

# Directors' Report and Audited Financial Statements

For the financial year  
ended 31 December 2025



Growing with resilience,  
Protecting with purpose.

Company No.  
196801000442 (8029-A)

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

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**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**CORPORATE GOVERNANCE STATEMENT**

**Introduction**

Zurich Life Insurance Malaysia Berhad (“the Company”) is committed to effective corporate governance for the benefit of its shareholders, 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 of 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 shareholders’ 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 is responsible for the overall governance of the Company by providing guidance, including setting the directions in terms of the Company’s corporate objectives and business strategies, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company’s internal control and reporting procedures.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Composition of the Board**

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

Choy Khai Choon	Chairman (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsa binti Hashim	Member (Independent Non-Executive Director)
Junior Namjick Cho (Appointed on 1 August 2025)	Member (Executive Director)
Timothy William Howell (Resigned on 31 March 2025)	Member (Executive Director)

The Board comprises five Directors with skills and experiences in a diverse range of business, financial, technical and public service background. The Board is represented by one Non-Independent Non-Executive Directors, three Independent Non-Executive Directors and one Executive Director. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate. The Company sets the tenure limit of its independent directors to a maximum of nine years.

The appointments to the Board were approved by BNM. All appointments and reappointments of Board members are subject to evaluation and review by the Nomination and Remuneration Committee and approved by the Board before the applications are submitted to BNM for approval.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors**

**Choy Khai Choon**

Malaysian, Male  
Non-Independent Non-Executive Director/Chairman  
Member of Audit Committee  
Member of Board Investment Committee  
Member of Risk Management and Sustainability Committee  
Member of Nomination and Remuneration Committee

Mr Choy Khai Choon (“Mr Choy”) was appointed as an Independent Non-Executive Director and Chairman of the Company on 17 September 2013 and 13 October 2018 respectively. Mr Choy was subsequently redesignated as Non-Independent Non-Executive Director and Chairman of the Company on 17 September 2022. Mr Choy is a member of the Audit Committee, Board Investment Committee, Risk Management and Sustainability Committee, and Nomination and Remuneration Committee of the Company.

Mr Choy graduated with a Bachelor of Commerce degree from The University of New South Wales, Australia and holds a Master in Business Administration (MBA) from Oklahoma City University, USA. He is a Member of the Malaysian Institute of Accountants and a Fellow of the Australian Certified Public Accountants.

Mr Choy served as the President and Chief Executive Officer (“CEO”) of Cagamas Berhad from year 2006 to 2012 and was appointed director of Cagamas MBS Berhad, Cagamas SME Berhad, BNM Sukuk Berhad, Cagamas HKMC Berhad and Cagamas SRP Berhad.

Prior to joining Cagamas Berhad, Mr Choy held key positions in leading financial institutions in the areas of financial management, strategic planning and business development. Key roles held include serving as Regional Finance/Planning Director of Aviva Insurance Asia, CEO of Morley Fund Management Ltd, Aviva Insurance Group, Singapore and Senior General Manager, Group Head of RHB Berhad.

Mr Choy is currently the Chairman and Non-Independent Non-Executive Director of Zurich General Insurance Malaysia Berhad. Mr Choy sits as Chairman and Non-Independent Non-Executive Director of Kenanga Investors Berhad. Mr Choy is also an Independent Director of Hap Seng Plantations Holdings Berhad and Asian Banking School Sdn Bhd. Mr Choy is, additionally, the Non-Independent Non-Executive Director of Kenanga Investment Bank Berhad. He also sits on the Board of Bond and Sukuk Information Platform Sdn Bhd, a wholly owned subsidiary of the Securities Commission. Mr Choy is an Authority Member of Labuan Financial Services Authority and a member of Audit and Risk Management Committee of Labuan Financial Services Authority. Mr Choy is currently the Chairman of Labuan IBFC Incorporated Sdn Bhd as well.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors (continued)**

**Donald Joshua Jaganathan**

Malaysian, Male

Independent Non-Executive Director

Chairman of Risk Management and Sustainability Committee

Chairman of Board Investment Committee

Member of Audit Committee

Member of Nomination and Remuneration Committee

Mr Donald Joshua Jaganathan (“Mr Donald”) was appointed as an Independent Non-Executive Director of the Company on 1 November 2020. Mr Donald is the Chairman of the Risk Management and Sustainability Committee and Board Investment Committee of the Company. He is also a member of the Audit Committee and Nomination and Remuneration Committee of the Company.

Mr Donald holds a Bachelor of Accounting (Hons) from the University of Malaya and is a Member of the Malaysian Institute of Accountants. He also holds a Master in Business Administration from the Cranfield School of Management, United Kingdom and is an alumnus of the Advanced Management Program, Harvard Business School.

Mr Donald is a Fellow Chartered Banker and serves as a Council Member of the Asian Institute of Chartered Bankers and the Chairman of its Education Committee. He is also a member of the Board of Directors of the Asian Banking School and the Chairman of its Talent Development Committee. Mr Donald is currently the Independent Non-Executive Director and Chairman of RHB Insurance Berhad. He also serves as a member of the Board of Directors of RHB Bank Berhad.

Mr Donald has had a fulfilling career with Bank Negara Malaysia (“BNM”) for 36 years, rising to the rank of Assistant Governor, with key responsibilities over the financial stability function, including oversight of BNM’s Financial Stability Report. His work experience included leadership and management oversight over the supervision and regulation of the banking and insurance industry in Malaysia, training and development activities with the banking and insurance institutes, and serving as country representative in international supervisory bodies.

Mr Donald also held previous positions as the Chairman of the Board of Directors of Payments Network Malaysia Sdn Bhd, Chairman of the Board Executive Committee of the Malaysian Insurance Institute, Council Member of the Malaysian Institute of Accountants and Member of the Malaysian Financial Reporting Foundation.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors (continued)**

**Onn Kien Hoe**

Malaysian, Male

Independent Non-Executive Director

Chairman of Audit Committee

Member of Risk Management and Sustainability Committee

Member of Board Investment Committee

Member of Nomination and Remuneration Committee

Mr Onn Kien Hoe (“Mr Onn”) was appointed as an Independent Non-Executive Director of the Company on 1 July 2021. Mr Onn is the Chairman of the Audit Committee of the Company. He is also a member of the Risk Management and Sustainability Committee, Board Investment Committee and Nomination and Remuneration Committee of the Company.

Mr Onn completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Kampuchea Institute of Certified Public Accountants and Auditors.

Mr Onn is a partner with Crowe Malaysia PLT, an internationally affiliated accounting firm. His role includes acting as the Head of the Corporate Advisory Division of Crowe Malaysia. He is also a Director in Crowe (KH) Co., Ltd, where he is responsible for the operations of Crowe in Cambodia.

Mr Onn has extensive experience in the disciplines of audit, advisory and insolvency. He has participated in cross border transactions including mergers and acquisitions, listing, reverse takeovers, due diligence reviews and valuation assignments. His cross-border experience involves transactions on international stock exchanges including London, Hong Kong, Singapore, Australia, Cambodia and Malaysia.

Mr Onn had served as an examiner for the Malaysian Institute of Certified Public Accountants, a member of the Interpretation Committee of the Malaysian Accounting Standards Board and a member of the General Committee of Malaysian International Chamber of Commerce and Industry.

Mr Onn is currently the Chairman and Independent Non-Executive Director of Sern Kou Resources Berhad and Independent Non-Executive Director of AEP Plantations Plc (formerly known as Anglo-Eastern Plantations Plc). He also sits on the Board of other several private limited companies.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors (continued)**

**Datuk Dr Hafsah binti Hashim**

Malaysian, Female

Independent Non-Executive Director

Chairperson of Nomination and Remuneration Committee

Member of Audit Committee

Member of Risk Management and Sustainability Committee

Member of Board Investment Committee

Datuk Dr Hafsah binti Hashim (“Datuk Dr Hafsah”) was appointed as an Independent Non-Executive Director of the Company on 1 September 2022. Datuk Dr Hafsah is the Chairperson of the Nomination and Remuneration Committee. She is also a member of the Audit Committee, Board Investment Committee and Risk Management and Sustainability Committee of the Company.

Datuk Dr Hafsah obtained her Bachelor in Applied Science from Science University of Malaysia in 1982 and Masters in Business Administration from Aston University, United Kingdom in 1996.

Datuk Dr Hafsah has vast experience in public sector administration and has served in several ministries including Ministry of International Trade and Industry (“MITI”), Ministry of Agriculture and Ministry of Primary Industries. She also served as the Chief Executive Officer of SME Corporation Malaysia for nearly 14 years. In total, she served the Government of Malaysia for 36 years and 2 months before retiring on 15 August 2018.

On the international front, Datuk Dr Hafsah is appointed as the Monsha’at International Advisory Board Committee of Small and Medium Enterprise General Authority (“SMEA”) of the Kingdom of Saudi Arabia from 1 November 2017 until 1 November 2019.

Datuk Dr Hafsah currently sits on the Board of Directors of among others, Zurich Takaful Malaysia Berhad, SBS Nexus Berhad and Southampton University Malaysia. She is also the Chairman of Usains Holding Sdn Bhd and Women Leadership Foundation as well as a Member of Board of Trustees of Malaysia Innovation Foundation. Datuk Dr Hafsah is, additionally, the Board member of MARA Corporation Sdn Bhd.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Profile of Directors (continued)**

**Junior Namjick Cho**

Trinidad and Tobago, Male  
Executive Director

Mr Junior Namjick Cho (“Mr Junior”) was appointed as the Executive Director of the Company on 1 August 2025.

Mr Junior holds a Bachelor of Science in Mechanical Engineering from Columbia University, School of Engineering & Applied Science.

Mr Junior is currently the Chief Executive Officer (“CEO”) of Zurich General Insurance Malaysia Berhad (“ZGIMB”) since July 2019 and the Country Head for all Zurich licensed entities in Malaysia since 2021, leading across Property & Casualty (“P&C”) and Life segments for both Conventional and Shariah/Takaful and two subsidiaries for outsourcing services locally and regionally. Mr Junior has over 25 years of professional experience in insurance and financial services. He has the depth of experience required by virtue of working with the insurance industry in key markets in Asia in various multinational corporations, including at least the last 8.5 years with Zurich Malaysia. Mr Junior has solid executive management with cross-functional experience in Strategic Development and Execution, Business Development, Sales, Management of Operations, Team Development and Leadership, capable of performing in a broad range of executive, financial and commercially oriented positions.

From September 2016 until July 2019, Mr Junior was the Head of Market Management of ZGIMB with key responsibility in leading all distribution, partnerships, branches and operations teams across Conventional and Takaful entities.

Prior to joining Zurich, Mr Junior served as the Group CEO of Tune Protect Group Berhad. He also held previous positions as the Chief Executive/Operations Advisor of AirAsia Philippines, Chief Marketing Officer of Cigna International, Seoul, Korea, Head of Market Management & Strategy of Allianz Life, Seoul, Korea, and various senior international leadership roles in Operations & Technology in MetLife International, Seoul, Korea as well as the Head of Strategic Program Officer of MetLife Korea and Regional CIO, Asia Pacific, Japan and Australia. Mr Junior also held various senior international leadership roles in Consulting or Startups over a 12 plus year period in Accenture. Key roles held include serving as Vice President/Asia for Accenture Life Insurance Solutions Group in New York City, United States of America (“USA”) and Director, Finance Service Practice/CRM Service Line Head for Accenture in New York City, USA and Seoul, South Korea. Mr Junior was also the Board Member of CMO Council/Asia Advisory Board.

Mr Junior is currently the Executive Director of Zurich Takaful Malaysia Berhad and a Director of Zurich Holdings Malaysia Berhad. He is also the Board Member of Persatuan Insurans Am Malaysia (“PIAM”) and a member of YPO Malaysia Chapter.

**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, forum attended by Board members during the financial year ended 31 December 2025 included areas of leadership, governance, risk management, finance, investment, sustainability, insurance related matters and information technology.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Meetings**

The Board is scheduled to meet at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2025, the Board met eleven (11) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2025.

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

<u>Name of Directors</u>	<u>No. of Attendance</u>
Choy Khai Choon, Chairman	11/11
Donald Joshua Jaganathan	11/11
Onn Kien Hoe	11/11
Datuk Dr Hafsa binti Hashim	11/11
Junior Namjick Cho (Appointed on 1 August 2025)	2/2
Timothy William Howell (Resigned on 31 March 2025)	4/5

**Board Committees**

The Board has established numbers of Board Committees and Senior Management Committees.

Each committee operates within defined terms of reference. Board Committees are the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Sustainability Committee and the Board Investment Committee. Senior Management Committees include the Asset Liability Management and Investment Committee (“ALMIC”), the Human Resource Committee (“HRC”), the Information Technology Steering Committee (“ITSC”), Business Continuity Management (“BCM”), the Risk and Control Committee (“RCC”), the Occupational Safety and Health Committee (“OSHC”), Sustainability Council and various Senior Management Committees for Life Businesses. The Board Committees are chaired by an Independent Non-Executive Director, while the Senior Management Committees are chaired by the CEO or a member of senior management team.

**Audit Committee (“AC”)**

The members of the AC are as follows:

Onn Kien Hoe	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Datuk Dr Hafsa binti Hashim	Member (Independent Non-Executive Director)

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Audit Committee (“AC”) (continued)**

The principal objectives 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.

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

- (i) To approve internal auditors’ audit plan, review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
- (ii) To review the results of internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;
- (iii) To consider the appointment and removal of the external auditors, the audit fee 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 evaluation 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; and
- (viii) To determine the quality, adequacy and effectiveness of the Company’s internal control environment.

The AC meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2025 the AC held six (6) meetings with senior management, 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.

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

<u>Name of Directors</u>	<u>No. of Attendance</u>
Onn Kien Hoe, Chairman	6/6
Choy Khai Choon	6/6
Donald Joshua Jaganathan	6/6
Datuk Dr Hafsa binti Hashim	6/6

During the financial year ended 31 December 2025, apart from reviewing the quarterly results and annual financial statements, the AC also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Audit Committee (“AC”) (continued)**

The Internal Audit Department also conducts audits on an ad-hoc basis based on special requests either by the Board of Directors or the senior management. It also works closely with the external auditors to resolve any internal control issues raised by them and assists in ensuring appropriate management-based actions are taken. The AC receives regular reports from the Head of the Internal Audit Department on the audit results.

**Nomination and Remuneration Committee (“NRC”)**

The members of the NRC are as follows:

Datuk Dr Hafsa binti Hashim	Chairperson (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)

The NRC is made up of a majority of Independent Non-Executive Directors. In considering the right candidate for appointment to the Board, the NRC takes into account the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfil its fiduciary responsibilities. The NRC is also responsible for the annual review of the effectiveness of the Board and individual Directors.

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

- (i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, CEO and key senior officers (including the expatriates, if any) of the Company. The remuneration policy and practices shall:
  - (a) be documented and approved by the Board of the Company and be subject to periodic Board review, including when material changes are made to the remuneration policy;
  - (b) reflect the experience and level of responsibility borne by individual Directors, the CEO and key senior officers (including the expatriates, if any);
  - (c) be sufficient to attract and retain Directors, CEO and key senior officers (including the expatriates, if any) of calibre needed to manage the Company successfully; and
  - (d) be balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Nomination and Remuneration Committee (“NRC”) (continued)**

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

- (ii) To recommend specific remuneration packages for Directors, CEO and key senior officers (including the expatriates, if any) of the Company. The remuneration packages shall:
  - (a) be based on an objective consideration and approved by the Board;
  - (b) take due consideration of the assessment of the Regional/Group Remuneration Team on the effectiveness, level of contribution such as effort and time spent and responsibilities of the Directors, the CEO and key senior officers (including the expatriates, if any) in discharging their duties for the benefits of the Company and of the Group;
  - (c) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
  - (d) be competitive and does not induce excessive risk-taking and is consistent with the Company’s culture, objective, risk appetite and long term strategy.
- (iii) To ensure that the remuneration for individuals within the Company be aligned with prudent risk-taking and appropriately adjusted for risks. The remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that:
  - (a) the remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;
  - (b) the size of the bonus pool is linked to the overall performance of the Company;
  - (c) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;
  - (d) bonuses are not guaranteed, except in the context of sign-on bonuses; and
  - (e) for members of senior management and other material risk takers:
    - i. a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and
    - ii. the variable portion of remuneration increases along with the individual’s level of accountability.
- (iv) To undertake and perform such other matters/activities according to the application requirements in the guidelines from Bank Negara Malaysia and/or as the Board think fit.

