

Director's
Report
and Audited
Financial
Statement

31 December 2021

Inspiring
actions
together.

Zurich is committed to developing sustainable values to create a brighter future for our customers, employees, investors, and the planet we share.



ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

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ZURICH TAKAFUL MALAYSIA BERHAD
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CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Zurich Takaful Malaysia Berhad ("ZTMB" or "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 including the principles of Shariah, and adopts the Corporate Governance policy document issued by Bank Negara Malaysia ("BNM"). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Company.

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.

COMPOSITION OF THE BOARD

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

Hasnah binti Omar	Chairperson (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Jan Yoke Lan (Appointed on 23 June 2021)	Member (Independent Non-Executive Director)
Dr Mohamed Fairouz bin Abdul Khir (Appointed on 23 June 2021)	Member (Independent Non-Executive Director)
Matthew William Swinfen Cottrell (Appointed on 11 November 2021)	Member (Executive Director)
Onn Kien Hoe (Retired on 17 May 2021)	Member (Independent Non-Executive Director)
Dr. Yusri bin Mohamad (Retired on 4 June 2021)	Member (Independent Non-Executive Director)
Stephen James Clark (Resigned on 21 October 2021)	Member (Executive Director)

The Board currently comprises of five Directors with skills and experience in a diverse range of business, financial, technical and public service background. The Board is represented by four Non-Executive Directors and one Executive Director.

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 AND CHIEF EXECUTIVE OFFICER

Hasnah binti Omar

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

Cik Hasnah binti Omar was appointed as an Independent Non-Executive Director and Chairman of the Company on 30 June 2016 and 14 May 2019 respectively. Cik Hasnah is a member of the Audit Committee, Risk Management and Sustainability Committee and the Nomination and Remuneration Committee of the Company.

Cik Hasnah graduated and received her BA (Hons) from University of Malaya in 1981 and holds a Masters in Public Administration from Harvard University, USA in 1991. Cik Hasnah also holds a Masters in Banking Law (Islamic and Conventional) from International Islamic University of Malaysia in 2010.

Cik Hasnah has vast experience in finance, banking and capital market having worked in various capacities with Bank Negara Malaysia ("BNM"), Securities Commission ("SC"), and the Asian Development Bank ("ADB"), Manila, Philippines.

In 1981, Cik Hasnah joined BNM, where she largely worked in the Bank Examination Department of BNM which was responsible for the examinations of commercial banks, merchant banks, discount houses and finance companies. She led the examinations of a number of financially distressed banks during 1980s. For about one and the half years she served as the Head of Public Affairs Unit of the Bank, among others, assisting Governor and Senior Management in managing the press and public perception of BNM's policies.

Cik Hasnah worked with SC from 1991 until 2013, culminating her career in SC as the Director of Market Oversight Business Group. She was actively involved in the Brokers Monitoring System during the Asian Market Crisis 1997/1998. She was also responsible for the formulation and implementation of the Compliance Function Framework for the industry, as well as the formulation of Risk-based Capital for stockbroking companies. She was primarily responsible for the formulation and implementation of Brokers' Consolidation Policy and together with BNM contributed to the formulation of regulatory framework for Investment Banks. Cik Hasnah represented SC as a member of Financial Stability Committee of Financial Services Authority of Labuan ("FSA") and as a Board Member of Capital Market Compensation Fund.

Cik Hasnah spent two years, from January 2009 to December 2010 with the Asian Development Bank ("ADB") in Manila on a secondment basis. Among others, she advised ADB on Islamic finance matters, she was a Mission Leader for the Financial Sector and Capital Markets Sovereign Loan Program and Technical Assistance (TA) for Vietnam, and involved in sovereign loan programs and TA for Thailand, Indonesia, and Philippines. She was a Co-Mission Leader for the ASEAN Regional Capital Markets Integration TA. She returned to serve the SC in January 2011 until 2013.

Cik Hasnah is currently the Chairman and Independent Non-Executive Director of MIDF Amanah Assets Management Berhad and Zurich General Takaful Malaysia Berhad. She also sits on the Board of Malaysian Industrial Development Finance Berhad (MIDF). She also serves as a member of the Appeals Committee of the Securities Industry Dispute Resolution Centre since 2015. Cik Hasnah is also an Independent Board member of Bond Pricing Agency Malaysia Sdn Bhd.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONTINUED)

Datuk Dr. Hafsah binti Hashim

Malaysian, Female
Independent Non-Executive Director
Chairperson of Risk Management and Sustainability Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

Datuk Dr. Hafsah binti Hashim was appointed as Independent Non-Executive Director of the Company on 4 June 2019. She is the Chairperson of the Risk Management and Sustainability Committee of the Company. She is also a member of the Audit Committee and the Nomination and Remuneration 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, Johor Corporation SIRIM Berhad, Permodalan Usahawan Nasional Berhad and Malaysia Rubber Board (Lembaga Getah Malaysia). She is also the Chairman of PharmaNiaga, Arab-Malaysia Chamber of Commerce Berhad, SIRIM Technology Venture Sdn Bhd and Serunai Commerce Sdn Bhd. In addition, Datuk Dr Hafsah assumes an Advisory role to the Board of Bank Islam, Malaysia.

Jan Yoke Lan

Malaysian, Female
Independent Non-Executive Director
Chairperson of Audit Committee
Member of Nomination and Remuneration Committee
Member of Risk Management and Sustainability Committee

Jan Yoke Lan ("Madam Jan") was appointed as Independent Non-Executive Director of the Company on 23 June 2021. She is the Chairperson of the Audit Committee. Madam Jan is also a member of the Risk Management and Sustainability Committee and the Nomination and Remuneration Committee of the Company.

Madam Jan obtained her Master in Business Administration (Distinction) Degree Manchester Business School from Victoria University of Manchester, UK in 1989 and a Bachelor of Management Studies (Honours) Degree majoring in Accounting from University of Waikato, Hamilton, New Zealand in 1979.

Madam Jan has over 18 years of experience in research coverages among others, financial services sector, writing investment themes on the broad banking industry, regulatory developments in the banking industry, impact of the Asian financial crisis on the domestic banking sector, Mergers and Acquisitions situations and conglomerates, media industry, construction and consumer (gaming) sectors. Throughout her working experiences, Madam Jan worked as Senior Research Analyst with UBS Securities Malaysia Sdn Bhd, Senior General Manager with RHB Research Institute, Head of Research with Kim Eng Securities/Ke-Zan Securities and Senior Analyst, RHB Research Institute.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONTINUED)

Jan Yoke Lan (continued)

Madam Jan also worked with Bank Negara Malaysia ("BNM") for 10 years and involved in on-site inspections of banks and finance companies, special investigation into the collapse of deposit taking co-operatives (task force was headed by Datuk Seri Panglima Andrew Sheng), the examination of Bumiputra-Finance Ltd ("BMF") in Hong Kong, which eventually led to a full scale government- investigation of BMF, drafting and development of examination procedure manual for the Bank Examination Department.

Madam Jan is currently a Director of DCG Value Funds Variable Capital Company ("VCC") registered in Singapore.

Dr Mohamed Fairouz bin Abdul Khir

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

Dr Mohamed Fairouz bin Abdul Khir ("Dr Fairouz") was appointed as Independent Non-Executive Director of the Company on 23 June 2021.

Dr Fairouz obtained his Bachelor of Islamic Revealed Knowledge and Heritage (Fiqh and Usul al-Fiqh) in 2000 from International Islamic University and Master of Shariah in 2005 from University of Malaya. Subsequently in 2011, he attained his PhD in Shariah (Islamic Finance) from University of Malaya.

Dr Fairouz is currently an Associate Professor at International Centre for Education in Islamic Finance ("INCEIF") since 2020. Prior to joining INCEIF, he served Islamic University of Malaysia for Cluster of Islamic Accounting, Finance and Banking School as an Associate Professor from 2016-2020 as well as the International Shari'ah Research Academy for Islamic Finance ("ISRA") as researcher and Head of Islamic Banking Unit for more than six years. Dr Fairouz also served the Center for Foundation Studies, International Islamic University ("IIUM") for 8 years as lecturer at the Department of Islamic Revealed Knowledge and Human Sciences from 2002 to 2010.

Apart from serving INCEIF, Dr Fairouz also serves as member of Shariah Advisory Council ("SAC") of Securities Commission Malaysia, member of Fatwa Committee of Perak (Ahli Jawatankuasa Fatwa Negeri Perak), member of Perak Islamic Religious Council and Malay Customs (Majlis Agama Islam dan Adat Melayu Perak) and member of Board Shariah Committee (BSC) of CIMB Islamic Bank. Dr Fairouz has also served Agrobank as Shariah Committee member for nine years and Shariah Committee member of Maybank Islamic Berhad for seven years. Prior to joining Zurich Takaful Malaysia Berhad, he was the member of Group Shariah Committee ("GSC") to MNRB Holdings Berhad (Takaful Ikhlas Berhad and Malaysian Reinsurance Retakaful Division-MRRD).

Dr Fairouz is also a registered Shariah adviser with Securities Commission, Malaysia for the Islamic Unit Trust Schemes and Islamic Securities (Sukuk).

As researcher, Dr Fairouz involves actively in researches related to Islamic finance amongst others, Ibra' and Its Implementation in Islamic Banking from the Perspective of Maqasid al-Shari'ah, Parameter of Hiyal (Legal Stratagem) in Islamic Finance, Personal Financing: An Alternative to Bay' al-'Inah, Fatwa in Islamic Finance: A Comparative Study Between Malaysia and GCC and Book on Islamic Legal Maxims and Their Application in Islamic Finance. He has presented many academic papers at various conferences, locally as well as overseas.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONTINUED)

Matthew William Swinfen Cottrell
British, Male
Executive Director

Mr Matthew William Swinfen Cottrell ("Mr Matthew Cottrell") was appointed as Executive Director of the Company on 11 November 2021.

Mr Matthew Cottrell obtained his education from Heathfield Comprehensive School, East Sussex, United Kingdom in 1984 and 1986.

