both companies are incorporated in Switzerland.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

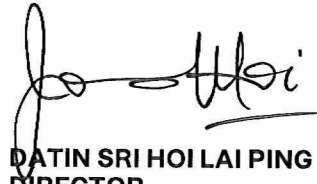
AUDITORS

The auditors, Ernst & Young PLT (LLP0022760-LCA & AF 0039), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 March 2026.



**DATO' WAN MOHD FADZMI
BIN CHE WAN OTHMAN FADZILAH
DIRECTOR**



**DATIN SRI HOI LAI PING
DIRECTOR**

Kuala Lumpur
11 March 2026

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
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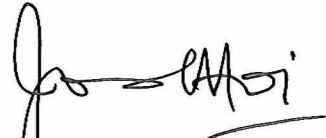
**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah and Datin Sri Hoi Lai Ping, being two of the Directors of Zurich General Takaful Malaysia Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 31 to 141 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2025 and of its financial performance and the cash flows for the financial year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 March 2026.



**DATO' WAN MOHD FADZMI
BIN CHE WAN OTHMAN FADZILAH
DIRECTOR**



**DATIN SRI HOI LAI PING
DIRECTOR**

Kuala Lumpur
11 March 2026

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Shamsul Azman Bin Alias, being the officer primarily responsible for the financial management of Zurich General Takaful Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 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.



SHAMSUL AZMAN BIN ALIAS

Subscribed and solemnly declared by the above named Shamsul Azman Bin Alias at Kuala Lumpur in Malaysia on 11 March 2026, before me,



A-15-05, Vertical Business Suite,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and the responsibilities of the Zurich General Takaful Malaysia Berhad's Shariah Committee ("SC") as prescribed in the Shariah Governance Policy Document ("SGPD") for Islamic Financial Institutions ("IFIs") issued by Bank Negara Malaysia ("BNM") and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2025.

The Management of the Company bears the responsibility to ensure that its objectives, operations, business activities, and affairs are in compliance with Shariah rules, principles, and rulings as laid down by the Shariah authorities. Consequently, it is incumbent upon us to provide an independent opinion, based on our comprehensive review of the Company's business and operations, to compile this report.

We had six (6) seating of scheduled meetings for the financial year 2025 with all the members of SC satisfying the minimum attendance of at least 75% requirement as laid down in Paragraph 11.4 of the SGPD of BNM. We reviewed inter alia products, services, processes, documents, reports, and proposals presented to us.

In performing our roles and responsibilities, we have sought all the relevant information and explanations which we consider necessary in order to provide us with fair evidence to give reasonable assurance that the Company has complied with the relevant Shariah rules and principles.

In our opinion:

1. The products' structures and contractual arrangements, as well as the transactions, business activities, services, and the related processes and documentation reviewed during the financial year ended 31 December 2025, are in accordance with Shariah requirements and principles;
2. Nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of the Company involve in any Shariah non-Compliant incidents;
3. Accordingly, there were no Shariah Non-Compliance ("SNC") incident encountered by us for the financial year ended 31 December 2025; and
4. During the financial year 2025, the Company carried out its responsibility to perform zakat in accordance with the internal policy approved by us.

At the management level, the Head of Shariah Management Services who reports to us, oversees the conduct and effectiveness of the internal Shariah functions i.e., Shariah Advisory and Research, Center of Takaful Excellence, and Communications to provide operational support for effective functioning of the SC, which includes coordinating communications and disseminating information, providing day-to-day advice to relevant parties, and providing Shariah trainings.

This is further substantiated by the Shariah Compliance function which resides in the Compliance Department, Shariah Risk function in the Risk Management Department and Shariah Audit function in the Internal Audit Department. The roles of control functions are managing SNC risks, conducting Shariah review and audit, and coordinating with us on any matter that requires our decision.

The following are the major developments that took place during the financial year which come under our purview:

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONTINUED)

Shariah Governance

We have approved in our meetings, initiatives in strengthening the Shariah governance of the Company following the issuance of Policy Document on Shariah Governance and other related guidelines by BNM. This includes the review, revision and update of the existing relevant Shariah policies and procedures that aim, among others, to improve and strengthen the Shariah governance and compliance culture within the Company.

Shariah Compliance Culture

In our efforts to elevate the professionalism and fortify the capabilities of the SC members, we have undertaken a series of strategic initiatives. Notably, we have enrolled in the Certified Shariah Advisor ("CSA") program organised by the Association of Shariah Advisors in Islamic Finance ("ASAS").

Furthermore, to remain at the forefront of industry advancements, we have actively participated in a variety of pertinent training programs, seminars, and events among others.

- (i) Muzakarah Cendekiawan Syariah Nusantara (2025)
- (ii) Muzakarah Penasihat Syariah Kewangan Islam KLIF 2025
- (iii) International Shariah Scholars Forum (ISSF)
- (iv) Zurich Takaful's Board and Shariah Committee Engagement Session I – Beyond the Crossroads: Unlocking Takaful's Potential Values by Tan Sri Azman Bin Mokhtar
- (v) Zurich Takaful's Board and Shariah Committee Engagement Session II – Integrating Maqasid Shariah in Takaful by Mohamad Khairul Daim Bin Ahmad Shamsuri

Various engagements and activities have been implemented to instill a strong compliance culture, integrity, and high ethical standards among the Company's staff. Throughout 2025, a total of thirteen sessions of Shariah training were conducted for the Company's stakeholders. In addition, Z-Fence Awareness program was conducted with strong participation from all three lines of defense.

Overall, we are confident that these programs will enhance the awareness of Shariah and Takaful principles and inculcate a culture of Shariah compliance within the Company.

Shariah Control Functions

The Shariah Control function plays a vital role in achieving the objective of ensuring Shariah compliance in the Company. Their key functions are documented with clear roles and responsibilities, in accordance with the SGPD of BNM and other relevant regulatory requirements. The Shariah control functions are as follows:

- (i) Shariah Review (internally known as Shariah Compliance)

In 2025, the Shariah Compliance function had presented to us, amongst others, the Shariah Compliance plan and its progress updates, the result of the review conducted by the Shariah Compliance and the rectification action taken by the business management to close the findings. In addition, Shariah Compliance also conducted Shariah Compliance Training and Awareness in collaboration with Shariah Management Services Department.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONTINUED)

Shariah Control Functions (continued)

(ii) Shariah Risk

Shariah Risk Management presented initiatives aimed at enhancing awareness among staff and fostering a culture of Shariah risk within the Company. This involved spearheading the annual Z-Fence Awareness initiatives, which comprised both virtual and physical sessions, with robust participation from all three lines of defense. Additionally, Shariah Risk Management conducted awareness sessions on Operational Risk Reporting ("ORR") and SNC reporting for targeted functions, in collaboration with Risk Management. As part of an ongoing review process, the Shariah Risk Management Policy, and Standard Operating Procedure ("SOP") for SNC Event Reporting have been updated to reflect current arrangements for addressing potential SNC incidents. The Shariah Internal Control Integrated Framework ("ICIF") was also reviewed to ensure that the new and existing local Shariah controls are effectively designed and operating as intended to manage Shariah risk across the Company.

(iii) Shariah Audit

In the same period, Internal Audit had presented to us with findings from audits on several areas: Business Continuity Planning/ Disaster Recovery Planning ("BCP/DRP") Testing Phase 2 2024, Application Governance – Change and Release Management, Product Development Transparency and Disclosure, Verification of Reporting to Perbadanan Insurans Deposit Malaysia ("PIDM"), Property and Casualty Reserving, Risk Management Function Key Controls, Sales and Distribution Banca Partnership, Motor Claims including Payments and Recoveries, and BCP/DRP Testing Phase 1 2025, which also reviewed Shariah requirements. There were no SNC findings identified.

Conclusion

Based on the above, in our opinion, and to the best of our knowledge, nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Zurich General Takaful Malaysia Berhad involve any material Shariah non-compliances.

On that note, we, being the members of Shariah Committee of Zurich General Takaful Malaysia Berhad do hereby certify that to our best knowledge the businesses and activities of the Company for the financial year ended 31 December 2025 have been conducted in conformity with the Shariah rules and principles.

Allah knows best.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
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SHARIAH COMMITTEE'S REPORT (CONTINUED)

On behalf of the Committee:

Chairman of the Shariah Committee :



DR. MOHAMED FAIROOZ
BIN ABDUL KHIR

Shariah Committee :



ASSOC. PROF. DATIN DR. WAN MARHAINI
BINTI WAN AHMAD

Kuala Lumpur
11 March 2026

**201701045981 (1260157-U)
Independent auditors' report to the member of
Zurich General Takaful Malaysia Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zurich General Takaful Malaysia Berhad which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 31 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), as applicable to audit of financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, the Corporate Governance Statement and Shariah Committee's Report, but does not include the financial statements of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the sustainability report, which is expected to be made available to us after the date of this auditors' report.



**Shape the future
with confidence**

201701045981 (1260157-U)
Independent auditors' report to the member of
Zurich General Takaful Malaysia Berhad

Information other than the financial statements and auditors' report thereon (cont'd.)

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the sustainability report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Shape the future
with confidence

201701045981 (1260157-U)
**Independent auditors' report to the member of
Zurich General Takaful Malaysia Berhad**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Shape the future
with confidence

201701045981 (1260157-U)
Independent auditors' report to the member of
Zurich General Takaful Malaysia Berhad

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
11 March 2026

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2027 J
Chartered Accountant

Registration No.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	General Takaful Fund		Company	
		31.12.2025 RM'000	31.12.2024 RM'000	31.12.2025 RM'000	31.12.2024 RM'000
ASSETS					
Property and equipment	5	-	-	3,825	3,782
Right-of-use assets	6	-	-	3,509	944
Intangible assets	7	-	-	16,000	18,003
Investments	8	1,855,637	1,690,430	2,713,701	2,510,418
Retakaful certificate assets	9	50,282	48,700	50,282	48,700
Other receivables	10	101	9	747	655
Tax recoverable		3,054	-	-	-
Deferred tax assets	11	-	-	21,297	23,029
Cash and cash equivalents		88,158	30,618	157,566	45,112
TOTAL ASSETS		1,997,232	1,769,757	2,966,927	2,650,643
SHAREHOLDER'S EQUITY AND LIABILITIES					
Share capital	15	-	-	447,000	447,000
Retained earnings	16(a)	-	-	385,712	293,421
Other reserves	16(b)	-	-	3,578	1,541
TOTAL SHAREHOLDER'S EQUITY		-	-	836,290	741,962
Takaful certificate liabilities	12	1,905,512	1,690,577	2,026,544	1,805,676
Lease liabilities	13	-	-	3,759	1,321
Other liabilities	14	82,870	66,039	93,978	89,991
Tax payable		-	4,558	6,356	11,693
Deferred tax liabilities	11	8,850	8,583	-	-
TOTAL LIABILITIES		1,997,232	1,769,757	2,130,637	1,908,681
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		1,997,232	1,769,757	2,966,927	2,650,643

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

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	General Takaful Fund		Company	
		2025	2024	2025	2024
		RM'000	RM'000	RM'000	RM'000
Takaful revenue		1,232,258	1,120,607	1,232,258	1,096,174
Takaful service expense	21	(1,226,491)	(1,093,506)	(1,100,483)	(950,416)
Takaful service result before retakaful certificates held		<u>5,767</u>	<u>27,101</u>	<u>131,775</u>	<u>145,758</u>
Allocation of retakaful contributions		(37,824)	(36,966)	(37,824)	(36,966)
Amounts recoverable from retakaful operators for incurred claims		<u>4,977</u>	<u>(1,693)</u>	<u>4,977</u>	<u>(1,693)</u>
Net expense from retakaful certificates held	17	<u>(32,847)</u>	<u>(38,659)</u>	<u>(32,847)</u>	<u>(38,659)</u>
Takaful service result		<u>(27,080)</u>	<u>(11,558)</u>	<u>98,928</u>	<u>107,099</u>
Investment income	18	67,238	59,292	99,464	88,000
Realised (losses)/gains on financial assets at FVOCI		(54)	38	(41)	92
(Impairment loss)/ reversal of impairment loss on financial assets		(116)	544	(187)	877
Other investment expenses	21	<u>(60)</u>	<u>(53)</u>	<u>(1,311)</u>	<u>(1,230)</u>
Total investment result		<u>67,008</u>	<u>59,821</u>	<u>97,925</u>	<u>87,739</u>
Takaful finance expenses for takaful certificates issued	19	(34,986)	(30,477)	(35,162)	(30,657)
Retakaful finance income for retakaful certificates held	19	<u>1,547</u>	<u>2,753</u>	<u>1,547</u>	<u>2,753</u>
Net takaful finance result		<u>(33,439)</u>	<u>(27,724)</u>	<u>(33,615)</u>	<u>(27,904)</u>
Other operating income	20	2,116	669	4,108	880
Other expenses	21	(6)	(117)	(33,883)	(26,453)
Finance cost		-	-	(39)	(66)
Profit before zakat and taxation		<u>8,599</u>	<u>21,091</u>	<u>133,424</u>	<u>141,295</u>
Tax expense attributable to participants	22	(8,599)	(21,091)	(8,599)	(21,091)
Tax expense attributable to Takaful Operator	22	-	-	(29,523)	(27,917)
Zakat		-	-	(3,011)	(3,161)
Net profit for the financial year		<u>-</u>	<u>-</u>	<u>92,291</u>	<u>89,126</u>
Basic and diluted earnings per share (sen)	24	<u>-</u>	<u>-</u>	<u>22.33</u>	<u>21.56</u>

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

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	General Takaful Fund		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Net profit for the financial year		-	-	92,291	89,126
Other comprehensive income, net of tax:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Fair value through other comprehensive income investments:					
Gross gains on fair value changes		2,532	85	5,199	407
Realised (gains)/losses transferred to profit or loss		(54)	38	(41)	92
Deferred tax expenses	11	(595)	(30)	(1,238)	(120)
Fair value through other comprehensive income investments, net of deferred tax		<u>1,883</u>	<u>93</u>	<u>3,920</u>	<u>379</u>
Takaful finance expenses for takaful certificates issued	19	(3,256)	(1,392)	(3,256)	(1,392)
Retakaful finance income for retakaful certificates held	19	159	146	159	146
Deferred tax income	11	743	299	743	299
Net takaful finance results, net of deferred tax		<u>(2,354)</u>	<u>(947)</u>	<u>(2,354)</u>	<u>(947)</u>
Other comprehensive income attributable to participants		471	854	471	854
Other comprehensive income for the financial year, net of tax		<u>-</u>	<u>-</u>	<u>2,037</u>	<u>286</u>
Total comprehensive income for the financial year		<u>-</u>	<u>-</u>	<u>94,328</u>	<u>89,412</u>

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

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2025

<u>Company</u>	<u>Issued and fully paid-up ordinary shares</u>	<u>Non- distributable Fair value reserve</u>	<u>Distributable Retained earnings</u>	<u>Total</u>
	<u>Share capital</u>	<u>Fair value</u>	<u>Retained</u>	<u>Total</u>
	<u>RM'000</u>	<u>reserve</u>	<u>earnings</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2024	447,000	1,255	204,295	652,550
Net profit for the financial year	-	-	89,126	89,126
Other comprehensive income for the financial year	-	286	-	286
At 31 December 2024	447,000	1,541	293,421	741,962
At 1 January 2025	447,000	1,541	293,421	741,962
Net profit for the financial year	-	-	92,291	92,291
Other comprehensive income for the financial year	-	2,037	-	2,037
At 31 December 2025	447,000	3,578	385,712	836,290

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

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	Company	
		2025 RM'000	2024 RM'000
OPERATING ACTIVITIES			
Cash generated from/(utilised in) operating activities	25	55,075	(30,081)
Investment income received		102,433	75,424
Interest expense on lease liabilities	13	(39)	(66)
Income tax paid		(42,222)	(50,972)
Net cash inflows/(outflows) from operating activities		115,247	(5,695)
INVESTING ACTIVITIES			
Purchase of property and equipment	5	(1,516)	(1,368)
Net cash outflows from investing activities		(1,516)	(1,368)
FINANCING ACTIVITIES			
Payment of lease liabilities	13	(1,277)	(1,133)
Net cash outflows from financing activities		(1,277)	(1,133)
Net increase/(decrease) in cash and cash equivalents		112,454	(8,196)
Cash and cash equivalents at the beginning of the financial year		45,112	53,308
Cash and cash equivalents at the end of the financial year		157,566	45,112
Cash and cash equivalents comprise:			
Cash and bank balances		59,162	45,112
Fixed deposits with licensed financial institutions with original maturities of less than 3 months		98,404	-
		157,566	45,112

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

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:

Registered office

Level 25, Mercu 3,
No. 3, Jalan Bangsar, KL Eco City,
59200 Kuala Lumpur.