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

<u>Name of Directors</u>	<u>No. of Attendance</u>
Datuk Dr Hafsah binti Hashim, Chairperson	10/10
Choy Khai Choon	10/10
Donald Joshua Jaganathan	10/10
Onn Kien Hoe	10/10

In the opinion of the NRC, the Board has a balanced mix of skills and experience required for the businesses of the Company.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Risk Management and Sustainability Committee (“RMSC”)**

The members of the RMSC are as follows:

Donald Joshua Jaganathan	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsa binti Hashim	Member (Independent Non-Executive Director)

The RMSC is made up of Non-Executive Directors. It reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also formulates 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 review and have an oversight over the Internal Capital Adequacy Assessment Process (“ICAAP”) exercise which should be conducted annually and ensure that the expectations set out in the ICAAP guideline of BNM are met.
- (vi) To provide oversight over technology-related matters which include review of technology-related frameworks, review and recommendation of technology risk appetite, risk tolerances for technology related events, ensure key performance indicators and forward looking risk indicators are in place, adequacy of IT and cybersecurity strategic plans, 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 application submitted to BNM are robust and comprehensive; and
- (vii) To provide oversight over sustainability-related matters which include:
  - (a) review of the Company’s sustainability strategy and objectives;
  - (b) review of the Company’s approach and conduct concerning sustainability, assessing progress against agreed actions at least annually;
  - (c) review of legislative and regulatory developments and reporting requirements relating to sustainability;
  - (d) review of the proposal to the Board for approval targets on Environmental, Social and Governance (“ESG”) matters which have a material impact on business strategy, underwriting or business performance.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Risk Management and Sustainability Committee (“RMSC”) (continued)**

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

<u>Name of Directors</u>	<u>No. of Attendance</u>
Donald Joshua Jaganathan, Chairman	6/6
Choy Khai Choon	6/6
Onn Kien Hoe	6/6
Datuk Dr Hafsa binti Hashim	6/6

**Board Investment Committee (“BIC”)**

The members of the BIC are as follows:

Donald Joshua Jaganathan	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsa binti Hashim	Member (Independent Non-Executive Director)

The BIC consists of at least three members, the majority of whom shall be Independent Non-Executive Directors.

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

- (i) To ensure proper investment of insurance funds, the Company must put in place an investment and risk management policy that is in line with the risk appetite set by the Board of the Company. The investment and risk management policy should be approved and reviewed regularly by the Board and cover overall investment strategy and proper risk management systems, including monitoring and control mechanisms. In this respect, the Committee is required to review:
  - (a) The Company’s ALMIC recommendations for the following:
    - changes to Investment Strategy Policy Statement (includes Strategic Asset Allocation);
    - changes to ALMIC Charter; and
    - changes to Delegated Authority for Investments.
  - (b) The ALMIC meeting approvals and main discussion topics; and
  - (c) Compliance to Risk Appetite Statement and relevant investment guidelines based on the economic performance.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board Committees (continued)**

**Board Investment Committee (“BIC”) (continued)**

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

<u>Name of Directors</u>	<u>No. of Attendance</u>
Donald Joshua Jaganathan, Chairman	4/4
Choy Khai Choon	4/4
Onn Kien Hoe	4/4
Datuk Dr Hafsa binti Hashim	4/4

**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 description 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 have, in any circumstances, conflict of interest referred to in Part B, paragraph 14 of BNM Guidelines on Corporate Governance, and paragraph 58 of the Financial Services Act 2013 (“FSA”).

The Board has approved a communication policy that is applicable to all levels of staff of the Company.

**Corporate Independence**

The Company has complied with the requirements of BNM’s Guidelines 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 has also been obtained. All material related party transactions have been disclosed in the financial statements.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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

**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 run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

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**

RMSC meets regularly, at least every quarter in a financial year, to review risk management reports of the Company. The RMSC has categorised risks into six (6) risk types affecting the Company namely (i) Life Insurance Risk, (ii) Market Risk, (iii) Credit Risk, (iv) Operational Risk, (v) Strategic, Reputation Risk and Sustainability Risk and (vi) Capital Management and Liquidity Risk.

The Company has established, within its risk management framework, a structural 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.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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

**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, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

**Remuneration Policy**

The Company's remuneration policy is based on Zurich Insurance Group Limited ("ZIGL") remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which is aligned with risk considerations and provides for 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 reviews and approves the remuneration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board 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 is supported by the Nomination and Remuneration Committee and respective monitoring process as stated in the ZRR.

**ZURICH LIFE INSURANCE 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 as the basis for remuneration decision.
- Variable remuneration awards are linked to key performance factors which include the performance of the Company, business units, functions, as well as individual achievements.
- The Company's Short Term Incentive Plan ("STIP") and Long Term Incentive Plan ("LTIP") used for variable remuneration, 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 particular 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 taken into account are the individual's overall experience and performance.
- The variable remuneration architecture is aligned with the achievement of the key financial objective and the execution of the business strategy, 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. The incentive plans are discretionary and can be terminated, modified, changed or revised, at any time, except for previously awarded grants. A clawback framework is in place, however, for members of the Executive Committee to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP and LTIP participants.
- 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 the risk awareness of the participants and to encourage the participants to operate the business in a sustainable manner.

**ZURICH LIFE INSURANCE 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 engaged principally in the underwriting of life insurance business, including investment-linked and annuity business.

There have been no significant changes in the nature of the principal activity during the financial year.

**FINANCIAL RESULTS**

	RM'000
Net profit for the financial year	<u>60,129</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**

The dividends paid or declared since the end of the previous financial year were as follows:

	RM'000
Final dividend declared for the financial year ended 31 December 2024	<u>19,100</u>

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.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**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 or resigned during the financial year are as follow:

<u>Name of Directors</u>	<u>Designation</u>
Choy Khai Choon	Chairman, Non-Independent Non-Executive Director
Donald Joshua Jaganathan	Independent Non-Executive Director
Onn Kien Hoe	Independent Non-Executive Director
Datuk Dr Hafsa binti Hashim	Independent Non-Executive Director
Junior Namjick Cho (Appointed on 1 August 2025)	Executive Director
Timothy William Howell (Resigned on 31 March 2025)	Executive Director

**DIRECTORS' BENEFITS**

Since the end of the 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 20 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 ("the 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 a 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 RM7,187.91.

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

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, particulars of interests of a Director who held office at the end of the financial year in shares of a related corporation are as follows:

	<u>Number deferred/restricted/performance share units</u>			
	<u>At</u>	<u>Granted/ Reinvested</u>	<u>Exercised</u>	<u>At</u>
	<u>11.2025</u>	<u>dividends</u>		<u>31.12.2025</u>
<u>Units in Zurich Insurance Group Ltd.</u>				
Direct interest:				
Junior Namjick Cho	1,812	942	(1,075)	1,679

Zurich Insurance Group Ltd. ("ZIGL") the holding company of Zurich Insurance Company Ltd. ("ZICL") which in turn is the immediate holding company of the Company, has designed a Group Long Term Incentive Plan ("the Plan") for the Group's most senior executives for the accomplishment of key Group performance measures. Participants are granted performance-based target shares under the Plan with the vesting of these target grants subject to specific performance achievements over a three-year period.

These performance-based target shares provide the holders with the right to purchase common stock of ZIGL at an exercise price set at the market price of common shares on the Swiss Stock Exchange on the day prior to the date of grant.

Other than the above, none of the other Directors in office at the end of the financial year held any interests in shares in, or debentures of, the Company or its related corporations during the financial year.

By virtue of the above Director's interests in the shares of the ultimate holding company, he is deemed to have an interest in the shares of the Company to the extent that the ultimate holding company has interest.

**DIRECTORS' REMUNERATION**

The remuneration in aggregate for Directors of the Company for the financial year is as follows:

	<b>RM'000</b>
Directors' fees	720
Directors' other emoluments	187
	<u>907</u>

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ensure that there was adequate provision for its insurance liabilities in accordance with the requirements of MFRS 17 Insurance Contracts, as 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 known bad debts had been written off 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.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.
- (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 insurance contracts underwritten in the ordinary course of business of the Company.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS' REMUNERATION**

The auditors' remuneration of the Company during the financial year was RM618,000 as disclosed in Note 20.

**IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS**

The Directors regard ZICL as the immediate holding corporation and ZIGL as the ultimate holding corporation. Both corporations are incorporated in Switzerland.

**AUDITORS**

The auditors, Ernst & Young PLT, have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 March 2026.



CHOY KHAI CHOON  
DIRECTOR



ONN KIEN HOE  
DIRECTOR

Kuala Lumpur  
27 March 2026

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Choy Khai Choon and Onn Kien Hoe, being two of the Directors of the Company do hereby state that, in the opinion of the Directors, the financial statements set out on pages 28 to 138 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 cash flows for the financial year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and comply with the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 March 2026.

  
CHOY KHAI CHOON  
DIRECTOR

  
ONN KIEN HOE  
DIRECTOR

Kuala Lumpur  
27 March 2026

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

I, Rafidah Binti Abdul Jamal, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements set out on pages 28 to 138 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.

  
RAFIDAH BINTI ABDUL JAMAL

Subscribed and solemnly declared by the abovenamed Rafidah Binti Abdul Jamal at Kuala Lumpur in Malaysia on 27 March 2026.

Before me



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



**Shape the future  
with confidence**

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
SST ID: W10-2002-32000062  
Chartered Accountants  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000  
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ey.com

196801000442 (8029-A)

**Independent auditors' report to the member of  
Zurich Life Insurance Malaysia Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Zurich Life Insurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2025, and statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 28 to 138.

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 audits 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 Corporate Governance Statement and the Directors' 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.



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with confidence**

196801000442 (8029-A)

**Independent auditors' report to the member of  
Zurich Life Insurance Malaysia Berhad (cont'd.)**

*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.



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with confidence**

196801000442 (8029-A)

**Independent auditors' report to the member of  
Zurich Life Insurance Malaysia Berhad (cont'd.)**

*Auditors' responsibilities for the audit of the financial statements*

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

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

- 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.



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with confidence**

196801000442 (8029-A)

**Independent auditors' report to the member of  
Zurich Life Insurance Malaysia Berhad (cont'd.)**

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

- 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.

**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

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

Kuala Lumpur, Malaysia  
27 March 2026

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2025**

	Note	2025 RM'000	2024 RM'000
<b>ASSETS</b>			
Property and equipment	5	18,216	19,823
Right-of-use assets	6	10,955	14,637
Intangible assets	7	-	7
Investment properties	8	54,700	54,700
Investments	9	7,654,209	7,424,602
Reinsurance contract assets	10	82,725	21,602
Other receivables	11	28,522	26,185
Tax recoverable		7,280	3,888
Cash and cash equivalents		371,127	407,881
<b>Total assets</b>		<b><u>8,227,734</u></b>	<b><u>7,973,325</u></b>
<b>EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>			
Share capital	13	579,000	579,000
Retained earnings	14(a)	968,774	927,745
Other reserves	14(b)	45,613	27,982
<b>Total equity</b>		<b><u>1,593,387</u></b>	<b><u>1,534,727</u></b>
Insurance contract liabilities	10	5,964,108	5,884,319
Reinsurance contract liabilities	10	74,286	-
Lease liabilities	15	10,393	14,875
Tax payable		3,219	609
Deferred tax liabilities	12	273,034	257,406
Other liabilities	16	309,307	281,389
<b>Total liabilities</b>		<b><u>6,634,347</u></b>	<b><u>6,438,598</u></b>
<b>Total equity, policyholders' funds and liabilities</b>		<b><u>8,227,734</u></b>	<b><u>7,973,325</u></b>

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

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

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

	Note	2025 RM'000	2024 RM'000
Insurance revenue	10(a)	590,847	610,262
Insurance service expenses	10(a)	(570,687)	(552,214)
<b>Insurance service result before reinsurance contracts held</b>		<u>20,160</u>	<u>58,048</u>
Allocation of reinsurance premium		(23,819)	(16,384)
Amount recoverable from reinsurers		<u>31,628</u>	<u>(6,993)</u>
<b>Net income/(expense) from reinsurance contracts held</b>	17	<u>7,809</u>	<u>(23,377)</u>
<b>Insurance service result</b>		<u>27,969</u>	<u>34,671</u>
Investment income	18	302,481	301,931
Unrealised gains on financial assets		200,321	308,132
Realised gains/(losses) on financial assets at:			
- FVOCI		17,197	3,555
- FVTPL		(58,157)	(326)
Net fair value losses on non-financial assets (Impairment loss)/reversal of impairment loss on financial assets		(11,008)	2,011
Investment expenses		<u>(2,059)</u>	<u>(2,748)</u>
<b>Total investment results</b>		<u>448,775</u>	<u>612,272</u>
Insurance finance expenses for insurance contracts issued	19	(283,731)	(480,509)
Reinsurance finance (expenses)/income for reinsurance contracts held	19	<u>(7,110)</u>	<u>6,086</u>
<b>Net insurance finance result</b>		<u>(290,841)</u>	<u>(474,423)</u>
Fee income		3,583	2,833
Other operating expenses	20	(82,014)	(45,469)
Finance cost		<u>(398)</u>	<u>(412)</u>
<b>Profit before taxation</b>		107,074	129,472
Tax expense	21	<u>(46,945)</u>	<u>(62,752)</u>
<b>Net profit for the financial year</b>		<u>60,129</u>	<u>66,720</u>
<b>Basic/diluted earnings per share (sen)</b>	23	<u>10.38</u>	<u>11.52</u>

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

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

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

	<b>Note</b>	<b>2025 RM'000</b>	<b>2024 RM'000</b>
<b>Net profit for the financial year</b>		60,129	66,720
<b>Other comprehensive income, net of tax:</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Fair value through other comprehensive income investments:			
Gross gains on fair value changes		61,261	18,188
Realised gains transferred to profit or loss		(17,197)	(3,555)
		<u>44,064</u>	<u>14,633</u>
Change in insurance contract liabilities arising from unrealised net fair value changes		(20,120)	(5,782)
Fair value through other comprehensive income investment		23,944	8,851
Insurance finance (expenses)/income for insurance contracts issued		(15,516)	4,026
Reinsurance finance income for reinsurance contracts held	19	801	5
Deferred tax	12	8,402	(1,139)
Other comprehensive income for the financial year, net of tax		<u>17,631</u>	<u>11,743</u>
<b>Total comprehensive income for the financial year</b>		<u>77,760</u>	<u>78,463</u>

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

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025**

	Issued and fully paid ordinary shares	Non-distributable			Distributable	Total equity RM'000
	Share capital RM'000	Fair value reserves RM'000	Insurance/ reinsurance finance reserves RM'000	Retained earnings Life non- participating fund surplus* RM'000	Retained earnings RM'000	
At 1 January 2025	579,000	62,377	(34,395)	728,398	199,347	1,534,727
Net profit for the financial year	-	-	-	40,377	19,752	60,129
Other comprehensive income for the financial year	-	20,560	(2,929)	-	-	17,631
Dividend (Note 22)	-	-	-	-	(19,100)	(19,100)
At 31 December 2025	<u>579,000</u>	<u>82,937</u>	<u>(37,324)</u>	<u>768,775</u>	<u>199,999</u>	<u>1,593,387</u>
At 1 January 2024	579,000	54,665	(38,426)	680,753	320,272	1,596,264
Net profit for the financial year	-	-	-	47,645	19,075	66,720
Other comprehensive income for the financial year	-	7,712	4,031	-	-	11,743
Dividend (Note 22)	-	-	-	-	(140,000)	(140,000)
At 31 December 2024	<u>579,000</u>	<u>62,377</u>	<u>(34,395)</u>	<u>728,398</u>	<u>199,347</u>	<u>1,534,727</u>

\*In accordance with the Financial Services Act ("FSA"), 2013, the unallocated surplus of the Non-Participating ("Non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. There was no transfer from Non-Par fund unallocated surplus for the financial year ended 31 December 2025 (2024: Nil).

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

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

	<b>Note</b>	<b>2025</b> <b>RM'000</b>	<b>2024</b> <b>RM'000</b>
<b>OPERATING ACTIVITIES</b>			
Cash utilised in operating activities	25	(310,203)	(84,166)
Dividend/distribution income received		69,231	68,066
Interest/profit income received		241,462	248,516
Net rental expenses paid for investment properties		(1,069)	(3,429)
Income tax paid		<u>(23,697)</u>	<u>(20,182)</u>
Net cash (outflows)/inflows from operating activities		<u>(24,276)</u>	<u>208,805</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of non-current assets held-for-sale		-	3,917
Proceeds from disposal of property and equipment		764	-
Purchase of property and equipment	5	<u>(4,537)</u>	<u>(4,128)</u>
Net cash outflows from investing activities		<u>(3,773)</u>	<u>(211)</u>
<b>FINANCING ACTIVITY</b>			
Payment of lease liabilities	15	<u>(8,705)</u>	<u>(8,322)</u>
Net cash outflows from financing activity		<u>(8,705)</u>	<u>(8,322)</u>
Net (decrease)/increase in cash and cash equivalents		(36,754)	200,272
Cash and cash equivalents at the beginning of the financial year		<u>407,881</u>	<u>207,609</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u>371,127</u>	<u>407,881</u>
<b>Cash and cash equivalents comprise:</b>			
Cash and cash equivalents		<u>371,127</u>	<u>407,881</u>

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

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025**

**1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Company is an unquoted 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 life insurance business, including investment-linked and annuity business. There have been no significant changes in the nature of these principal activities during the financial year.

The Directors regard Zurich Insurance Company Ltd. ("ZICL") as the immediate holding company and Zurich Insurance Group Ltd ("ZIGL") as the ultimate holding company. Both companies are incorporated in Switzerland.