Mr Matthew Cottrell has more than 34 years' experience with Zurich in the claims handling. He is currently the Regional Chief Claims Officer at Zurich Asia Pacific, a position he held since April 2016. In his current role, Mr Matthew Cottrell is accountable for strategic, technical and operational execution for Life and non-Life Claims functions including new acquisitions such as One Path (ANZ Life Business), Covermore, Kono Insurance and Macquarie Life across Asia and Oceania (APAC) where Zurich has a direct and indirect Claims presence through the effective deployment of over 900 claims personnel. He is an active member of Zurich's APAC Regional Executive Committee and the Global Claims Executive Team, introducing and influencing wider Claims and other strategies.

Mr Matthew Cottrell started his career with Zurich in April 1987. Between 1987 and 1992, he held various claims handling positions, handling of liability, motor, household, mortgage indemnity and personal accident claims specialising in personal injury claims including rehabilitation, ongoing medical review and rudimentary 'back to work' programmes. He gained first leadership role leading a team of handlers.

Between 1992 and 1996, he was tasked to play various systems implementation programmes roles such as first led the User Acceptance Team assisting in the design of the user interface and the readiness testing prior to system delivery, led the process redesign workstream for Claims ensuring optimal balance between the need to amend the 'out of the box' systems functionality with the need to amend the claims handling processes to minimise project spend and oversight of the writing of technical handling manuals.

Mr Matthew Cottrell was promoted to Claims Department Manager in 1996. He managed department of over 80 staff responsible for technical standards, personnel issues, budget setting, recruitment and achieved 25% improvement in productivity through identification and introduction of new business practices. In addition, he was workstream leader in successful merger process of two separate Motor Engineering functions follow merger of Eagle Star and Zurich Insurance companies.

Between 1999 and 2001, he was the Account Manager for Head Office Claims function, responsible for liaison between Internal Audit and strategic and operational claims areas and direction of and involvement in risk analysis for strategic claims area.

Mr Matthew Cottrell was involved in reviewing the technological interaction between Zurich and its Claims suppliers and provided assistance in transfer of internal field force to external company in 2001-2002 as Project Manager – Claims Transformation.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DIRECTORS' TRAINING

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training programmes attended by the Directors during the financial year ended 31 December 2021 included areas of leadership, governance, risk management, climate change, finance, investment, insurance related matters and information technology.

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 2021, the Board met nine (9) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2021.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2021 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Hasnah binti Omar	9/9
Datuk Dr. Hafsah binti Hashim	9/9
Jan Yoke Lan (Appointed on 23 June 2021)	4/4
Dr Mohamed Fairooz bin Abdul Khir (Appointed on 23 June 2021)	4/4
Matthew William Swinfen Cottrell (Appointed on 11 November 2021)	2/2
Onn Kien Hoe (Retired on 17 May 2021)	3/3
Dr. Yusri bin Mohamad (Retired on 4 June 2021)	4/4
Stephen James Clark (Resigned on 21 October 2021)	6/6

BOARD COMMITTEES

The Board has established Board Committees and Senior Management Committees.

Each Committee operates within defined terms of reference. Board Committees are Audit Committee, Nomination and Remuneration Committee, Risk Management and Sustainability Committee. Senior Management Committees include the Asset Liability Management and Investment Committee ("ALMIC"), the Risk and Control Committee ("RCC") and various Senior Management Committees for Takaful businesses. The Board Committees are chaired by an Independent Non-Executive Director, while the Senior Management Committees are chaired by the Chief Executive Officer or a member of senior management team.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Audit Committee ("AC")

The members of the Audit Committee are as follows:

Jan Yoke Lan (Appointed 23 June 2021)	Chairperson (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Datuk Dr. Hafsa binti Hashim	Member (Independent Non-Executive Director)
Onn Kien Hoe (Retired on 17 May 2021)	Chairman (Independent Non-Executive Director)
Dr. Yusri bin Mohamad (Retired on 4 June 2021)	Member (Independent Non-Executive Director)
Dr. Mohamed Fairouz bin Abdul Khir (Appointed on 23 June 2021)	Member (Independent Non-Executive Director)

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 Audit Committee 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 Audit Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of Audit Committee 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 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 ensure 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;
- (viii) To determine the quality, adequacy and effectiveness of the Company's internal control environment;
- (ix) To ensure that the officers who perform the Shariah review function are qualified to undertake compliance function responsibilities and have sound understanding of relevant Shariah requirements applicable to Islamic financial business; and
- (x) To provide oversight over Shariah review related matters including the Shariah review plan on a yearly basis.

The Audit Committee meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2021, the Audit Committee held six 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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Audit Committee ("AC") (continued)

The number of meetings attended by each member of the Audit Committee during the financial year ended 31 December 2021 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Jan Yoke Lan (Chairperson) (Appointed on 9 July 2021)	3/3
Hasnah binti Omar	6/6
Datuk Dr. Hafsah binti Hashim	6/6
Onn Kien Hoe (Chairman) (Retired on 17 May 2021)	2/2
Dr. Yusri bin Mohamad (Retired on 4 June 2021)	2/2
Dr. Mohamed Fairouz bin Abdul Khir (Appointed on 9 July 2021)	3/3

During the financial year ended 31 December 2021, apart from reviewing the quarterly results and annual financial statements, the Audit Committee 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.

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 Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

Nomination and Remuneration Committee ("NRC")

The members of the Nomination and Remuneration Committee are as follows:

Dr Mohamed Fairouz bin Abdul Khir (Chairman) (Appointed on 9 July 2021)	Chairman (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Jan Yoke Lan (Appointed on 9 July 2021)	Member (Independent Non-Executive Director)
Dr. Yusri bin Mohamad (Chairman) (Retired on 4 June 2021)	Chairman (Independent Non-Executive Director)
Onn Kien Hoe (Retired on 17 May 2021)	Member (Independent Non-Executive Director)

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

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

The Nomination and Remuneration Committee is made up of Independent Non-Executive Directors. In considering the right candidate for appointment to the Board, the Nomination and Remuneration Committee 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 Nomination and Remuneration Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

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

- (i) Nomination matters concerning the Board, Senior Management (including Chief Executive Officer and Expatriates) and Company Secretary on areas pertaining to appointments and removals, composition, fit and proper assessments, performance evaluation and development.
- (ii) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company.
- (iii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company.
- (iv) 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.
- (v) To review and assess the nomination and selection of the Board, Senior Management (including Chief Executive Officer and expatriates) and Company Secretary, the performance of the Board and Chief Executive, undertake fit and proper assessments, succession planning and training and development needs.

The number of meetings attended by each member of the Nomination and Remuneration Committee during the financial year ended 31 December 2021 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Dr Mohamed Fairouz bin Abdul Khir (Chairman) (Appointed on 9 July 2021)	3/3
Hasnah binti Omar	8/8
Datuk Dr. Hafsah binti Hashim	8/8
Jan Yoke Lan (Appointed on 9 July 2021)	3/3
Dr. Yusri bin Mohamad (Chairman) (Retired on 4 June 2021)	4/4
Onn Kien Hoe (Retired on 17 May 2021)	3/3

In the opinion of the Nomination and Remuneration Committee, 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 Risk Management and Sustainability Committee are as follows:

Datuk Dr. Hafsah binti Hashim	Chairperson (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Jan Yoke Lan (Appointed on 9 July 2021)	Member (Independent Non-Executive Director)
Dr. Mohamed Fairouz bin Abdul Khir (Appointed on 9 July 2021)	Member (Independent Non-Executive Director)
Dr. Yusri bin Mohamad (Retired on 4 June 2021)	Member (Independent Non-Executive Director)
Onn Kien Hoe (Retired on 17 May 2021)	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, 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 Committee 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; and
- (iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- (v) To provide oversight over technology-related matters which include review of technology frameworks, review and recommendation of technology risk appetite, risk tolerance for technology related events, ensure key performance indicators and forward looking risk indicators are in place, adequacy of IT and cybersecurity strategic plans and effective implementation of sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF").
- (vi) To provide oversight over sustainability-related matters which include review of Zurich's sustainability strategy and objectives, review of Zurich's approach and conduct concerning sustainability, assessing progress against agreed actions at least annually, review of legislative and regulatory developments and reporting requirements relating to sustainability, review of the proposal to the Board for approval targets on 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 Risk Management and Sustainability Committee during the financial year ended 31 December 2021 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Datuk Dr. Hafsah binti Hashim (Chairperson)	5/5
Hasnah binti Omar	5/5
Jan Yoke Lan (Appointed on 9 July 2021)	3/3
Assoc. Prof. Dr Mohamed Fairouz bin Abdul Khir (Appointed on 9 July 2021)	3/3
Dr. Yusri bin Mohamad (Retired on 4 June 2021)	1/1
Onn Kien Hoe (Retired on 17 May 2021)	1/1

Shariah Committee ("SC")

The members of the Shariah Committee are as follows:

Assoc. Prof. Dr Mohamed Fairouz bin Abdul Khir (Appointed as Chairman on 1 July 2021)	Chairman
Assoc. Prof. Dr Zulkifli bin Hasan	Member
Dr Wan Marhaini Binti Wan Ahmad	Member
Dr Zaharuddin Bin Abdul Rahman (Appointed on 1 July 2021)	Member
Prof Dr Zurina Binti Shafii (Appointed on 1 July 2021)	Member
Dr Yusri bin Mohamad (Retired on 30 June 2021)	Member
Assoc. Prof. Dr Md Khalil bin Ruslan (Retired on 30 June 2021)	Member

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

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC") (continued)

The number of meetings attended by each member of the Shariah Committee during the financial year ended 31 December 2021 is as follows:

<u>Name of Members Attendance</u>	<u>No. of Attendance</u>
Dr Mohamed Fairouz bin Abdul Khir (Appointed as Chairman on 1 July 2021)	6/6
Assoc. Prof. Dr Zulkifli bin Hasan	5/6
Dr Wan Marhaini Binti Wan Ahmad	6/6
Dr Zaharuddin Bin Abdul Rahman (Appointed on 1 July 2021)	3/3
Prof Dr Zurina Binti Shafii (Appointed on 1 July 2021)	3/3
Dr Yusri bin Mohamad (Retired on 30 June 2021)	3/3
Assoc. Prof. Dr Md Khalil bin Ruslan (Retired on 30 June 2021)	3/3

The principal duties and responsibilities of Shariah Committee are:

- Responsibility and accountability
The SC is expected to understand that in the course of discharging the duties and responsibilities as a SC member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them. The SC is also expected to perform an oversight role on Shariah matters related to the Company's business operations and activities.
- Advise the Board and the Company
The SC shall advise the board and provide input to the Company on any matters related to Shariah in order for the Company to comply with Shariah principles at all times.
- Endorse Shariah policies and procedures
The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure the contents do not contain any elements which are not in line with Shariah.
- Endorse and validate relevant documentations
To ensure that the products of the Company comply with Shariah principles, the SC must approve:
 - The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
- Assess work carried out by Shariah review and Shariah audit
To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah principles forms part of their duties in providing their assessment of Shariah compliance and accurate information in the annual report.
- Assist related parties on Shariah matters
The related parties of the Company such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting party.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC") (continued)

The principal duties and responsibilities of Shariah Committee are: (continued)

7. Advise on matters to be referred to the Shariah Advisory Council ("SAC")
The SC may advise the Company to consult the SAC of Bank Negara Malaysia on Shariah matters that could not be resolved.
8. Provide written Shariah opinions
The SC is required to record any opinion given. In particular, the SC shall prepare written Shariah opinions in the following circumstances:
 - i. Where the Company make reference to the SAC for advice, or
 - ii. Where the Company submit applications to BNM for new product approval.