Principal place of business

Level 23A, Mercu 3,
No. 3, Jalan Bangsar, KL Eco City,
59200 Kuala Lumpur.

The Company is engaged principally in the underwriting of all classes of general takaful business. There has been no significant change in the nature of this activity during the financial year.

The Directors regard Zurich Holdings Malaysia Berhad, a company incorporated and domiciled in Malaysia as the immediate holding company. The penultimate holding and ultimate holding companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd. respectively. Both companies are incorporated in Switzerland.

Zurich Insurance Group Ltd. is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 March 2026.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards, IFRS Accounting Standards, Islamic Financial Services Act ("IFSA") 2013, and comply with the requirements of the Companies Act 2016 in Malaysia.

The inclusion of separate financial information of the Takaful fund together with the Company-level financial statements in the statement of financial position, statement of profit or loss, and the statement of comprehensive income as well as the related notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to IFSA 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful fund from that of the Company. The accounting policies adopted for the Takaful fund are uniform for like transactions and events in similar circumstances.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators ("the RBCT Framework") issued by BNM as at the date of the statement of financial position.

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****(a) Statement of Compliance (continued)****Takaful operations and its fund**

Under the concept of Takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the fund to aid fellow participants in times of need. Accordingly, as a Takaful Operator, the Company manages the General Takaful Fund in line with the principles of Wakalah (agency), which is the main business model adopted by the Company. Under the Wakalah model, the Takaful Operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above. In accordance with IFSA 2013, the assets and liabilities of the Takaful fund is segregated from those of the Takaful Operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the Takaful fund is consolidated with those of the Takaful Operator to represent the control possessed by the operator over the respective funds. The inclusion of separate information of the Takaful fund and the Takaful Operator together with the consolidated financial information of the Company in the statement of financial position, the statement profit or loss, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new accounting pronouncements as follows:

Amendments effective for annual financial periods beginning on or after 1 January 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates* – Lack of Exchangeability

The amendments listed above did not have any impact on the financial statements including amounts recognised in prior periods and the current financial year.

The following are Accounting Standards, and Amendments to Accounting Standards issued by the Malaysian Accounting Standards Board (“MASB”), but are not yet effective, up to the date of issuance of the Company’s financial statements. The Company intends to adopt these Accounting Standards and Amendments to Accounting Standards, if applicable, when they become effective.

Amendments and annual improvements effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures* – *Classification and Measurement of Financial Instruments*

In May 2024, the MASB issued Amendments to MFRS 9 and MFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that financial liability is derecognised on the ‘settlement date’ and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of Compliance (continued)

Amendments and annual improvements effective for annual periods beginning on or after 1 January 2026 (continued)

- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments* (continued)
 - Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (“ESG”) and similar features should be assessed.
 - Clarifications on what constitute ‘non-recourse features’ and what are the characteristics of contractually linked instruments.
 - The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (“OCI”).
- Annual Improvements to MFRS Accounting Standards – Volume 11
MASB made the following improvements in September 2024:
 - Amendments to MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* – to improve consistency between MFRS 1 and MFRS 9, in relation to the requirements of hedge accounting and to improve understandability of MFRS 1;
 - Amendments to MFRS 7 – to improve consistency in language used in MFRS 7 with the language used in MFRS 13 *Fair Value Measurement*;
 - Amendments to MFRS 9 – to clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished and to address inconsistency between MFRS 9 and MFRS 15 *Revenue from Contracts with Customers*, in relation to the term ‘transaction price’;
 - Amendments to MFRS 10 *Consolidated Financial Statements* – to clarify the requirements in relation to determining de facto agents of an entity; and
 - Amendments to MFRS 107 *Statement of Cash Flows* – to replace the term ‘cost method’ with ‘at cost’, since the term is no longer defined in MFRS Accounting Standards.

Standards and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18 *Presentation and Disclosure in Financial Statements*
- MFRS 19 *Subsidiaries without Public Accountability: Disclosures*
- Amendments to MFRS 19 *Subsidiaries without Public Accountability: Disclosures*
- Amendments to MFRS 121 *Translation to a Hyperinflationary Presentation Currency*

The Company plans to apply the abovementioned amendments to standards when effective. The adoption of the above new pronouncements is not expected to have a material impact on the financial statements in the period of initial application except as discussed below:

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of Compliance (continued)

Standards and amendments effective for annual periods beginning on or after 1 January 2027 (continued)

- MFRS 18 *Presentation and Disclosure in Financial Statements*

MFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements ("PFS") and the notes.

In addition, narrow-scope amendments have been made to MFRS 107, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. MFRS 18 will apply retrospectively. The Company is currently assessing the financial impact that may arise from the adoption of MFRS 18.

Amendments to standards effective for annual periods beginning on or after a date yet to be confirmed

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

The Company plans to apply the abovementioned amendments to standards when effective.

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise as disclosed in the summary of material accounting policy information.

(c) Functional and presentation currency

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

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(d) Critical accounting estimates and judgements

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

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

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 4 to the financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Property and equipment and depreciation

Property and equipment are initially stated at cost. These include expenditure that is directly attributed to the acquisition of the assets.

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 asset 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 initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Computer hardware	5 years
Fixtures and fittings	5 to 10 years
Motor vehicles	5 to 10 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each date of the statement of financial position.

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. Please refer to Note 3(i) to the financial statements for the accounting policy on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss.

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring in use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the establishment of identifiable and unique software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives, not exceeding a period of three years.

Computer software under development is not amortised until the asset is ready for its intended use. In the interim, it is reviewed for impairment at each reporting date.

Other intangible assets

Other intangible assets are the 15-year exclusive bancatakaful agreement with Alliance Islamic Bank Berhad for the distribution of the Company's takaful products, and direct customer relationship acquired through the acquisition of general takaful portfolio from a third party. These assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 15 years.

At each reporting date, the Company assesses whether there is any indication of impairment of its intangible assets. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in Note 3(i).

(c) Leases

The Company as a lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e., the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected to apply the practical expedient provided in MFRS 16 *Leases* so as not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of the lease liability.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Leases (continued)

The Company as a lessee (continued)

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. Please refer to (iii) on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are subsequently measured at cost less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Leases (continued)

The Company as a lessee (continued)

(iii) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of profit or loss.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

(iv) Short-term leases and leases of low-value assets

The Company has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

(d) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(i) Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) FVOCI financial assets - debt securities

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt securities are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(iii) FVOCI financial assets - equity securities

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis. Equity investments designated as not held for trading are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provides a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support takaful certificate liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stressed case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Change in business model is not expected to be frequent; but should such event take place, it must be:

- (i) Determined by the Company's senior management as a result of external or internal changes;
- (ii) Significant to the Company's operations; and
- (iii) Demonstrable to external parties.

A change in the Company's business model will occur only when the Company begins or ceases to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

The Solely Payments of Principal and Interest ("SPPI") test

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(e) Fair value of financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted or published (closing) prices at the date of the statement of financial position.

For financial assets where there is no active market, the fair value is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another asset which is substantially the same, discounted cash flows analysis and/or option pricing models. 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 asset. Certain financial assets are valued using pricing models that consider, among other factors, contractual and market prices, correlation, 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, over-night and time deposits with financial institutions is their carrying value. The carrying value is the amount of the deposit/placement and accrued profit. The fair value of fixed profit/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar assets at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the asset 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 investment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Recognition of financial assets

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

(g) 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. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to profit or loss.

(h) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount 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 liabilities simultaneously. Income and expenses are not offset in profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(i) Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures, for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL or 12mECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL or LTECL).

Allowance for impairment for takaful and retakaful receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, where available.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Impairment of financial assets (continued)

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and FVOCI financial assets are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to profit or loss immediately. A subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Takaful and retakaful certificates classification

The Company issues takaful certificates in the normal course of business, under which it accepts significant takaful risk from its participants of the General Takaful Fund. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits payable after a covered event with benefits payable if the covered event had not occurred. Takaful certificates can also transfer financial risk. The Company issues general takaful to individuals and businesses. General takaful products offered include motor, property, marine, and personal accident. These products offer protection of participant's assets and indemnification of other parties that have suffered damage as a result of a participant's accident.

The Company also issues retakaful certificates in the normal course of business to compensate other entities for claims arising from one or more takaful certificates issued by those entities.

The Company does not issue any certificates with direct participating features.

(l) Takaful and retakaful certificates accounting treatment

(i) *Separating components from takaful and retakaful certificates*

The Company assesses its general takaful certificates to determine whether they contain distinct components that should be accounted for under MFRS 15 *Revenue from Contracts with Customers* instead of under MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) takaful certificate. Currently, the Company's products do not include distinct components that require separation.

MFRS 17 defines investment components as the amounts that a takaful certificate requires a Takaful Operator to repay to a participant even if an insured event does not occur. Investment components which are highly interrelated with the takaful certificate of which they form a part are considered non-distinct and are not separately accounted for. Receipts and payments of the investment components (including non-distinct investment components) are recorded outside of profit or loss.

Some retakaful certificate issued contain profit or ceding commission arrangements. These arrangements guarantee a minimum amount that the participants will always receive – either in the form of profit commission, or as claims, or another contractual payment regardless of whether the insured event occurs. Ceding commission in the form of contribution discount is not deemed as a non-distinct investment component. The minimum guaranteed amount and profit commission may or may not be deemed as a non-distinct investment component, depending on whether there is a loss-carry forward mechanism.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(I) Takaful and retakaful certificates accounting treatment (continued)***(ii) Level of aggregation*

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined by grouping the written business into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). MFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart except those as highlighted in Note 3(I)(iv).

The groups of certificates for which the fully retrospective approach, modified retrospective and the fair value approach have been adopted on transition include certificates issued more than one year apart. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue portfolios of certificates are divided into three groups, as follows:

The takaful certificates portfolios are divided into:

- A group of certificates that are onerous at initial recognition
- A group of certificates that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining certificates in the portfolio

The retakaful certificates held portfolios are further divided into:

- A group of certificates on which there is a net gain on initial recognition
- A group of certificates that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining certificates in the portfolio

(iii) Recognition

The Company recognises groups of takaful certificates that it issues from the earliest of the following:

- The beginning of the coverage period of the group of certificates
- The date when the first payment from a participant in the group is due, or when the first payment is received if there is no due date
- For a group of onerous certificates, as soon as facts and circumstances indicate that the group is onerous

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Takaful and retakaful certificates accounting treatment (continued)

(iii) Recognition (continued)

The Company recognises a group of retakaful certificates held it has entered into from the earliest of the following:

- The beginning of the coverage period of the group of retakaful certificates held. However, the Company delays the recognition of a group of retakaful certificates held that provide proportionate coverage until the date when any underlying takaful certificate is initially recognised, if that date is later than beginning of the coverage period of the group of retakaful certificates held; and
- The date of the Company recognises an onerous group of underlying takaful certificates if the Company entered into the related retakaful certificate held in the group of retakaful certificates held at or before that date.

The retakaful certificates held by the Company provide proportionate cover. Therefore, the Company does not recognise a proportional retakaful certificates held until at least one underlying direct takaful certificate has been recognised. Group of retakaful certificates held are recognised when the coverage of the first underlying contract starts.

A group of retakaful certificates held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate retakaful contract, such as excess of loss retakaful) is recognised at the beginning of the coverage period of that group.

The Company adds new certificates in the reporting period in which the certificates meet one of the criteria set out above.

(iv) Onerous groups of contracts

The Company issues some certificates before the coverage period starts, and the first contribution becomes due. Therefore, the Company has determined whether any certificates issued form a group of onerous contracts before the beginning of the coverage period and the date when the first payment from a participant in the Company is due.

The Company looks at facts and circumstances to identify if a group of certificates are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

If the facts and circumstances indicate that a group is expected to be onerous, a loss component should be recognised in the statement of financial position, and the corresponding loss should be recognised in profit or loss accordingly.

The Company applies mutualisation principle which allows for the offsetting of losses from onerous contracts with the surpluses from non-onerous contracts within the same risk pool. This is consistent with takaful concept of mutual guarantee whereby the participants mutually agree to contribute to a pool of risk fund with the aim to provide mutual financial aid and assistance to participants in need.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Takaful and retakaful certificates accounting treatment (continued)

(v) *Contract boundary*

The Company includes in the measurement of a group of takaful certificates all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a takaful certificate if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the participant to pay the contributions, or in which the Company has a substantive obligation to provide the participant with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

- Both of the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio of takaful certificates that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
 - The pricing of the contributions for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected contributions or claims outside the boundary of the takaful certificate are not recognised. Such amounts are related to future takaful certificates.

(vi) *Measurement for liability for remaining coverage and assets for remaining coverage*

The Company uses the premium allocation approach (“PAA”) to simplify the measurement of groups of certificates on the following bases:

- takaful certificates: the coverage period of each certificate in the group of certificates is one year or less; and
- longer term takaful and retakaful certificates: the Company reasonably expects that the resulting measurement would not differ materially from the result of applying the general measurement model.

On initial recognition of each group of certificates, the carrying amount of the liability for remaining coverage is measured at the contributions received on initial recognition. Acquisition cash flows are recognised in the liability for remaining coverage when incurred and amortised on a straight-line basis or based on the expected pattern of release of risk during the coverage period of the group of certificates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Takaful and retakaful certificates accounting treatment (continued)

(vi) *Measurement for liability for remaining coverage and assets for remaining coverage (continued)*

Subsequently, the carrying amount of the liability for remaining coverage is increased by any contributions received and decreased by the amount recognised as takaful revenue for coverage provided. On initial recognition of each group of certificates, the Company expects that the time between providing each part of the coverage, and the related contribution due date is no more than a year. Measurement of the liability for remaining coverage includes an adjustment to reflect the time value of money and the effect of financial risk where the contribution due date and related period of services are more than twelve (12) months apart.

If at any time during the coverage period, facts and circumstances indicate that a group of certificates is onerous, then the Company recognises a loss in the statement of profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the liability for incurred claims is also adjusted for the time value of money and the effect of financial risk.

The Company applies the same accounting policies to measure a group of retakaful certificates, adapted where necessary to reflect features that differ from those of takaful certificates.

(vii) *Measurement for liability for incurred claims and incurred claims recovery*

The Company recognises the liability for incurred claims of a group of takaful certificates at the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are determined on a discounted probability-weighted expected value basis (including an explicit risk adjustment for non-financial risk). The liability for incurred claims includes the Company's obligation to pay other incurred takaful expenses.

The Company applies the same accounting policies to measure a group of retakaful certificates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) Takaful and retakaful certificates accounting treatment (continued)

(viii) *Retakaful certificates*

The Company measures its retakaful assets for a group of retakaful certificates that it holds, on the same basis as takaful certificates that it issues. However, they are adapted to reflect the features of retakaful certificates held that differ from takaful certificates issued, for example the generation of expenses or reduction in expenses rather than revenue.

Cash flows that arise under retakaful certificates held is not included when estimating the cash flows of the underlying certificates. Surplus for takaful contracts is determined net of retakaful and mutualisation is performed considering retakaful cash flows. Hence, the level of aggregation is performed separately for gross underlying certificates and retakaful certificates held.

Where the Company recognises a loss on initial recognition of an onerous group of underlying takaful certificates or when further onerous underlying takaful certificates are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful certificates held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying takaful certificates and the percentage of claims on the underlying takaful certificates the Company expects to recover from the group of retakaful certificates held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to takaful certificates covered by the group of retakaful certificates held where some certificates in the underlying group are not covered by the group of retakaful certificates held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

(ix) *Takaful acquisition cash flows*

Takaful acquisition cash flows arise from the costs of selling, underwriting and starting a group of takaful certificates (issued or expected to be issued) that are directly attributable to the portfolio of takaful certificates to which the group belongs.

The Company allocates the acquisition cash flows to groups of takaful certificates issued or expected to be issued using a systematic and rational basis. Takaful acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of certificates in that group. Where such takaful acquisition cash flows are paid (or where a liability has been recognised applying another MFRS accounting standard) before the related group of takaful certificates is recognised, an asset for takaful acquisition cash flows is recognised. When takaful certificates are recognised, the related portion of the asset for takaful acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the takaful liability for remaining coverage of the related group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Takaful and retakaful certificates accounting treatment (continued)

(x) *Modification and derecognition*

The Company derecognises a certificate when it is extinguished i.e., when the specified obligations in the certificate expire or are discharged or cancelled. This is usually at the end of the coverage period.

The Company also derecognises a certificate if its terms are modified in a way that would have changed the accounting for the certificate significantly. Had the new terms always existed, a new certificate based on the modified terms is recognised. Certificates based on the modified terms are accounted for by applying Note 3(l)(iv) to the new certificate at initial recognition.