ZIGL 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 in accordance with a resolution of the Directors on 27 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, Financial Services Act 2013 and the requirements of the Companies Act 2016 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("the RBC Framework") issued by Bank Negara Malaysia ("BNM") as at the date of the statement of financial position.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

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

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

The initial application of the applicable Accounting Standards and Amendments to Accounting Standards did not have any material financial impact to the current year and prior year's financial statements of the Company.

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

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

- Annual Improvements to MFRS Accounting Standards (Volume 11), involving the following improvements:
  - 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 *Financial Instruments: Disclosures* to improve consistency in language used in MFRS 7 with the with the language used in MFRS 13 *Fair Value Measurement*;
  - Amendments to MFRS 9 *Financial Instruments* 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 Statement* 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.
- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*. The amendments include the following:
  - 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.
  - 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).

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

**Standards 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 121 *The Effects of Changes in Foreign Exchange Rates – Translation to a Hyperinflationary Presentation Currency*

The Company plans to apply the abovementioned Accounting Standards and Amendments to Accounting 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:

MFRS 18 Presentation and Disclosure of Financial Statement

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.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**2. BASIS OF PREPARATION**

**(b) Basis of measurement**

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

**(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 material to the financial statements are disclosed in Note 4 to the financial statements.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

**(a) Property and equipment and depreciation**

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

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

Subsequent to 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:

Motor vehicles	5 years
Renovation	10 years
Furniture, fittings and office equipment	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. The accounting policy on impairment of non-financial assets is disclosed in Note 3(j) to the financial statements.

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

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(b) 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, the lease and non-lease components are accounted for as a single lease component and payments for both components are included in the measurement of the lease liability.

(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 (iv) below 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.

The 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.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(b) Leases (continued)**

The Company as a lessee (continued)

(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.

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 in a similar economic environment with similar term, 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 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) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(b) Leases (continued)**

The Company as a lessee (continued)

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

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, printing and photocopier machines. The Company has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The Company as a lessor

The Company classifies all leases for which it is a lessor as operating leases, as each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight line basis over the lease term and are reported as rental income.

**(c) Investment properties**

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both. Such properties are measured initially at its cost, including related transaction costs and borrowing costs if the investment properties meet the definition of qualifying asset.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are assessed monthly for offers to purchase received, if any, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially different from the fair values. All gains or losses arising from a change in fair value of investment properties are recognised in profit or loss.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, the fair value changes of the property upon the reclassification are recognised in an equity reserve. Increases are recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases are recognised in profit or loss for any decrease in excess of the amount included in the revaluation surplus for that property.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(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.

On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or 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.

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.

Financial assets measured at FVOCI - debts 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.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(d) Financial assets (continued)**

Financial assets measured at FVOCI - 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.

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 provide 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 insurance contract 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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(d) Financial assets (continued)**

Business model assessment (continued)

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

- determined by the Company's senior management as a result of external or internal changes;
- significant to the Company's operations; and
- demonstrable to external parties.

A change in the Company's business model will occur only when the Company begin or cease 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.

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 perform 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.

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(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 market prices for assets at the close of business at the reporting date.

For financial assets both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published (closing) prices at the close of business at the reporting date.

For financial instruments 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 instrument 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 instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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

**(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 asset. 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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(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 FVTPL. 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). 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).

Allowance for impairment for insurance and reinsurance 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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(i) Impairment of financial assets (continued)**

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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 – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(k) Insurance and reinsurance contracts classification**

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing the present value of benefits payable if an insured event occurs with the present value of benefits payable if the insured event did not occur.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items. They are contracts for which, at inception, satisfied all criteria specified below:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets. These contracts are accounted for under Variable Fee Approach (“VFA”) measurement model. For all other insurance contracts issued by the Company are without direct participation features and accounts for these groups of contracts under the Building Block Approach (“BBA”) measurement model.

The Company also enters into reinsurance contracts to cede insurance risks arising from the life insurance contracts it underwrites. Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts to are classified as reinsurance contracts. Reinsurance contracts held can never be classified as direct participating contracts. Hence, measurement under BBA is applied.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment**

**(i) Separating components from insurance and reinsurance contracts**

The Company assesses its life insurance contracts to determine whether they contain distinct components which must be accounted for under another MFRS rather than MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) insurance contracts. Currently, the Company's products do not include distinct components that require separation.

Some term life insurance contracts issued by the Company include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17. MFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Investment components which are highly interrelated with the insurance contract of which they form part of the contract are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. The surrender options are considered non-distinct investment components as the Company is unable to measure the value of the surrender option component separately from the life insurance portion of the contract.

**(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 firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further split to annual cohorts with contracts that are issued within a calendar year and then divided the groups of contracts 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, in determining the level of aggregation, the Company identifies a contract as the smallest in '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 groups of contracts for level of aggregation purposes may contain contracts issued more than one year apart, with the exception for the transition portfolio and Participating product portfolio falls under the purview of BNM guidance – Management of Participating Life Business.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(ii) Level of aggregation (continued)**

The groups of contracts for which the full retrospective approach and the fair value approach has been adopted on transition include contracts issued more than one year apart.

The insurance contracts portfolios are divided into:

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

The reinsurance contracts held portfolios are further divided into:

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

**(iii) Initial recognition**

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

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

The Company recognises a group of reinsurance contracts held:

- If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; or
- In all other cases, from the beginning of the coverage period of the first contract in the group.

The Company holds a non-proportionate stop loss treaty reinsurance contract that covers potential shortfalls in the annuity fund arising from underlying contracts. The contract was recognised at the beginning of the coverage period in 2013, in accordance with MFRS 17.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(iv) Onerous groups of contracts**

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts 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.

**(v) Contract boundary**

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

- The Company has the practical ability to reassess the risks of the particular policyholder 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:
  - (i) The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - (ii) The pricing of the premiums 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 premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For insurance contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the policyholder by the Company. The Company considers when underwriting equivalent contracts on the renewal dates for the remaining coverage. The Company reassesses contract boundary of each group at the end of each reporting period.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(l) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under Premium Allocation Approach (“PAA”)**

**(i) Insurance contracts – initial measurement**

On initial recognition, the Company measures a group of life insurance contracts as the total of:

- Fulfilment cash flows; and
- A Contractual Service Margin (“CSM”) representing the unearned profit the Company will recognise as it provides service under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company’s objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to policyholders.
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs.
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.
- Transaction-based taxes.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(l) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(i) Insurance contracts – initial measurement (continued)**

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders.
- Other information about the known or estimated characteristics of the insurance contracts.
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of income to profit or loss (through insurance revenue) which are implicitly deferred over the period of the contract.

The Company's CSM is a component of the liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. The Company measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- Initial recognition of the fulfilment cash flows.
- Derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows.
- Any cash flows arising from the contracts in the group at that date.

For groups of contracts assessed as onerous, the Company has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component has been established by the Company for the liability for remaining coverage for an onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 3(l)(vi)(vi)(ii).

The liability for remaining coverage is the Company's obligation to investigate and pay valid claims for insured events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the coverage period) and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under an insurance contract plus the CSM for that contract.

The liability for incurred claims is the Company's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. At initial recognition of a group of contracts, the liability for incurred claims is usually nil as no insured event has occurred.

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(ii) Reinsurance contracts held – initial measurement**

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses if the reinsurance contract held was entered before or at the same time as the onerous group of underlying insurance contracts.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Company uses a systematic and rational method to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

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

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(iii) Insurance contracts held – subsequent measurement**

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

***Insurance contracts without direct participation features***

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group (see Note 3(I)(vi)(i)).
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss.Or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (see Note 3(I)(vi)(vi)(ii)).
- The effect of any currency exchange differences on the CSM.
- The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period (see Note 4(d)).

Locked-in discount rate applied is determined based on year-end of initial recognition cohort.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(iii) Insurance contracts held – subsequent measurement (continued)**

***Insurance contracts without direct participation features (continued)***

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted to CSM.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (see Note 4(b)).

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprised the fulfilment cash flows related to past service allocated to the group at that date.

***Insurance contracts with direct participation features***

Direct participating contracts are contracts under which the Company's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(iii) Insurance contracts held – subsequent measurement (continued)**

***Insurance contracts with direct participation features (continued)***

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the Company's share of the fair value of the underlying items, which relate to future services, as described below.

The carrying amount of the CSM at the end period for direct participating contracts is adjusted for:

- the CSM of any new contracts that are added to the Company in the period;
  - the Company's share of the change in the fair value of the underlying items fulfilment cash flows that relate to future services, except to the extent that:
    - the Company has chosen to exclude from the CSM changes in the effect of financial risk on its share of the underlying items;
    - the Company's share of a decrease in the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component;
- Or
- the Company's share of an increase in the fair value of the underlying items or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses); and
  - the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts with direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items i.e. the effect of financial guarantees.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(iv) Reinsurance contracts – subsequent measurement**

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Company has established a loss-recovery component, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held. Reversals of the loss-recovery component that are not changes in the fulfilment cashflows of the group of reinsurance contracts held adjust the CSM.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(v) Insurance contracts – modification and derecognition**

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired).

Or

- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

**(vi) Presentation of insurance contracts**

The Company has presented separately in the statement of financial position the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related groups of insurance contracts issued.

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

The Company separately presents income or expenses from insurance contracts issued from the expenses or income from reinsurance contracts held.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(vi) Presentation of insurance contracts (continued)**

**(i) Insurance revenue**

The Company's insurance revenue depicts the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 4(d).

**(ii) Loss components**

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(I) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(vi) Presentation of insurance contracts (continued)**

**(ii) Loss components (continued)**

The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

**(iii) Insurance finance income and expense**

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money.
- The effect of financial risk and changes in financial risk.

For contracts measured under the BBA, the main amounts within insurance finance income or expenses are interest accreted on fulfilment cashflows, Risk Adjustments ("RA") and CSM; and the effect of changes in interest rates and other financial assumptions. For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying items (excluding additions and withdrawals).

The Company disaggregates insurance finance income or expenses on insurance contracts issued between profit or loss and OCI. The impact of changes in market profit rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts, see Note 4(b) for current discount rates.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies the insurance income finance or expense to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(l) Insurance and reinsurance contracts accounting treatment (continued)**

**(vi) Measurement - not measured under PAA (continued)**

**(iv) Net income or expense from reinsurance contracts held**

The Company presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

**(m) Equity instruments**

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

**(i) Ordinary share capital**

Ordinary shares are classified as equity.

**(ii) Dividends on ordinary share capital**

Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

**(n) 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.

**(o) 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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(p) 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.

**(q) 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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(r) 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.

**(s) Other income recognition**

Interest income

Interest 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 interest rate of the investment and continues unwinding the discount as interest 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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(s) Other income recognition (continued)**

Rental income

Rental income on owner-occupied and investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on straight-line basis over the lease term.

Realised gains and losses on investments

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

**(t) Foreign currencies**

The financial statements are presented in Ringgit Malaysia which is also the functional and presentation currency of the Company.

Foreign currency transactions in the Company are initially translated to Ringgit Malaysia at the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency assets and liabilities are included in profit or loss for the financial year except for differences arising on the translation of items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such items are also recognised directly in other comprehensive income.

**(u) 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 are 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 are 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 as below, except that there measurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(u) Employee benefits (continued)**

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 years. 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”). Once the contributions have been paid, the Company has no further payment obligations.

Share-based long-term incentive plan

The ultimate holding corporation, Zurich Insurance Group Ltd (“ZIGL”), operates a global long-term incentive plan 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 senior executives who participate in the plan. When shares vest with the policyholders, the central share vehicle transfers those shares directly to the policyholders. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

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

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:

- when the Company can no longer withdraw the offer of those benefits; and
- when the Company recognises costs for a restructuring 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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(u) 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:

- when the Company can no longer withdraw the offer of those benefits; and
- when the Company recognises costs for a restructuring 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.

**(v) 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 value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- |          |  |
|----------|--|
| Level 1: | Quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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 – 31 DECEMBER 2025 (CONTINUED)**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(w) Funding under the Par Stabilisation Plan (“PSP”)**

Any deficit in the Ordinary Life Participating fund will be made good via an interest-free funding under the PSP, granted by the Shareholder’s fund to the Ordinary Life Participating fund (“Par Fund”). In the Ordinary Life Participating fund, the funding is included in the fulfilment cash flow used to measure the insurance liabilities under MFRS 17.

PSP is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Ordinary Life Participating fund’s obligation to repay the nominal amount of funding, nor does it affect or change any rights or obligations of the shareholder’s fund.

The funding shall be repaid from future surpluses of the Ordinary Life Participating fund.

PSP funding is accounted for as receivable and payable in the financial statements of the Shareholder’s Fund and Par Fund respectively and is stated at cost. At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount, as set out in Note 3(i) to the financial statements on impairment of financial assets.

The amount payable to Shareholder’s Fund in the Par fund is stated at cost.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with MFRSs 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 critical to the financial statements are as outlined below.

**Insurance and reinsurance contracts**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) The methods used to measure insurance contracts

The Company primarily uses deterministic projections to estimate the present value of future cash flows. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

The following assumptions were used when estimating future cash flows:

- Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements for annuity business. Assumptions are differentiated by policyholder gender.

An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

- Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force contracts and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Company.

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts (such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics).

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**Insurance and reinsurance contracts (continued)**

(a) The methods used to measure insurance contracts (continued)

The following assumptions were used when estimating future cash flows: (continued)

- Lapse and surrender rates

Lapses relate to the termination of contracts due to non-payment of premiums. Surrenders relate to the voluntary termination of contracts by policyholders. Contract termination assumptions are determined using statistical measures based on the Company's experience and vary by product type and contract duration.

An increase in lapse rates early in the life of the contract would tend to reduce profits of the Company, but later increases are broadly neutral in effect.

(b) Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the observable market yields of Government Securities in the currency of the Life insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

The Company adopts a bottom-up approach in which discount rates are based on risk-free yield curve and an adjustment for illiquidity premium.

- (a) For risk-free yield curves and Ultimate Forward Rate ("UFR"), references are made in particular to the Bank Negara Malaysia Risk Based Capital Framework ("BNM RBC") which is also aligned with the approach taken by the International Associations of Insurance Supervisors ("IAIS") on the design of the global insurance capital standards ("ICS").
- (b) For illiquidity premium, illiquidity buckets ("illiquidity application ratio") are assigned using an objective scoring system that is based on illiquidity characteristics of products on each portfolio. Market observable illiquidity premium levels are derived every month-end based on a credit-risk adjusted market spread of reference assets of the currency.

The adjustment of illiquidity premium in (b) is added as a layer in addition to the risk-free yield curve in (a) based on the illiquidity application ratio of each portfolio. The Company applies the OCI option and recognises the impact of changes in discount rates in OCI. Current interest rates are applied in the measurement of fulfilment cashflows in the statement of financial position. The interest rates applied to recognise the insurance finance income or expense in the statement of profit or loss is based on locked-in interest rates determined on initial recognition.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**Insurance and reinsurance contracts (continued)**

(c) Risk adjustment for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Zurich Group would require for bearing non-financial risk and are allocated to groups of contracts written by the Company reflecting the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from all contracts issued by insurance entities in the Zurich Group, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion. This diversification benefit is then allocated to the each of the respective insurance company. This is defined as the Value at Risk at the specified confidence level of the distribution of the underlying cash flows for the defined insurance and other non-financial risks. The Company applies different shocks at a confidence level specified by Zurich Group and apply diversification to determine the risk adjustment. The confidence level applied are 90% - 95% (2024: 90% - 95%). The confidence levels applied for reinsurance contracts are 90% - 95% (2024: 90% - 95%).

(d) Amortisation of the CSM

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is amortised and recognised in profit or loss as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group.
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future.
- Recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration. For groups of Life insurance contracts, the quantity of benefit is the contractually agreed sum insured over the duration of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the insurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**5. PROPERTY AND EQUIPMENT**

	<b>Furniture, fittings and office equipment</b>	<b>Motor vehicles</b>	<b>Renovation</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>				
At 1 January 2024	29,147	400	18,332	47,879
Additions	2,181	-	1,947	4,128
Write-offs	(1,717)	-	-	(1,717)
At 31 December 2024	29,611	400	20,279	50,290
Additions	2,389	356	1,792	4,537
Write-offs	(221)	-	(155)	(376)
Disposal	(1,085)	(400)	(952)	(2,437)
At 31 December 2025	<u>30,694</u>	<u>356</u>	<u>20,964</u>	<u>52,014</u>
<b>Accumulated depreciation</b>				
At 1 January 2024	17,467	233	8,927	26,627
Charge for the financial year (Note 20)	3,562	80	1,915	5,557
Write-offs	(1,717)	-	-	(1,717)
At 31 December 2024	19,312	313	10,842	30,467
Charge for the financial year (Note 20)	3,200	95	2,148	5,443
Write-offs	(221)	-	(155)	(376)
Disposal	(732)	(361)	(643)	(1,736)
At 31 December 2025	<u>21,559</u>	<u>47</u>	<u>12,192</u>	<u>33,798</u>
<b>Net carrying amount</b>				
At 31 December 2024	<u>10,299</u>	<u>87</u>	<u>9,437</u>	<u>19,823</u>
At 31 December 2025	<u>9,135</u>	<u>309</u>	<u>8,772</u>	<u>18,216</u>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (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 2 to 9 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.