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 67 of the Islamic Financial Services Act, 2013 ("IFSA").

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/GL018-6) 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.

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 where necessary, is taken in a timely manner. 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 TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INTERNAL CONTROLS (CONTINUED)

The ITSC is responsible for establishing effective information technology and information systems plans, authorising information technology ("IT") related expenditure based on authority limits, and monitoring the progress of approved projects. The Company has increased the security controls for the IT systems, and has put in place business resumption and contingency plans to ensure continued operations of mission critical functions. The requirements of BNM's Guidelines on Management of IT Environment (GPIS-1) and Guidelines on Business Continuity Management (BNM/RH/GL/013-3) have been complied.

RISK MANAGEMENT

The Risk Management and Sustainability Committee ("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 seven (7) risk types affecting the Company namely Family Takaful business Risk, Market Risk, Credit Risk, Operational Risk, Strategic and Reputation Risk and Capital Management and Liquidity Risk, and Shariah Risk.

The Company has established, within its risk management framework, a structural approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations 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.

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

With respect to the regular review and the oversight of the implementation of the Remuneration Rules, the Board of Directors is supported by the Nomination and Remuneration Committee and respective monitoring process.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

REMUNERATION POLICY (continued)

The guiding principles of the remuneration philosophy as set out in the Company's Remuneration Rules 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 its 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 policies, taking into account the ZIGL's risk capacity on pension funding and investments.

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, internal equity, 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 for the key 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 TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the the management of Family Takaful business including Investment-linked business.

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

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>3,448</u>

RESERVES AND PROVISIONS

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

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

DIVIDENDS

No dividend was declared or paid since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the current financial year.

SHARE CAPITAL

There was no issuance of new ordinary shares during the financial year.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors of the Company who have held office during the financial year and the period from the date of the financial year to the date of the report are as follows:

Hasnah binti Omar	Chairperson (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Jan Yoke Lan (Appointed on 23 June 2021)	Member (Independent Non-Executive Director)
Dr Mohamed Fairouz bin Abdul Khir (Appointed on 23 June 2021)	Member (Independent Non-Executive Director)
Matthew William Swinfen Cottrell (Appointed on 11 November 2021)	Member (Executive Director)
Onn Kien Hoe (Retired on 17 May 2021)	Member (Independent Non-Executive Director)
Dr. Yusri bin Mohamad (Retired on 4 June 2021)	Member (Independent Non-Executive Director)
Stephen James Clark (Resigned on 21 October 2021)	Member (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 28(a) to the financial statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INSURANCE AND INDEMNITY COST

The Company, through its ultimate holding company, Zurich Insurance Group Ltd. ("ZIGL" or "the Group") has maintained a Director's and Officers Liability Insurance ("Group's D&O Insurance") on a group basis up to an aggregate limit of USD350 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 affected for the Directors of the Company for the financial year amounting to RM9,697.

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

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

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

	<u>Number deferred/restricted/performance share units</u>				
	<u>At</u> <u>1.1.2021</u>	<u>Granted/</u> <u>reinvested</u> <u>dividends</u>	<u>Vested</u>	<u>Cancelled</u>	<u>At</u> <u>31.12.2021</u>
<u>Units in Zurich Insurance Group Ltd.</u>					
Direct interest:					
Matthew William Swinfen Cottrell	803	663	(400)	-	1,066

Deferred, restricted and performance share units are granted to the Group's most senior executives under Zurich Insurance Group Ltd's long term incentive plans ("LTIP") and entitle the holder to receive cash payment equal to the value of the same number of common shares plus credited dividends upon retirement or termination of employment or as they are vested, subject to any performance conditions.

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 28(a) to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 28(a) to the financial statements. There is no indemnity given to or insurance effected for any auditor of the Company.

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

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

- (g) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its takaful liabilities in accordance with the valuation methods specified in the Risk-Based Capital ("RBCT") Framework for Takaful Operators issued by BNM.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING CORPORATIONS

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

AUDITORS

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

Signed on behalf of the Board of the Directors in accordance with their resolution dated 22 March 2022.



HASNAH BINTI OMAR
CHAIRMAN



JAN YOKE LAN
DIRECTOR

Kuala Lumpur
22 March 2022

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

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

We, Hasnah Binti Omar and Jan Yoke Lan, being two of the Directors of Zurich Takaful Malaysia Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 29 to 114 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and the financial performance and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors on 22 March 2022.



HASNAH BINTI OMAR
DIRECTOR



JAN YOKELAN
DIRECTOR

Kuala Lumpur
22 March 2022

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

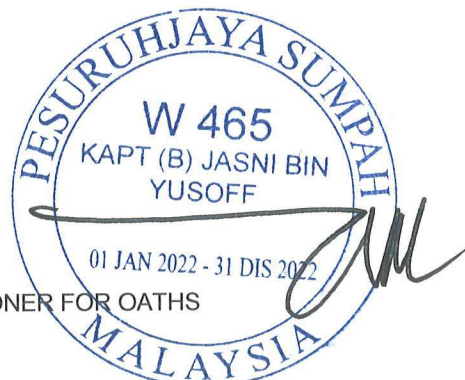
I, Nazrul Hisham Bin Abdul Hamid, the Officer primarily responsible for the financial management of Zurich Takaful Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 114 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.



NAZRUL HISHAM BIN ABDUL HAMID

Subscribed and solemnly declared by the above named Nazrul Hisham bin Abdul Hamid at Kuala Lumpur in Malaysia on 22 March 2022.

Before me,



COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja La'la
50350 Kuala Lumpur
Tel: 019 6600745



Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and the responsibilities of the Zurich Takaful Malaysia Berhad's Shariah Committee ("SC") as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia ("BNM") and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2021.

The Management of the Company is responsible to ensure that its conduct of businesses, dealing and activities are in accordance with the Shariah rules, principles and resolution made by the relevant Shariah authorities. Therefore, it is our responsibility to institute an independent opinion based on our review on the conduct and businesses entered by the Company to produce this report.

We had six (6) seating of scheduled meetings for the financial year 2021 with the attendance of all members of SC were above 83%. We reviewed inter alia products, transactions, services, processes, documents and updates on shariah control functions activities of the Company.

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

At the management level, the Head of Shariah Management Services who reports to us, oversees the conduct and effectiveness of the internal Shariah functions i.e., Shariah Advisory and Business Development, Research and Training, and Secretariat. This is further substantiated by Shariah Review which resides in the Compliance Department, Shariah Risk at the Risk Management Department and Shariah Audit that resides in the Internal Audit Department. The roles of these functions are vital in facilitating new research & product development activities, refining existing products & procedures, providing Shariah training, managing Shariah non-compliance risks, conducting Shariah review & audit and coordinating with us on any matter that requires our decision.

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

Shariah Governance

We have approved in our meetings, initiatives in strengthening the Shariah governance of the Company following the issuance of Policy Document on Shariah Governance and other related guidelines by BNM. This includes the review and update of the Shariah Non-Compliance Event Reporting Guideline, Shariah Manual, Takaful Operational Model, Shariah Committee Charter and Purification Policy that aim, among others, to improve and strengthen the Shariah governance and compliance culture within Zurich Malaysia.

Shariah Training & Awareness

Throughout 2021 more than fifteen ("15") Shariah trainings and briefing sessions were held covering more than one thousand ("1,000") participants. The trainings were conducted using online mode due to the restriction movement order and implementation of the new norm. The awareness program was further reinforced via annual Z-fence program in collaboration with Shariah risk management. Overall, we are of the view that these programs would nourish the awareness of Shariah and Takaful and inculcate the Shariah compliance culture within the company.

Shariah Committee's Report (continued)

Shariah Control Functions

The Shariah Control function plays a vital role in achieving the objective of ensuring Shariah compliance in the Company.

In 2021, the Shariah Review function had presented to us, among others, the Shariah Review plan and its progress updates, latest issuance of the SAC rulings, the result of the review conducted by the Shariah Review and the rectification action taken by the business management to close the findings. The management also updated us on the revised Shariah Non-Compliance ("SNC") event reporting process to ensure compliance with the revised Operational Risk Integrated Online Network ("ORION") Policy Document issued by Bank Negara Malaysia ("BNM"). In addition, Shariah Review also participated in the Shariah training to educate and increase the awareness among the staff on the roles of Shariah Review function and the importance of adherence to Shariah requirements.

The management also presented to us on the shariah risk initiatives to increase awareness among staff and to promote the Shariah compliance culture in the company through conducting various sessions on SNC Risk methodology and processes. The various sessions had been conducted in collaboration with various relevant stakeholders. In addition, awareness session on Operational Risk Integrated Online Network ("ORION") and SNC reporting also had been conducted for targeted functions in collaboration with Risk Management. Besides, as part of regular review and to reflect current arrangement of potential Shariah non-compliance incident, Shariah Risk Management Policy and SOP – ORION - Shariah Non-Compliance Reporting have been revised.