If certificate modification does not result in derecognition, then the Company continues to apply Note 3(l)(iv).

(m) **Presentation of takaful and retakaful certificates**

The Company has presented separately in the statement of financial position the carrying amount of portfolios of takaful certificates issued that are assets, portfolios of takaful certificates issued that are liabilities, portfolios of retakaful certificates held that are assets and portfolios of retakaful certificates held that are liabilities.

Any assets or liabilities for takaful acquisition cash flows recognised before the corresponding takaful certificates are recognised are included in the carrying amount of the related groups of takaful certificates are allocated to the carrying amount of the portfolios of takaful certificates that they relate to.

The Company disaggregates the amounts recognised in the statement of profit or loss and the statement of other comprehensive income into a takaful service result, comprising takaful revenue and takaful service expenses, and takaful finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the takaful service result.

The Company separately presents income or expenses from retakaful certificates held from the expenses or income from takaful certificates issued.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Presentation of takaful and retakaful certificates (continued)

(i) *Takaful revenue*

The takaful revenue for the period is the amount of expected contribution receipts (excluding any investment component) allocated to the period. The Company allocates the expected contribution receipts to each period of takaful certificate services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred takaful service expenses.

The Company changes the basis of allocation between the two methods above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

(ii) *Takaful service expenses*

Takaful service expenses arising from takaful certificates are recognised in profit or loss generally as they are incurred. They comprise of:

- Incurred claims and other takaful service expenses;
- Amortisation of acquisition cash flows on a straight-line basis over the coverage period or based on the expected pattern of release of risk during the coverage period;
- Losses on onerous certificates and reversals of such losses; and
- Adjustments to the liabilities for incurred claims for movements in the undiscounted claims experience.

(iii) *Net income or expense from retakaful certificates held*

Net expenses from retakaful certificates comprise retakaful service expenses less amounts recovered from retakaful operators.

The Company presents separately on the face of the statement of profit or loss the amounts expected to be recovered from retakaful operators, and an allocation of the retakaful contributions paid.

The Company treats retakaful cash flows that are contingent on claims on the underlying certificates as part of the claims that are expected to be reimbursed under the retakaful certificate held and excludes investment component and commissions from an allocation of retakaful contributions presented on the face of the statement of profit or loss. Amount relating to the recovery of losses relating to retakaful of onerous direct certificates are included as amounts recoverable from the retakaful operator.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Presentation of takaful and retakaful certificates (continued)

(iv) *Loss components*

The Company assumes that no certificate is onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in Note 3(l)(iv) indicate that a group of takaful certificates is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 3(l)(vi). Accordingly, by the end of the coverage period of the group of certificates the loss component will be zero.

(v) *Loss-recovery components*

As described in Note 3(l)(iv) above, where the Company recognises a loss on initial recognition of an onerous group of underlying takaful certificates, or when further onerous underlying takaful certificates are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful certificates held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying takaful certificates in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying takaful certificates that the entity expects to recover from the group of retakaful certificates held.

(vi) *Takaful finance income or expenses*

Takaful finance income or expenses comprise changes in the carrying amounts of groups of takaful certificates arising from the effects of the time value of money, financial risk and changes therein.

The Company has chosen to disaggregate takaful finance income or expenses between profit or loss and other comprehensive income ("OCI"). The amount included in profit or loss is determined by a systematic allocation of the expected total takaful finance income or expenses over the duration of the group of certificates.

Amounts presented in OCI are accumulated in the takaful finance reserve.

(n) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions with original maturity of three months or less that are readily convertible to a known amount of cash, and which are subject to an insignificant risk of changes in value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) 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 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 of more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(p) Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event and it is probable that an outflow of resources 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. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(q) Other financial liabilities

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified terms, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Ordinary shares are recorded at nominal value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(r) Equity instruments (continued)

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid. No provision is made for a proposed dividend.

(s) Earnings per share ("EPS")

The Company presents basic EPS data for its ordinary shares.

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

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

(t) Income tax

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(u) Other income recognition

Profit income

Profit income including the amount of amortisation of premium, and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Company. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective profit rate of the investment and continues unwinding the discount as profit income.

Dividend income

Dividend income is recognised as investment income when the right to receive payment is established, which in case of quoted equity securities is the ex-dividend date, unless the dividend clearly represents a recovery of part of the cost of the investment.

Rental income

Rental income is recognised on a time proportion basis except where a default in payment of rent has already occurred and the rent due remains outstanding, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on a receipt basis until all arrears have been paid.

Gains or losses arising on disposal of financial assets are credited or charged to profit or loss.

(v) Wakalah fee

The wakalah fee is defined as a fee arranged under wakalah contract where the Takaful Operator is entitled to receive fees for carrying out the authorised tasks that have been delegated to the Takaful Operator. The wakalah fee is an income to the Takaful Operator and is charged to the participants and correspondingly recognised as an expense in the General Takaful Fund's profit or loss.

The fee can be a fixed amount or as a percentage ratio of the contribution or fund value. The manner of payment can be in one lump sum or in several payments. This is in accordance with the principal of wakalah as approved by the Shariah Committee and the fee is determined and agreed between the participants and the Takaful Operator at the time of entering into the contract.

Commission, acquisition costs and management expenses of the General Takaful Fund are borne by the Takaful Operator and included as a component of wakalah fee income.

(w) Zakat

This represents business zakat payable by the Company to comply with the principle of Shariah. Currently, zakat provision is calculated based on Profit Before Tax method at 2.5775% in computing the business zakat as approved by the Shariah Committee.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(x) Employee benefits

Short-term employee benefits

Wages, salaries, bonuses, and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave is recognised when the absences occur.

Long-term employee benefits

Long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed below, except that the remeasurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to the employee services in the current and preceding financial year. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

Long-term incentive plan

The ultimate holding corporation, Zurich Insurance Group Ltd ("ZIGL"), operates a global long term incentive plan ("LTIP") wherein performance-based target shares administered by a central shareholding vehicle are granted to eligible directors and senior executives of the ZIGL and its subsidiary companies ("ZIGL Group") based on the financial and performance criteria and such conditions as it may deem fit. The Company purchases the right to shares from this holding vehicle for Malaysian resident directors and senior executives who participate in the plan. When shares vest with the participants, the central share vehicle transfers the equivalent cash value of those shares directly to the participants. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

The cost of this cash-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the statement of profit or loss over the vesting period of the grant.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(x) Employee benefits (continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates:

- a) when the Company can no longer withdraw the offer of those benefits; and
- b) when the Company recognises costs for a restructuring that is within the scope of MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

(y) Fair value measurements

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

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

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

- | | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Unobservable inputs for the asset or liability. |

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(a) The ultimate liability arising from claims incurred under takaful certificates

A liability for incurred claim is held on 31 December 2025 for the estimated cost of claims incurred, but not settled, including the cost of claims incurred, but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company takes all reasonable steps to obtain appropriate information regarding its claims exposures. However, given the uncertainty in establishing the liability for incurred claims, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of the liability for incurred but not reported claims is generally subject to a greater degree of uncertainty than the estimation of the cost of notified claims to the Company, where information about the claim event is generally available. The liability for incurred but not reported claims may not be apparent to the Company until many years after the event, giving rise to the claim. In addition, the sufficiency of the liability for incurred claims is also subject to uncertainty.

The long-tailed classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating the liability for incurred claims. For the short-tailed classes, claims are typically reported soon after the claim event and hence tend to display lower levels of uncertainty. In calculating the estimated liability for incurred claims, the Company uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience, which assumes that the development pattern of the current claims will be similar to the past experience.

However, allowance is made for changes or uncertainties which may create distortions in the underlying data, or which might cause the liability for incurred claims to increase or reduce when compared with the cost of previously paid claims including:

- Changes in the Company's processes which might accelerate or slow down the development claims, compared with the data from previous periods;
- Changes in the legislative environment;
- The effects of inflation (social, economic and superimposed);
- Changes in the mix of business;
- Impact of large losses and catastrophic events;
- Movements in industry benchmarks;
- Medical and technological developments;
- Changes in participant's behaviour.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) The ultimate liability arising from claims incurred under takaful certificates (continued)

In estimating the ultimate claim cost, the Company has regarded the claim circumstance as reported coupled with, additional information available from loss adjusters and information on the cost of settling claims with similar characteristics in prior periods. Large and/or significant weather-related events impacting each relevant business class are generally assessed separately (whenever it is deemed as appropriate), being measured on a case-by-case basis or projected separately in order to allow for the effect of the development and incidence of these claims. Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the effect of the development and incidence of these large claims. Projected payments are discounted to allow for the time value of money, based on current risk-free interest rates.

Where possible, the Company adopts multiple techniques to estimate the required level of liabilities. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected after taking into account the characteristics of the business class and the extent of the development of each accident year.

Liabilities are evaluated gross of retakaful. A separate estimate is made of the amounts that will be recoverable based upon the gross liabilities.

(b) Measurement of onerous contracts

The Company only recognises onerous contracts for a group of certificates when facts and circumstances indicate that the group is onerous. For groups of certificates that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. A significant judgement in determining onerous contracts is the measurement of the ultimate cost of claims.

The Company applies mutualisation principle which allows for the offsetting of losses from onerous contracts with the surpluses from non-onerous contracts within the same risk. This is consistent with the takaful concept of mutual guarantee whereby the participants mutually agree to contribute to a pool of risk fund with the aim to provide mutual financial aid and assistance to participants in need.

(c) Assets arising from retakaful certificates

Retakaful recoveries are also computed using the above methods. The judgements applied by the Company to estimate its ultimate liability arising from claims incurred under takaful certificates above are consistently applied to the Company's retakaful certificates by considering the contractual features of the retakaful certificates. Any loss recovery component is determined with reference to the loss component recognised on underlying certificates and the recovery expected on such claims from retakaful certificates held.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Actuarial assumptions and methods

The Company writes both short-tailed and long-tailed business. The process for determining the value of the liability for incurred claims including the cost of claims handling and asset for incurred claims is described below.

The methods used to establish the ultimate cost of claims include the following:

- Projecting ultimate number of claims and multiplying by projected ultimate average cost;
- Projecting ultimate claim payment amounts;
- Projecting ultimate claim incurred amounts; and
- Applying plan or forecast loss ratios to the earned contributions.

Additional qualitative judgements are also used to assess the extent to which past trends may not apply in the future. Thus, there is uncertainty surrounding changes to these patterns from whatever cause and known facts of individual claims at hand.

Projected retakaful assets are derived by applying retakaful to gross ratios observed on claims and contributions.

Projected payments are implicitly allowed for future inflation since any recent inflationary effects are likely to be incorporated in the Company's outstanding claims and hence reflected in the valuation process.

Applying a confidence level technique, the Company estimates the probability distribution of the present value of future cash flows from takaful certificates and retakaful certificates at each reporting date and calculates the risk adjustment for non-financial risk that it would require to meet its contractual obligations to pay claims arising over the duration of the contracts at a 75% confidence level. The establishment of the risk adjustment for non-financial risk takes into account the variability of the outcome of each group of certificates and the diversification benefit of underwriting a number of group of certificates.

Risk adjustments for non-financial risk are determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. The Company applies a confidence level technique to determine the risk adjustments for non-financial risk of both its takaful and retakaful certificates.

Under a confidence level technique, the Company estimates the probability distribution of the expected value of the future cash flows at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY AND EQUIPMENT

<u>Company</u>	Computer hardware RM'000	Office equipment RM'000	Fixtures and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2024	5,610	2	425	309	6,346
Additions	1,200	-	168	-	1,368
At 31 December 2024 / 1 January 2025	6,810	2	593	309	7,714
Additions	1,077	-	239	200	1,516
Disposals	-	-	-	(309)	(309)
At 31 December 2025	<u>7,887</u>	<u>2</u>	<u>832</u>	<u>200</u>	<u>8,921</u>
Accumulated depreciation					
At 1 January 2024	2,521	-	98	103	2,722
Charge for the financial year (Note 21)	1,103	-	45	62	1,210
At 31 December 2024 / 1 January 2025	3,624	-	143	165	3,932
Charge for the financial year (Note 21)	1,232	-	83	65	1,380
Disposals	-	-	-	(216)	(216)
At 31 December 2025	<u>4,856</u>	<u>-</u>	<u>226</u>	<u>14</u>	<u>5,096</u>
Net carrying amount					
At 31 December 2024	<u>3,186</u>	<u>2</u>	<u>450</u>	<u>144</u>	<u>3,782</u>
At 31 December 2025	<u>3,031</u>	<u>2</u>	<u>606</u>	<u>186</u>	<u>3,825</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. RIGHT-OF-USE ASSETS

The Company's leases are operating lease agreements entered in respect of rented premises. Rental contracts are typically made for fixed periods of 3 years but may have extension periods.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

	<u>2025</u>	<u>2024</u>
	Company	Company
	RM'000	RM'000
Cost		
At 1 January	9,302	9,302
Contract renewal	3,685	-
At 31 December	<u>12,987</u>	<u>9,302</u>
Accumulated depreciation		
At 1 January	8,358	7,202
Charge for the financial year (Note 21)	1,120	1,156
At 31 December	<u>9,478</u>	<u>8,358</u>
Net carrying amount		
At 31 December	<u>3,509</u>	<u>944</u>

There are no short-term leases and leases of low-value assets as at 31 December 2025 and 2024.

The following are the amounts recognised in profit or loss:

	<u>2025</u>	<u>2024</u>
	Company	Company
	RM'000	RM'000
Depreciation of right-of-use assets (Note 21)	1,120	1,156
Interest expense on lease liabilities (Note 13)	39	66
Total amount recognised in profit or loss	<u>1,159</u>	<u>1,222</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INTANGIBLE ASSETS

	Computers software	Other intangible assets	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January/31 December	2,500	30,000	32,500
Accumulated amortisation			
At 1 January 2024	2,427	10,000	12,427
Charge for the financial year (Note 21)	70	2,000	2,070
At 31 December 2024 / 1 January 2025	2,497	12,000	14,497
Charge for the financial year (Note 21)	3	2,000	2,003
At 31 December 2025	2,500	14,000	16,500
Net carrying amount			
At 31 December 2024	3	18,000	18,003
At 31 December 2025	-	16,000	16,000

Other intangible assets relate to the exclusive bancatakaful agreement with Alliance Islamic Bank Berhad and direct customer relationship acquired through the acquisition of a general takaful portfolio from a third party. These assets are measured at cost less any accumulated amortisation and any impairment losses. Both assets are amortised over their useful lives of 15 years using the straight-line method.

The Company conducts an impairment assessment when there is an indication of impairment in accordance with its accounting policies in Note 3(i). In the impairment assessment conducted by the Company, the future economic benefits that are attributable to the bancatakaful agreement are valued at the present value of projected cash flows to be derived from the tenure of the agreement of 15 years using the discounted cash flow model.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INTANGIBLE ASSETS (CONTINUED)

The following key assumptions have been used in the cash flow projections in respect of:

Key assumptions	2025	2024
<u>Bancatakaful agreement:</u>		
Bancatakaful average annualised gross written contribution growth rate	13.40%	13.40%
Discount rate – pre tax	8.61%	9.14%
<u>Direct customer relationship:</u>		
Discount rate – pre tax	8.61%	9.14%

Sensitivity to changes in key assumptions

The Company considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly in order to result in an impairment loss.

8. INVESTMENTS

The Company's investments are summarised by measurement categories as follows:

	General Takaful Fund		Company	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
FVOCI financial assets	553,344	528,631	1,123,853	1,076,270
Financial assets at amortised cost	1,302,293	1,161,799	1,589,848	1,434,148
	<u>1,855,637</u>	<u>1,690,430</u>	<u>2,713,701</u>	<u>2,510,418</u>
The following investments mature after 12 months:				
FVOCI financial assets	482,963	464,482	966,950	890,989
	<u>482,963</u>	<u>464,482</u>	<u>966,950</u>	<u>890,989</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS (CONTINUED)

(a) Fair value through other comprehensive income ("FVOCI") financial assets

The breakdown of financial assets measured at FVOCI is set out in the table below.

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
<u>At fair value</u>				
Government Investment Issues	-	-	177,150	170,318
Islamic debt securities, unquoted	553,344	528,631	946,703	905,952
	<u>553,344</u>	<u>528,631</u>	<u>1,123,853</u>	<u>1,076,270</u>

(b) Financial assets at amortised cost

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
<u>Amortised cost</u>				
Fixed deposits with licensed financial institutions	1,302,293	1,161,799	1,589,848	1,434,148
	<u>1,302,293</u>	<u>1,161,799</u>	<u>1,589,848</u>	<u>1,434,148</u>

The carrying amounts of financial assets at amortised cost are reasonable approximations of fair values due to the short-term maturity of the financial assets.