	<b>Premises</b>	
	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January	66,508	63,144
Additions	3,793	912
Modification	(30,999)	2,452
At 31 December	<u>39,302</u>	<u>66,508</u>
<b>Accumulated depreciation</b>		
At 1 January	51,871	49,376
Charge for the financial year (Note 20)	7,759	8,310
Modification	(31,283)	(5,815)
At 31 December	<u>28,347</u>	<u>51,871</u>
<b>Net carrying amount</b>		
At 31 December	<u>10,955</u>	<u>14,637</u>

The Company also has certain leases of equipment with low value. The Company applies the leases of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Depreciation of right-of-use assets (Note 20)	7,759	8,310
Interest expense on leases liabilities (Note 15)	398	412
Expense related to leases of low-value assets (Note 20)	202	209
Total amount recognised in profit or loss	<u>8,359</u>	<u>8,931</u>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**7. INTANGIBLE ASSETS**

	<b>Computer software</b>	
	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January	15,508	15,547
Write-offs	(204)	(39)
At 31 December	<u>15,304</u>	<u>15,508</u>
<b>Accumulated amortisation</b>		
At 1 January	15,501	15,446
Amortisation during the financial year (Note 20)	7	94
Write-offs	(204)	(39)
At 31 December	<u>15,304</u>	<u>15,501</u>
<b>Net carrying amount</b>		
At 31 December	<u>-</u>	<u>7</u>

**8. INVESTMENT PROPERTIES**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	54,700	54,950
Fair value losses recorded in profit or loss	-	(250)
At 31 December	<u>54,700</u>	<u>54,700</u>

The fair values of investment properties are determined by an accredited independent valuer using comparison approach (2024: income approach). In 2025, the Company adopted the comparison approach for valuing its investment properties, as this method aligns more closely with the intention to hold these properties for capital appreciation instead of generating long-term rental yields.

Under the comparison approach, fair value is estimated by comparing and adopting as a yardstick recent sale evidences involving other similar properties in the vicinity adjusted for location, size, tenure, accessibility, infrastructure available, improvements made on the site and other value considerations. Income approach considers the net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. The fair values changes are recorded in profit or loss.

Rental income and the rates and maintenance expenses in respect of investment properties are disclosed in Note 18 to the financial statements.

Titles of this investment property amounting to RM33,000,000 (2024: RM54,700,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these investment properties have been passed to the Company upon unconditional completion of the acquisition of the property.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**8. INVESTMENT PROPERTIES (CONTINUED)**

Fair value is determined through various valuation techniques using Level 3 inputs (defined as unobservable inputs for asset or liability) in the fair value hierarchy of MFRS 13 Fair Value Measurement. Changes in fair value are recognised in profit or loss during the reporting period in which they are reviewed.

The Level 3 inputs or unobservable inputs include:

- Term yield - the expected rental that the investment properties are expected to achieve and are derived from the current passing rental, including revision upon renewal of tenancies during the financial year;
- Reversion yield - the expected rental that the investment properties are expected to achieve upon expiry of term rental;
- Allowance for void - refers to allowance provided for vacancy periods; and
- Price per square foot ("psf") - estimated price psf for which a property should exchange on the date of valuation between a willing buyer and a willing seller.

The fair value measurements using Level 3 inputs are as follows:

	<b>Valuation technique</b>	<b>Term yield %</b>	<b>Reversion %</b>	<b>Allowance %</b>	<b>Reversion RM</b>	<b>Price per sq foot RM/psf</b>
31 December 2025						
Office building	Comparison approach	-	-	-	-	89.20- 375.63
31 December 2024						
Office building	Income approach	6.25 - 7.00	6.75	5.00 - 10.00	1.00	-

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value measurement.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**9. INVESTMENTS**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) Financial assets at FVOCI	5,193,513	5,032,121
(b) Financial assets at FVTPL	2,458,519	2,378,315
(c) Financial assets at AC	2,177	14,166
	<u>7,654,209</u>	<u>7,424,602</u>

The following investments mature after 12 months:

Financial assets at FVOCI	5,007,458	4,858,181
Financial assets at FVTPL	181,898	180,284
Financial assets at AC	1,654	1,559
	<u>5,191,010</u>	<u>5,040,024</u>

(a) Financial assets at FVOCI		
Malaysian Government Securities/Government Investment Issues	1,585,486	1,505,856
Corporate debt securities		
- Unquoted in Malaysia	3,608,027	3,526,265
	<u>5,193,513</u>	<u>5,032,121</u>

(b) Financial assets at FVTPL		
Malaysian Government Securities/Government Investment Issues	6,122	10,522
Corporate debt securities		
- Unquoted in Malaysia	181,707	178,112
Equity securities		
- Quoted in Malaysia	1,152,514	1,149,785
- Unquoted in Malaysia	34,720	35,024
Unit and property trust funds		
- Quoted in Malaysia	476,944	452,557
- Quoted outside Malaysia	101,388	94,654
- Unquoted outside Malaysia	505,124	457,661
	<u>2,458,519</u>	<u>2,378,315</u>

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

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**9. INVESTMENTS (CONTINUED)**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
(c) Financial assets at AC		
Mortgage loans	53,272	53,790
Allowance for impairment loss	<u>(51,095)</u>	<u>(39,624)</u>
Net loans	<u>2,177</u>	<u>14,166</u>

The estimated fair values of the loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans were first recognised together with appropriate market credit adjustments except for loans which are non-performing, where it is reported at estimated recoverable fair value. The carrying value of the secured loans and unsecured loans are reasonable approximations of fair value due to the insignificant impact of discounting.

Included in the total loan portfolio net of allowance for impairment loss as at 31 December 2025 are several non-performing loans ("NPL") amounting to approximately RM332,643 (2024: RM12,427,000) which are collateralised by properties as pledged by the borrowers. The Company has assessed the value of the collaterals or agreed settlement plans and has made appropriate allowances for impairment where appropriate. Should the market value or adjusted value of the collaterals deviate by 10% and the recovery process be delayed by a year, there are no potential shortfall in the net recoverable value for the NPL in 2025 (2024: RM2,345,000).

A reconciliation of the allowance for impairment loss for NPL are as follows:

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	39,624	36,936
Allowance during the financial year	<u>11,471</u>	<u>2,688</u>
At 31 December	<u>51,095</u>	<u>39,624</u>

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES**

The breakdown of groups of a insurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	<b>Assets</b> <b>RM'000</b>	<b>Liabilities</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<u>31 December 2025</u>			
Insurance contracts issued	-	5,964,108	5,964,108
Reinsurance contracts held	<u>(82,725)</u>	<u>74,286</u>	<u>(8,439)</u>
Insurance and reinsurance contracts (assets)/liabilities	<u><u>(82,725)</u></u>	<u><u>6,038,394</u></u>	<u><u>5,955,669</u></u>
<u>31 December 2024</u>			
Insurance contracts issued	-	5,884,319	5,884,319
Reinsurance contracts held	<u>(21,602)</u>	<u>-</u>	<u>(21,602)</u>
Insurance and reinsurance contracts (assets)/liabilities	<u><u>(21,602)</u></u>	<u><u>5,884,319</u></u>	<u><u>5,862,717</u></u>

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(a) Insurance contracts issued**

The roll-forward of the net liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is disclosed in the table below:

	Liabilities for remaining coverage		Liability for incurred claims RM'000	Total RM'000
	Excluding loss component RM'000	Loss component RM'000		
At 1 January 2025				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,565,038	163,978	155,303	5,884,319
<b>Net insurance contract liabilities</b>	<b>5,565,038</b>	<b>163,978</b>	<b>155,303</b>	<b>5,884,319</b>
<b>Insurance revenue</b>				
Expected incurred claims and other insurance service results	(459,197)	-	-	(459,197)
Change in the risk adjustment for non-financial risk expired	(13,075)	-	-	(13,075)
CSM recognised for services provided	(51,842)	-	-	(51,842)
Recovery of insurance acquisition cash flows	(53,105)	-	-	(53,105)
Other amount	(13,628)	-	-	(13,628)
	<u>(590,847)</u>	<u>-</u>	<u>-</u>	<u>(590,847)</u>
<b>Insurance service expense</b>				
Incurred claims and other insurance service expenses	-	-	509,397	509,397
Losses on onerous contracts and reversals of those losses	-	9,531	-	9,531
Amortisation of insurance acquisition cash flows (Note 20)	53,105	-	-	53,105
Changes that relate to past services	-	-	(1,346)	(1,346)
	<u>53,105</u>	<u>9,531</u>	<u>508,051</u>	<u>570,687</u>
<b>Insurance service results</b>	<b>(537,742)</b>	<b>9,531</b>	<b>508,051</b>	<b>(20,160)</b>
<b>Insurance finance expenses (Note 19)</b>	<b>315,849</b>	<b>3,518</b>	<b>-</b>	<b>319,367</b>
<b>Investment components</b>	<b>(474,012)</b>	<b>-</b>	<b>474,012</b>	<b>-</b>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>(695,905)</b>	<b>13,049</b>	<b>982,063</b>	<b>299,207</b>
<b>Cash flows:</b>				
Premiums and premium tax received	846,947	-	-	846,947
Claims and other insurance service expenses paid	-	-	(993,281)	(993,281)
Insurance acquisition cash flows	(73,084)	-	-	(73,084)
Total cash flows	<u>773,863</u>	<u>-</u>	<u>(993,281)</u>	<u>(219,418)</u>
<b>Net insurance contract liabilities as at 31 December 2025</b>	<b>5,642,996</b>	<b>177,027</b>	<b>144,085</b>	<b>5,964,108</b>
At 31 December 2025				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,642,996	177,027	144,085	5,964,108
<b>Net insurance contract liabilities</b>	<b>5,642,996</b>	<b>177,027</b>	<b>144,085</b>	<b>5,964,108</b>

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(a) Insurance contracts issued (continued)**

The roll-forward of the net liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is disclosed in the table below:  
(continued)

	<b>Liabilities for remaining coverage</b>		<b>Liability for incurred claims</b>	<b>Total</b>
	<b>Excluding loss component RM'000</b>	<b>Loss component RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,350,771	180,324	128,090	5,659,185
<b>Net insurance contract liabilities</b>	<b>5,350,771</b>	<b>180,324</b>	<b>128,090</b>	<b>5,659,185</b>
<b>Insurance revenue</b>				
Expected incurred claims and other insurance service results	(447,845)	-	-	(447,845)
Change in the risk adjustment for non-financial risk expired	(14,335)	-	-	(14,335)
CSM recognised for services provided	(70,188)	-	-	(70,188)
Recovery of insurance acquisition cash flows	(48,387)	-	-	(48,387)
Other amount	(29,507)	-	-	(29,507)
	<u>(610,262)</u>	<u>-</u>	<u>-</u>	<u>(610,262)</u>
<b>Insurance service expense</b>				
Incurred claims and other insurance service expenses	-	-	521,621	521,621
Losses on onerous contracts and reversals of those losses	-	(20,208)	-	(20,208)
Amortisation of insurance acquisition cash flows (Note 20)	48,387	-	-	48,387
Changes that relate to past services	-	-	2,414	2,414
	<u>48,387</u>	<u>(20,208)</u>	<u>524,035</u>	<u>552,214</u>
<b>Insurance service results</b>	<b>(561,875)</b>	<b>(20,208)</b>	<b>524,035</b>	<b>(58,048)</b>
<b>Insurance finance expenses (Note 19)</b>	<b>478,403</b>	<b>3,862</b>	<b>-</b>	<b>482,265</b>
<b>Investment components</b>	<b>(468,063)</b>	<b>-</b>	<b>468,063</b>	<b>-</b>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>(551,535)</b>	<b>(16,346)</b>	<b>992,098</b>	<b>424,217</b>
<b>Cash flows:</b>				
Premiums and premium tax received	835,116	-	-	835,116
Claims and other insurance service expenses paid	-	-	(964,885)	(964,885)
Insurance acquisition cash flows	(69,314)	-	-	(69,314)
Total cash flows	<u>765,802</u>	<u>-</u>	<u>(964,885)</u>	<u>(199,083)</u>
<b>Net insurance contract liabilities as at 31 December 2024</b>	<b>5,565,038</b>	<b>163,978</b>	<b>155,303</b>	<b>5,884,319</b>
At 31 December 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,565,038	163,978	155,303	5,884,319
<b>Net insurance contract liabilities</b>	<b>5,565,038</b>	<b>163,978</b>	<b>155,303</b>	<b>5,884,319</b>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(b) Reinsurance contracts held**

The roll-forward of the net liabilities or assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below:

	Assets for remaining coverage		Amount recoverable: Incurred claims RM'000	Total RM'000
	Excluding loss-recovery component RM'000	Loss- recovery component RM'000		
At 1 January 2025				
Reinsurance contract assets	46,713	(31,852)	(36,463)	(21,602)
Reinsurance contract liabilities	-	-	-	-
<b>Net reinsurance contract liabilities/(assets)</b>	<b>46,713</b>	<b>(31,852)</b>	<b>(36,463)</b>	<b>(21,602)</b>
Allocation of reinsurance premiums	23,819	-	-	23,819
Amounts recoverable for claims and other expenses incurred	-	-	(14,133)	(14,133)
Recognition of loss-recovery from onerous underlying contracts	-	(17,495)	-	(17,495)
<b>Net expenses/(income) from reinsurance contracts held</b>	<b>23,819</b>	<b>(17,495)</b>	<b>(14,133)</b>	<b>(7,809)</b>
<b>Reinsurance finance expenses/(income)</b>	<b>8,129</b>	<b>(1,044)</b>	<b>-</b>	<b>7,085</b>
<b>Effect of changes in non-performance risk of reinsurers</b>	<b>(18)</b>	<b>-</b>	<b>(758)</b>	<b>(776)</b>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>31,930</b>	<b>(18,539)</b>	<b>(14,891)</b>	<b>(1,500)</b>
<b>Cash flows:</b>				
Premiums	(8,829)	-	-	(8,829)
Amounts received from reinsurers	-	-	23,492	23,492
Total cash flows	(8,829)	-	23,492	14,663
<b>Net reinsurance contract assets as at 31 December 2025</b>	<b>69,814</b>	<b>(50,391)</b>	<b>(27,862)</b>	<b>(8,439)</b>
At 31 December 2025				
Reinsurance contract assets	(50,873)	(3,990)	(27,862)	(82,725)
Reinsurance contract liabilities	120,687	(46,401)	-	74,286
<b>Net reinsurance contract liabilities/(assets)</b>	<b>69,814</b>	<b>(50,391)</b>	<b>(27,862)</b>	<b>(8,439)</b>

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(b) Reinsurance contracts held (continued)**

The roll-forward of the net liabilities or assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below: (continued)

	<b>Assets for remaining coverage</b>		<b>Amount recoverable: Incurred claims</b>	<b>Total</b>
	<b>Excluding loss-recovery component RM'000</b>	<b>Loss- recovery component RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2024				
Reinsurance contract assets	67,596	(61,777)	(40,526)	(34,707)
Reinsurance contract liabilities	-	-	-	-
<b>Net reinsurance contract liabilities/(assets)</b>	<b>67,596</b>	<b>(61,777)</b>	<b>(40,526)</b>	<b>(34,707)</b>
Allocation of reinsurance premiums	16,384	-	-	16,384
Amounts recoverable for claims and other expenses incurred	-	-	(25,598)	(25,598)
Reversal of loss-recovery from onerous underlying contracts	-	32,591	-	32,591
<b>Net expenses/(income) from reinsurance contracts held</b>	<b>16,384</b>	<b>32,591</b>	<b>(25,598)</b>	<b>23,377</b>
<b>Reinsurance finance income</b>	<b>(4,126)</b>	<b>(2,666)</b>	<b>-</b>	<b>(6,792)</b>
<b>Effect of changes in non-performance risk of reinsurers</b>	<b>(56)</b>	<b>-</b>	<b>757</b>	<b>701</b>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>12,202</b>	<b>29,925</b>	<b>(24,841)</b>	<b>17,286</b>
<b>Cash flows:</b>				
Premiums	(33,085)	-	-	(33,085)
Amounts received from reinsurers	-	-	28,904	28,904
Total cash flows	(33,085)	-	28,904	(4,181)
<b>Net reinsurance contract assets as at 31 December 2024</b>	<b>46,713</b>	<b>(31,852)</b>	<b>(36,463)</b>	<b>(21,602)</b>
At 31 December 2024				
Reinsurance contract assets	46,713	(31,852)	(36,463)	(21,602)
Reinsurance contract liabilities	-	-	-	-
<b>Net reinsurance contract liabilities/(assets)</b>	<b>46,713</b>	<b>(31,852)</b>	<b>(36,463)</b>	<b>(21,602)</b>

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(c) Insurance contracts issued**

The table below presents a roll-forward of the net liabilities for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustments and contractual service margin ("CSM") for portfolios of insurance contracts insured in the life insurance unit.