In the same period, Internal Audit had presented to us one (1) report on Shariah Management Services Department for our information.

Shariah Non-Compliance

In 2021, there were two (2) immaterial SNC incidents being reported pertaining to tainted dividend income derived from investment Fund. The management had presented to us a rectification plan and it has been executed and monitored accordingly by the management.

Business Zakat and Purification

During the financial year, the Company had done their responsibility to perform zakat guided by the Zakat Policy as well as purification of tainted dividend income that were approved by us.

Conclusion

Based on the above, in our opinion, the state of Zurich Takaful Malaysia Berhad compliance with Shariah as follows:

The overall operations, business, affairs and activities of the Zurich Takaful Malaysia Berhad are in compliance with Shariah, but it has come to the Shariah committee's attention that two Shariah non-compliance events have occurred and have been rectified.

On that note, we, being the members of Shariah Committee of Zurich Takaful Malaysia Berhad do hereby certify that to our best knowledge the businesses and activities of the Company for the year ended 31 December 2021 have been conducted in conformity with the Shariah rules and principles.

Allah knows best.

Shariah Committee's Report (continued)

On behalf of the Committee:

Chairman of the Shariah Committee :



ASSOC. PROF. DR. MOHAMED FAIROOZ
BIN ABDUL KHIR

Shariah Committee :



ASSOC. PROF. DR. ZULKIFLI BIN HASAN

Kuala Lumpur
22 March 2022

200601012246 (731996-H)
Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zurich Takaful Malaysia Berhad ("the Company") which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 114.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *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"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report the Corporate Governance Statement & Shariah Committee's report, but does not include the financial statements of the Company and our auditors' report thereon.

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

200601012246 (731996-H)
Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad (continued)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (continued)

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

200601012246 (731996-H)

Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad (continued)
(Incorporated in Malaysia)

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

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.
- 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.

200601012246 (731996-H)

Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad (continued)
(Incorporated in Malaysia)

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.

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 February 2021.



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

Kuala Lumpur, Malaysia
22 March 2022



Brandon Bruce Sta Maria
No. 02937/09/2023 J
Chartered Accountant

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		2021			2020		
	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
ASSETS							
Property and equipment	4	6,143	-	6,143	3,536	-	3,536
Intangible assets	5	1,286	-	1,286	1,769	-	1,769
Right-of-use assets	6	1,906	-	1,906	3,221	-	3,221
Investments	7	193,423	744,008	937,431	139,554	702,691	839,145
Takaful receivables	8	-	-	-	-	640	640
Qard receivable	9	5,739	-	-	4,061	-	-
Retakaful assets	10	-	23,403	23,403	-	27,120	27,120
Other receivables	11	31,173	2,060	3,808	27,271	1,019	6,294
Current tax assets		166	2,077	2,243	-	2,184	2,184
Deferred tax assets	17	4,781	2,350	7,131	-	668	668
Cash and cash equivalents		15,971	110,751	126,722	81,990	77,117	159,107
TOTAL ASSETS		260,588	884,649	1,110,073	261,402	811,439	1,043,684

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

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)

		2021			2020		
	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
LIABILITIES							
Takaful contract liabilities	12	-	829,422	829,422	-	762,030	758,930
Takaful payables	13	12,659	4,789	17,448	12,526	8,696	21,222
Qard payable		-	15,390	-	-	21,712	-
Other payables	14	26,824	49,057	46,456	30,235	38,818	47,057
Lease liabilities	15	2,076	-	2,076	3,285	-	3,285
Expense liabilities	16	25,948	-	25,948	19,898	-	19,898
Current tax liabilities		-	1,381	1,381	2,819	1,895	4,714
Deferred tax liabilities	17	-	-	-	2,001	-	2,001
TOTAL LIABILITIES		67,507	900,039	922,731	70,764	833,151	857,107
SHAREHOLDERS' EQUITY							
Share capital	18	180,000	-	180,000	180,000	-	180,000
Retained earnings/(Accumulated deficit)	19(a)	13,575	(15,390)	7,836	8,449	(21,712)	4,388
Available-for-sale reserves	19(b)	(494)	-	(494)	2,189	-	2,189
		193,081	(15,390)	187,342	190,638	(21,712)	186,577
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY		260,588	884,649	1,110,073	261,402	811,439	1,043,684

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

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021			2020		
	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Gross earned contributions	20	-	417,888	417,888	-	411,200	411,200
Contributions ceded to retakaful operators	20	-	(42,662)	(42,662)	-	(39,945)	(39,945)
Net earned contributions	20	-	375,226	375,226	-	371,255	371,255
Fee and commission income	21	153,622	-	-	144,906	-	-
Investment income	22	6,847	20,564	27,411	5,414	21,291	26,705
Realised (losses)/gains	23	(10)	(1,965)	(1,975)	13	2,080	2,093
Fair value (losses)/gains	24	-	(8,703)	(8,703)	50	3,390	3,440
Other operating income – net	25	8,363	3,793	4,156	164	3,130	3,294
Other income		168,822	13,689	20,889	150,547	29,891	35,532
Total revenue		168,822	388,915	396,115	150,547	401,146	406,787
Gross benefits and claims paid	26	-	(155,917)	(155,917)	-	(153,866)	(153,866)
Claims ceded to retakaful operators	26	-	22,981	22,981	-	23,730	23,730
Gross change to contract liabilities	26	-	(72,434)	(82,917)	-	(110,061)	(114,462)
Change in contract liabilities ceded to retakaful operators	26	-	(3,800)	(3,800)	-	3,682	3,682
Net claims		-	(209,170)	(219,653)	-	(236,515)	(240,916)

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

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

		2021			2020		
	<u>Note</u>	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Fee and commission expenses	27	(103,573)	(153,622)	(103,573)	(93,101)	(144,906)	(93,101)
Management expenses	28	(61,845)	-	(61,845)	(70,769)	-	(70,769)
Other operating expenses	29	(1,283)	(59)	(1,342)	(1,243)	(755)	(1,998)
Finance cost		(116)	-	(116)	(147)	-	(147)
Expense liabilities		(6,050)	-	(6,050)	(1,597)	-	(1,597)
Other expenses		(172,867)	(153,681)	(172,926)	(166,857)	(145,661)	(167,612)
Total (loss)/underwriting surplus from operations		(4,045)	26,064	3,536	(16,310)	18,970	(1,741)
Surplus declared and payable to participants		-	(9,500)	-	-	(5,000)	-
Surplus declared and payable to Takaful Operator		9,500	(9,500)	-	5,000	(5,000)	-
(Surplus)/deficit transferred to unallocated surplus		-	(983)	-	-	599	-
Profit/(loss) before taxation		5,455	6,081	3,536	(11,310)	9,569	(1,741)
Zakat		(141)	-	(141)	-	-	-
Taxation	30	(188)	241	53	(2,777)	1,040	(1,737)
Net profit/(loss) for the financial year		5,126	6,322	3,448	(14,087)	10,609	(3,478)
Basic earnings/(loss) per share (sen)	18			1.92			(2.81)

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

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	<u>Note</u>	2021			2020		
		Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial year		5,126	6,322	3,448	(14,087)	10,609	(3,478)
Other comprehensive income:							
<u>Items that may be subsequently reclassified to profit or loss:</u>							
Fair value changes on available-for-sale investments that may be reclassified to profit or loss:							
- Gross fair value changes arising during the year	23 (a) 17	(3,515)	-	(3,515)	1,381	-	1,381
- Fair value loss transferred to profit or loss on disposal		(15)	-	(15)	(13)	-	(13)
- Deferred tax		847	-	847	(327)	-	(327)
- Net fair value changes		(2,683)	-	(2,683)	1,041	-	1,041
Other comprehensive (loss)/income for the financial year, net of tax		(2,683)	-	(2,683)	1,041	-	1,041
Total comprehensive income/(loss) for the financial year		<u>2,443</u>	<u>6,322</u>	<u>765</u>	<u>(13,046)</u>	<u>10,609</u>	<u>(2,437)</u>

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

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Share capital	Non- distributable Available-for- sale reserve	Distributable Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	180,000	2,189	4,388	186,577
Net profit for the financial year	-	-	3,448	3,448
Other comprehensive loss for the financial year	-	(2,683)	-	(2,683)
At 31 December 2021	180,000	(494)	7,836	187,342
At 1 January 2020	120,000	1,148	7,866	129,014
Issue of share capital during the financial year (Note 18)	60,000	-	-	60,000
Net loss for the financial year	-	-	(3,478)	(3,478)
Other comprehensive income for the financial year	-	1,041	-	1,041
At 31 December 2020	180,000	2,189	4,388	186,577

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

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in from operating activities	31	(48,549)	(67,210)
Distribution income received		7,058	8,543
Profit income received		22,101	18,518
Interest paid on lease liabilities	15	(116)	(147)
Income tax paid		(7,100)	(2,687)
Net cash flows used in operating activities		(26,606)	(42,983)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(4,046)	(469)
Purchase of intangible assets		(304)	(278)
Net cash flows used in investing activities		(4,350)	(747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	60,000
Payment on lease liabilities	15	(1,427)	(1,603)
Net cash flows (used in)/generated from financing activities		(1,427)	58,397
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(32,385)	14,667
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		159,107	144,440
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		126,722	159,107
Cash and cash equivalents consist of:			
Cash and bank balances		121,630	154,106
Fixed deposit with licensed financial institution with original maturities of less than 3 months		5,092	5,001
		126,722	159,107

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

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is engaged principally in the management of Family Takaful business including Investment-linked business. There have been no significant changes in the nature of these principal activities during the financial year.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 22 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

In preparing the Company-level financial statements as a whole, the assets, liabilities, income and expenses of the Takaful fund are combined with those of the Takaful Operator whereby the related inter-fund balances, including Qard, and transactions are eliminated in full.

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

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

The preparation of financial statements in conformity with the MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

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

The preparation of financial statements in conformity of MFRS and IFRS requires the use of terminology under the relevant standards. The use of key terms such as "insurance", "reinsurance" in the financial statements refers to Shariah compliant Takaful or Islamic insurance transactions, assets or liabilities.