As at 31 December 2025, the Company has fixed deposits of RM1,589,848,000 (2024: RM1,434,148,000), placed with licensed Islamic banks, with original maturity terms of more than 3 months and which are not considered cash and cash equivalents.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS (CONTINUED)

(c) Carrying value of financial instruments

The movements in the Company's FVOCI financial assets are summarised in the table below.

	General Takaful Fund		Company	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
At 1 January	528,631	520,340	1,076,270	1,036,866
Purchases	164,866	106,001	361,980	224,311
Disposals (sale and redemptions)	(140,935)	(96,380)	(315,615)	(182,271)
Realised (loss)/gain transferred from fair value reserves upon disposal	(54)	38	(41)	92
Fair value gains recorded in other comprehensive income	-	-	2,609	709
Fair value gains recorded in takaful certificate liabilities	2,362	667	2,362	667
Interest accrual	(1,526)	(2,035)	(3,712)	(4,104)
At 31 December	<u>553,344</u>	<u>528,631</u>	<u>1,123,853</u>	<u>1,076,270</u>

The fair value hierarchy of investments is disclosed in Note 33 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. RETAKAFUL CERTIFICATE ASSETS

The roll-forward of net assets for retakaful certificates held for contracts measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the General Takaful Fund/Company, is disclosed in the table below:

		2025			
		Assets for remaining coverage	Amounts recoverable on incurred claims		
<u>General Takaful Fund/Company</u>	<u>Note</u>	Excluding loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000
Retakaful certificate assets as at 1 January		(7,948)	53,548	3,100	48,700
Allocation of retakaful contributions	17	(37,824)	-	-	(37,824)
Amounts recoverable from retakaful operators:					
Amounts recoverable for incurred claims	17	-	13,147	-	13,147
Changes in amounts recoverable arising from changes in liabilities for incurred claims	17	-	(8,032)	(138)	(8,170)
Net (expense)/income from retakaful certificates held		(37,824)	5,115	(138)	(32,847)
Retakaful finance (expense)/income	19	(17)	1,608	115	1,706
Cash flows					
Contributions and similar expenses paid		44,777	-	-	44,777
Claims and other expenses received		-	(12,054)	-	(12,054)
Total cash flows		44,777	(12,054)	-	32,723
Retakaful certificate assets as at 31 December		(1,012)	48,217	3,077	50,282

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9. RETAKAFUL CERTIFICATE ASSETS (CONTINUED)

The roll-forward of net assets for retakaful certificates held for contracts measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the General Takaful Fund/Company, is disclosed in the table below: (continued)

		2024			
		Assets for remaining coverage	Amounts recoverable on incurred claims		
General Takaful Fund/Company	Note	Excluding loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000
Retakaful certificate assets as at 1 January		(10,413)	60,842	2,943	53,372
Allocation of retakaful contributions	17	(36,966)	-	-	(36,966)
Amounts recoverable from retakaful operators:					
Amounts recoverable for incurred claims	17	-	8,556	-	8,556
Changes in amounts recoverable arising from changes in liabilities for incurred claims	17	-	(10,297)	48	(10,249)
Net (expense)/income from retakaful certificates held		(36,966)	(1,741)	48	(38,659)
Retakaful finance income	19	6	2,784	109	2,899
Cash flows					
Contributions and similar expenses paid		39,275	-	-	39,275
Claims and other expenses received		-	(8,337)	-	(8,337)
Total cash flows		39,275	(8,337)	-	30,938
Other movements		150	-	-	150
Retakaful certificate assets as at 31 December		(7,948)	53,548	3,100	48,700

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10. OTHER RECEIVABLES

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Other receivables and deposits	91	9	708	655
Income due and accrued	10	-	39	-
	<u>101</u>	<u>9</u>	<u>747</u>	<u>655</u>

The carrying amounts approximate fair values at the date of the statement of financial position due to their short-term maturity.

11. DEFERRED TAXATION

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
At 1 January	(8,583)	(6,967)	23,029	30,240
Recognised in:				
Profit or loss (Note 22)	(415)	(1,885)	(1,237)	(7,390)
Other comprehensive income	148	269	(495)	179
At 31 December	<u>(8,850)</u>	<u>(8,583)</u>	<u>21,297</u>	<u>23,029</u>

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 income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEFERRED TAXATION (CONTINUED)

General Takaful Fund

	2025	2024
	RM'000	RM'000
Deferred tax assets	-	654
Deferred tax liabilities	(8,850)	(9,237)
	<u>(8,850)</u>	<u>(8,583)</u>

The components and movements of deferred tax assets and liabilities of the General Takaful Fund during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	Investments	Takaful certificate liabilities	Total
	RM'000	RM'000	RM'000
At 1 January 2025	654	-	654
Recognised in:			
Profit or loss	(654)	-	(654)
At 31 December 2025	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2024	921	-	921
Recognised in:			
Profit or loss	(237)	-	(237)
Other comprehensive income	(30)	-	(30)
At 31 December 2024	<u>654</u>	<u>-</u>	<u>654</u>

(ii) Deferred tax liabilities

	Investments	Takaful certificate liabilities	Total
	RM'000	RM'000	RM'000
At 1 January 2025	-	(9,237)	(9,237)
Recognised in:			
Profit or loss	290	(51)	239
Other comprehensive income	(595)	743	148
At 31 December 2025	<u>(305)</u>	<u>(8,545)</u>	<u>(8,850)</u>
At 1 January 2024	-	(7,888)	(7,888)
Recognised in:			
Profit or loss	-	(1,648)	(1,648)
Other comprehensive income	-	299	299
At 31 December 2024	<u>-</u>	<u>(9,237)</u>	<u>(9,237)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEFERRED TAXATION (CONTINUED)

Company

	2025	2024
	RM'000	RM'000
Deferred tax assets	30,917	32,551
Deferred tax liabilities	(9,620)	(9,522)
	<u>21,297</u>	<u>23,029</u>

The components and movements of deferred tax assets and liabilities of the Company during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	Investments	Provisions	Leases	Takaful certificate liabilities	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2025	1,626	7,205	91	23,629	32,551
Recognised in:					
Profit or loss	(1,626)	(1,242)	(91)	1,325	(1,634)
At 31 December 2025	<u>-</u>	<u>5,963</u>	<u>-</u>	<u>24,954</u>	<u>30,917</u>
At 1 January 2024	2,183	15,499	91	20,532	38,305
Recognised in:					
Profit or loss	(437)	(8,294)	-	3,097	(5,634)
Other comprehensive income	(120)	-	-	-	(120)
At 31 December 2024	<u>1,626</u>	<u>7,205</u>	<u>91</u>	<u>23,629</u>	<u>32,551</u>

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11. DEFERRED TAXATION (CONTINUED)

Company (continued)

The components and movements of deferred tax assets and liabilities of the Company during the financial year prior to offsetting are as follows:

(ii) Deferred tax liabilities

	<u>Property and equipment</u>	<u>Investments</u>	<u>Leases</u>	<u>Takaful certificate liabilities</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2025	(285)	-	-	(9,237)	(9,522)
Recognised in:					
Profit or loss	(82)	531	(1)	(51)	397
Other comprehensive income	-	(1,238)	-	743	(495)
At 31 December 2025	<u>(367)</u>	<u>(707)</u>	<u>(1)</u>	<u>(8,545)</u>	<u>(9,620)</u>
At 1 January 2024	(177)	-	-	(7,888)	(8,065)
Recognised in:					
Profit or loss	(108)	-	-	(1,648)	(1,756)
Other comprehensive income	-	-	-	299	299
At 31 December 2024	<u>(285)</u>	<u>-</u>	<u>-</u>	<u>(9,237)</u>	<u>(9,522)</u>

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12. TAKAFUL CERTIFICATE LIABILITIES

The roll-forward of net liabilities for takaful certificates issued for contracts measured under PAA, showing the liabilities for remaining coverage and the liabilities for incurred claims for liabilities included in the General Takaful Fund, is disclosed in the table below:

		2025			
		Liabilities for remaining coverage	Liabilities for incurred claims		
		Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Note		RM'000	RM'000	RM'000	RM'000
<u>General Takaful Fund</u>					
Takaful certificate liabilities as at 1 January		388,361	1,262,090	40,126	1,690,577
	Takaful revenue	(1,232,258)	-	-	(1,232,258)
	Takaful service expense:				
	Incurred claims and other takaful service expenses	-	689,328	-	689,328
	Changes to liabilities for incurred claims	-	147,132	6,680	153,812
	Amortisation of takaful acquisition expenses	383,351	-	-	383,351
	Takaful service result	(848,907)	836,460	6,680	(5,767)
	Takaful finance expenses	695	35,619	1,457	37,771
	Cash flows				
	Contributions received	1,269,005	-	-	1,269,005
	Claims and other expenses paid	-	(691,107)	-	(691,107)
	Takaful acquisition cash flows	(394,967)	-	-	(394,967)
	Total cash flows	874,038	(691,107)	-	182,931
	Takaful certificate liabilities as at 31 December	414,187	1,443,062	48,263	1,905,512

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12. TAKAFUL CERTIFICATES LIABILITIES (CONTINUED)

The roll-forward of net liabilities for takaful certificates issued for contracts measured under PAA, showing the liabilities for remaining coverage and the liabilities for incurred claims for liabilities included in the General Takaful Fund, is disclosed in the table below: (continued)

		2024			
		Liabilities for remaining coverage	Liabilities for incurred claims		
		Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Note		RM'000	RM'000	RM'000	RM'000
General Takaful Fund					
Takaful certificate liabilities as at 1 January		331,459	1,053,789	33,010	1,418,258
	Takaful revenue	(1,120,607)	-	-	(1,120,607)
	Takaful service expense:				
	Incurred claims and other takaful service expenses	-	611,655	-	611,655
	Changes to liabilities for incurred claims	-	112,118	5,954	118,072
	Amortisation of takaful acquisition expenses	363,779	-	-	363,779
	Takaful service result	(756,828)	723,773	5,954	(27,101)
	Takaful finance expenses	748	29,105	1,162	31,015
	Cash flows				
	Contributions received	1,176,783	-	-	1,176,783
	Claims and other expenses paid	-	(544,750)	-	(544,750)
	Takaful acquisition cash flows	(363,779)	-	-	(363,779)
	Total cash flows	813,004	(544,750)	-	268,254
	Other movements	(22)	173	-	151
	Takaful certificate liabilities as at 31 December	388,361	1,262,090	40,126	1,690,577

*Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

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12. TAKAFUL CERTIFICATES LIABILITIES (CONTINUED)

The roll-forward of net liabilities for takaful certificates issued for contracts measured under PAA, showing the liabilities for remaining coverage and the liabilities for incurred claims for liabilities included in the Company, is disclosed in the table below:

		2025			
		Liabilities for remaining coverage	Liabilities for incurred claims		
		Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
<u>Company</u>	Note	RM'000	RM'000	RM'000	RM'000
Takaful certificate liabilities as at 1 January		487,219	1,278,331	40,126	1,805,676
Takaful revenue		(1,232,258)	-	-	(1,232,258)
Takaful service expense:					
Incurred claims and other takaful service expenses	21	-	710,099	-	710,099
Changes to liabilities for incurred claims		-	147,551	6,680	154,231
Amortisation of takaful acquisition expenses		236,153	-	-	236,153
Takaful service result		(996,105)	857,650	6,680	(131,775)
Takaful finance expenses	19	871	35,619	1,457	37,947
Cash flows					
Contributions received		1,269,005	-	-	1,269,005
Claims and other expenses paid		-	(711,879)	-	(711,879)
Takaful acquisition cash flows		(242,430)	-	-	(242,430)
Total cash flows		1,026,575	(711,879)	-	314,696
Takaful certificate liabilities as at 31 December		518,560	1,459,721	48,263	2,026,544

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12. TAKAFUL CERTIFICATES LIABILITIES (CONTINUED)

The roll-forward of net liabilities for takaful certificates issued for contracts measured under PAA, showing the liabilities for remaining coverage and the liabilities for incurred claims for liabilities included in the Company, is disclosed in the table below: (continued)

		2024			
		Liabilities for remaining coverage	Liabilities for incurred claims		
		Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Note	Company	RM'000	RM'000	RM'000	RM'000
	Takaful certificate liabilities as at 1 January	418,317	1,068,147	33,010	1,519,474
	Takaful revenue	(1,096,174)	-	-	(1,096,174)
	Takaful service expense:				
	Incurred claims and other takaful service expenses	-	660,594	-	660,594
	Changes to liabilities for incurred claims	-	114,000	5,954	119,954
	Amortisation of takaful acquisition expenses	169,868	-	-	169,868
	Takaful service result	(926,306)	774,594	5,954	(145,758)
	Takaful finance expenses	928	29,105	1,162	31,195
	Cash flows				
	Contributions received	1,176,784	-	-	1,176,784
	Claims and other expenses paid	-	(593,688)	-	(593,688)
	Takaful acquisition cash flows	(182,482)	-	-	(182,482)
	Total cash flows	994,302	(593,688)	-	400,614
	Other movements	(22)	173	-	151
	Takaful certificate liabilities as at 31 December	487,219	1,278,331	40,126	1,805,676

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13. LEASE LIABILITIES

	Company	
	2025	2024
	RM'000	RM'000
Non-current lease liabilities	2,477	-
Current lease liabilities	1,282	1,321
Total lease liabilities	3,759	1,321

Reconciliation of movement of lease liabilities to cash flows arising from financing activities.

	Company	
	2025	2024
	RM'000	RM'000
At 1 January	1,321	2,454
Payment of lease liabilities	(1,316)	(1,199)
Accrued interest	39	66
Contract renewal	3,715	-
At 31 December	3,759	1,321

14. OTHER LIABILITIES

	General Takaful Fund		Company	
	2025	2024	2025	2024
	RM'000	RM'000	RM'000	RM'000
Accrued staff bonus	-	-	4,719	4,679
Accrued termination costs	-	-	495	495
Other liabilities and accruals	8,701	6,361	43,278	48,623
Provision for SST	44,620	35,004	44,620	35,004
Other payroll creditors	-	-	866	1,190
	53,321	41,365	93,978	89,991
<u>Inter-fund balances</u>				
Amount due to Takaful Operator*	29,549	24,674	-	-
	29,549	24,674	-	-
	82,870	66,039	93,978	89,991

The carrying amounts of financial liabilities disclosed above approximate the fair values at the date of the statement of financial position due to their short-term maturity.

* This balance is profit-free, unsecured and is repayable in the short term.

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15. SHARE CAPITAL

Company	2025		2024	
	Amount RM'000	Number of shares	Amount RM'000	Number of shares
Issued and fully paid up				
At 1 January/31 December	447,000	413,369,750	447,000	413,369,750

16. RESERVES

(a) Retained earnings

The Company is under the single-tier tax system wherein dividends paid are tax exempted in the hands of the shareholders. The Company may distribute single-tier exempt dividends to its shareholder out of its retained earnings. Pursuant to Section 60(1) of the Islamic Financial Services Act 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Takaful Operators, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position below its internal target.

(b) Other reserves

The other reserves of the Company represent the fair value gains or losses of financial assets at fair value through other comprehensive income ("FVOCI"), net of deferred tax.