	<b>Estimate of the present value of future cash flows RM'000</b>	<b>Risk adjustment RM'000</b>	<b>Contractual service margin* RM'000</b>	<b>Total RM'000</b>
At 1 January 2025				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,346,674	115,404	422,241	5,884,319
<b>Net insurance contract liabilities</b>	<u>5,346,674</u>	<u>115,404</u>	<u>422,241</u>	<u>5,884,319</u>
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(51,842)	(51,842)
Risk adjustment recognised for the risk expired	-	(13,075)	-	(13,075)
Experience adjustments	36,572	-	-	36,572
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(89,324)	8,056	81,268	-
Changes in estimates that adjust the CSM	65,398	1,327	(66,725)	-
Changes in estimate that do not adjust the CSM	5,489	4,042	-	9,531
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	(615)	(731)	-	(1,346)
<b>Insurance service results</b>	<u>17,520</u>	<u>(381)</u>	<u>(37,299)</u>	<u>(20,160)</u>
<b>Insurance finance expenses</b>	<u>308,949</u>	<u>5,327</u>	<u>5,091</u>	<u>319,367</u>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<u>326,469</u>	<u>4,946</u>	<u>(32,208)</u>	<u>299,207</u>
<b>Cash flows:</b>				
Premiums and premium tax received	846,947	-	-	846,947
Claims and other insurance service expenses paid	(993,281)	-	-	(993,281)
Insurance acquisition cash flows	(73,084)	-	-	(73,084)
Total cash flows	<u>(219,418)</u>	<u>-</u>	<u>-</u>	<u>(219,418)</u>
<b>Net insurance contract liabilities as at 31 December 2025</b>	<u><u>5,453,725</u></u>	<u><u>120,350</u></u>	<u><u>390,033</u></u>	<u><u>5,964,108</u></u>
At 31 December 2025				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,453,725	120,350	390,033	5,964,108
<b>Net insurance contract liabilities</b>	<u><u>5,453,725</u></u>	<u><u>120,350</u></u>	<u><u>390,033</u></u>	<u><u>5,964,108</u></u>

\* The Company has applied the fully retrospective approach ("FRA") for the measurement of the CSM as at the transition date, to all contracts issued. The impact on the current year results and balance of CSM at the financial year end is as disclosed above.

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(c) Insurance contracts issued (continued)**

The table below presents a roll-forward of the net liabilities for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustments and CSM for portfolios of insurance contracts insured in the life insurance unit. (continued)

	<b>Estimate of the present value of future cash flows RM'000</b>	<b>Risk adjustment RM'000</b>	<b>Contractual service margin* RM'000</b>	<b>Total RM'000</b>
At 1 January 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,158,706	120,860	379,619	5,659,185
<b>Net insurance contract liabilities</b>	<b>5,158,706</b>	<b>120,860</b>	<b>379,619</b>	<b>5,659,185</b>
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(70,188)	(70,188)
Risk adjustment recognised for the risk expired	-	(14,335)	-	(14,335)
Experience adjustments	44,269	-	-	44,269
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(84,682)	8,727	75,955	-
Changes in estimates that adjust the CSM	(23,811)	(8,117)	31,928	-
Changes in estimate that do not adjust the CSM	(24,863)	4,655	-	(20,208)
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	2,594	(180)	-	2,414
<b>Insurance service results</b>	<b>(86,493)</b>	<b>(9,250)</b>	<b>37,695</b>	<b>(58,048)</b>
<b>Insurance finance expenses</b>	<b>473,544</b>	<b>3,794</b>	<b>4,927</b>	<b>482,265</b>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>387,051</b>	<b>(5,456)</b>	<b>42,622</b>	<b>424,217</b>
<b>Cash flows:</b>				
Premiums and premium tax received	835,116	-	-	835,116
Claims and other insurance service expenses paid	(964,885)	-	-	(964,885)
Insurance acquisition cash flows	(69,314)	-	-	(69,314)
Total cash flows	(199,083)	-	-	(199,083)
<b>Net insurance contract liabilities as at 31 December 2024</b>	<b>5,346,674</b>	<b>115,404</b>	<b>422,241</b>	<b>5,884,319</b>
At 31 December 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,346,674	115,404	422,241	5,884,319
<b>Net insurance contract liabilities</b>	<b>5,346,674</b>	<b>115,404</b>	<b>422,241</b>	<b>5,884,319</b>

\* The Company has applied the fully retrospective approach ("FRA") for the measurement of the CSM as at the transition date, to all contracts issued. The impact on the current year results and balance of CSM at the financial year end is as disclosed above.

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(d) Reinsurance contracts held**

The table below presents a roll-forward of the net assets for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustments and CSM for portfolios of reinsurance contracts insured in the life insurance unit.

	Estimate of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin* RM'000	Total RM'000
At 1 January 2025				
Reinsurance contract assets	41,254	(2,856)	(60,000)	(21,602)
Reinsurance contract liabilities	-	-	-	-
<b>Net reinsurance contract liabilities/(assets)</b>	<b>41,254</b>	<b>(2,856)</b>	<b>(60,000)</b>	<b>(21,602)</b>
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(32,076)	(32,076)
Risk adjustment recognised for the risk expired	-	422	-	422
Experience adjustments	9,356	-	-	9,356
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(2,779)	(269)	3,048	-
Changes in estimates that adjust the CSM	15,704	(2,998)	(12,706)	-
Changes in estimate that do not adjust the CSM	12,181	2,308	-	14,489
<b>Net expenses/(income) from reinsurance contracts held</b>	<b>34,462</b>	<b>(537)</b>	<b>(41,734)</b>	<b>(7,809)</b>
<b>Reinsurance finance expenses/(income)</b>	<b>10,894</b>	<b>(388)</b>	<b>(3,421)</b>	<b>7,085</b>
<b>Effects of changes in non-performance risk of reinsurers</b>	<b>(776)</b>	<b>-</b>	<b>-</b>	<b>(776)</b>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>44,580</b>	<b>(925)</b>	<b>(45,155)</b>	<b>(1,500)</b>
<b>Cash flows:</b>				
Premiums	(8,829)	-	-	(8,829)
Amounts received by reinsurers	23,492	-	-	23,492
Total cash flows	14,663	-	-	14,663
<b>Net reinsurance contract liabilities/(assets) as at 31 December 2025</b>	<b>100,497</b>	<b>(3,781)</b>	<b>(105,155)</b>	<b>(8,439)</b>
At 31 December 2025				
Reinsurance contract assets	(83,497)	(3,407)	4,179	(82,725)
Reinsurance contract liabilities	183,994	(374)	(109,334)	74,286
<b>Net reinsurance contract liabilities/(assets)</b>	<b>100,497</b>	<b>(3,781)</b>	<b>(105,155)</b>	<b>(8,439)</b>

\* The Company has applied the fully retrospective approach ("FRA") for the measurement of the CSM as at the transition date, to all contracts issued. The impact on the current year results and balance of CSM at the financial year end is as disclosed above.

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(d) Reinsurance contracts held (continued)**

The table below presents a roll-forward of the net assets for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustments and CSM for portfolios of reinsurance contracts insured in the life insurance unit. (continued)

	Estimate of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin* RM'000	Total RM'000
At 1 January 2024				
Reinsurance contract assets	17,103	(2,744)	(49,066)	(34,707)
Reinsurance contract liabilities	-	-	-	-
<b>Net reinsurance contract liabilities/(assets)</b>	<u>17,103</u>	<u>(2,744)</u>	<u>(49,066)</u>	<u>(34,707)</u>
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	7,544	7,544
Risk adjustment recognised for the risk expired	-	212	-	212
Experience adjustments	(4,458)	-	-	(4,458)
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(3,748)	(165)	3,913	-
Changes in estimates that adjust the CSM	4,431	16,339	(20,770)	-
Changes in estimate that do not adjust the CSM	36,482	(16,403)	-	20,079
<b>Net expenses/(income) from reinsurance contracts held</b>	<u>32,707</u>	<u>(17)</u>	<u>(9,313)</u>	<u>23,377</u>
<b>Reinsurance finance income</b>	<u>(5,077)</u>	<u>(94)</u>	<u>(1,621)</u>	<u>(6,792)</u>
<b>Effects of changes in non-performance risk of reinsurers</b>	<u>702</u>	<u>(1)</u>	<u>-</u>	<u>701</u>
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<u>28,332</u>	<u>(112)</u>	<u>(10,934)</u>	<u>17,286</u>
<b>Cash flows:</b>				
Premiums	(33,085)	-	-	(33,085)
Amounts received by reinsurers	28,904	-	-	28,904
Total cash flows	<u>(4,181)</u>	<u>-</u>	<u>-</u>	<u>(4,181)</u>
<b>Net reinsurance contract liabilities/(assets) as at 31 December 2024</b>	<u>41,254</u>	<u>(2,856)</u>	<u>(60,000)</u>	<u>(21,602)</u>
At 31 December 2024				
Reinsurance contract assets	41,254	(2,856)	(60,000)	(21,602)
Reinsurance contract liabilities	-	-	-	-
<b>Net reinsurance contract liabilities/(assets)</b>	<u>41,254</u>	<u>(2,856)</u>	<u>(60,000)</u>	<u>(21,602)</u>

\* The Company has applied the fully retrospective approach ("FRA") for the measurement of the CSM as at the transition date, to all contracts issued. The impact on the current year results and balance of CSM at the financial year end is as disclosed above.

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(e) CSM recognition in profit or loss**

The disclosure of when the CSM is expected to be recognised in profit or loss in future years is presented below:

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Insurance contracts issued</b>		
Less than 1 year	36,050	37,434
1 – 2 years	30,857	31,748
2 – 3 years	27,182	28,837
3 – 4 years	24,750	26,861
4 – 5 years	22,919	25,198
More than 5 years	248,275	272,163
	<u>390,033</u>	<u>422,241</u>
<b>Reinsurance contracts held</b>		
Less than 1 year	705	884
1 – 2 years	609	876
2 – 3 years	777	747
3 – 4 years	964	754
4 – 5 years	1,311	845
More than 5 years	(109,521)	(64,106)
	<u>(105,155)</u>	<u>(60,000)</u>

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(f) Insurance contracts issued – the components of new business**

The components of new business for portfolios of insurance contracts issued by the Company is disclosed in the table below:

	<b>Contracts issued</b>		
	<b>Non- onerous RM'000</b>	<b>Onerous RM'000</b>	<b>Total RM'000</b>
<u>31 December 2025</u>			
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	471,565	-	471,565
Estimate of insurance acquisition cash flows	62,300	-	62,300
Estimate of present value of future cash outflows	533,865	-	533,865
Estimate of present value of future cash inflows	(623,189)	-	(623,189)
Risk adjustment	8,056	-	8,056
CSM	81,268	-	81,268
Losses on onerous contracts at initial recognition	-	-	-
<u>31 December 2024</u>			
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	477,843	-	477,843
Estimate of insurance acquisition cash flows	61,739	-	61,739
Estimate of present value of future cash outflows	539,582	-	539,582
Estimate of present value of future cash inflows	(624,264)	-	(624,264)
Risk adjustment	8,727	-	8,727
CSM	75,955	-	75,955
Losses on onerous contracts at initial recognition	-	-	-

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**10. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)**

**(g) Reinsurance contracts held – the components of new business**

The components of new business for portfolios of reinsurance contracts held by the Company is disclosed in the table below:

	<b>Reinsurance contracts held</b>		
	<b>Non- onerous RM'000</b>	<b>Onerous RM'000</b>	<b>Total RM'000</b>
<u>31 December 2025</u>			
Estimate of present value of future cash outflows	14,155	-	14,155
Estimate of present value of future cash inflows	(16,934)	-	(16,934)
Risk adjustment	(269)	-	(269)
CSM	3,048	-	3,048
Losses on onerous contracts at initial recognition	-	-	-
<u>31 December 2024</u>			
Estimate of present value of future cash outflows	9,635	-	9,635
Estimate of present value of future cash inflows	(13,383)	-	(13,383)
Risk adjustment	(165)	-	(165)
CSM	3,913	-	3,913
Losses on onerous contracts at initial recognition	-	-	-

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**11. OTHER RECEIVABLES**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding proceeds from disposal of investments	9,697	7,346
Deposits, prepayments and other receivables	<u>19,480</u>	<u>19,494</u>
	29,177	26,840
Allowance for impairment	<u>(655)</u>	<u>(655)</u>
	<u>28,522</u>	<u>26,185</u>

The carrying amounts of financial assets approximate fair values due to the relatively short-term maturity of these balances.

**12. DEFERRED TAX LIABILITIES**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	257,406	216,633
Recognised in:		
Profit or loss (Note 21)	24,030	39,634
Other comprehensive income	<u>(8,402)</u>	<u>1,139</u>
At 31 December	<u>273,034</u>	<u>257,406</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 liabilities shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	(6,912)	(7,024)
Deferred tax liabilities	<u>279,946</u>	<u>264,430</u>
	<u>273,034</u>	<u>257,406</u>

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**12. DEFERRED TAX LIABILITIES (CONTINUED)**

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**

	<b>Investments RM'000</b>	<b>Investment properties RM'000</b>	<b>Total RM'000</b>
<b>2025</b>			
At 1 January 2025	(112)	(6,912)	(7,024)
Recognised in:			
Profit or loss	-	-	-
Other comprehensive income	112	-	112
At 31 December 2025	<u>-</u>	<u>(6,912)</u>	<u>(6,912)</u>
<b>2024</b>			
At 1 January 2024	(1,580)	(7,201)	(8,781)
Recognised in:			
Profit or loss	1,164	289	1,453
Other comprehensive income	304	-	304
At 31 December 2024	<u>(112)</u>	<u>(6,912)</u>	<u>(7,024)</u>

**(ii) Deferred tax liabilities**

	<b>Property and equipment RM'000</b>	<b>Investments RM'000</b>	<b>Insurance and re- insurance contracts* RM'000</b>	<b>Total RM'000</b>
<b>2025</b>				
At 1 January 2025	537	33,873	230,020	264,430
Recognised in:				
Profit or loss	540	10,739	12,751	24,030
Other comprehensive income	-	3,272	(11,786)	(8,514)
At 31 December 2025	<u>1,077</u>	<u>47,884</u>	<u>230,985</u>	<u>279,946</u>
<b>2024</b>				
At 1 January 2024	395	10,045	214,974	225,414
Recognised in:				
Profit or loss	142	22,993	15,046	38,181
Other comprehensive income	-	835	-	835
At 31 December 2024	<u>537</u>	<u>33,873</u>	<u>230,020</u>	<u>264,430</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 – 31 DECEMBER 2025 (CONTINUED)**

**13. SHARE CAPITAL**

	2025		2024	
	Number of shares	Share capital	Number of shares	Share capital
	'000	RM'000	'000	RM'000
<u>Issued and fully paid</u>				
At 31 December				
– ordinary shares with no par value	<u>579,000</u>	<u>579,000</u>	<u>579,000</u>	<u>579,000</u>

**14. RESERVES**

**(a) Retained earnings**

In accordance with Section 83 of the FSA, the life non-participating unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Pursuant to the single tier system, any dividends distributed by the Company from the distributable retained earnings will be exempted from tax in the hands of the shareholder. The Company shall not be required to deduct tax on dividend paid, credited or distributed to the shareholder.

The Company may distribute single tier exempt dividends to its shareholder out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

**(b) Other reserves**

Other reserves consist of fair value through other comprehensive income, assets revaluation reserve and insurance finance reserves.

The fair value through other comprehensive income of the Company represents the fair value gains or losses of the fair value through other comprehensive income financial assets, net of deferred tax, of the life non-participating and shareholder's funds.

The assets revaluation reserve represents the fair value difference arising upon the reclassification of self-occupied properties which are carried at cost less accumulated depreciation and accumulated impairment loss, to investment properties. Upon disposal, any surplus previously recorded is transferred to retained earnings; the transfer is not made through profit or loss.

The insurance finance reserve of the Company represents the cumulative changes to the carrying amount of insurance contracts issued and reinsurance contracts held arising from the effect and changes in the time value of money and financial risk of the life non-participating fund.