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

Standards, amendments to published standards and interpretations

- (i) Standards and amendments to published standards that are applicable and effective to the Company

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

Descriptions	Effective for annual financial periods beginning on or after
• Amendments to MFRS 9 <i>Financial Instruments</i> , MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> , MFRS 7 <i>Financial Instruments: Disclosures</i> , MFRS 4 <i>Insurance Contracts</i> and MFRS 16 <i>Leases</i> (Reference to Interest Rate Benchmark Reform – Phase 2)	1 January 2021
• Amendments to MFRS 16 <i>Leases</i> (Reference to Covid-19 Related Rent Concessions beyond 30 June 2021)	1 April 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

- (ii) Standards and amendments/improvements to published standards and interpretations that are issued but not yet effective.

The following are Standards, Amendments to Standards 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 standards and amendments to standards, if applicable, when become effective.

Descriptions	Effective for annual financial periods beginning on or after
<ul style="list-style-type: none"> Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i> (Annual Improvements to MFRS Standards 2018 – 2020) 	1 January 2022
<ul style="list-style-type: none"> Amendments to MFRS 16 <i>Leases</i> (Annual Improvements to MFRS Standards 2018 – 2020) 	1 January 2022
<ul style="list-style-type: none"> Amendments to MFRS 116 <i>Property, Plant and Equipment</i> (Reference to Property, Plant and Equipment – Proceeds before Intended Use) 	1 January 2022
<ul style="list-style-type: none"> Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> (Reference to Onerous Contracts - Cost of Fulfilling a Contract) 	1 January 2022
<ul style="list-style-type: none"> Amendments to MFRS 3 <i>Business Combinations</i> (Reference to the Conceptual Framework) 	1 January 2022
<ul style="list-style-type: none"> Amendments to MFRS 9 <i>Financial Instruments</i> (Annual Improvements to MFRS Standards 2018 – 2020) 	1 January 2022
<ul style="list-style-type: none"> Amendments to MFRS 101 <i>Presentation of Financial Statements</i> (Reference to Classification of Liabilities as Current of Non-current) 	1 January 2023
<ul style="list-style-type: none"> Amendments to MFRS 101 <i>Presentation of Financial Statements</i> (Disclosure of Accounting Policies) 	1 January 2023
<ul style="list-style-type: none"> MFRS 17 <i>Insurance Contracts and amendments</i> 	1 January 2023
<ul style="list-style-type: none"> Amendments to MFRS 17 <i>Insurance Contracts</i> – Initial Application of MFRS 17 and MFRS 9 – Comparative Information 	1 January 2023
<ul style="list-style-type: none"> Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Definition of Accounting Estimates 	1 January 2023
<ul style="list-style-type: none"> Amendments to MFRS 112 <i>Income Taxes</i> – Deferred Tax Related to Assets and Liabilities arising from Single Transaction 	1 January 2023
<ul style="list-style-type: none"> Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> 	Deferred

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

- (ii) Standards and amendments/improvements to published standards and interpretations that are issued but not yet effective (continued)

The Directors expect that the adoption of the above new pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

- MFRS 17 "Insurance Contracts" and its amendments

MFRS 17 "Insurance Contracts" replaces MFRS 4 "Insurance Contracts". MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue from Contracts with Customers". An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts (other than reinsurance contracts), where the entity is the policyholder, are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- Simplified Premium Allocation Approach if the insurance coverage period is a year or less; and
- Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Company plans to adopt the new standard on the required effective date. A Project Steering Committee has been formally set up by the Company to steer decisions and oversee the implementation of MFRS 17. Major enhancements on the accounting and actuarial systems have been completed. Moving forward, the Company's focus would primarily be on finalising the implementation efforts and analysing the effects of MFRS 17 on the financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations (continued)

- (ii) Standards and amendments/improvements to published standards and interpretations that are issued but not yet effective (continued)

- MFRS 17 "Insurance Contracts" and its amendments (continued)

The Company's predominance ratio reflecting the share of liabilities connected to insurance compared to total liabilities exceeded 90 percent. Due to the strong interaction between underlying assets held and the measurement of insurance contracts, the Company has also decided to use the option to defer the full implementation of MFRS 9 until MFRS 17 "Insurance Contracts" becomes effective on 1 January 2023 in accordance with the Amendments to MFRS 4 "Extension of the Temporary Exemption from Applying MFRS9".

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9 whereas, under MFRS 4, the related liabilities from insurance contracts are often measured at amortised cost basis.

The amendments provide 2 different approaches for entities:

- a temporary exemption from MFRS 9 for entities that meet specific requirements; and
- the overlay approach.

Both approaches are optional.

For further information on the effects from MFRS 9, Note 36 shows the fair value and carrying value of financial assets separately between financial assets with contractual cash flows that are solely payments of principal and interest ("SPPI") and other financial assets. Other financial assets consist of assets with contractual cash flows that are not SPPI and assets measured at fair value through profit or loss under MFRS 139.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent cost is 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.

The residual values and useful life of assets are reviewed and adjusted if appropriate at each date of the statement of financial position. Depreciation of property and equipment is provided so as to allocate the cost of each asset on a straight line basis over the estimated useful life of the assets. The annual depreciation rates are as follows:

Computer equipment	20%
Furniture and fittings	10%
Motor vehicles	10%
Office equipment	10%
Renovation	10%

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. (See accounting policy Note 2(h) to the financial statements on impairment of non-financial assets.)

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

(c) Intangible asset

Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- (i) it is technically feasible to complete the software product so that it will be available for use;
- (ii) management intends to complete the software product and use or sell it;
- (iii) there is an ability to use or sell the software product;
- (iv) it can be demonstrated how the software product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) the expenditure attributable to the software product during its development can be reliably measured.

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

The Company as a lessee

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

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

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. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

The Company as a lessee (continued)

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 profit or loss in the statement of comprehensive income.

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.

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 photostate 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.

During the financial year, the Company elects to account for a Covid-19 related rent concession that meets all of the following conditions in the same way as they would if there were not lease modification:

- i. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- ii. any reduction in lease payments affects only payments due on or before 30 June 2021; and
- iii. there is no substantive change to other terms and conditions of the lease.

The Company accounted for such Covid-19 related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company recognised the impacts of rent concessions within profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments and other financial assets

The Company classifies its investments and other financial assets into the following categories: financial assets measured at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investment at initial recognition.

(i) Financial assets measured at fair value through profit or loss ("FVTPL")

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

Financial assets classified as FVTPL are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value and any gain or loss arising from the change in fair values is recognised in profit or loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

(ii) Loan and receivables ("LAR")

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

Financial assets categorised as LAR are subsequently measured at amortised cost using the effective profit method.

(iii) Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets categories. These assets are initially recognised at fair value. After initial measurement AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the asset is derecognised or asset is determined to be impaired, except for the Family Takaful fund, where such fair value gains or losses are reported as a separate component of Takaful contract liabilities. Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and the changes in the carrying amount of the instrument. The translation differences on monetary instruments are recognised in profit or loss, translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity except for the Family Takaful fund, where such fair value gains or losses are reported as a separate component of Takaful contract liabilities until the asset is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred through the statement of comprehensive income or from Takaful contract liabilities to profit or loss.

(f) Fair value of financial instruments

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

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

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value of financial instruments (continued)

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued profit. The fair value of fixed 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.

The carrying amounts of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values. Fair value measurements are classified using a fair value hierarchy based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. 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 inputs are market based inputs that are directly or indirectly observable, but not considered Level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets; (iii) inputs other than quoted prices that are observable and (iv) inputs derived from, or corroborated by, observable market data.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are 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 flow and investment in structured products with fair values obtained via investment bankers and/or fund managers are considered as Level 2 valuation basis.

- Level 3 inputs are unobservable inputs which reflect the Company's own assumptions about market pricing using the best internal and external information available. 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. There are no Level 3 valued financial investments held by the Company during the current financial year.

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(ii) AFS financial assets

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

(h) Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to profit or loss immediately.

A subsequent increase in the recoverable amount of an asset is treated as 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.

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Takaful receivables

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

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that Takaful receivables are impaired using the procedures adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(g) to the financial statements.

(j) Employee benefits

Short term employee benefits

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

Post employment benefits

The Company has post-employment benefit schemes for eligible employees, which are defined contribution plans.

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits at the earlier of the following dates:

- (a) when the Company can no longer withdraw the offer of those benefits; and
- (b) when the Company recognises costs for a restructuring that is within the scope of MFRS 137 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.

(k) Product classification

A Takaful contract is a contract under which the participants' fund has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participants or their beneficiaries if a specified occurrence of pre-agreed events adversely affects the participants. As a general guideline, the Company determines whether it has significant Takaful risk by comparing benefits paid with benefits payable if the Takaful event did not occur. Investment contracts are those contracts that do not transfer significant Takaful risk.

Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its life-time, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as Takaful contracts after inception if Takaful risk becomes significant.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Product classification (continued)

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

When Takaful contracts contain both a financial risk component and a significant Takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the Takaful risk component are accounted for on the same bases as Takaful contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The Company defines Takaful risk to be significant when the ratio of the Takaful risk over the deposit component is not less than 110% of the deposit component at any point of the Takaful contract in force. Based on this definition, all Takaful contracts issued by the Company met the definition of Takaful contracts as at the date of this statement of financial position.

(l) Retakaful

The Company cedes takaful risk in the normal course of business for most of its businesses. Retakaful assets represent amounts recoverable from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful operator's policies and are in accordance with the related retakaful contracts.

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

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

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

The Company also assumes retakaful risk in the normal course of business for Family Takaful contracts when applicable. Contribution and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the related retakaful contract. Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Family Takaful underwriting results

The Family Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

Any actuarial deficit in the Family Takaful fund will be made good via a benevolent loan or Qard from the Takaful Operator.

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds.

Contribution income from the Family Takaful fund is recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised on due date. At the end of the financial year, all contributions are accounted for to the extent that they can be reliably measured.

Outward retakaful contributions are recognised in the same accounting periods as the original certificates to which the retakaful relates.

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

Provision for outstanding claims

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the Company is notified.