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17. NET EXPENSE FROM RETAKAFUL CERTIFICATES HELD

An analysis of the net expenses from retakaful certificates held recognised during the year is as shown in the table below:

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Allocation of retakaful contributions	(37,824)	(36,966)	(37,824)	(36,966)
Amounts recoverable from retakaful operators for incurred claims				
Amounts recoverable for incurred claims	13,147	8,556	13,147	8,556
Changes in amounts recoverable arising from changes in liabilities for incurred claims	(8,170)	(10,249)	(8,170)	(10,249)
	<u>4,977</u>	<u>(1,693)</u>	<u>4,977</u>	<u>(1,693)</u>
Net expense from retakaful certificates held	<u>(32,847)</u>	<u>(38,659)</u>	<u>(32,847)</u>	<u>(38,659)</u>

18. INVESTMENT INCOME

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
FVOCI financial assets				
Profit income	23,301	22,553	46,374	44,858
Amortisation of premiums on investments	(1,959)	(2,093)	(3,991)	(4,462)
Amortised cost				
Profit income - fixed deposits with licensed Islamic financial institutions	45,896	38,832	57,081	47,604
	<u>67,238</u>	<u>59,292</u>	<u>99,464</u>	<u>88,000</u>

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19. NET TAKAFUL FINANCE RESULT

The table below presents an analysis of the takaful/retakaful finance result recognised during the year:

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Takaful finance expenses for takaful certificates issued				
Profit accreted using locked-in rate	(34,986)	(30,477)	(35,162)	(30,657)
Changes in profit rates and other financial assumptions	(3,256)	(1,392)	(3,256)	(1,392)
Changes in the value of underlying items	471	854	471	854
	<u>(37,771)</u>	<u>(31,015)</u>	<u>(37,947)</u>	<u>(31,195)</u>
Represented by:				
Amount recognised in profit or loss	(34,986)	(30,477)	(35,162)	(30,657)
Amount recognised in other comprehensive income	<u>(2,785)</u>	<u>(538)</u>	<u>(2,785)</u>	<u>(538)</u>
	<u>(37,771)</u>	<u>(31,015)</u>	<u>(37,947)</u>	<u>(31,195)</u>
Retakaful finance income for retakaful certificates held				
Profit accreted using locked-in rate	1,557	1,901	1,557	1,901
Changes in non-performance risk of retakaful operators	(10)	852	(10)	852
Changes in profit rates and other financial assumptions	159	146	159	146
	<u>1,706</u>	<u>2,899</u>	<u>1,706</u>	<u>2,899</u>
Represented by:				
Amount recognised in profit or loss	1,547	2,753	1,547	2,753
Amount recognised in other comprehensive income	<u>159</u>	<u>146</u>	<u>159</u>	<u>146</u>
	<u>1,706</u>	<u>2,899</u>	<u>1,706</u>	<u>2,899</u>

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20. OTHER OPERATING INCOME

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Other income	2,116	669	4,108	880
	<u>2,116</u>	<u>669</u>	<u>4,108</u>	<u>880</u>

21. EXPENSES

	Note	General Takaful Fund		Company	
		2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Claims and benefits		843,140	729,727	864,330	750,090
Commission		-	-	138,444	127,325
Wakalah fees		394,967	363,779	-	-
Staff costs (including Chief Executive Officer):					
- Salaries and bonus		-	-	13,305	12,956
- Defined contribution plans		-	-	2,391	2,920
- Other employee benefits		-	-	580	604
		-	-	16,276	16,480
Directors' remuneration	21(a)	-	-	520	571
Auditors' remuneration					
- statutory audit		-	-	334	334
- regulatory-related audit		-	-	36	36
Shariah Committee remuneration	21(b)	-	-	140	127
Depreciation of property and equipment	5	-	-	1,380	1,210
Amortisation of intangible assets	7	-	-	2,003	2,070
Depreciation of right-of-use assets	6	-	-	1,120	1,156
Other miscellaneous expense		66	170	117,371	91,314
		<u>1,238,173</u>	<u>1,093,676</u>	<u>1,141,954</u>	<u>990,713</u>
Amounts attributed to takaful acquisition cash flows incurred during the year		(394,967)	(363,779)	(242,430)	(182,482)
Amortisation of takaful acquisition cash flows	12	<u>383,351</u>	<u>363,779</u>	<u>236,153</u>	<u>169,868</u>
		<u>1,226,557</u>	<u>1,093,676</u>	<u>1,135,677</u>	<u>978,099</u>
Represented by:					
Takaful service expenses		1,226,491	1,093,506	1,100,483	950,416
Investment expenses		60	53	1,311	1,230
Other expenses		6	117	33,883	26,453
		<u>1,226,557</u>	<u>1,093,676</u>	<u>1,135,677</u>	<u>978,099</u>

* Certain amounts have been reclassified between the line items to conform with current year's presentation and disclosure requirements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. EXPENSES (CONTINUED)

(a) Directors' and Chief Executive Officer's remuneration

The Directors' and Chief Executive Officer's remuneration and other emoluments during the current financial year are as follows:

	Company					
	Fees RM'000	Salary RM'000	Bonus RM'000	Others RM'000	Benefits- in kind RM'000	Total RM'000
2025						
Chief Executive Officer						
- Shamsul Azman Bin Alias	-	879	721	169	27	1,796
	-	879	721	169	27	1,796
Non-Executive Directors						
- Hasnah Binti Omar	102	-	-	20	-	122
- Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	108	-	-	36	-	144
- Manogaran Sinnathamby	90	-	-	37	-	127
- Datin Sri Joan Hoi Lai Ping	90	-	-	37	-	127
	390	-	-	130	-	520
2024						
Chief Executive Officer						
- Shamsul Azman Bin Alias	-	822	271	165	25	1,283
	-	822	271	165	25	1,283
Non-Executive Directors						
- Hasnah Binti Omar	172	-	-	28	-	200
- Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	90	-	-	30	-	120
- Manogaran Sinnathamby	90	-	-	38	-	128
- Datin Joan Hoi Lai Ping	90	-	-	33	-	123
	442	-	-	129	-	571

The remuneration of the Executive Directors of the Company, Matthew William Swinfen Cottrell and Matthew James Vincent were paid by other entities within the Zurich Group during the financial year.

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21. EXPENSES (CONTINUED)

(a) Directors' and Chief Executive Officers' remuneration (continued)

The number of Executive and Non-Executive Directors whose total remuneration received or receivable during the current financial year fall within the following bands are analysed as follows:

	Number of Directors	
	2025	2024
Non-Executive Directors		
RM100,000 or less	-	-
RM100,000 – RM300,000	4	4

(b) Shariah Committee remuneration

The Shariah Committee remuneration and other emoluments during the current financial year are as follows:

Company	2025		
	Fees RM'000	Allowance RM'000	Total RM'000
Shariah Committee Members:			
- Dr. Mohamed Fairouz Bin Abdul Khir	24	4	28
- Assoc. Prof. Datin Dr. Wan Marhaini Binti Wan Ahmad	18	4	22
- Dr. Zaharuddin Bin Abdul Rahman	18	4	22
- Prof Dr. Zurina Binti Shafii	18	4	22
- Assoc. Prof. Dr. Mohd Zaharuddin Bin Zakaria	18	5	23
- Dr. Nur l'ffah Binti Muhammad Nasir	18	5	23
	<u>114</u>	<u>26</u>	<u>140</u>
	2024		
Company	Fees RM'000	Allowance RM'000	Total RM'000
Shariah Committee Members:			
- Assoc. Prof. Dr. Mohamed Fairouz Bin Abdul Khir	23	7	30
- Assoc. Prof. Datin Dr. Wan Marhaini Binti Wan Ahmad	15	6	21
- Dr. Zaharuddin Bin Abdul Rahman	15	7	22
- Prof Dr. Zurina Binti Shafii	15	6	21
- Assoc. Prof. Dr. Mohd Zaharuddin Bin Zakaria	15	7	22
- Dr. Nur l'ffah Binti Muhammad Nasir	8	3	11
	<u>91</u>	<u>36</u>	<u>127</u>

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22. TAXATION

<u>Company</u>	2025 RM'000	2024 RM'000
Current income tax:		
Current year provision	37,594	48,943
Over provision of tax expense in prior financial year	(709)	(7,325)
	<u>36,885</u>	<u>41,618</u>
Deferred income tax:		
Origination and reversal of temporary differences	1,374	681
(Over)/under provision of tax expense in prior financial year	(137)	6,709
Tax expense for the year	<u>38,122</u>	<u>49,008</u>
Tax borne by participants	8,599	21,091
Tax borne by Takaful Operators	<u>29,523</u>	<u>27,917</u>
Tax expense for the year	<u>38,122</u>	<u>49,008</u>

The income tax for General Takaful Fund and the Company is calculated at the statutory income tax rate of 24% (2024: 24%) of the estimated assessable surplus for the year.

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

	Company	
	2025 RM'000	2024 RM'000
Profit before taxation attributable to Takaful Operator, after zakat	133,424	141,295
Taxation at Malaysian statutory tax rate of 24%	32,022	33,911
Expenses not deductible for tax purposes	6,946	15,713
Net over provision in prior financial year	(846)	(616)
Tax expense for the year	<u>38,122</u>	<u>49,008</u>

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22. TAXATION (CONTINUED)

Global minimum top-up tax

Base Erosion and Profit-Sharing Pillar II (BEPS-Pillar II) legislation has been introduced to impose a minimum effective tax rate on large multinational enterprises in respect of each jurisdiction in which they operate across the globe. Aligning with the international tax standards, the legislation has been enacted in Switzerland, where the ultimate parent entity of the Company is incorporated, since 1 January 2024.

Malaysia, in which the Company operates, has introduced a qualified domestic minimum top-up tax ("QDMTT") which came into effect in for the financial year beginning on or after 1 January 2025. A QDMTT charges top-up tax on a group where the aggregate effective tax rate of constituent entities of that group located in that jurisdiction (i.e. Malaysia), calculated under the rules of the QDMTT (that are based on the GloBE Model Rules), is below the minimum rate of 15%.

As of 31 December 2025, the Company expects, based on its analysis to date, that the Company's exposure to Pillar II income taxes will not have a material adverse impact on the Company's financial position or performance.

23. DIVIDENDS

The Directors have not recommended the payment of any dividend for the current and prior financial years.

24. EARNINGS PER SHARE

The basic earnings per ordinary share is calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

	2025	2024
	RM'000	RM'000
Profit attributable to ordinary equity holders	92,291	89,126
Weighted average number of ordinary shares	413,370	413,370
Basic and diluted earnings per share (sen)	22.33	21.56

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

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25. CASH UTILISED IN OPERATING ACTIVITIES

	Note	Company	
		2025 RM'000	2024 RM'000
Cash flow from operating activities			
Net profit for the financial year		92,291	89,126
Investment income	18	(99,464)	(88,000)
Realised losses/(gains) recorded in profit or loss		134	(92)
Purchase of financial assets	8	(361,980)	(224,311)
Proceeds from maturity and disposal of financial assets	8	315,616	182,271
Adjustments for:			
Depreciation of property and equipment	5	1,380	1,210
Impairment losses/(reversal of impairment losses) on investments		187	(877)
Depreciation of ROU assets	6	1,120	1,156
Amortisation of intangible assets	7	2,003	2,070
Interest expenses on lease liabilities		39	66
Tax expense	22	38,122	49,008
Operating (loss)/gain before changes in working capital		(10,552)	11,627
Changes in working capital:			
Increase in financial assets at amortised cost		(154,957)	(318,096)
Increase in takaful certificate liabilities		218,241	285,809
(Increase)/decrease in retakaful certificate assets		(1,582)	4,672
(Increase)/decrease in other receivables		(92)	748
Increase/(decrease) in other liabilities		4,017	(14,841)
Cash generated from/(utilised in) operating activities		<u>55,075</u>	<u>(30,081)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The related parties and their relationship with the Company as at 31 December 2025 are as follows:

<u>Name of company</u>	<u>Relationship</u>
Zurich Insurance Group Limited ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd. ("ZICL")	Penultimate holding company
Zurich Holdings Malaysia Berhad ("ZHMB")	Immediate holding company
Zurich Services Malaysia Sdn. Bhd. ("ZSM")	Subsidiary of ZICL
Zurich Shared Services Malaysia Sdn. Bhd. ("ZSSM")	Subsidiary of ZSM
Zurich Life Insurance Malaysia Berhad	Subsidiary of ZICL
Zurich Takaful Malaysia Berhad	Subsidiary of ZHMB
Zurich General Insurance Malaysia Berhad	Subsidiary of ZHMB
Zurich Global Investment Management Inc.	Subsidiary of ZICL

(b) Related party transactions

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiaries and associated companies of ZIGL, collectively known as ZIGL Group, at agreed terms and prices.

The significant related party transactions during the financial year with related parties are as follows:

(Expenses)/income	2025 RM'000	2024 RM'000
<u>General Takaful Fund/Company</u>		
Trade		
Subsidiary of immediate holding company		
Contribution, commission and claims on co-takaful and retakaful arrangement	226	(380)
<u>Company</u>		
Non-trade		
Penultimate holding company		
Reimbursement costs	148	(2)
Subsidiary of immediate holding company		
Outsourcing expenses	(31,761)	(31,373)
Reimbursement costs	(11,452)	(11,971)
Subsidiary of penultimate holding company		
Outsourcing expenses	(19,519)	(14,984)
Reimbursement costs	(5,183)	(4,699)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

The significant outstanding balances of the Company with its related parties as at 31 December are as follows:

<u>Company</u>	<u>2025</u> <u>RM'000</u>	<u>2024</u> <u>RM'000</u>
Amount due from related companies:		
Takaful receivables*	253	1,028
Amount due to related companies		
Other liabilities*	(7,547)	(5,590)

*These balances are unsecured, interest-free and repayable in the short-term.

(d) Key management personnel's remuneration

The remuneration of the key management personnel including CEO during the financial year are as follows:

<u>Company</u>	<u>2025</u> <u>RM'000</u>	<u>2024</u> <u>RM'000</u>
Salary	2,623	2,564
Bonus	1,068	765
Defined contribution plans	407	411
Other benefits	27	25
	<u>4,125</u>	<u>3,765</u>
Directors' emoluments and CEO's remuneration (Note 21(a))	<u>2,316</u>	<u>1,854</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company include the Directors, Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Company.

The estimated cash value of benefits-in-kind provided to the CEO of the Company during the year amounted to RM27,000 (2024: RM25,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Company adopts the three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirements are incorporated in the Company's Risk Management Policy. The Policy explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, stakeholders and, ultimately, the Company. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The adoption of the Policy is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight for technology-related and sustainability-related matters. The Company has established Senior Management committees which act as a platform for two-way communication between the Management and the Board. The Committees are the Asset Liability Management and Investment Committee ("ALMIC"), Human Resource Committee ("HRC"), Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), Risk and Control Committee ("RCC"), Occupational Safety and Health Committee ("OSHC"), Sustainability Council and the various Senior Management Committees for General Businesses. All these committees are chaired by the Chief Executive Officer or a member of the Senior Management team.

They are responsible for overseeing the development and assess the effectiveness of risk management policies, review risk exposures and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

Governance and Regulatory Framework

The Company is required to comply with IFSA 2013 and BNM regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws and regulations have priority while the stricter rules will apply where possible.

Capital Management

The Company's capital management policy is to create shareholder's value, maintain a strong capital position with sufficient buffer to meet participants' obligations and regulatory requirements, and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBCT Framework regulated by BNM is 130% for each takaful operator. The Company complied with the minimum CAR as at 31 December 2025.

The regulated capital of the Company as at 31 December 2025 comprised of Total Capital Available of RM1,029,204,000 (2024: RM899,054,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management (continued)

The capital structure of the Company as at 31 December 2025, as prescribed under the RBCT Framework, is shown below:

	2025	2024
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	447,000	447,000
Reserves, including retained earnings	615,982	494,578
	<u>1,062,982</u>	<u>941,578</u>
<u>Tier 2 Capital</u>		
Fair value through other comprehensive income ("FVOCI") reserves	7,502	3,582
	<u>7,502</u>	<u>3,582</u>
Less:		
<u>Deduction</u>		
Other intangible assets	(16,000)	(18,000)
Deferred tax assets	(25,280)	(28,106)
Total Capital Available	<u>1,029,204</u>	<u>899,054</u>

28. TAKAFUL RISK

The Company underwrites various general takaful certificates, which are mostly on annual coverage and annual contribution basis, the exception being short term contribution such as Marine Cargo which covers the duration in which the cargo is being transported. The Company also underwrites some non-annual certificates with coverage period of more than one year such as Long-Term Fire Homeowner, Contractor's All Risks and Workmen's Compensation. Most of the takaful business written by the Company is Motor and Fire. Other classes of business include Health, Personal Accident, Engineering, Liability, Bond and other miscellaneous classes.

The Company's underwriting strategy is to build balanced portfolios based on a large number of homogeneous risks. This reduces the variability of the portfolio's outcome. The underwriting strategy is set out in an annual business plan that establishes the classes of business to be written, and the industry sectors in which the Company is prepared to underwrite.

Takaful risk is the risk of loss or of adverse change arising from the underwritten takaful businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions/expectations on which product, pricing, underwriting, claims, reserving and retakaful have been made.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

The Company manages its takaful risks by having a clearly defined framework as follows:

- Writing a balanced mix and spread of business, geographically and between classes of business;
- Underwriting strategies focused on profitable classes of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individuals' capacity in the underwriting process;
- Mitigating takaful risks through purchase of both proportional and non-proportional retakaful treaties;
- Regular monitoring of claims experience and comparing actual experience against that implied in pricing; and
- Actuarial models, using information from the management information systems, are used in calculating contributions and monitoring claims patterns. Historical experience and actuarial methods are used as part of the process.