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**15. LEASE LIABILITIES**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	14,875	13,632
Additions	3,541	888
Accrued interest (Note 6)	398	412
Lease modification	284	8,265
Payment for lease liabilities	<u>(8,705)</u>	<u>(8,322)</u>
At 31 December	<u>10,393</u>	<u>14,875</u>
Repayable within 12 months	5,999	11,792
Repayable after 12 months	<u>4,394</u>	<u>3,083</u>
	<u>10,393</u>	<u>14,875</u>

**16. OTHER LIABILITIES**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment creditors	17,010	55
Unclaimed monies	53,520	36,291
Rental deposits	111	111
Accrual for unutilised staff leave	1,592	1,524
Accrued expenses	38,148	42,261
Other payables	58,926	61,147
Dividend payable to Holding Company	<u>140,000</u>	<u>140,000</u>
	<u>309,307</u>	<u>281,389</u>
Repayable within 12 months	309,196	281,278
Repayable after 12 months	<u>111</u>	<u>111</u>
	<u>309,307</u>	<u>281,389</u>

The carrying amounts of financial liabilities approximate fair values due to the relatively short-term maturity of these balances.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**17. NET INCOME/(EXPENSES) FROM REINSURANCE CONTRACTS HELD**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Expected recovery for claims and other expenses incurred	(51,459)	(12,322)
Change in risk adjustment for non financial risk	(4,436)	3,482
Amount of CSM recognised in profit or loss	<u>32,076</u>	<u>(7,544)</u>
Allocation of reinsurance premiums	<u>(23,819)</u>	<u>(16,384)</u>
Amounts recoverable for claims and other expenses incurred	14,133	25,598
Recognition/(reversal) of loss-recovery from onerous underlying contracts	<u>17,495</u>	<u>(32,591)</u>
Amounts recoverable/(payable) from reinsurers	<u>31,628</u>	<u>(6,993)</u>
Net income/(expenses) from reinsurance contracts held	<u><u>7,809</u></u>	<u><u>(23,377)</u></u>

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**18. INVESTMENT INCOME**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets at FVTPL</u></b>		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	364	331
- Corporate debt securities unquoted in Malaysia	8,742	8,383
Dividend/distribution income:		
- Equity securities quoted in Malaysia	41,030	39,589
- Equity securities unquoted in Malaysia	1,086	570
- Unit trusts quoted in Malaysia	26,083	25,227
- Unit trusts quoted outside Malaysia	1,500	1,301
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(32)	(33)
- Corporate debt securities unquoted in Malaysia	(526)	(499)
	<u>78,247</u>	<u>74,869</u>
<b><u>Financial assets at FVOCI</u></b>		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	61,544	61,482
- Corporate debt securities unquoted in Malaysia	163,138	167,603
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(1,096)	(1,419)
- Corporate debt securities unquoted in Malaysia	(6,744)	(7,545)
	<u>216,842</u>	<u>220,121</u>
<b><u>Financial assets at AC</u></b>		
Interest/profit income:		
- Mortgage loans	171	228
- Fixed and call deposits	7,456	8,158
	<u>7,627</u>	<u>8,386</u>
<b><u>Investments properties</u></b>		
Gross rental income	3,841	3,229
Less: Maintenance expenses	(4,076)	(4,674)
	<u>(235)</u>	<u>(1,445)</u>
	<u>302,481</u>	<u>301,931</u>

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**19. NET INSURANCE FINANCE RESULT**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance expenses from insurance contracts issued</b>		
Changes in fair value of underlying assets of contracts measured under the VFA	(259,195)	(443,403)
Interest accreted using current financial assumptions	(5,091)	(4,927)
Effect of changes in interest rates and other financial assumptions	(55,081)	(33,935)
	<u>(319,367)</u>	<u>(482,265)</u>
 Represented by:		
Amount recognised in profit and loss	(283,731)	(480,509)
Amount recognised in OCI	(35,636)	(1,756)
	<u>(319,367)</u>	<u>(482,265)</u>
 <b>Finance (expenses)/income from reinsurance contracts held</b>		
Interest accreted using current financial assumptions	3,421	1,621
Effect of changes in interest rates and other financial assumptions	29,230	505
Changes in non-performance risk of reinsurers	776	(701)
Changes in fair value of underlying assets of reinsurance contracts measured under the VFA	(39,736)	4,666
	<u>(6,309)</u>	<u>6,091</u>
 Represented by:		
Amount recognised in profit and loss	(7,110)	6,086
Amount recognised in OCI	801	5
	<u>(6,309)</u>	<u>6,091</u>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**20. EXPENSES**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Claims and benefits	383,451	395,815
Fees and commissions	102,475	99,357
Losses on onerous contracts and reversals of those losses (Note 10)	9,531	(20,208)
Staff costs (including Chief Executive Officer):		
- Salaries and bonus	80,977	76,444
- Staff and retirement benefits contributions	17,710	17,012
Directors' remuneration	907	894
Auditors' remuneration:		
- Statutory audit	572	572
- Regulatory-related services	46	46
Expenses relating to leases of low-value assets (Note 6)	202	209
Depreciation of property and equipment (Note 5)	5,443	5,557
Depreciation of right-of-use assets (Note 6)	7,759	8,310
Amortisation of intangible assets (Note 7)	7	94
Agency related expenses	15,982	16,350
Advertising, promotional and entertainment expenses	4,702	3,151
Information technology expenses	10,160	12,488
Other miscellaneous expenses	17,087	19,330
Net shared service costs recovered from related parties	(32,461)	(30,585)
Realised foreign exchange loss/(gain)	13	(157)
Unrealised foreign exchange loss	50,616	14,002
Other income	(2,500)	(66)
	<u>672,679</u>	<u>618,615</u>
Amounts attributed to insurance acquisition cash flows incurred during the year	(73,083)	(69,318)
Amortisation of insurance acquisition cash flows (Note 10)	53,105	48,387
	<u>652,701</u>	<u>597,684</u>
Represented by:		
Insurance service expenses	570,687	552,215
Other operating expenses	82,014	45,469
	<u>652,701</u>	<u>597,684</u>

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**20. EXPENSES (CONTINUED)**

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	<b>Other emoluments RM'000</b>	<b>Fees RM'000</b>	<b>Benefits- in-kind RM'000</b>	<b>Total RM'000</b>
<b>2025</b>				
<b>Chief Executive Officer</b>	3,998	-	36	4,034
<b>Executive Director</b>				
Junior Namjick Cho	-	-	-	-
<b>Non-Executive Directors</b>				
Choy Khai Choon	43	240	-	283
Donald Joshua Jaganathan	48	160	2	210
Onn Kien Hoe	46	160	-	206
Datuk Dr Hafsah binti Hashim	48	160	-	208
	<u>185</u>	<u>720</u>	<u>2</u>	<u>907</u>
<b>2024</b>				
<b>Chief Executive Officer</b>	1,843	-	5	1,848
<b>Executive Director</b>				
Timothy William Howell	-	-	-	-
<b>Non-Executive Directors</b>				
Choy Khai Choon	41	240	5	286
Donald Joshua Jaganathan	42	160	-	202
Onn Kien Hoe	41	160	-	201
Datuk Dr Hafsah binti Hashim	45	160	-	205
	<u>169</u>	<u>720</u>	<u>5</u>	<u>894</u>

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

	<b>Number of Directors</b>	
	<b>2025</b>	<b>2024</b>
<u>Executive Director:</u>		
RMO	1	1
<u>Non-Executive Directors:</u>		
RM200,001 – RM300,000	4	4

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**21. TAXATION**

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Current tax</u>		
Current financial year	22,542	23,721
Under/(over) provision of taxation in prior financial year	373	(603)
	<u>22,915</u>	<u>23,118</u>
<u>Deferred tax (Note 12)</u>		
Origination and reversal of temporary differences	24,030	39,634
	<u>46,945</u>	<u>62,752</u>

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

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	107,074	129,472
Taxation at Malaysian statutory tax rate of 24% (2024:24%)	25,698	31,073
Effect due to different tax rates	(21,157)	(20,115)
Income not subject to tax	(43,753)	(45,637)
Expenses not deductible for tax purposes	75,561	75,347
Tax impact on investment income attributable to policyholders and unitholders	10,223	22,687
	<u>46,572</u>	<u>63,355</u>
Under/(over) provision of taxation in prior financial year	373	(603)
Tax expenses	<u>46,945</u>	<u>62,752</u>

The income tax for the Shareholder's fund is calculated based on the corporate tax rate of 24% (2024: 24%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on the tax rate of 8% (2024: 8%) of the assessable investment income net of allowable deductions for the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**21. 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.

**22. DIVIDENDS**

A final dividend of RM 19,100,000.00 (i.e. a dividend of RM0.03 per ordinary share) in respect of the financial year ended 31 December 2024 (2024: RM 140,000,000 i.e. a dividend of RM 0.24 per ordinary share in respect of the financial year ended 31 December 2023) was approved at the Annual General Meeting on 26 June 2025.

The Directors have not recommended the payment of any final dividend for the current financial year.

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**23. EARNINGS PER SHARE**

The basic earnings per ordinary share has been calculated by dividing the net profit for the financial year attributable to equity holders of the Company over the weighted average number of shares of the Company 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.

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

	<b>2025</b> <b>RM'000</b>	<b>2024</b> <b>RM'000</b>
Net profit attributable to ordinary equity holders	<u>60,129</u>	<u>66,720</u>
Weighted average number of shares in issue	<u>579,000</u>	<u>579,000</u>
Basic/diluted earnings per share (sen)	<u>10.38</u>	<u>11.52</u>

**24. OPERATING LEASES**

The Company leases out its investment property. The Company classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<b>2025</b> <b>RM'000</b>	<b>2024</b> <b>RM'000</b>
Within 1 year	3,140	2,070
In the 2 <sup>nd</sup> year	2,592	239
In the 3 <sup>rd</sup> year	<u>1,903</u>	<u>26</u>
Total undiscounted lease payments	<u>7,635</u>	<u>2,335</u>

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**25. CASH UTILISED IN OPERATING ACTIVITIES**

	Note	2025 RM'000	2024 RM'000
<b>Net profit for the financial year</b>		60,129	66,720
<b>Adjustments:</b>			
Depreciation of property and equipment	5	5,443	5,557
Depreciation of right-of-use assets	6	7,759	8,310
Amortisation of intangible assets	7	7	94
Investment income	18	(302,481)	(301,931)
Unrealised gains on financial assets		(200,321)	(308,132)
Realised (gains)/losses on financial assets measured at:			
- FVOCI		(17,197)	(3,555)
- FVTPL		58,157	326
Net fair value losses on non-financial assets		-	283
Impairment loss/(reversal of impairment loss) on financial assets		11,008	(2,011)
Realised foreign exchange loss/(gain) recorded in profit or loss		13	(157)
Unrealised foreign exchange loss recorded in profit or loss		50,616	14,002
Write-back of impairment of other receivables		-	(11)
Realised gains on property and equipment		(63)	-
Interest expenses on lease liabilities	15	398	412
Purchase of financial assets at FVOCI/FVTPL		(1,490,617)	(775,306)
Proceeds from sale and redemption of financial assets at FVOCI/FVTPL		1,392,888	906,737
Tax expense	21	46,945	62,752
Operating cashflows before changes in working capital		(377,316)	(325,910)
<b>Changes in working capital:</b>			
Decrease in financial assets at AC		518	129
(Increase)/decrease in reinsurance contract assets		(61,224)	13,110
(Increase)/decrease in other receivables		(1,025)	1,247
Increase in insurance contract liabilities		68,628	223,378
Increase in reinsurance contract liabilities		75,222	-
(Decrease)/increase in other liabilities		(15,006)	3,880
Cash utilised in operating activities		(310,203)	(84,166)

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

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**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")	Immediate holding company
Zurich Services (Hong Kong) Limited	Subsidiary of ZICL
Zurich International Life Limited	Subsidiary of ZICL
Zurich Insurance Company Ltd., Hong Kong	Subsidiary of ZICL
Zurich Holdings Malaysia Berhad	Subsidiary of ZICL
Zurich Customer Active Management	Subsidiary of ZICL
Zurich Services Malaysia Sdn. Bhd.	Subsidiary of ZICL
Zurich Global Investment Management	Subsidiary of ZICL
Travel Guard Assist Malaysia Sdn. Bhd.	Fellow subsidiary
Zurich General Insurance Malaysia Berhad	Fellow subsidiary
Zurich General Takaful Malaysia Berhad	Fellow subsidiary
Zurich Takaful Malaysia Berhad	Fellow subsidiary
Zurich Shared Services Malaysia Sdn. Bhd.	Fellow subsidiary

**(b) Related party transactions**

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiary 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:

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(Expenses)/income:</b>		
<u>Immediate holding company</u>		
Dividend declared	(19,100)	(140,000)
Reimbursement of expenses	(7,392)	(5,321)
<u>Subsidiary of immediate holding company</u>		
Reimbursement of expenses	(9,355)	(9,769)
Cost sharing charges	(7,841)	(6,686)
<u>Fellow subsidiary</u>		
Cost sharing charges	40,242	37,399
Reimbursement of expenses	26,608	22,177
Actuarial support services	49	279

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**26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

**(c) Related party balances**

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

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amount due from related companies</b>		
<u>Other receivables*</u>		
Subsidiary of ultimate holding company	26	-
Fellow subsidiary	9,080	6,440
<b>Amount due to related companies</b>		
<u>Trade payables**</u>		
Immediate holding company	89,016	64,380
<u>Other payables*</u>		
Immediate holding company	146,739	148,314
Subsidiary of ultimate holding company	1,053	1,229
Fellow subsidiary	44	-

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

\*\* This balance is unsecured, interest-free and payable in accordance with the relevant insurance contracts.

**(d) Key management personnel**

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 includes the Directors, Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Company.

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries and other short-term employee benefits and directors' emoluments	13,602	13,208
Defined contribution retirement benefits	1,772	1,593
Other benefits	37	8
Share-based payments/benefits	3,073	1,460
	<u>18,484</u>	<u>16,269</u>
CEO's remuneration (Note 20)	<u>4,034</u>	<u>1,848</u>

The estimated monetary value of benefits provided to the CEO during the financial year by way of usage of the Company's assets was RM36,253 (2024: RM5,191).

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**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 risk 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 Life 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.

**Regulatory Framework**

The Company is required to comply with the FSA 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.

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**27. RISK MANAGEMENT FRAMEWORK (CONTINUED)**

**Capital Management**

The Company's capital management policy is to create shareholder value, maintain a strong capital position to enable it to meet its obligation to policyholders, as well as regulatory requirements and make strategic investments for business growth.

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

The Total Capital Available of the Company as at 31 December 2025 was RM1,977,908,000 (2024: RM1,993,463,000).

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

	<b>2025</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Tier 1 Capital</u></b>		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	<u>1,237,022</u>	<u>1,284,788</u>
	<u>1,816,022</u>	<u>1,863,788</u>
<b><u>Tier 2 Capital</u></b>		
FVOCI reserves	167,609	136,698
Less:		
Deferred tax assets	<u>(5,723)</u>	<u>(7,023)</u>
<b>Total Capital Available</b>	<u><u>1,977,908</u></u>	<u><u>1,993,463</u></u>

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**28. INSURANCE RISK**

The Company accepts insurance risk through its written insurance contracts. The Company writes Life insurance contracts (health, group life, mortgage and investment-linked). Insurance risk is the inherent uncertainty regarding the fluctuations in the timing, frequency and severity of insured events, relative to our expectations at the time of underwriting. It can also refer to fluctuations in the timing and amount of claim settlements. The insurance risk appetite is defined through the review of portfolio size, underwriting criteria, product limits, reinsurance arrangements, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, aggregate risks and loss scenarios.

Reinsurance offers financial protection to insurance companies against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honor their obligations. The Company monitors the reinsurers' creditworthiness on a regular basis.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and life medical history of the policyholders. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Geographically, the Company's risks are concentrated in Malaysia.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**28. INSURANCE RISK (CONTINUED)**

The table below sets out the concentration of the Company's net insurance liabilities, by type of insurance contracts issued and reinsurance contracts held:

	<b>Insurance contracts issued RM'000</b>	<b>Re- insurance contracts held RM'000</b>	<b>Net RM'000</b>
<u>31 December 2025</u>			
Annuity	716,392	74,286	790,678
Participating	2,423,161	(36,867)	2,386,294
Protection Medical	640,820	(9,715)	631,105
Protection Non Medical	1,352,282	(36,143)	1,316,139
Savings	831,453	-	831,453
	<u>5,964,108</u>	<u>(8,439)</u>	<u>5,955,669</u>
<u>31 December 2024</u>			
Annuity	713,162	65,981	779,143
Participating	2,464,869	(26,961)	2,437,908
Protection Medical	567,800	(5,067)	562,733
Protection Non Medical	1,355,286	(55,555)	1,299,731
Savings	783,202	-	783,202
	<u>5,884,319</u>	<u>(21,602)</u>	<u>5,862,717</u>

**Key Assumptions**

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

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**28. INSURANCE RISK (CONTINUED)**

**Sensitivities**

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of the insurance contract liabilities with all other assumptions (as details in Note 3(i)) held constant, showing the impact on gross and net insurance liabilities. The correlation of assumptions will have a significant effect on the sensitivity analysis but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary according to the current economic assumptions.