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on Family Takaful certificates including settlement costs, less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a Family Takaful certificate are recognised as follows:

- (i) maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Family Takaful underwriting results (continued)

Deficits/accumulated profit

Deficits reported by the Family Takaful fund during the financial year are reported as a loss in profit or loss of the Family Takaful fund to the extent that there are no unallocated surplus balances and available-for-sale reserves residing within the Family Takaful contract liabilities. Accordingly, accumulated profit and available-for-sale reserves of the Takaful Operator are treated as an equity in the statement of financial position of the Company.

(n) Takaful contract liabilities

Family Takaful contract liabilities

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

A liability adequacy test is performed at 75 percentile confidence level, in line with BNM's valuation guidelines on Family Takaful business and the requirements of MFRS 4 Insurance Contract. Claim rates, surrender assumptions and other valuation parameters are determined at a 75 percentile confidence level.

For Investment-linked products and non-IL products with investment account, the family takaful liabilities were valued on a cash flow basis by projecting tabarru' (risk charges) stream on a certificate basis, taking into account expected death and surrenders as decrements. The tabarru' streams were then compared against the corresponding projected mortality and other risk benefits. Future deficits were reserved on a present value basis, using the risk free spot rates of return, based on Sterling Discounted Cash Flow ("SDCF") method. The SDCF approach is adopted to ensure all future obligations can be met without recourse to further finance or capital support at any future time over the term of the certificate. The higher of the Unearned Tabarru' Reserve ("UTR") and total present value of deficits was taken as the actuarial liability. The value of Participant Investment Account ("PIA") is taken as the unit reserves.

In the case of yearly renewable term products with no savings elements, the liability for such Family Takaful certificate comprises the provision for unearned contributions and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the operator. Where the portfolio demonstrates deteriorating experience, a deficiency reserve is set up as an additional reserve.

For long-term products with implicit guarantees, the liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits less the present value of future contributions, discounted at the appropriate risk discount rate.

Expense reserve in the Takaful Operator's fund is determined, such that a consistent method is used between family takaful liabilities and expense liabilities. For instance, for products with PIA, SDCF is used discounted at appropriate spot rates. For other plans in the non-IL fund, the prospective Gross Premium Valuation is used. For non-guaranteed plans, in particular the medical standalone plans, an unearned wakalah fee methodology is used.

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

(o) Takaful Operator's expense liabilities

The expense liabilities of the Takaful Operator consist of expense liabilities of the Family Takaful fund which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the Takaful certificate and recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Measurement and impairment of Qard

Any deficit in the Takaful risk fund will be made good via a interest-free loan, or Qard, granted by the Takaful Operator to the Takaful fund. Qard shall be repaid from future surplus of the Takaful fund.

Qard is accounted for as receivable and payable in the financial statements of the Takaful Operator and Takaful 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. As write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2(h) to the financial statements on impairment of non-financial assets.

Qard payable in the respective Takaful fund is stated at cost.

(q) Management expenses, commission expenses and Wakalah fee

The acquisition costs, commissions and management expenses are borne by the Takaful Operator. In accordance with principles of Wakalah approved by the Company's Shariah Committee and agreed between the participants and the Takaful Operator, an agreed percentage of the gross contribution will be charged as upfront wakalah fees by the Takaful Operator to the Family Takaful fund to cover the acquisition costs, commissions and management expenses, and recognised as income upon issuance of certificates. Non-upfront wakalah fees are charged by Takaful Operator to Family Takaful fund based on agreed amount or a certain percentage of an amount to cover other costs incurred by the Takaful Operator.

(r) Other revenue recognition

Profit income includes the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

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

(s) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Committee of the Company. Zakat provision is calculated on 2.5775% of the profit before zakat and taxation of the Takaful Operator for the financial year.

(t) Income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income taxes (continued)

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(v) 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 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.

(w) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(x) Cash and cash equivalents

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

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no significant judgement applied by the Company in applying the accounting policies in Note 2.

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

Actuarial liabilities for Family Takaful fund and Takaful Operator's fund expense liabilities

The liability for family takaful contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

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

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

For the valuation of expense liabilities, assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

The discount rates adopted in the liability valuation accord a level of guarantee which is no less certain than that accorded by a Government Investment Issue ("GII").

At subsequent reporting dates, these reserve estimates will be reassessed for adequacy and reasonableness and revised, accordingly.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 PROPERTY AND EQUIPMENT

Takaful Operator/Company

	Computer equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
<u>Cost</u>						
At 1 January 2020	1,491	3,442	350	1,755	2,405	9,443
Additions	469	-	-	-	-	469
Write-offs	-	-	(6)	-	-	(6)
At 31 December 2020/ 1 January 2021	1,960	3,442	344	1,755	2,405	9,906
Additions	1,967	-	214	259	1,605	4,045
At 31 December 2021	3,927	3,442	558	2,014	4,010	13,951

	Computer equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
<u>Accumulated depreciation</u>						
At 1 January 2020	846	2,359	63	1,015	988	5,271
Charge for the financial year (Note 28)	264	342	86	171	241	1,104
Write-offs	-	-	(5)	-	-	(5)
At 31 December 2020/ 1 January 2021	1,110	2,701	144	1,186	1,229	6,370
Charge for the financial year (Note 28)	499	341	93	194	311	1,438
At 31 December 2021	1,609	3,042	237	1,380	1,540	7,808

Net carrying amount

At 31 December 2020	850	741	200	569	1,176	3,536
At 31 December 2021	2,318	400	321	634	2,470	6,143

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 INTANGIBLE ASSETS

Takaful Operator/Company

	2021	2020
	RM'000	RM'000
<u>Cost</u>		
At 1 January	4,241	4,446
Additions	304	278
Write-offs	-	(483)
At 31 December	4,545	4,241
<u>Accumulated amortisation</u>		
At 1 January	2,472	1,870
Amortisation for the financial year (Note 28)	787	602
At 31 December	3,259	2,472
<u>Net carrying amount</u>		
At 31 December	1,286	1,769

The intangible assets consist mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Company that do not form an integral part of the hardware, and that will generate economic benefits exceeding costs beyond one year.

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 6 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.

Takaful Operator/Company

	2021	2020
	RM'000	RM'000
<u>Cost</u>		
At 1 January	7,540	8,521
Extensions	293	302
Remeasurement	(619)	(1,283)
At 31 December	7,214	7,540
<u>Accumulated depreciation</u>		
At 1 January	4,319	2,429
Depreciation during the financial year (Note 28)	1,534	1,941
Remeasurement	(545)	(51)
At 31 December	5,308	4,319
<u>Net carrying amount</u>		
At 31 December	1,906	3,221

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 RIGHT-OF-USE ASSETS (CONTINUED)

There are no short-term leases and leases of low-value assets as at 31 December 2021 and 2020.

The following are the amounts recognised in profit or loss:

Takaful Operator/Company

	2021 RM'000	2020 RM'000
Depreciation of right-of-use asset (Note 28)	1,534	1,941
Interest expense on lease liabilities	116	147
Total amount recognised in profit or loss	<u>1,650</u>	<u>2,088</u>

7 INVESTMENTS

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2021</u>			
Government Investment Issues	-	3,241	3,241
Unquoted Islamic debt securities	193,423	295,365	488,788
Quoted Shariah-approved equities	-	147,678	147,678
Unquoted Shariah-approved equities	-	4,006	4,006
Unit trusts	-	293,718	293,718
	<u>193,423</u>	<u>744,008</u>	<u>937,431</u>

At 31 December 2020

Government Investment Issues	-	3,441	3,441
Unquoted Islamic debt securities	136,454	286,224	422,678
Quoted Shariah-approved equities	-	141,432	141,432
Unquoted Shariah-approved equities	-	3,088	3,088
Investment-linked units	3,100	-	-
Unit trusts	-	268,506	268,506
	<u>139,554</u>	<u>702,691</u>	<u>839,145</u>

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

At 31 December 2021

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Available-for-sale ("AFS") (Note 7(a))	193,423	232,955	426,378
Fair value through profit or loss ("FVTPL") (Note 7(b))	-	511,053	511,053
	<u>193,423</u>	<u>744,008</u>	<u>937,431</u>

The following investments mature after 12 months:

AFS	148,036	230,865	378,901
FVTPL	-	61,149	61,149
	<u>148,036</u>	<u>292,014</u>	<u>440,050</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 INVESTMENTS (CONTINUED)

At 31 December 2020

Available-for-sale ("AFS") (Note 7(a))	136,454	228,768	365,222
Fair value through profit or loss ("FVTPL") (Note 7(b))	3,100	473,923	473,923
	<u>139,554</u>	<u>702,691</u>	<u>839,145</u>

The following investments mature after 12 months:

AFS	113,995	227,737	341,732
FVTPL	-	56,670	56,670
	<u>113,995</u>	<u>284,407</u>	<u>398,402</u>

(a) AFS financial assets

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
<u>At 31 December 2021</u>			
Fair value:			
Government Investment Issues	-	3,241	3,241
Unquoted Islamic debt-securities	193,423	229,714	423,137
	<u>193,423</u>	<u>232,955</u>	<u>426,378</u>

At 31 December 2020

Fair value:			
Government Investment Issues	-	3,441	3,441
Unquoted Islamic debt-securities	136,454	225,327	361,781
	<u>136,454</u>	<u>228,768</u>	<u>365,222</u>

(b) FVTPL investments

At 31 December 2021

Fair value at designation:			
Unquoted Islamic debt securities	-	65,651	65,651
Quoted Shariah-approved equities	-	147,678	147,678
Unquoted Shariah-approved equities	-	4,006	4,006
Unit trusts	-	293,718	293,718
	<u>-</u>	<u>511,053</u>	<u>511,053</u>

At 31 December 2020

Fair value at designation:			
Unquoted Islamic debt securities	-	60,897	60,897
Quoted Shariah-approved equities	-	141,432	141,432
Unquoted Shariah-approved equities	-	3,088	3,088
Investment-linked units	3,100	-	-
Unit trusts	-	268,506	268,506
	<u>3,100</u>	<u>473,923</u>	<u>473,923</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 INVESTMENTS (CONTINUED)

(c) Carrying value of investments

The movement of financial assets are summarised in the table below by measurement category:

(i) Takaful Operator

	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2020	96,077	3,050	99,127
Purchases	51,716	-	51,716
Disposals including maturities and redemptions	(12,502)	-	(12,502)
Realised gain in profit or loss (Note 23)	13	-	13
Fair value gain recorded in:			
Profit or loss (Note 24)	-	50	50
Other comprehensive income	1,368	-	1,368
Movement in accrued profit	417	-	417
Amortisation adjustment (Note 22(a))	(635)	-	(635)
At 31 December 2020/1 January 2021	136,454	3,100	139,554
Purchases	83,144	-	83,144
Disposals including maturities and redemptions	(22,000)	(3,075)	(25,075)
Realised gain/(loss) in profit or loss (Note 23)	15	(25)	(10)
Fair value loss recorded in:			
Other comprehensive income	(3,530)	-	(3,530)
Movement in accrued profit	554	-	554
Amortisation adjustment (Note 22(a))	(1,214)	-	(1,214)
At 31 December 2021	193,423	-	193,423

(ii) Family Takaful fund

At 1 January 2020	156,468	421,699	578,167
Purchases	68,196	193,348	261,544
Disposals including maturities and redemptions	(1,098)	(146,217)	(147,315)
Realised gain in profit or loss (Note 23)	90	1,990	2,080
Fair value gain recorded in:			
Profit and loss (Note 24)	-	3,390	3,390
Takaful contract liabilities (Note 12(a))	5,166	-	5,166
Movement in accrued profit	661	(50)	611
Amortisation adjustment (Note 22(b))	(715)	(237)	(952)
At 31 December 2020/1 January 2021	228,768	473,923	702,691
Purchases	44,646	197,437	242,083
Disposal including maturities and redemptions	(29,082)	(148,538)	(177,620)
Realised gain/(loss) in profit or loss (Note 23)	826	(2,791)	(1,965)
Fair value loss recorded in:			
Profit or loss (Note 24)	-	(8,703)	(8,703)
Takaful contract liabilities (Note 12(a))	(11,531)	-	(11,531)
Movement in accrued profit	285	12	297
Amortisation adjustment (Note 22(b))	(957)	(287)	(1,244)
At 31 December 2021	232,955	511,053	744,008

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 INVESTMENTS (CONTINUED)

(c) Carrying value of investments (continued)

(iii) Company

	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
At 1 January 2020	252,545	421,699	674,244
Purchases	119,912	193,348	313,260
Disposals including maturities and redemptions	(13,600)	(146,217)	(159,817)
Realised gain in profit or loss (Note 23)	103	1,990	2,093
Fair value gain recorded in:			
Profit or loss (Note 24)	-	3,390	3,390
Takaful contract liabilities	5,166	-	5,166
Other comprehensive income	1,368	-	1,368
Movement in accrued profit	1,078	(50)	1,028
Amortisation adjustment (Note 22(c))	(1,350)	(237)	(1,587)
At 31 December 2020/1 January 2021	365,222	473,923	839,145
Purchases	127,790	197,437	325,227
Disposals including maturities and redemptions	(51,082)	(148,538)	(199,620)
Realised gain/(loss) recognised in profit or loss (Note 23)	841	(2,791)	(1,950)
Fair value loss recorded in:			
Profit or loss (Note 24)	-	(8,703)	(8,703)
Takaful contract liabilities	(11,531)	-	(11,531)
Other comprehensive income	(3,530)	-	(3,530)
Movement in accrued profit	839	12	851
Amortisation adjustment (Note 22(c))	(2,171)	(287)	(2,458)
At 31 December 2021	426,378	511,053	937,431

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 INVESTMENTS (CONTINUED)

(d) Fair values of investments

(i) Recurring fair value measurements:

The following tables show the analysis of the different hierarchy of fair values for financial instruments recorded at fair value:

	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>At 31 December 2021</u>			
(i) <u>Takaful Operator</u>			
(a) AFS financial assets			
Unquoted Islamic debt securities	-	193,423	193,423
(ii) <u>Family Takaful fund</u>			
(a) FVTPL investments			
Unquoted Islamic debt securities	-	65,651	65,651
Quoted Shariah-approved equities	147,678	-	147,678
Unquoted Shariah-approved equities	-	4,006	4,006
Unit trusts	293,718	-	293,718
	441,396	69,657	511,053
(b) AFS financial assets			
Government Investment Issues	-	3,241	3,241
Unquoted Islamic debt securities	-	229,714	229,714
	-	232,955	232,955
(iii) <u>Company</u>			
(a) FVTPL investments			
Unquoted Islamic debt securities	-	65,651	65,651
Quoted Shariah-approved equities	147,678	-	147,678
Unquoted Shariah-approved equities	-	4,006	4,006
Unit trusts	293,718	-	293,718
	441,396	69,657	511,053
(b) AFS financial assets			
Government Investment Issues	-	3,241	3,241
Unquoted Islamic debt securities	-	423,137	423,137
	-	426,378	426,378

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 INVESTMENTS (CONTINUED)

(d) Fair values of investments

(i) Recurring fair value measurements: (continued)

The following tables show the analysis of the different hierarchy of fair values for financial instruments recorded at fair value:

	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>At 31 December 2020</u>			
(i) <u>Takaful Operator</u>			
(a) FVTPL investments			
Investment-linked units	3,100	-	3,100
(b) AFS financial assets			
Unquoted Islamic debt securities	-	136,454	136,454
(ii) <u>Family Takaful fund</u>			
(a) FVTPL investments			
Unquoted Islamic debt securities	-	60,897	60,897
Quoted Shariah-approved equities	141,432	-	141,432
Unquoted Shariah-approved equities	-	3,088	3,088
Unit trusts	268,506	-	268,506
	409,938	63,985	473,923
(b) AFS financial assets			
Government Investment Issues	-	3,441	3,441
Unquoted Islamic debt securities	-	225,327	225,327
	-	228,768	228,768
(iii) <u>Company</u>			
(a) FVTPL investments			
Unquoted Islamic debt securities	-	60,897	60,897
Quoted Shariah-approved equities	141,432	-	141,432
Unquoted Shariah-approved equities	-	3,088	3,088
Unit trusts	268,506	-	268,506
	409,938	63,985	473,923
(b) AFS investments			
Government Investment Issues	-	3,441	3,441
Unquoted Islamic debt securities	-	361,781	361,781
	-	365,222	365,222

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 TAKAFUL RECEIVABLES

	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2021</u>		
Due contributions including agents/brokers and co-takaful balances	-	-
Due from retakaful and cedants	-	-
Allowance for impairment loss	-	-
Offsetting financial assets and financial liabilities:		
Gross amounts of recognised financial assets	10,613	10,613
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(10,613)	(10,613)
Net amounts of financial assets presented in the statement of financial position	-	-
<u>At 31 December 2020</u>		
Due contributions including agents/brokers and co-takaful balances	411	411
Due from retakaful and cedants	229	229
Allowance for impairment loss	640	640
Offsetting financial assets and financial liabilities:		
Gross amounts of recognised financial assets	15,526	15,526
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(14,886)	(14,886)
Net amounts of financial assets presented in the statement of financial position	640	640

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 QARD RECEIVABLE

Takaful Operator

	2021	2020
	RM'000	RM'000
Qard receivable	21,712	32,321
Less : Repayment of Qard	(6,322)	(10,609)
	15,390	21,712
Less : Allowance for impairment loss	(9,651)	(17,651)
	5,739	4,061
Movement in allowance for impairment loss:		
Allowance for impairment loss	17,651	17,651
Less : Write back of impairment loss	(8,000)	-
	9,651	17,651

Allowance for impairment loss represents the difference between the carrying amount of Qard receivable and its projected recoverable amount. As at 31 December 2021, the Company has made an assessment of the Qard recoverable based on the projection of surplus or deficit of the Ordinary Family Takaful risk fund for the next 5 years, taking into consideration of the risk fund balance less the best estimates of net liabilities for certificates. Based on the projection, a write-back on the allowance for impairment loss was made during the year.

10 RETAKAFUL ASSETS

Family Takaful Fund/Company

	2021	2020
	RM'000	RM'000
Retakaful of Takaful contracts (Note 12)	23,403	27,120

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 OTHER RECEIVABLES

	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2021</u>				
Other receivables, deposits and prepayments		1,748	2,060	3,808
		1,748	2,060	3,808
Inter-fund balances:				
Wakalah fee receivable from Family Takaful Fund *	14	13,243	-	-
Tharawat fees receivable from Family Takaful fund *	14	491	-	-
Amount due from Family Takaful fund *	14	6,191	-	-
Surplus receivable from Family Takaful fund *	14	9,500	-	-
		29,425	-	-
Total other receivables		31,173	2,060	3,808
Receivable within 12 months		31,173	2,060	3,808
<u>At 31 December 2020</u>				
Other receivables, deposits and prepayments		5,275	1,019	6,294
		5,275	1,019	6,294
Inter-fund balances:				
Wakalah fee receivable from Family Takaful Fund *	14	12,769	-	-
Tharawat fees receivable from Family Takaful fund *	14	667	-	-
Amount due from Family Takaful Fund *	14	3,560	-	-
Surplus receivable from Family Takaful fund *	14	5,000	-	-
		21,996	-	-
Total other receivables		27,271	1,019	6,294
Receivable within 12 months		27,271	1,019	6,294

* These balances are trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES

	2021			2020		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful (Note 12(a))	829,422	(23,403)	806,019	762,030	(27,120)	734,910
Less: Net asset value of investment-linked units held by Takaful Operator	-	-	-	(3,100)	-	(3,100)
	829,422	(23,403)	806,019	758,930	(27,120)	731,810

(a) Family Takaful Fund

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

	2021			2020		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Certificateholders' liabilities	226,903	(18,073)	208,830	211,216	(17,989)	193,227
Net asset value attributable to unitholders	541,992	-	541,992	504,363	-	504,363
Actuarial liabilities	768,895	(18,073)	750,822	715,579	(17,989)	697,590
Unallocated surplus attributable to unitholders	15,259	-	15,259	9,431	-	9,431
Accumulated deficits of non-investment-linked funds	(14,428)	-	(14,428)	(27,173)	-	(27,173)
Qard (Note 9)	15,390	-	15,390	21,712	-	21,712
Claim liabilities	43,844	(5,330)	38,514	31,411	(9,131)	22,280
Available-for-sale fair value adjustment	462	-	462	11,070	-	11,070
	829,422	(23,403)	806,019	762,030	(27,120)	734,910