The table below sets out the concentration of the liabilities for incurred claims by class of business:

General Takaful Fund	2025			2024		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Fire	82,339	(5,072)	77,267	76,073	(6,979)	69,094
Motor	1,225,854	(1,661)	1,224,193	1,053,462	(6,726)	1,046,736
Marine, Aviation and Transit	9,592	(2,394)	7,198	8,990	(2,120)	6,870
Miscellaneous	173,540	(42,167)	131,373	163,691	(40,823)	122,868
At 31 December	<u>1,491,325</u>	<u>(51,294)</u>	<u>1,440,031</u>	<u>1,302,216</u>	<u>(56,648)</u>	<u>1,245,568</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

<u>Company</u>	<u>2025</u>			<u>2024</u>		
	<u>Gross RM'000</u>	<u>Retakaful RM'000</u>	<u>Net RM'000</u>	<u>Gross RM'000</u>	<u>Retakaful RM'000</u>	<u>Net RM'000</u>
Fire	82,683	(5,072)	77,611	76,424	(6,979)	69,445
Motor	1,240,551	(1,661)	1,238,890	1,067,687	(6,726)	1,060,961
Marine, Aviation and Transit	9,621	(2,394)	7,227	9,072	(2,120)	6,952
Miscellaneous	175,129	(42,167)	132,962	165,274	(40,823)	124,451
At 31 December	<u>1,507,984</u>	<u>(51,294)</u>	<u>1,456,690</u>	<u>1,318,457</u>	<u>(56,648)</u>	<u>1,261,809</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 initial expected loss ratios, average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may 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. Judgement 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 which may affect the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

Sensitivities

The takaful claim 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 on the total portfolio for movements in key assumptions with all other assumptions held constant, showing the impact to profit before tax and unallocated surplus. The correlation among assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The impact from the opposite direction of the change in assumptions is expected to have the same opposite impact to profit before tax and unallocated surplus.

	Change in assumptions	Impact on profit before tax gross of retakaful	Impact on profit before tax net of retakaful	Impact on unallocated surplus gross of retakaful*	Impact on unallocated surplus net of retakaful*
		RM'000	RM'000	RM'000	RM'000
< -----Decrease----->					
31 December 2025					
Average claim cost	+10%	(93,406)	(89,337)	(70,989)	(67,896)
Average number of claims	+10%	(78,148)	(76,596)	(59,392)	(58,213)
31 December 2024					
Average claim cost	+10%	(82,247)	(77,737)	(62,508)	(59,080)
Average number of claims	+10%	(62,436)	(58,810)	(47,451)	(44,696)

* Impact on unallocated surplus is stated net of 24% tax.

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28. TAKAFUL RISK (CONTINUED)

Claims Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and Incurred But Not Reported ("IBNR") for each successive accident year at each reporting year, together with cumulative payments to-date.

In setting provisions for claims, the Company considers 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 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.

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28. TAKAFUL RISK (CONTINUED)

General Takaful Fund

Gross undiscounted liabilities for incurred claims for 2025:

	<u>Prior to 2019</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</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>
Accident Year:									
At end of the accident year		371,125	365,961	417,959	468,978	601,402	759,087	879,200	
One year later		372,466	356,916	420,728	481,311	655,087	773,695	-	
Two years later		373,585	344,724	386,058	473,088	638,303	-	-	
Three years later		372,688	331,201	330,027	455,997	-	-	-	
Four years later		370,163	302,998	317,088	-	-	-	-	
Five years later		360,413	292,716	-	-	-	-	-	
Six years later		352,062	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		<u>352,062</u>	<u>292,716</u>	<u>317,088</u>	<u>455,997</u>	<u>638,303</u>	<u>773,695</u>	<u>879,200</u>	
At end of accident year		178,461	134,264	116,540	160,928	234,921	326,077	372,866	
One year later		263,564	194,810	198,323	260,658	364,471	490,447	-	
Two years later		294,657	225,309	237,089	311,287	444,979	-	-	
Three years later		319,179	243,925	256,927	350,940	-	-	-	
Four years later		332,319	254,740	273,176	-	-	-	-	
Five years later		336,859	262,885	-	-	-	-	-	
Six years later		342,563	-	-	-	-	-	-	
		<u>342,563</u>	<u>262,885</u>	<u>273,176</u>	<u>350,940</u>	<u>444,979</u>	<u>490,447</u>	<u>372,866</u>	
Direct and facultative inwards	11,149	9,499	29,831	43,912	105,057	193,324	283,248	506,334	1,182,354
									<u>1,182,354</u>
									Unallocated surplus
									263,612
									Surplus payable to participants
									38,113
									Effects of discounting
									(41,017)
									Risk adjustment
									48,263
									<u>Gross liabilities for incurred claims</u>
									<u>1,491,325</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

General Takaful Fund

Net undiscounted liabilities for incurred claims for 2025:

	Prior to 2019 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	2025 RM'000	Total RM'000
Accident Year:									
At end of the accident year		350,375	349,673	402,456	457,575	596,260	754,677	876,218	
One year later		350,279	341,397	399,024	469,149	649,559	764,899	-	
Two years later		353,271	330,017	365,984	458,338	633,725	-	-	
Three years later		353,699	317,320	307,310	440,654	-	-	-	
Four years later		352,788	291,565	295,174	-	-	-	-	
Five years later		342,583	281,309	-	-	-	-	-	
Six years later		334,094	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		334,094	281,309	295,174	440,654	633,725	764,899	876,218	
At end of accident year		175,488	133,766	115,278	160,294	234,679	325,734	372,573	
One year later		257,478	192,645	190,625	258,811	363,795	489,616	-	
Two years later		285,194	221,624	226,748	306,374	444,128	-	-	
Three years later		308,086	238,576	243,792	342,169	-	-	-	
Four years later		319,400	248,523	256,418	-	-	-	-	
Five years later		323,752	253,709	-	-	-	-	-	
Six years later		328,529	-	-	-	-	-	-	
Cumulative payments to-date		328,529	253,709	256,418	342,169	444,128	489,616	372,573	
Direct and facultative inwards	2,447	5,565	27,600	38,756	98,485	189,597	275,283	503,645	1,141,378
Net undiscounted liabilities for incurred claims									1,141,378
Unallocated surplus									263,612
Surplus payable to participants									38,113
Amount due from retakaful operators									(11,646)
Effects of discounting									(39,440)
Risk adjustment									45,186
Non-performance risk of retakaful operators									2,828
Net liabilities for incurred claims									1,440,031

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28. TAKAFUL RISK (CONTINUED)

Company

Gross undiscounted liabilities for incurred claims for 2025:

	<u>Prior to 2019</u> <u>RM'000</u>	<u>2019</u> <u>RM'000</u>	<u>2020</u> <u>RM'000</u>	<u>2021</u> <u>RM'000</u>	<u>2022</u> <u>RM'000</u>	<u>2023</u> <u>RM'000</u>	<u>2024</u> <u>RM'000</u>	<u>2025</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Accident Year:									
At end of the accident year		371,125	365,961	417,959	468,978	601,402	759,087	879,200	
One year later		372,466	356,916	420,728	481,311	655,087	773,695	-	
Two years later		373,585	344,724	386,058	473,088	638,303	-	-	
Three years later		372,688	331,201	330,027	455,997	-	-	-	
Four years later		370,163	302,998	317,088	-	-	-	-	
Five years later		360,413	292,716	-	-	-	-	-	
Six years later		352,062	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		<u>352,062</u>	<u>292,716</u>	<u>317,088</u>	<u>455,997</u>	<u>638,303</u>	<u>773,695</u>	<u>879,200</u>	
At end of accident year		178,461	134,264	116,540	160,928	234,921	326,077	372,866	
One year later		263,564	194,810	198,323	260,658	364,471	490,447	-	
Two years later		294,657	225,309	237,089	311,287	444,979	-	-	
Three years later		319,179	243,925	256,927	350,940	-	-	-	
Four years later		332,319	254,740	273,176	-	-	-	-	
Five years later		336,859	262,885	-	-	-	-	-	
Six years later		342,563	-	-	-	-	-	-	
		<u>342,563</u>	<u>262,885</u>	<u>273,176</u>	<u>350,940</u>	<u>444,979</u>	<u>490,447</u>	<u>372,866</u>	
Direct and facultative inwards	11,149	9,499	29,831	43,912	105,057	193,324	283,248	506,334	1,182,354
									<u>1,182,354</u>
									Unallocated surplus
									263,612
									Surplus payable to participants
									38,113
									Effects of discounting
									(41,017)
									Risk adjustment
									48,263
									ULAE for Claims Liabilities
									16,659
									<u>Gross liabilities for incurred claims</u>
									<u>1,507,984</u>

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28. TAKAFUL RISK (CONTINUED)

Company

Net undiscounted liabilities for incurred claims for 2025:

	Prior to 2019 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	2025 RM'000	Total RM'000
Accident Year:									
At end of the accident year		350,375	349,673	402,456	457,575	596,260	754,677	876,218	
One year later		350,279	341,397	399,024	469,149	649,559	764,899	-	
Two years later		353,271	330,017	365,984	458,338	633,725	-	-	
Three years later		353,699	317,320	307,310	440,654	-	-	-	
Four years later		352,788	291,565	295,174	-	-	-	-	
Five years later		342,583	281,309	-	-	-	-	-	
Six years later		334,094	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		334,094	281,309	295,174	440,654	633,725	764,899	876,218	
At end of accident year		175,488	133,766	115,278	160,294	234,679	325,734	372,573	
One year later		257,478	192,645	190,625	258,811	363,795	489,616	-	
Two years later		285,194	221,624	226,748	306,374	444,128	-	-	
Three years later		308,086	238,576	243,792	342,169	-	-	-	
Four years later		319,400	248,523	256,418	-	-	-	-	
Five years later		323,752	253,709	-	-	-	-	-	
Six years later		328,529	-	-	-	-	-	-	
Cumulative payments to-date		328,529	253,709	256,418	342,169	444,128	489,616	372,573	
Direct and facultative inwards	2,447	5,565	27,600	38,756	98,485	189,597	275,283	503,645	1,141,378
Net undiscounted liabilities for incurred claims									1,141,378
Unallocated surplus									263,612
Surplus payable to participants									38,113
Amount due from retakaful operators									(11,646)
Effects of discounting									(39,440)
Risk adjustment									45,186
Non-performance risk of retakaful operators									2,828
ULAE for Claims Liabilities									16,659
Net liabilities for incurred claims									1,456,690

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

General Takaful Fund

Gross undiscounted liabilities for incurred claims for 2024:

	<u>Prior to 2018</u> <u>RM'000</u>	<u>2018</u> <u>RM'000</u>	<u>2019</u> <u>RM'000</u>	<u>2020</u> <u>RM'000</u>	<u>2021</u> <u>RM'000</u>	<u>2022</u> <u>RM'000</u>	<u>2023</u> <u>RM'000</u>	<u>2024</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Accident Year:									
At end of the accident year		254,552	371,125	365,961	417,959	468,978	601,402	759,087	
One year later		257,548	372,466	356,916	420,728	481,311	655,087	-	
Two years later		251,847	373,585	344,724	386,058	473,088	-	-	
Three years later		249,602	372,688	331,201	330,027	-	-	-	
Four years later		245,882	370,163	302,998	-	-	-	-	
Five years later		242,701	360,413	-	-	-	-	-	
Six years later		235,648	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		<u>235,648</u>	<u>360,413</u>	<u>302,998</u>	<u>330,027</u>	<u>473,088</u>	<u>655,087</u>	<u>759,087</u>	
At end of accident year		106,603	178,461	134,264	116,540	160,928	234,921	326,077	
One year later		187,064	263,564	194,810	198,323	260,658	364,471	-	
Two years later		213,548	294,657	225,309	237,089	311,287	-	-	
Three years later		219,583	319,179	243,925	256,927	-	-	-	
Four years later		225,398	332,319	254,740	-	-	-	-	
Five years later		229,111	336,859	-	-	-	-	-	
Six years later		230,776	-	-	-	-	-	-	
		<u>230,776</u>	<u>336,859</u>	<u>254,740</u>	<u>256,927</u>	<u>311,287</u>	<u>364,471</u>	<u>326,077</u>	
Direct and facultative inwards	10,655	4,872	23,554	48,258	73,100	161,801	290,616	433,010	1,045,866
									<u>1,045,866</u>
									Unallocated surplus
									219,298
									Surplus payable to participants
									39,970
									Effects of discounting
									(43,044)
									Risk adjustment
									40,126
									<u>Gross liabilities for incurred claims</u>
									<u>1,302,216</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

General Takaful Fund

Net undiscounted liabilities for incurred claims for 2024:

	Prior to 2018 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	Total RM'000
Accident Year:									
At end of the accident year		231,143	350,375	349,673	402,456	457,575	596,260	754,677	
One year later		232,186	350,279	341,397	399,024	469,149	649,559	-	
Two years later		228,147	353,271	330,017	365,984	458,338	-	-	
Three years later		226,971	353,699	317,320	307,310	-	-	-	
Four years later		224,601	352,788	291,565	-	-	-	-	
Five years later		221,830	342,583	-	-	-	-	-	
Six years later		215,622	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		215,622	342,583	291,565	307,310	458,338	649,559	754,677	
At end of accident year		99,480	175,488	133,766	115,278	160,294	234,679	325,734	
One year later		172,484	257,478	192,645	190,625	258,811	363,795	-	
Two years later		195,844	285,194	221,624	226,748	306,374	-	-	
Three years later		201,216	308,086	238,576	243,792	-	-	-	
Four years later		206,887	319,400	248,523	-	-	-	-	
Five years later		210,288	323,752	-	-	-	-	-	
Six years later		211,726	-	-	-	-	-	-	
Cumulative payments to-date		211,726	323,752	248,523	243,792	306,374	363,795	325,734	
Direct and facultative inwards	2,158	3,896	18,831	43,042	63,518	151,964	285,764	428,943	998,116
Net undiscounted liabilities for incurred claims									998,116
Unallocated surplus									219,298
Surplus payable to participants									39,970
Amount due from retakaful operators									(10,550)
Effects of discounting									(41,109)
Risk adjustment									37,026
Non-performance risk of retakaful operators									2,817
Net liabilities for incurred claims									1,245,568

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

Company

Gross undiscounted liabilities for incurred claims for 2024:

	<u>Prior to 2018</u> <u>RM'000</u>	<u>2018</u> <u>RM'000</u>	<u>2019</u> <u>RM'000</u>	<u>2020</u> <u>RM'000</u>	<u>2021</u> <u>RM'000</u>	<u>2022</u> <u>RM'000</u>	<u>2023</u> <u>RM'000</u>	<u>2024</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Accident Year:									
At end of the accident year		254,552	371,125	365,961	417,959	468,978	601,402	759,087	
One year later		257,548	372,466	356,916	420,728	481,311	655,087	-	
Two years later		251,847	373,585	344,724	386,058	473,088	-	-	
Three years later		249,602	372,688	331,201	330,027	-	-	-	
Four years later		245,882	370,163	302,998	-	-	-	-	
Five years later		242,701	360,413	-	-	-	-	-	
Six years later		235,648	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		<u>235,648</u>	<u>360,413</u>	<u>302,998</u>	<u>330,027</u>	<u>473,088</u>	<u>655,087</u>	<u>759,087</u>	
At end of accident year		106,603	178,461	134,264	116,540	160,928	234,921	326,077	
One year later		187,064	263,564	194,810	198,323	260,658	364,471	-	
Two years later		213,548	294,657	225,309	237,089	311,287	-	-	
Three years later		219,583	319,179	243,925	256,927	-	-	-	
Four years later		225,398	332,319	254,740	-	-	-	-	
Five years later		229,111	336,859	-	-	-	-	-	
Six years later		230,776	-	-	-	-	-	-	
		<u>230,776</u>	<u>336,859</u>	<u>254,740</u>	<u>256,927</u>	<u>311,287</u>	<u>364,471</u>	<u>326,077</u>	
Direct and facultative inwards	10,655	4,872	23,554	48,258	73,100	161,801	290,616	433,010	1,045,866
									<u>1,045,866</u>
									Unallocated surplus
									219,298
									Surplus payable to participants
									39,970
									Effects of discounting
									(43,044)
									Risk adjustment
									40,126
									ULAE for Claims Liabilities
									16,241
									Gross liabilities for incurred claims
									<u>1,318,457</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. TAKAFUL RISK (CONTINUED)

Company

Net undiscounted liabilities for incurred claims for 2024:

	Prior to 2018 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000	Total RM'000
Accident Year:									
At end of the accident year		231,143	350,375	349,673	402,456	457,575	596,260	754,677	
One year later		232,186	350,279	341,397	399,024	469,149	649,559	-	
Two years later		228,147	353,271	330,017	365,984	458,338	-	-	
Three years later		226,971	353,699	317,320	307,310	-	-	-	
Four years later		224,601	352,788	291,565	-	-	-	-	
Five years later		221,830	342,583	-	-	-	-	-	
Six years later		215,622	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		215,622	342,583	291,565	307,310	458,338	649,559	754,677	
At end of accident year		99,480	175,488	133,766	115,278	160,294	234,679	325,734	
One year later		172,484	257,478	192,645	190,625	258,811	363,795	-	
Two years later		195,844	285,194	221,624	226,748	306,374	-	-	
Three years later		201,216	308,086	238,576	243,792	-	-	-	
Four years later		206,887	319,400	248,523	-	-	-	-	
Five years later		210,288	323,752	-	-	-	-	-	
Six years later		211,726	-	-	-	-	-	-	
Cumulative payments to-date		211,726	323,752	248,523	243,792	306,374	363,795	325,734	
Direct and facultative inwards	2,158	3,896	18,831	43,042	63,518	151,964	285,764	428,943	998,116
Net undiscounted liabilities for incurred claims									998,116
Unallocated surplus									219,298
Surplus payable to participants									39,970
Amount due from retakaful operators									(10,550)
Effects of discounting									(41,109)
Risk adjustment									37,026
Non-performance risk of retakaful operators									2,817
ULAE for Claims Liabilities									16,241
Net liabilities for incurred claims									1,261,809

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK

The Company is exposed to financial risks, including credit risk, liquidity risk, and market risk during the normal course of its business. The Company has put in place established procedures and guidelines to monitor the risks on an ongoing basis.