	<b>Change in assump- tions</b>	<b>Impact on profit before tax gross of re- insurance</b>	<b>Impact on profit before tax net of re- insurance</b>	<b>Impact on equity gross of re- insurance</b>	<b>Impact on equity net of re- insurance</b>
	<b>%</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<----- (Decrease)/Increase ----->			
<u>31 December 2025</u>					
Mortality/morbidity rate	+10%	(103,888)	(102,723)	(83,650)	(82,151)
Expenses	+10%	(21,539)	(21,269)	(17,037)	(16,832)
Lapse and surrender rates	+10%	(8,200)	(8,244)	(5,840)	(5,955)
Discount rate	+1%	(2,286)	(2,210)	71,978	69,466
Mortality/morbidity rate	-10%	74,031	72,789	61,102	59,537
Expenses	-10%	20,309	20,047	16,102	15,903
Lapse and surrender rates	-10%	8,389	8,427	5,977	6,095
Discount rate	-1%	2,022	1,944	(86,773)	(84,120)
<u>31 December 2024</u>					
Mortality/morbidity rate	+10%	(94,145)	(87,996)	(74,346)	(69,325)
Expenses	+10%	(20,637)	(19,561)	(16,198)	(15,380)
Lapse and surrender rates	+10%	(4,304)	(4,388)	(3,009)	(3,124)
Discount rate	+1%	(715)	(676)	77,761	75,116
Mortality/morbidity rate	-10%	77,252	72,574	61,595	57,688
Expenses	-10%	19,227	18,201	15,126	14,346
Lapse and surrender rates	-10%	3,828	3,925	2,638	2,768
Discount rate	-1%	324	294	(94,746)	(91,930)

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**28. INSURANCE RISK (CONTINUED)**

**Sensitivities (continued)**

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of the insurance contract liabilities with all other assumptions (as details in Note 3(i)) held constant, showing the impact on gross and net insurance liabilities. The correlation of assumptions will have a significant effect on the sensitivity analysis but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary according to the current economic assumptions. (continued)

	Change in assumptions	2025		2024	
		Impact on CSM before tax gross of re-insurance	Impact on CSM before tax net of re-insurance	Impact on CSM before tax gross of re-insurance	Impact on CSM before tax net of re-insurance
	%	RM'000	RM'000	RM'000	RM'000
<----- (Decrease)/Increase ----->					
Mortality/morbidity rate	+10%	(67,199)	(48,616)	(52,332)	(41,859)
Expenses	+10%	(28,485)	(29,047)	(34,075)	(35,580)
Lapse and surrenders rate	+10%	(21,540)	(21,950)	(22,702)	(23,546)
Discount rate	+1%	18,856	14,041	38,471	47,831
Mortality/morbidity rate	-10%	100,983	82,122	72,145	59,951
Expenses	-10%	29,715	30,246	35,485	36,941
Lapse and surrenders rate	-10%	24,020	24,510	25,133	26,176
Discount rate	-1%	(2,975)	(40,391)	(1,757)	(30,918)

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**29. FINANCIAL RISK**

The Company is exposed to a range of financial risks through its assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, and market risk which comprise of currency risk, interest rate/profit yield risk and price risk.

The Company manages these positions within an Asset Liability Management (“ALM”) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The key principle of the framework is to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored.

The Company’s ALM is integrated with the management of the financial risks associated with the Company’s other classes of financial assets and liabilities not directly associated with insurance liabilities. The note below explains how financial risks are managed using the categories utilised in the Company’s ALM framework. In particular, the ALM framework requires the management of interest rate risk, equity price risk, credit risk and liquidity risk at both business line level and company-wide basis. The following notes are in relation to the Company’s management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

**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. The Company is mainly exposed to credit risk through (i) investment in cash and private debt securities, (ii) corporate/individuals and mortgage lending activities, and (iii) exposure to counterparty’s reinsurance contracts. For investments in private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A-/A2 (at the date of investment) provided by Malaysian Rating Corporation Berhad (“MARC”) and Rating Agency Malaysia Berhad (“RAM”), respectively. The Company however intends to maintain an average rating of AA in the overall bond 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.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company’s liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company issues unit-linked investment policies. In the unit-linked business, the holders of these contracts bear the investment risks on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of impairment/specific provision is made on those securities/loans (or part of remaining amount) where the level of security has been impaired. Refer to Note 9 to the financial statements for more details on assessment and disclosure of credit risk on loan borrowers.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Credit Risk**

Exposure to credit risk

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Note	Life Insurance and Shareholder's Funds RM'000	Unit-Linked Funds RM'000	Total RM'000
<u>31 December 2025</u>				
Financial assets at FVOCI:				
- Malaysian Government Securities/ Government Investment Issues	9(a)	1,585,486	-	1,585,486
- Corporate debt securities	9(a)	3,608,027	-	3,608,027
Financial assets at FVTPL:				
- Malaysian Government Securities/ Government Investment Issues	9(b)	-	6,122	6,122
- Corporate debt securities	9(b)	-	181,707	181,707
Financial assets at AC:				
- Mortgage loans	9(c)	2,177	-	2,177
Reinsurance contract assets	10	82,725	-	82,725
Other receivables*		23,448	486	23,934
Cash and cash equivalents		283,009	88,118	371,127
		<u>5,584,872</u>	<u>276,433</u>	<u>5,861,305</u>
<u>31 December 2024</u>				
Financial assets at FVOCI:				
- Malaysian Government Securities/ Government Investment Issues	9(a)	1,505,856	-	1,505,856
- Corporate debt securities	9(a)	3,526,265	-	3,526,265
Financial assets at FVTPL:				
- Malaysian Government Securities/ Government Investment Issues	9(b)	-	10,522	10,522
- Corporate debt securities	9(b)	-	178,112	178,112
Financial assets at AC:				
- Mortgage loans	9(c)	14,166	-	14,166
Reinsurance contract assets	10	21,602	-	21,602
Other receivables*		23,086	164	23,250
Cash and cash equivalents		333,752	74,129	407,881
		<u>5,424,727</u>	<u>262,927</u>	<u>5,687,654</u>

\* Excludes prepayments of RM4,588,000 as at 31 December 2025 (2024: RM2,935,000).

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (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 Company by classifying financial and reinsurance assets according to the Company's credit rating of counterparties.

	<u>Neither past-due nor impaired</u>						
	Investment	Non-	Not rated	Unit-Linked	Past due but	Impaired	Total
	grade	Investment		Funds	not impaired		
	(AAA to BBB)	grade					
	RM'000	(BB to C)	RM'000	RM'000	RM'000	RM'000	RM'000
		RM'000					
<u>31 December 2025</u>							
Financial assets at FVOCI:							
- Malaysian Government Securities/ Government Investment Issues	1,585,486	-	-	-	-	-	1,585,486
- Corporate debt securities	3,448,814	122,571	-	-	-	36,642	3,608,027
Financial assets at FVTPL:							
- Malaysian Government Securities/ Government Investment Issues	-	-	-	6,122	-	-	6,122
- Corporate debt securities	-	-	-	181,707	-	-	181,707
Financial assets at AC:							
- Mortgage loans	-	-	1,844	-	333	-	2,177
Reinsurance contract assets	74,468	-	8,257	-	-	-	82,725
Other receivables*	-	-	23,448	486	-	-	23,934
Cash and cash equivalents	283,009	-	-	88,118	-	-	371,127
	<u>5,391,777</u>	<u>122,571</u>	<u>33,549</u>	<u>276,433</u>	<u>333</u>	<u>36,642</u>	<u>5,861,305</u>

\* Excludes prepayments of RM4,588,000 as at 31 December 2025 (2024: RM2,935,000).

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (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 and reinsurance assets according to the Company's credit rating of counterparties. (continued)

	<u>Neither past-due nor impaired</u>						
	Investment	Non-	Not rated	Unit-Linked	Past due but	Impaired	Total
	grade	Investment		Funds	not impaired		
	<u>(AAA to BBB)</u>	<u>(BB to C)</u>					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2024</u>							
Financial assets at FVOCI:							
- Malaysian Government Securities/Government Investment Issues	1,505,856	-	-	-	-	-	1,505,856
- Corporate debt securities	3,432,637	56,986	-	-	-	36,642	3,526,265
Financial assets at FVTPL:							
- Malaysian Government Securities/Government Investment Issues	-	-	-	10,522	-	-	10,522
- Corporate debt securities	-	-	-	178,112	-	-	178,112
Financial assets at AC:							
- Mortgage loans	-	-	1,739	-	956	11,471	14,166
Reinsurance contract assets	13,503	-	8,099	-	-	-	21,602
Other receivables*	-	-	23,086	164	-	-	23,250
Cash and cash equivalents	333,752	-	-	74,129	-	-	407,881
	<u>5,285,748</u>	<u>56,986</u>	<u>32,924</u>	<u>262,927</u>	<u>956</u>	<u>48,113</u>	<u>5,687,654</u>

\* Excludes prepayments of RM4,588,000 as at 31 December 2025 (2024: RM2,935,000).

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**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 12 months ECL or life time ECL, 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 unlikeliness 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.

To-date, there is two (2024: two) occurrences of rating default event where one of the corporate debt securities was defaulted since the financial year ended 31 December 2021. The bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

No credit exposure limits were exceeded during the financial year.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

**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.

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**29. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Impairment losses on financial assets subject to impairment assessment**

**Debt instruments measured at FVOCI**

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on the Company's internal credit rating system.

	<b>2025</b>			<b>2024</b>		
	<b>12m ECL RM'000</b>	<b>Lifetime ECL RM'000</b>	<b>Total RM'000</b>	<b>12m ECL RM'000</b>	<b>Lifetime ECL RM'000</b>	<b>Total RM'000</b>
<b>Internal rating grade</b>						
Investment grade	4,985,328	48,972	5,034,300	4,781,412	157,081	4,938,493
Non-investment grade	90,146	32,425	122,571	25,502	31,484	56,986
Impaired	-	36,642	36,642	-	36,642	36,642
<b>Total gross amount</b>	<b>5,075,474</b>	<b>118,039</b>	<b>5,193,513</b>	<b>4,806,914</b>	<b>225,207</b>	<b>5,032,121</b>
ECL	(2,432)	(4,518)	(6,950)	(2,082)	(5,331)	(7,413)

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Impairment losses on financial assets subject to impairment assessment (continued)**

**Debt instruments measured at FVOCI (continued)**

An analysis of changes in the fair value and the corresponding ECLs of financial assets are as follows:

	2025			2024		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
<b>Fair value</b>						
<b>At 1 January</b>	4,806,914	225,207	5,032,121	4,917,582	270,671	5,188,253
New assets originated or purchased	1,111,314	-	1,111,314	481,807	-	481,807
Assets derecognised or matured	(906,391)	(96,541)	(1,002,932)	(649,654)	-	(649,654)
Accrued interest capitalised	21,300	(4,103)	17,197	3,555	-	3,555
Change in fair value	47,281	(3,681)	43,600	19,887	(556)	19,331
Amortisation/interest adjustment	(4,944)	(2,843)	(7,787)	(10,366)	(805)	(11,171)
Movement between 12months ECL and lifetime ECL	-	-	-	44,103	(44,103)	-
<b>At 31 December</b>	<b>5,075,474</b>	<b>118,039</b>	<b>5,193,513</b>	<b>4,806,914</b>	<b>225,207</b>	<b>5,032,121</b>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Impairment losses on financial assets subject to impairment assessment (continued)**

**Debt instruments measured at FVOCI (continued)**

An analysis of changes in the fair value and the corresponding ECLs of financial assets are as follows: (continued)

	2025			2024		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
<b>At 1 January</b>	(2,082)	(5,331)	(7,413)	(4,094)	(8,018)	(12,112)
New assets originated or purchased	(812)	-	(812)	(294)	-	(294)
Assets derecognised or matured (excluding write-offs)	477	264	741	458	-	458
Unwinding of discount	(15)	549	534	2,892	1,643	4,535
Movement between 12 months ECL and lifetime ECL	-	-	-	(1,044)	1,044	-
<b>At 31 December</b>	<u>(2,432)</u>	<u>(4,518)</u>	<u>(6,950)</u>	<u>(2,082)</u>	<u>(5,331)</u>	<u>(7,413)</u>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Impairment losses on financial assets subject to impairment assessment (continued)**

**Loans measured at amortised cost**

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

	<b>2025</b>			<b>2024</b>		
	<b>12m ECL RM'000</b>	<b>Lifetime ECL RM'000</b>	<b>Total RM'000</b>	<b>12m ECL RM'000</b>	<b>Lifetime ECL RM'000</b>	<b>Total RM'000</b>
<b>Internal rating grade</b>						
Not rated	1,845	-	1,845	1,740	-	1,740
Past due but not impaired	333	-	333	956	-	956
Impaired	-	51,094	51,094	-	51,094	51,094
<b>Total gross amount</b>	<u>2,178</u>	<u>51,094</u>	<u>53,272</u>	<u>2,696</u>	<u>51,094</u>	<u>53,790</u>
ECL	<u>(1)</u>	<u>(51,094)</u>	<u>(51,095)</u>	<u>(1)</u>	<u>(39,623)</u>	<u>(39,624)</u>

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**29. FINANCIAL RISK (CONTINUED)**

**Credit Risk (continued)**

**Impairment losses on financial assets subject to impairment assessment (continued)**

**Loans measured at amortised cost (continued)**

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	<b>2025</b>			<b>2024</b>		
	<b>12m ECL RM'000</b>	<b>Lifetime ECL RM'000</b>	<b>Total RM'000</b>	<b>12m ECL RM'000</b>	<b>Lifetime ECL RM'000</b>	<b>Total RM'000</b>
<b><u>Gross carrying amount</u></b>						
<b>At 1 January</b>	2,696	51,094	53,790	2,825	51,094	53,919
Assets derecognised or matured (excluding write-offs)	-	-	-	(59)	-	(59)
Amortisation/interest adjustment	(518)	-	(518)	(70)	-	(70)
<b>At 31 December</b>	2,178	51,094	53,272	2,696	51,094	53,790
<b><u>ECL</u></b>						
<b>At 1 January</b>	(1)	(39,623)	(39,624)	(2)	(36,934)	(36,936)
Addition	-	(11,471)	(11,471)	-	(2,689)	(2,689)
Derecognised	-	-	-	1	-	1
<b>At 31 December</b>	(1)	(51,094)	(51,095)	(1)	(39,623)	(39,624)

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. This situation arises when the Company is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored, and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in life insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

**Maturity Profile**

The table below summarises the maturity profile of the Company's financial assets and liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance contract held, maturity profiles are determined based on estimated timing of discounted net cash outflows from the recognised insurance liabilities and assets. The insurance contract liabilities below are gross of reinsurance. Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as these carry no maturity values. Products with no maturity dates are annuity and whole life plans.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

**Maturity Profile (continued)**

The following table summarises the maturity profile of portfolios of insurance contracts issued and portfolios of reinsurance contracts held of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the financial years presented.

	<u>Up to a year</u> RM'000	<u>1 - 5 years</u> RM'000	<u>&gt; 5 years</u> RM'000	<u>Total</u> RM'000
<u>31 December 2025</u>				
Insurance contract liabilities	1,882,971	245,006	3,325,748	5,453,725
Reinsurance contract liabilities	120,896	137,781	(74,683)	183,994
	<u>2,003,867</u>	<u>382,787</u>	<u>3,251,065</u>	<u>5,637,719</u>
<u>31 December 2024</u>				
Insurance contract liabilities	<u>1,820,909</u>	<u>257,588</u>	<u>3,268,177</u>	<u>5,346,674</u>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

**Maturity Profile (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.

	<b>Carrying Value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<u>31 December 2025</u>						
<b>Financial assets</b>						
Financial assets at FVOCI	5,193,513	396,182	1,779,212	5,095,482	-	7,270,876
Financial assets at FVTPL	2,458,519	14,265	87,085	132,498	2,270,690	2,504,538
Financial assets at AC	2,177	523	595	1,059	-	2,177
Other receivables*	23,934	23,934	-	-	-	23,934
Cash and cash equivalents	371,127	371,127	-	-	-	371,127
	<u>8,049,270</u>	<u>806,031</u>	<u>1,866,892</u>	<u>5,229,039</u>	<u>2,270,690</u>	<u>10,172,652</u>
<b>Financial liabilities</b>						
Lease liabilities	10,393	5,539	5,279	-	-	10,818
Other liabilities	309,307	309,196	111	-	-	309,307
	<u>319,700</u>	<u>314,735</u>	<u>5,390</u>	<u>-</u>	<u>-</u>	<u>320,125</u>

\* Excludes prepayments of RM4,588,000 as at 31 December 2025 (2024: RM2,935,000).

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**29. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

**Maturity Profile (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)

	<b>Carrying Value RM'000</b>	<b>Up to a year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<u>31 December 2024</u>						
<b>Financial assets</b>						
Financial assets at FVOCI	5,032,121	387,315	1,960,550	4,817,950	-	7,165,815
Financial assets at FVTPL	2,378,315	17,141	89,800	131,477	2,189,681	2,428,099
Financial assets at AC	14,166	12,607	553	1,006	-	14,166
Other receivables*	23,250	23,250	-	-	-	23,250
Cash and cash equivalents	407,881	407,881	-	-	-	407,881
	<u>7,855,733</u>	<u>848,194</u>	<u>2,050,903</u>	<u>4,950,433</u>	<u>2,189,681</u>	<u>10,039,211</u>
<b>Financial liabilities</b>						
Lease liabilities	14,875	7,999	7,192	-	-	15,191
Other liabilities	281,389	281,278	111	-	-	281,389
	<u>296,264</u>	<u>289,277</u>	<u>7,303</u>	<u>-</u>	<u>-</u>	<u>296,580</u>

\* Excludes prepayments of RM4,588,000 as at 31 December 2025 (2024: RM2,935,000).