Credit Risk

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is assumed through three (3) main mechanisms.

- (i) The assumption of credit risk through investment strategies relating to financial assets;
- (ii) Credit risk created through retakaful, where a retakaful asset represents an obligation of the retakaful operators to the Company; and
- (iii) Receivables within the business, where the Company is owed payment or services by a third party. Most typically this arises from a sale of takaful certificates.

Minimum credit quality applies to investments in private debt securities/sukuk with a minimum rating of A- or A2 (at the date of investment) by Company's internal credit ratings system. The Company, however, intends to maintain an average rating of AA in the overall sukuk portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but also depends on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons, and other quantitative tools.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary takaful operator. If a retakaful operator fails to pay a claim for any reason, the Company remains liable for the payment to the participants. The creditworthiness of retakaful operator is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company manages its credit risk in respect of receivables by establishing defined tolerance on credit periods, putting in place collection procedures, and rigorously monitoring its credit portfolio.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial assets and retakaful certificate assets.

The table below shows the maximum exposure to credit risk for the financial assets and retakaful certificate assets on the statement of financial position.

	General Takaful Fund		Company	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
Cash and cash equivalents	88,158	30,618	157,566	45,112
Investments:				
FVOCI financial assets:				
Government Investment Issues	-	-	177,150	170,318
Islamic debt securities, unquoted	553,344	528,631	946,703	905,952
Financial assets at amortised cost:				
Fixed deposits with licensed financial institutions	1,302,293	1,161,799	1,589,848	1,434,148
Retakaful certificate assets	50,282	48,700	50,282	48,700
Other receivables	101	9	747	655
	<u>1,994,178</u>	<u>1,769,757</u>	<u>2,922,296</u>	<u>2,604,885</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the General Takaful Fund by classifying financial assets and retakaful certificate assets according to the General Takaful Fund's credit rating of counterparties.

<u>General Takaful Fund</u>	Investment grade (AAA to BBB) RM'000	Non- investment grade (BB to C) RM'000	Not rated RM'000	Total RM'000
<u>31 December 2025</u>				
Cash and cash equivalents	88,158	-	-	88,158
Investments:				
FVOCI financial assets:				
Islamic debt securities, unquoted	524,919	28,425	-	553,344
Financial assets as amortised cost:				
Fixed deposits with licensed financial institutions	1,302,293	-	-	1,302,293
Retakaful certificate assets	38,434	-	11,848	50,282
Other receivables	-	-	101	101
	<u>1,953,804</u>	<u>28,425</u>	<u>11,949</u>	<u>1,994,178</u>

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets and retakaful certificate assets according to the Company's credit rating of counterparties.

<u>Company</u>	<u>Investment grade (AAA to BBB) RM'000</u>	<u>Non- investment grade (BB to C) RM'000</u>	<u>Not rated RM'000</u>	<u>Total RM'000</u>
<u>31 December 2025</u>				
Cash and cash equivalents	157,566	-	-	157,566
Investments:				
FVOCI financial assets:				
Government Investment Issues	177,150	-	-	177,150
Islamic debt securities, unquoted	906,410	40,293	-	946,703
Financial assets as amortised cost:				
Fixed deposits with licensed financial institutions	1,589,848	-	-	1,589,848
Retakaful certificate assets	38,434	-	11,848	50,282
Other receivables	-	-	747	747
	<u>2,869,408</u>	<u>40,293</u>	<u>12,595</u>	<u>2,922,296</u>

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the General Takaful Fund by classifying financial assets and retakaful certificate assets according to the General Takaful Fund's credit rating of counterparties.

General Takaful Fund	Investment grade (AAA to BBB) RM'000	Non-investment grade (BB to C) RM'000	Not rated RM'000	Total RM'000
<u>31 December 2024</u>				
Cash and cash equivalents	30,618	-	-	30,618
Investments:				
FVOCI financial assets:				
Islamic debt securities, unquoted	511,839	16,792	-	528,631
Financial assets as amortised cost:				
Fixed deposits with licensed financial institutions	1,161,799	-	-	1,161,799
Retakaful certificate assets	39,947	-	8,753	48,700
Other receivables	-	-	9	9
	<u>1,744,203</u>	<u>16,792</u>	<u>8,762</u>	<u>1,769,757</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets and retakaful certificate assets according to the Company's credit rating of counterparties.

<u>Company</u>	<u>Investment grade (AAA to BBB) RM'000</u>	<u>Non- investment grade (BB to C) RM'000</u>	<u>Not rated RM'000</u>	<u>Total RM'000</u>
<u>31 December 2024</u>				
Cash and cash equivalents	45,112	-	-	45,112
Investments:				
FVOCI financial assets:				
Government Investment Issues	170,318	-	-	170,318
Islamic debt securities, unquoted	879,013	26,939	-	905,952
Financial assets as amortised cost:				
Fixed deposits with licensed financial institutions	1,434,148	-	-	1,434,148
Retakaful certificate assets	39,947	-	8,753	48,700
Other receivables	-	-	655	655
	<u>2,568,538</u>	<u>26,939</u>	<u>9,408</u>	<u>2,604,885</u>

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment assessment

The Company's ECL assessment and measurement method is set out below.

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12months ECL ("12m ECL"). Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

The Company's retakaful certificate assets are subject to the retakaful operators' non-performance risk ("NPR"). Provision matrix is applied to compute the credit impairment allowance of the retakaful certificate assets based on the credit rating of the retakaful operators.

Impairment losses on financial investments subject to impairment assessment

Financial assets measured at FVOCI

The table below shows the fair value of the General Takaful Fund's financial assets measured at FVOCI by credit risk, based on the General Takaful Fund's internal credit ratings system.

	2025			2024		
	12m ECL RM'000	Lifetime ECL not credit impaired RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL not credit impaired RM'000	Total RM'000
General Takaful Fund						
Internal rating grade						
Investment grade	518,709	6,210	524,919	511,839	-	511,839
Non-investment grade	28,425	-	28,425	15,768	1,024	16,792
Total gross amount	<u>547,134</u>	<u>6,210</u>	<u>553,344</u>	<u>527,607</u>	<u>1,024</u>	<u>528,631</u>
ECL	<u>(527)</u>	<u>(37)</u>	<u>(564)</u>	<u>(416)</u>	<u>(32)</u>	<u>(448)</u>

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Expected credit loss (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets measured at FVOCI (continued)

The table below shows the fair value of the Company's financial assets measured at FVOCI by credit risk, based on the Company's internal credit ratings system.

<u>Company</u>	<u>2025</u>			<u>2024</u>		
	<u>12m ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Total</u>	<u>12m ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Total</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>
Internal rating grade						
Investment grade	1,071,139	12,421	1,083,560	1,049,331	-	1,049,331
Non-investment grade	40,293	-	40,293	24,892	2,047	26,939
Total gross amount	<u>1,111,432</u>	<u>12,421</u>	<u>1,123,853</u>	<u>1,074,223</u>	<u>2,047</u>	<u>1,076,270</u>
ECL	<u>(949)</u>	<u>(76)</u>	<u>(1,025)</u>	<u>(771)</u>	<u>(67)</u>	<u>(838)</u>

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets measured at FVOCI (continued)

An analysis of changes in fair values and the corresponding ECLs of FVOCI financial assets of the General Takaful Fund is, as follows:

	2025			2024		
	12m ECL	Lifetime ECL not credit impaired	Total	12m ECL	Lifetime ECL not credit impaired	Total
<u>General Takaful Fund</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>
Fair value as at 1 January	527,607	1,024	528,631	519,316	1,024	520,340
New assets originated or purchased	159,746	5,120	164,866	106,001	-	106,001
Assets derecognised or matured	(140,935)	-	(140,935)	(96,380)	-	(96,380)
Realised (loss)/gain recorded in profit or loss	(54)	-	(54)	38	-	38
Fair value gains recorded in:						
Other comprehensive income	2,325	37	2,362	667	-	667
(Amortisation of premium)/accretion of interest	(1,555)	29	(1,526)	(2,035)	-	(2,035)
At 31 December	547,134	6,210	553,344	527,607	1,024	528,631

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets measured at FVOCI (continued)

An analysis of changes in fair values and the corresponding ECLs of FVOCI financial assets of the General Takaful Fund is, as follows: (continued)

<u>General Takaful Fund</u>	2025			2024		
	12m ECL	Lifetime ECL not credit impaired	Total	12m ECL	Lifetime ECL not credit impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ECL as at 1 January	(416)	(32)	(448)	(949)	(43)	(992)
New assets originated or purchased	(202)	(34)	(236)	(101)	-	(101)
Assets derecognised or matured (excluding write-offs)	91	-	91	122	-	122
Unwind of discount	-	29	29	512	11	523
At 31 December	(527)	(37)	(564)	(416)	(32)	(448)

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets measured at FVOCI (continued)

An analysis of changes in fair values and the corresponding ECLs of FVOCI financial assets of the Company is, as follows:

<u>Company</u>	<u>2025</u>			<u>2024</u>		
	<u>12m ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Total</u>	<u>12m ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Total</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>
Fair value as at 1 January	1,074,223	2,047	1,076,270	1,034,819	2,047	1,036,866
New assets originated or purchased	351,741	10,239	361,980	224,311	-	224,311
Assets derecognised or matured	(315,616)	-	(315,616)	(182,271)	-	(182,271)
Realised (loss)/gain recorded in profit or loss	(41)	-	(41)	92	-	92
Fair value gains recorded in:						
Other comprehensive income	4,898	73	4,971	1,376	-	1,376
(Amortisation of premium)/accretion of interest	(3,772)	61	(3,711)	(4,104)		(4,104)
At 31 December	1,111,433	12,420	1,123,853	1,074,223	2,047	1,076,270

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets measured at FVOCI (continued)

An analysis of changes in fair values and the corresponding ECLs of FVOCI financial assets of the Company is, as follows: (continued)

<u>Company</u>	2025			2024		
	12m ECL	Lifetime ECL not credit impaired	Total	12m ECL	Lifetime ECL not credit impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ECL as at 1 January	(771)	(67)	(838)	(1,626)	(89)	(1,715)
New assets originated or purchased	(362)	(69)	(431)	(213)	-	(213)
Assets derecognised or matured (excluding write-offs)	183	-	183	189	-	189
Unwind of discount	1	60	61	879	22	901
At 31 December	(949)	(76)	(1,025)	(771)	(67)	(838)

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per based on the General Takaful Fund's internal credit ratings system and year-end staging classification. The amounts presented are gross of impairment allowances.

	2025			2024		
	12m ECL	Lifetime ECL not credit impaired	Total	12m ECL	Lifetime ECL not credit impaired	Total
General Takaful Fund	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Internal rating grade						
Investment grade	1,302,293	-	1,302,293	1,161,799	-	1,161,799
Total gross amount	1,302,293	-	1,302,293	1,161,799	-	1,161,799
ECL	-	-	-	-	-	-

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets at amortised cost (continued)

The table below shows the credit quality and the maximum exposure to credit risk per based on the Company's internal credit ratings system and year-end staging classification. The amounts presented are gross of impairment allowances.

<u>Company</u>	<u>2025</u>			<u>2024</u>		
	<u>12m ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Total</u>	<u>12m ECL</u>	<u>Lifetime ECL not credit impaired</u>	<u>Total</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>
Internal rating grade						
Investment grade	1,589,848	-	1,589,848	1,434,148	-	1,434,148
Total gross amount	1,589,848	-	1,589,848	1,434,148	-	1,434,148
ECL	-	-	-	-	-	-

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets at amortised cost (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs of financial assets at amortised cost is, as follows:

	2025			2024		
	12m ECL	Lifetime ECL not credit impaired	Total	12m ECL	Lifetime ECL not credit impaired	Total
<u>General Takaful Fund</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross amount as at 1 January	1,161,799	-	1,161,799	887,517	-	887,517
New assets originated or purchased	2,463,074	-	2,463,074	2,195,608	-	2,195,608
Assets derecognised or matured (excluding write-offs)	(2,323,541)	-	(2,323,541)	(1,923,366)	-	(1,923,366)
Accrued interest movement	961	-	961	2,040	-	2,040
At 31 December	<u>1,302,293</u>	<u>-</u>	<u>1,302,293</u>	<u>1,161,799</u>	<u>-</u>	<u>1,161,799</u>

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29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Financial assets at amortised cost (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs of financial assets at amortised cost is, as follows: (continued)

<u>Company</u>	2025			2024		
	12m ECL	Lifetime ECL not credit impaired	Total	12m ECL	Lifetime ECL not credit impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross amount as at 1 January	1,434,148	-	1,434,148	1,099,371	-	1,099,371
New assets originated or purchased	3,045,822	-	3,045,822	2,688,993	-	2,688,993
Assets derecognised or matured (excluding write-offs)	(2,890,825)	-	(2,890,825)	(2,356,607)	-	(2,356,607)
Accrued interest movement	703	-	703	2,391	-	2,391
At 31 December	1,589,848	-	1,589,848	1,434,148	-	1,434,148

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Retakaful certificate assets

An analysis of changes in the Company's retakaful certificate assets and the corresponding NPRs is, as follows:

	<u>2025</u>	<u>2024</u>
<u>General Takaful Fund/Company</u>	<u>RM'000</u>	<u>RM'000</u>
Gross carrying amount		
At 1 January	58,300	66,823
Decrease in retakaful certificate assets	(5,677)	(8,523)
At 31 December	<u>52,623</u>	<u>58,300</u>
	<u>2025</u>	<u>2024</u>
	<u>RM'000</u>	<u>RM'000</u>
Non-performance risk		
At 1 January	(2,817)	(3,669)
(Increase)/decrease in credit impairment allowance	(11)	852
At 31 December	<u>(2,828)</u>	<u>(2,817)</u>

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected retakaful recoveries. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet takaful and investment contracts obligations.

The Company's catastrophe excess-of-loss retakaful certificate contains clauses permitting the Company to make cash call claims and receive immediate payment for large losses should claims events exceed a certain amount.

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29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis

Maturity analysis for takaful certificate liabilities and retakaful certificate assets (present value of future cash flows basis)

The following table summarises the maturity profile of groups of takaful certificates issued and groups of retakaful certificates held by the General Takaful Fund based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented:

	<u>Up to 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>>5 years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2025							
General Takaful Fund							
Takaful certificate liabilities	910,198	386,645	177,807	81,451	39,980	309,431	1,905,512
Retakaful certificate assets	(26,147)	(11,341)	(3,582)	(3,855)	(3,604)	(1,753)	(50,282)
	<u>884,051</u>	<u>375,304</u>	<u>174,225</u>	<u>77,596</u>	<u>36,376</u>	<u>307,678</u>	<u>1,855,230</u>
	<u>Up to 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>>5 years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024							
General Takaful Fund							
Takaful certificate liabilities	772,618	360,123	185,260	83,357	33,631	255,588	1,690,577
Retakaful certificate assets	(23,129)	(11,238)	(7,217)	(3,529)	(1,679)	(1,908)	(48,700)
	<u>749,489</u>	<u>348,885</u>	<u>178,043</u>	<u>79,828</u>	<u>31,952</u>	<u>253,680</u>	<u>1,641,877</u>

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29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis (continued)

Maturity analysis for takaful certificate liabilities and retakaful certificate assets (present value of future cash flows basis) (continued)

The following table summarises the maturity profile of groups of takaful certificates issued and groups of retakaful certificates held by the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented:

	<u>Upto 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>>5 years</u>	<u>Total</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>
2025							
Company							
Takaful certificate liabilities	987,251	405,979	188,005	86,751	42,675	315,883	2,026,544
Retakaful certificate assets	(26,147)	(11,341)	(3,582)	(3,855)	(3,604)	(1,753)	(50,282)
	<u>961,104</u>	<u>394,638</u>	<u>184,423</u>	<u>82,896</u>	<u>39,071</u>	<u>314,130</u>	<u>1,976,262</u>
2024							
Company							
Takaful certificate liabilities	844,631	378,885	196,142	89,229	36,028	260,761	1,805,676
Retakaful certificate assets	(23,129)	(11,238)	(7,217)	(3,529)	(1,679)	(1,908)	(48,700)
	<u>821,502</u>	<u>367,647</u>	<u>188,925</u>	<u>85,700</u>	<u>34,349</u>	<u>258,853</u>	<u>1,756,976</u>

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29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis (continued)

Maturity analysis for financial assets and liabilities (contractual undiscounted cash flow basis)

The following table summarises the maturity profile of financial assets and liabilities of the General Takaful Fund based on remaining undiscounted contractual cash flows, including interest receivable.