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

The table below summarises the current/non-current classification of assets and liabilities of the Company:

	<u>Current</u>	<u>Non-current</u>	<u>Unit-Linked Funds</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31 December 2025</u>				
<b>Financial assets</b>				
Financial assets at FVOCI	396,182	4,797,331	-	5,193,513
Financial assets at FVTPL	848,404	-	1,610,115	2,458,519
Financial assets at AC	523	1,654	-	2,177
Other receivables *	23,448	-	486	23,934
Cash and cash equivalents	283,009	-	88,118	371,127
	<u>1,551,566</u>	<u>4,798,985</u>	<u>1,698,719</u>	<u>8,049,270</u>
<b>Financial liabilities</b>				
Lease liabilities	5,999	4,394	-	10,393
Other liabilities	305,724	111	3,472	309,307
	<u>311,723</u>	<u>4,505</u>	<u>3,472</u>	<u>319,700</u>
<b>Insurance contract liabilities</b>				
Insurance contract liabilities	211,223	3,570,754	1,671,748	5,453,725
Reinsurance contract liabilities	120,896	63,098	-	183,994
	<u>332,119</u>	<u>3,633,852</u>	<u>1,671,748</u>	<u>5,637,719</u>

\* Excludes prepayments of RM4,588,000 as at 31 December 2025 (2024: RM2,935,000).

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**29. FINANCIAL RISK (CONTINUED)**

**Liquidity Risk (continued)**

The table below summarises the current/non-current classification of assets and liabilities of the Company: (continued)

	<u>Current</u>	<u>Non-current</u>	<u>Unit-Linked Funds</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31 December 2024</u>				
<b>Financial assets</b>				
Financial assets at FVOCI	387,315	4,644,806	-	5,032,121
Financial assets at FVTPL	811,049	-	1,567,266	2,378,315
Financial assets at AC	12,607	1,559	-	14,166
Other receivables *	23,086	-	164	23,250
Cash and cash equivalents	333,752	-	74,129	407,881
	<u>1,567,809</u>	<u>4,646,365</u>	<u>1,641,559</u>	<u>7,855,733</u>
<b>Financial liabilities</b>				
Lease liabilities	11,792	3,083	-	14,875
Other liabilities	279,713	111	1,565	281,389
	<u>291,505</u>	<u>3,194</u>	<u>1,565</u>	<u>296,264</u>
<b>Insurance contract liabilities</b>				
Insurance contract liabilities	<u>201,857</u>	<u>3,525,765</u>	<u>1,619,052</u>	<u>5,346,674</u>

\* Excludes prepayments of RM4,588,000 as at 31 December 2025 (2024: RM2,935,000).

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**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 comprises three types of exposures i.e. foreign exchange rates (currency risk), market interest rate/profit yield risk and market prices (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.

The Company also issues unit-linked investment policies in a number of its products. In unit-linked business, the policyholders bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Company's exposure to market risk on this business is limited to the extent of income arising from fee earned by the Company based on the value of the assets in the funds.

**Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the FSA and, hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main currency risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

The Company's main exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Market Risk (continued)**

**Interest Rate Risks**

Interest rate risk is part of market risk as any adverse movements in interest rates may affect the Company investment's fair valuation and reinvestment issues to the Company. The ALMIC actively monitors such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch as given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Company has no significant concentration of interest rate/profit yield risk.

The Company's exposure to interest rate risk on debt instruments are, as follows:

	<u>2025</u>	<u>2024</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>Financial assets</b>		
Debt instruments at FVOCI	5,193,513	5,032,121
Debt instruments at FVTPL	<u>187,829</u>	<u>188,634</u>
	<u>5,381,342</u>	<u>5,220,755</u>

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 re-valuing fixed rate/yield financial assets at FVOCI). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield 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>Impact on equity*</u>		<u>Impact on insurance contract liabilities*</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<------(Decrease)/Increase----->			
Change in variables:				
<u>Interest rate</u>				
+ 100 basis point	(154,117)	(139,789)	(235,737)	(227,967)
- 100 basis point	181,913	161,576	234,381	230,371

\*Impact on equity/insurance contract liabilities reflects adjustments for tax, when applicable.

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

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**29. FINANCIAL RISK (CONTINUED)**

**Market Risk (continued)**

**Price Risk**

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

The equity investment portfolio of the Company is exposed to movements in equity markets. The Company monitors its equity price risk through regular stress testing. In addition, the Company monitors and manages the equity exposure against investment guidelines set and agreed by the ALMIC. These investment guidelines include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set. The Company uses historical stock betas, index levels and equity prices, and estimates the volatility and correlation of each of these share prices and index levels to calculate the gains and losses that could occur over a period of time, given a certain index level.

The Company may use derivative financial instruments as a means of hedging against the impact of negative market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Company's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

In respect of risk associated with the use of derivative financial instruments, price risk is controlled through the settling of exposure limits, which are subjected to detailed monitoring and review.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of financial assets at FVOCI). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on equity*		Impact on insurance contract liabilities*	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
	<------(Decrease)/Increase----->			
Change in variables:				
<u>FTSE Bursa Malaysia</u>				
FBM KLCI + 15% - gain	18,592	19,757	187,905	193,227
FBM KLCI – 15% - loss	(18,592)	(19,757)	(187,905)	(193,227)
<u>Change in NAV</u>				
NAV + 15%	-	-	86,405	78,071
NAV - 15%	-	-	(86,405)	(78,071)

\*Impact on equity/insurance contract liabilities reflects adjustments for tax, when applicable.

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

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (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 incident, landslide or flood.

The Company has developed 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 control weaknesses via structured risk assessment process.

**31. 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.

**32. 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.

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**32. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)**

**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.

**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 an insurer, 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 on Disclosures.

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

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**32. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)**

**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 and investment management.

This is a three-steps 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.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**33. FAIR VALUE INFORMATION**

**Determination of fair value and fair value hierarchy**

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Level 1 - Quoted market price**

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**Level 2 - Valuation Techniques - Market observable input**

Financial instruments in this category are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. It includes financial instruments for which pricing is obtained via pricing services, but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flows, the price of the most recent transactions may be used provided that there has not been a significant change in economic circumstances since the time of the transaction, or if the conditions have changed, that price should be adjusted to reflect the change in conditions by reference to current prices for similar financial instruments and investment in structured products with fair values obtained via investment bankers and/or fund managers.

**Level 3 - Valuation Techniques - Unobservable input**

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Example of main asset classes in this category are unquoted equity securities, un-rated securities, investment properties, non-performing loans and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, 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 judgments.

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**33. FAIR VALUE INFORMATION (CONTINUED)**

**Financial instruments and non-financial assets carried at fair value**

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>31 December 2025</u>				
Financial assets at FVOCI				
- Malaysian Government Securities/Government Investment Issues	-	1,585,486	-	1,585,486
- Corporate debt securities	-	3,571,385	36,642	3,608,027
Financial assets at FVTPL				
- Malaysian Government Securities/Government Investment Issues	-	6,122	-	6,122
- Corporate debt securities	-	181,165	542	181,707
- Equity securities	1,152,514	-	34,720	1,187,234
- Unit trusts	1,083,456	-	-	1,083,456
Financial assets at AC	-	1,844	333	2,177
Non-financial assets				
- Investment properties	-	-	54,700	54,700
	<u>2,235,970</u>	<u>5,346,002</u>	<u>126,937</u>	<u>7,708,909</u>
<u>31 December 2024</u>				
Financial assets at FVOCI				
- Malaysian Government Securities/Government Investment Issues	-	1,505,856	-	1,505,856
- Corporate debt securities	-	3,489,623	36,642	3,526,265
Financial assets at FVTPL				
- Malaysian Government Securities/Government Investment Issues	-	10,522	-	10,522
- Corporate debt securities	-	177,570	542	178,112
- Equity securities	1,149,785	-	35,024	1,184,809
- Unit trusts	1,004,872	-	-	1,004,872
Financial assets at AC	-	1,739	12,427	14,166
Non-financial assets				
- Investment properties	-	-	54,700	54,700
	<u>2,154,657</u>	<u>5,185,310</u>	<u>139,335</u>	<u>7,479,302</u>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**33. FAIR VALUE INFORMATION (CONTINUED)**

**Fair value measurements using valuation techniques based on unobservable input (Level 3)**

The following table show the changes in Level 3 items for recurring fair value measurements:

	<u>FVOCI</u>	<u>FVTPL</u>	<u>AC</u>	<u>Investment properties</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>At 1 January 2025</b>	36,642	35,566	12,427	54,700
Addition	-	-	19	-
Reclassified to performing	-	-	(156)	-
Disposals	-	-	(486)	-
Fair value changes				
- Charged to profit or loss	-	(304)	(11,471)	-
<b>At 31 December 2025</b>	<u>36,642</u>	<u>35,262</u>	<u>333</u>	<u>54,700</u>
<b>At 1 January 2024</b>	36,642	31,445	15,344	54,950
Addition	-	-	157	-
Reclassified to performing	-	-	(327)	-
Disposals	-	-	(58)	-
Fair value changes				
- Charged to profit or loss	-	4,121	(2,689)	(250)
<b>At 31 December 2024</b>	<u>36,642</u>	<u>35,566</u>	<u>12,427</u>	<u>54,700</u>

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**34. INSURANCE FUND**

The Company's operating activities are organised by funds and segregated into Life insurance (including Unit-Linked business) and Shareholders' funds in accordance with the FSA.

**STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 31 DECEMBER 2025**

	Life Fund RM'000	Shareholder's Fund RM'000	Total RM'000
<b>ASSETS</b>			
Property and equipment	18,216	-	18,216
Right-of-use assets	10,955	-	10,955
Investment properties	33,000	21,700	54,700
Investments	6,929,930	724,279	7,654,209
Reinsurance contract assets	82,725	-	82,725
Other receivables	25,760	2,762	28,522
Tax recoverable	4,553	2,727	7,280
Cash and cash equivalents	218,037	153,090	371,127
<b>Total assets</b>	<b>7,323,176</b>	<b>904,558</b>	<b>8,227,734</b>
<b>EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>			
Share capital	-	579,000	579,000
Retained earnings	768,775	199,999	968,774
Other reserves	40,033	5,580	45,613
<b>Total equity</b>	<b>808,808</b>	<b>784,579</b>	<b>1,593,387</b>
Insurance contract liabilities	5,964,108	-	5,964,108
Reinsurance contract liabilities	74,286	-	74,286
Lease liabilities	10,393	-	10,393
Tax payable	3,219	-	3,219
Deferred tax liabilities	278,757	(5,723)	273,034
Other liabilities	169,051	140,256	309,307
<b>Total liabilities</b>	<b>6,499,814</b>	<b>134,533</b>	<b>6,634,347</b>
<b>Total equity, policyholders' funds and Liabilities</b>	<b>7,308,622</b>	<b>919,112</b>	<b>8,227,734</b>
<b>Inter-fund balances</b>	<b>14,554</b>	<b>(14,554)</b>	<b>-</b>

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**34. INSURANCE FUND (CONTINUED)**

**STATEMENT OF FINANCIAL POSITION BY FUNDS  
AS AT 31 DECEMBER 2024**

	Life Fund RM'000	Shareholder's Fund RM'000	Total RM'000
<b>ASSETS</b>			
Property and equipment	19,823	-	19,823
Right-of-use assets	14,637	-	14,637
Intangible assets	7	-	7
Investment properties	33,000	21,700	54,700
Investments	6,713,810	710,792	7,424,602
Reinsurance contract assets	21,602	-	21,602
Other receivables	23,709	2,476	26,185
Tax recoverable	557	3,331	3,888
Cash and cash equivalents	244,027	163,854	407,881
<b>Total assets</b>	<b><u>7,071,172</u></b>	<b><u>902,153</u></b>	<b><u>7,973,325</u></b>
<b>EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>			
Share capital	-	579,000	579,000
Retained earnings	728,398	199,347	927,745
Other reserves	25,445	2,537	27,982
<b>Total equity</b>	<b><u>753,843</u></b>	<b><u>780,884</u></b>	<b><u>1,534,727</u></b>
Insurance contract liabilities	5,884,319	-	5,884,319
Lease liabilities	14,875	-	14,875
Tax payable	609	-	609
Deferred tax liabilities	264,429	(7,023)	257,406
Other liabilities	140,598	140,791	281,389
<b>Total liabilities</b>	<b><u>6,304,830</u></b>	<b><u>133,768</u></b>	<b><u>6,438,598</u></b>
<b>Total equity, policyholders' funds and Liabilities</b>	<b><u>7,058,673</u></b>	<b><u>914,652</u></b>	<b><u>7,973,325</u></b>
<b>Inter-fund balances</b>	<b><u>12,499</u></b>	<b><u>(12,499)</u></b>	<b><u>-</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**34. INSURANCE FUND (CONTINUED)**

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

	<b>Life Fund RM'000</b>	<b>Shareholder's Fund RM'000</b>	<b>Total RM'000</b>
Insurance revenue	590,847	-	590,847
Insurance service expense	(570,687)	-	(570,687)
<b>Insurance service result before reinsurance contracts held</b>	<b>20,160</b>	<b>-</b>	<b>20,160</b>
Allocation of reinsurance premium	(23,819)	-	(23,819)
Amount recoverable from reinsurers	31,628	-	31,628
<b>Net income from reinsurance contracts held</b>	<b>7,809</b>	<b>-</b>	<b>7,809</b>
<b>Insurance service results</b>	<b>27,969</b>	<b>-</b>	<b>27,969</b>
Investment income	271,382	31,099	302,481
Unrealised gains on financial assets	200,279	42	200,321
Realised gains/(losses) on financial assets at:			
- FVOCI	16,923	274	17,197
- FVTPL	(58,157)	-	(58,157)
(Impairment loss)/reversal of impairment on financial assets	(11,051)	43	(11,008)
Investment expenses	(1,489)	(570)	(2,059)
<b>Total investment results</b>	<b>417,887</b>	<b>30,888</b>	<b>448,775</b>
Insurance finance expenses for insurance contracts issued	(283,731)	-	(283,731)
Reinsurance finance expenses for reinsurance contracts held	(7,110)	-	(7,110)
<b>Net insurance finance result</b>	<b>(290,841)</b>	<b>-</b>	<b>(290,841)</b>
Fee income	3,583	-	3,583
Other operating expenses	(78,686)	(3,328)	(82,014)
Finance cost	(398)	-	(398)
<b>Profit before taxation</b>	<b>79,514</b>	<b>27,560</b>	<b>107,074</b>
Tax expense	(39,137)	(7,808)	(46,945)
<b>Net profit for the financial year</b>	<b>40,377</b>	<b>19,752</b>	<b>60,129</b>

**ZURICH LIFE INSURANCE MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025 (CONTINUED)**

**34. INSURANCE FUND (CONTINUED)**

**STATEMENT OF PROFIT OR LOSS BY FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	<b>Life Fund RM'000</b>	<b>Shareholder's Fund RM'000</b>	<b>Total RM'000</b>
Insurance revenue	610,262	-	610,262
Insurance service expense	(552,214)	-	(552,214)
<b>Insurance service result before reinsurance contracts held</b>	<b>58,048</b>	<b>-</b>	<b>58,048</b>
Allocation of reinsurance premium	(16,384)	-	(16,384)
Amount recoverable from reinsurers	(6,993)	-	(6,993)
<b>Net expense from reinsurance contracts held</b>	<b>(23,377)</b>	<b>-</b>	<b>(23,377)</b>
<b>Insurance service results</b>	<b>34,671</b>	<b>-</b>	<b>34,671</b>
Investment income	272,352	29,579	301,931
Unrealised gains on financial assets	308,073	59	308,132
Realised gains/(losses) on financial assets at:			
- FVOCI	4,173	(618)	3,555
- FVTPL	(326)	-	(326)
Net foreign exchange (losses)/gain			
Net fair value losses on non-financial asset	(33)	(250)	(283)
Reversal of impairment on financial assets	1,392	619	2,011
Investment expenses	(2,099)	(649)	(2,748)
<b>Total investment results</b>	<b>583,532</b>	<b>28,740</b>	<b>612,272</b>
Insurance finance expenses for insurance contracts issued	(480,509)	-	(480,509)
Reinsurance finance income for reinsurance contracts held	6,086	-	6,086
<b>Net insurance finance result</b>	<b>(474,423)</b>	<b>-</b>	<b>(474,423)</b>
Fee income	2,833	-	2,833
Other operating expenses	(42,976)	(2,493)	(45,469)
Finance cost	(412)	-	(412)
<b>Profit before taxation</b>	<b>103,225</b>	<b>26,247</b>	<b>129,472</b>
Tax expense	(55,580)	(7,172)	(62,752)
<b>Net profit for the financial year</b>	<b>47,645</b>	<b>19,075</b>	<b>66,720</b>

**Zurich Life Insurance Malaysia Berhad**

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