	Carrying value	Up to 1 year	1-3 years	3-5 years	5-15 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2025						
General Takaful Fund						
FVOCI financial assets	553,344	92,072	251,221	149,479	128,026	620,798
Financial assets at amortised cost	1,302,293	1,314,788	-	-	-	1,314,788
Other receivables	101	101	-	-	-	101
Cash and cash equivalents	88,158	88,158	-	-	-	88,158
TOTAL	1,943,896	1,495,119	251,221	149,479	128,026	2,023,845
Financial liabilities						
Other liabilities	82,870	82,870	-	-	-	82,870
TOTAL	82,870	82,870	-	-	-	82,870

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29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis (continued)

Maturity analysis for financial assets and liabilities (contractual undiscounted cash flow basis) (continued)

The following table summarises the maturity profile of financial assets and liabilities of the General Takaful Fund based on remaining undiscounted contractual cash flows, including interest receivable. (continued)

	Carrying value	Up to 1 year	1-3 years	3-5 years	5-15 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024						
General Takaful Fund						
FVOCI financial assets	528,631	85,689	271,698	158,946	74,679	591,012
Financial assets at amortised cost	1,161,799	1,174,650	-	-	-	1,174,650
Other receivables	9	9	-	-	-	9
Cash and cash equivalents	30,618	30,618	-	-	-	30,618
TOTAL	1,721,057	1,290,966	271,698	158,946	74,679	1,796,289
Financial liabilities						
Other liabilities	66,039	66,039	-	-	-	66,039
TOTAL	66,039	66,039	-	-	-	66,039

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis (continued)

Maturity analysis for financial assets and liabilities (contractual undiscounted cash flow basis) (continued)

The following table summarises the maturity profile of financial assets and liabilities of the Company based on remaining undiscounted contractual cash flows, including interest receivable.

	<u>Carrying value</u>	<u>Up to 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>5-15 years</u>	<u>Total</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>
2025						
Company						
FVOCI financial assets	1,123,853	200,320	542,206	249,778	266,830	1,259,134
Financial assets at amortised cost	1,589,848	1,605,876	-	-	-	1,605,876
Other receivables	747	747	-	-	-	747
Cash and cash equivalents	157,566	157,566	-	-	-	157,566
TOTAL	<u>2,872,014</u>	<u>1,964,509</u>	<u>542,206</u>	<u>249,778</u>	<u>266,830</u>	<u>3,023,323</u>
Financial liabilities						
Lease liabilities	3,759	1,541	2,383	-	-	3,924
Other liabilities	93,978	93,978	-	-	-	93,978
TOTAL	<u>97,737</u>	<u>95,519</u>	<u>2,383</u>	<u>-</u>	<u>-</u>	<u>97,902</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis (continued)

Maturity analysis for financial assets and liabilities (contractual undiscounted cash flow basis) (continued)

The following table summarises the maturity profile of financial assets and liabilities of the Company based on remaining undiscounted contractual cash flows, including interest receivable. (continued)

	Carrying value	Up to 1 year	1-3 years	3-5 years	5-15 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024						
Company						
FVOCI financial assets	1,076,270	227,134	511,302	296,361	163,359	1,198,156
Financial assets at amortised cost	1,434,148	1,449,417	-	-	-	1,449,417
Other receivables	655	655	-	-	-	655
Cash and cash equivalents	45,112	45,112	-	-	-	45,112
TOTAL	2,556,185	1,722,318	511,302	296,361	163,359	2,693,340
Financial liabilities						
Lease liabilities	1,321	1,340	-	-	-	1,340
Other liabilities	89,991	89,991	-	-	-	89,991
TOTAL	91,312	91,331	-	-	-	91,331

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29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis (continued)

Maturity analysis on expected maturity bases

The table below summarises the expected utilisation or settlement of assets and liabilities of the General Takaful Fund.

	2025			2024		
	No more than 12 months	More than 12 months	Total	No more than 12 months	More than 12 months	Total
General Takaful Fund	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Cash and cash equivalents	88,158	-	88,158	30,618	-	30,618
FVOCI financial assets	92,072	461,272	553,344	85,689	442,942	528,631
Financial assets at amortised cost	1,302,293	-	1,302,293	1,161,799	-	1,161,799
Other receivables	101	-	101	9	-	9
	<u>1,482,624</u>	<u>461,272</u>	<u>1,943,896</u>	<u>1,278,115</u>	<u>442,942</u>	<u>1,721,057</u>
Financial liabilities						
Other liabilities	82,870	-	82,870	66,039	-	66,039
	<u>82,870</u>	<u>-</u>	<u>82,870</u>	<u>66,039</u>	<u>-</u>	<u>66,039</u>
Retakaful certificate assets						
Retakaful certificate assets	26,147	24,135	50,282	23,129	25,571	48,700
	<u>26,147</u>	<u>24,135</u>	<u>50,282</u>	<u>23,129</u>	<u>25,571</u>	<u>48,700</u>
Takaful certificate liabilities						
Takaful certificate liabilities	910,198	995,314	1,905,512	772,618	917,959	1,690,577
	<u>910,198</u>	<u>995,314</u>	<u>1,905,512</u>	<u>772,618</u>	<u>917,959</u>	<u>1,690,577</u>

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29. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity analysis (continued)

Maturity analysis on expected maturity bases (continued)

The table below summarises the expected utilisation or settlement of assets and liabilities of the Company.

Company	2025			2024		
	No more than 12 months	More than 12 months	Total	No more than 12 months	More than 12 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Cash and cash equivalents	157,566	-	157,566	45,112	-	45,112
FVOCI financial assets	200,320	923,533	1,123,853	227,134	849,136	1,076,270
Financial assets at amortised cost	1,589,848	-	1,589,848	1,434,148	-	1,434,148
Other receivables	747	-	747	655	-	655
	<u>1,948,481</u>	<u>923,533</u>	<u>2,872,014</u>	<u>1,707,049</u>	<u>849,136</u>	<u>2,556,185</u>
Financial liabilities						
Lease liabilities	1,282	2,477	3,759	1,321	-	1,321
Other liabilities	93,978	-	93,978	89,991	-	89,991
	<u>95,260</u>	<u>2,477</u>	<u>97,737</u>	<u>91,312</u>	<u>-</u>	<u>91,312</u>
Retakaful certificate assets						
Retakaful certificate assets	26,147	24,135	50,282	23,129	25,571	48,700
	<u>26,147</u>	<u>24,135</u>	<u>50,282</u>	<u>23,129</u>	<u>25,571</u>	<u>48,700</u>
Takaful certificate liabilities						
Takaful certificate liabilities	987,251	1,039,293	2,026,544	844,631	961,045	1,805,676
	<u>987,251</u>	<u>1,039,293</u>	<u>2,026,544</u>	<u>844,631</u>	<u>961,045</u>	<u>1,805,676</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised of three types of exposures: currency risk, profit rate risk and other price risk.

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structures and risk management methodologies, approving hedging, and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

Profit Rates/Profit Yield Risks

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument or takaful certificate or retakaful certificate will fluctuate because of changes in market profit rates.

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

There is no direct contractual relationship between financial assets and takaful certificates. However, the Company's profit rate risk policy requires it to manage the extent of net profit rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the takaful certificate liabilities. The policy also requires it to manage the maturities of profit bearing financial assets.

The Company has no significant concentration of profit rate risk.

The Company's exposure to profit rate risk-sensitive takaful and retakaful certificates and financial instruments is, as follows:

	<u>2025</u>	<u>2024</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>General Takaful Fund</u>		
Takaful certificate liabilities	1,905,512	1,690,577
Retakaful certificate assets	<u>(50,282)</u>	<u>(48,700)</u>
	<u>1,855,230</u>	<u>1,641,877</u>
Financial instruments*	1,855,637	1,690,430
<u>Company</u>		
Takaful certificate liabilities	2,026,544	1,805,676
Retakaful certificate assets	<u>(50,282)</u>	<u>(48,700)</u>
	<u>1,976,262</u>	<u>1,756,976</u>
Financial instruments*	2,713,701	2,510,418

*Impact on Islamic money market instruments and Islamic debt instruments.

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29. FINANCIAL RISK (CONTINUED)

Profit Rates/Profit Yield Risks (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and revaluing fixed rate/yield FVOCI financial assets). 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>Change in profit rate</u>	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on takaful certificate liabilities*</u> RM'000
31 December 2025				
<-----Increase / (Decrease)----->				
<u>General Takaful Fund</u>				
Takaful certificates issued	+50 basis points	-	-	4,661
Financial instruments	+50 basis points	-	-	(7,160)
Takaful certificates issued	-50 basis points	-	-	(5,070)
Financial instruments	-50 basis points	-	-	7,357
<u>Company</u>				
Takaful certificates issued	+50 basis points	6,133	-	4,661
Financial instruments	+50 basis points	-	(7,337)	(7,160)
Takaful certificates issued	-50 basis points	(6,671)	-	(5,070)
Financial instruments	-50 basis points	-	7,537	7,357

* Impact on equity/takaful certificate liabilities is stated net of tax 24%.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL RISK (CONTINUED)

Profit Rates/Profit Yield Risks (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and revaluing fixed rate/yield FVOCI financial assets). 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. (continued)

	<u>Change in profit rate</u>	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000	<u>Impact on takaful certificate liabilities*</u> RM'000
31 December 2024				
<----- Increase / (Decrease) ----->				
General Takaful Fund				
Takaful certificates issued	+50 basis points	-	-	4,464
Financial instruments	+50 basis points	-	-	(6,201)
Takaful certificates issued	-50 basis points	-	-	(4,535)
Financial instruments	-50 basis points	-	-	6,348
Company				
Takaful certificates issued	+50 basis points	5,874	-	4,464
Financial instruments	+50 basis points	-	(6,248)	(6,201)
Takaful certificates issued	-50 basis points	(5,967)	-	(4,535)
Financial instruments	-50 basis points	-	6,403	6,348

* Impact on equity/takaful certificate liabilities is stated net of tax 24%.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. OPERATIONAL RISK

Operational risk arises from inadequate or failed internal processes, people, and system or from external events. Exposure to this risk can cause deficiencies or breakdowns in internal controls, processes, technology, as well as disruptions caused by external events such as interruption of business operations due to a breakdown of IT systems, cybersecurity incidents, landslides or flood.

The Company has developed a comprehensive Standard Operating Procedures (“SOP”) to enable all relevant departments to implement measures to monitor and control the risk. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and controlling weaknesses via a structured risk assessment process.

31. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK

Strategic Risk

Strategic risk refers to the unintended risk that can emerge as a by-product of planning or executing Zurich Malaysia’s strategy.

Strategic risks can arise from:

- Inadequate risk-reward assessment of strategic plans.
- Improper execution of strategic plans.
- Unexpected changes to underlying assumptions, including those about the external environment.

Zurich Malaysia works to manage risks associated with strategic business decisions through the risk assessment processes and tools, including the Total Risk Profiling™ process. As part of Zurich Malaysia’s annual assessment of strategic risks, the Senior Management assesses potential risk from both external and internal factors, looking at current year and beyond. The Senior Management defines actions to respond as appropriate and reviews changes to the key risks and the status of their actions at least quarterly.

Reputation Risk

Reputation risk is the risk that an act or omission by the Company or any of its employees could result in a reputational damage or loss of trust in Zurich Malaysia among any of its stakeholders. It includes potential negative publicity regarding Zurich Malaysia’s business practices.

Zurich Malaysia aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of Zurich Malaysia’s code of conduct that promotes integrity and good business practice.
- Living up to its sustainability commitments.

Zurich Malaysia centrally manages certain aspects of the risk of reputation, for example, communications through functions with the appropriate expertise. Potential risks to Zurich Malaysia’s reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

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31. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

Sustainability Risk

Sustainability risk pertains to the potential adverse impact on the Company's brand and reputation due to the failure to responsibly consider environmental, social, and governance issues throughout its business operations. Additionally, it encompasses the risks associated with not striving to create sustainable value for all stakeholders.

Sustainability involves conducting business today in a manner that ensures the preservation of the Company's and society's future. The risks and opportunities associated with sustainability arise from the effects of environmental, social, and governance ("ESG") challenges on the Company, as well as from the Company's management of its positive or negative impacts on ESG matters. To safeguard against financial and reputational repercussions, both perspectives are incorporated in the identification and assessment of sustainability issues.

Climate change, as one of the most complex risks facing society today, is intergenerational and interdependent. As a takaful operator, the Company faces risks from climate change and shall disclose its climate risk in line with the recommendation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") and BNM's Policy Document on Climate Risk Management and Scenario Analysis ("CRMSA") on disclosures.

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected. As a result, takaful operators are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

Sustainability risk approach

To support the Company's businesses in applying its purposes and values, as well as mitigating reputation risk impacts, the Company has integrated sustainability risk assessment into the existing risk management cycle to identify, assess and respond to potential risks and opportunity areas from a sustainability perspective across all the Company's activities, in particular for operations, investment management and underwriting.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

Sustainability risk approach (continued)

This is a three-step process:

- Risk Identification and Assessment: Sustainability risks are identified and assessed at least annually through various processes such as risk appetite review and annual Total Risk Profiling™ exercise.
- Risk Response: Risk response can include sustainability risk positions, which describes the Company's appetite for a sustainability risk and may also trigger the development of new policies, guidelines, products, processes, projects, or other management actions. It can also entail a new strategic sustainability priority in line with the Total Risk Profiling™ methodology.
- Risk Monitoring and Reporting: Sustainability risks are monitored at least quarterly and reported to Senior Management and Board.

The Company applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, it engages and works together with relevant stakeholders on the margins of its thresholds to ensure responsible and sustainable business practices.

Clear roles and responsibilities, starting with the Board of Directors of the Company and its management, support effective oversight and actions with respect to climate change and other sustainability risks.

32. COMPLIANCE RISK

As part of the Group's approach to managing operational risk, material compliance risks are independently assessed on an annual basis. The local Compliance function implements Group Compliance policies that address exposures relevant across the organisation, while ensuring alignment with local regulatory requirements issued by BNM and other Malaysian authorities. The Compliance Risk Universe covers seventeen core topics, and these policies are adopted locally through established implementation protocols, including risk assessments, process enhancements, development of local standards, assurance activities, and ongoing training. The local Compliance function oversees and monitors the effective implementation of these policies and regularly evaluates compliance risks using the Compliance Risk Assessment tool. Identified regulatory and business risks, together with applicable mitigating controls, are reported to Senior Management as part of ongoing compliance program reporting.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. FAIR VALUE INFORMATION

(a) Determination of fair value and fair value hierarchy

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

Policy on transfer between levels

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

Level 1 - Quoted market price

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

Level 2 - Market observable input

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2024: No transfer in either direction).

Level 3 - Unobservable inputs

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities. The main asset classes in this category are unquoted equity securities, un-rated securities, and debt securities from organisations in default. The fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgements.

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33. FAIR VALUE INFORMATION (CONTINUED)

(b) Financial instruments carried at fair value

The table below shows the financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

<u>General Takaful Fund</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
31 December 2025				
Financial assets				
FVOCI financial assets:				
Islamic debt securities, unquoted	-	553,344	-	553,344
	-	553,344	-	553,344
31 December 2024				
Financial assets				
FVOCI financial assets:				
Islamic debt securities, unquoted	-	528,631	-	528,631
	-	528,631	-	528,631
Company				
31 December 2025				
Financial assets				
FVOCI financial assets:				
Government Investment Issues	-	177,150	-	177,150
Islamic debt securities, unquoted	-	946,703	-	946,703
	-	1,123,853	-	1,123,853
31 December 2024				
Financial assets				
FVOCI financial assets:				
Government Investment Issues	-	170,318	-	170,318
Islamic debt securities, unquoted	-	905,952	-	905,952
	-	1,076,270	-	1,076,270

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