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful Fund (continued)

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2020	656,222	(25,343)	630,879
Contributions received (Note 20(i))	411,200	(39,945)	371,255
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 26(a)(i),(ii))	(153,866)	23,730	(130,136)
Movement in claim liabilities	5,712	(3,664)	2,048
Experience variance on inforce Takaful certificates	4,838	(2,757)	2,081
Reserve on new certificates	(20,122)	850	(19,272)
Miscellaneous	4,086	20,009	24,095
Fees deducted	(123,684)	-	(123,684)
Surplus distributed to Takaful Operator	(5,000)	-	(5,000)
Qard repayment (Note 9)	(10,609)	-	(10,609)
Prior year surplus distributed to participants' fund	(11,500)	-	(11,500)
Movement in AFS fair value adjustments :			
- gross fair value changes arising during the year (Note 7(c)(ii))	5,256	-	5,166
- fair value loss transferred to profit or loss on disposal	(90)	-	(90)
- deferred tax (Note 17)	(413)	-	(413)
Movement in AFS fair value adjustments	4,753	-	4,753
At 31 December 2020	762,030	(27,120)	734,910
At 1 January 2021	762,030	(27,120)	734,910
Contributions received (Note 20(i))	417,888	(42,661)	375,227
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 26(a)(i),(ii))	(155,917)	22,981	(132,936)
Movement in claim liabilities	12,433	3,801	16,235
Experience variance on inforce Takaful certificates	11,247	(364)	10,882
Reserve on new certificates	(4,595)	449	(4,146)
Miscellaneous	(49,596)	19,511	(30,085)
Fees deducted	(132,638)	-	(132,638)
Surplus distributed to Takaful Operator	(9,500)	-	(9,500)
Qard repayment (Note 9)	(6,322)	-	(6,322)
Prior year surplus distributed to participants' fund	(5,000)	-	(5,000)
Movement in AFS fair value adjustments :			
- gross fair value changes arising during the year (Note 7(c)(ii))	(10,705)	-	(10,705)
- fair value loss transferred to profit or loss on disposal	(826)	-	(826)
- deferred tax (Note 17)	922	-	923
Movement in AFS fair value adjustments	(10,608)	-	(10,608)
At 31 December 2021	829,422	(23,403)	806,019

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 TAKAFUL PAYABLES

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2021</u>			
Due to agents and intermediaries	12,659	-	12,659
Due to retakaful operators and cedants	-	4,789	4,789
	<u>12,659</u>	<u>4,789</u>	<u>17,448</u>
Offsetting financial assets and financial liabilities:			
Gross amounts of recognised financial liabilities	12,659	15,402	28,061
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(10,613)	(10,613)
Net amounts of financial liabilities presented in the statement of financial position	<u>12,659</u>	<u>4,789</u>	<u>17,448</u>
<u>At 31 December 2020</u>			
Due to agents and intermediaries	12,526	-	12,526
Due to retakaful operators and cedants	-	8,696	8,696
	<u>12,526</u>	<u>8,696</u>	<u>21,222</u>
Offsetting financial assets and financial liabilities:			
Gross amounts of recognised financial liabilities	12,526	23,582	36,108
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(14,886)	(14,886)
Net amounts of financial liabilities presented in the statement of financial position	<u>12,526</u>	<u>8,696</u>	<u>21,222</u>

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 OTHER PAYABLES

	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2021</u>				
Amount due to a related company *		3,112	-	3,112
Accruals for agency related expenses		10,124	-	10,124
Contribution deposits		-	8,582	8,582
Accruals for staff costs		2,598	-	2,598
Other payables and accruals		10,990	11,050	22,040
		26,824	19,632	46,456
Inter-fund balances:				
Wakalah fee payable to Takaful Operator *	11	-	13,243	-
Tharawat fees payable to Takaful Operator *	11	-	491	-
Surplus payable to Takaful Operator *	11	-	9,500	-
Amount due to Takaful Operator *	11	-	6,191	-
		-	29,425	-
Total other payables		26,824	49,057	46,456
Payable within 12 months		26,824	49,057	46,456
<u>At 31 December 2020</u>				
Amount due to a related company *		3,587	-	3,587
Accruals for agency related expenses		6,865	-	6,865
Contribution deposits		-	8,949	8,949
Accruals for staff costs		3,153	-	3,153
Other payables and accruals		16,630	7,873	24,503
		30,235	16,822	47,057
Inter-fund balances:				
Wakalah fee payable to Takaful Operator *	11	-	12,769	-
Tharawat fees payable to Takaful Operator *	11	-	667	-
Surplus payable to Takaful Operator *	11	-	5,000	-
Amount due to Takaful Operator *	11	-	3,560	-
		-	21,996	-
Total other payables		30,235	38,818	47,057
Payable within 12 months		30,235	38,818	47,057

* Amount due to related company and amount due to Takaful Operator are non-trade/trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 LEASE LIABILITIES

Takaful Operator/Company

	2021	2020
	RM'000	RM'000
At 1 January	3,285	6,113
Extensions	218	58
Remeasurement	-	(1,283)
Interest expense	116	147
Lease payment	(1,543)	(1,750)
At 31 December	2,076	3,285
Repayable within 12 months	1,228	1,228
Repayable after 12 months	848	2,057
	2,076	3,285

16 EXPENSE LIABILITIES

Takaful Operator/Company

	2021	2020
	RM'000	RM'000
Best estimate provisions	15,869	8,936
PRAD	10,079	10,962
Net expense liabilities	25,948	19,898
At 1 January	19,898	18,301
Expense incurred during the financial year	6,050	1,597
At 31 December	25,948	19,898

17 DEFERRED TAXATION

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

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

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
<u>At 31 December 2021</u>			
Deferred tax assets	(4,781)	(2,350)	(7,131)
<u>At 31 December 2020</u>			
Deferred tax liabilities/(assets)	2,001	(668)	1,333

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 DEFERRED TAXATION (CONTINUED)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
1 January 2020	3,442	368	3,810
(Credited)/charged to profit or loss (Note 30):			
FVTPL investments	-	(2,034)	(2,034)
Property and equipment	530	175	705
Qard	(2,298)	-	(2,298)
Unutilised tax losses	-	525	525
AFS amortisation	-	(115)	(115)
	(1,768)	(1,449)	(3,217)
Charged to other comprehensive income:			
AFS financial assets	327	-	327
	327	-	327
Charged to Takaful contract liabilities:			
AFS financial assets (Note 12(a))	-	413	413
At 31 December 2020/1 January 2021	2,001	(668)	1,333
(Credited)/charged to profit or loss (Note 30):			
FVTPL investments	-	(852)	(852)
Property and equipment	79	-	79
Expense liabilities*	(6,227)	-	(6,227)
Qard	590	-	590
Unutilised tax losses	-	141	141
AFS amortisation	(377)	(49)	(426)
	(5,935)	(760)	(6,695)
Charged to other comprehensive income:			
AFS financial assets	(847)	-	(847)
Charged to Takaful contract liabilities:			
AFS financial assets (Note 12(a))	-	(922)	(922)
At 31 December 2021	(4,781)	(2,350)	(7,131)

* In Budget 2022, the government has introduced amendments to section 60AA of the Income Tax Act, 1967. These amendments now allow management expenses incurred by the Shareholder's fund of the family takaful operators to be deducted for purposes of computing taxable income, beginning YA2022 onwards. Accordingly, because management expenses are now deductible under the new legislation, a timing difference arises, which requires the recognition of deferred tax assets of RM6,227,000 of the Shareholder's fund on the entire balance of expense liabilities as disclosed in Note 16.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 DEFERRED TAXATION (CONTINUED)

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

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2021</u>			
<u>Subject to income tax:</u>			
Deferred tax assets (before offsetting)			
- FVTPL investments	-	2,227	2,227
- AFS financial assets	156	-	156
- Expense liabilities	6,227	-	6,227
- AFS amortisation	379	164	543
	6,762	2,391	9,153
Offsetting	(1,981)	(41)	(2,022)
Deferred tax assets (after offsetting)	4,781	2,350	7,131
Deferred tax liabilities (before offsetting)			
- Property and equipment	168	-	168
- Qard	1,813	-	1,813
- AFS financial assets	-	41	41
	1,981	41	2,022
Offsetting	(1,981)	(41)	(2,022)
Deferred tax liabilities (after offsetting)	-	-	-
<u>2020</u>			
<u>Subject to income tax:</u>			
Deferred tax assets (before offsetting)			
- FVTPL investments	-	1,375	1,375
- AFS amortisation	-	115	115
- Unutilised tax losses	-	141	141
	-	1,631	1,631
Offsetting	-	(963)	(963)
Deferred tax assets (after offsetting)	-	668	668
Deferred tax liabilities (before offsetting)			
- Property and equipment	88	-	88
- Qard	1,224	-	1,224
- AFS financial assets	689	963	1,652
	2,001	963	2,964
Offsetting	-	(963)	(963)
Deferred tax liabilities (after offsetting)	2,001	-	2,001

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 SHARE CAPITAL

	Takaful Operator/Company			
	2021		2020	
	No. of Shares	Share Capital	No. of Shares	Share Capital
	'000	RM'000	'000	RM'000
<u>Issued and fully paid ordinary shares:</u>				
At beginning of the financial year	180,000	180,000	120,000	120,000
Issued during the financial year	-	-	60,000	60,000
At end of the financial year	180,000	180,000	180,000	180,000

In the previous financial year, on 8 December 2020, the Company issued 60,000,000 new ordinary shares to Zurich Holding Malaysia Berhad for a cash consideration of RM60,000,000. The new ordinary shares issued ranked pari passu with those in existence as at 8 December 2020.

Earnings/(loss) per share

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

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

	2021	2020
	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders	3,448	(3,478)
Weighted average number of ordinary shares	180,000	123,781
Basic earnings/(loss) per share (sen)	1.92	(2.81)

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

19 RESERVES

(a) Retained earnings

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

(b) Available-for-sale reserves

The available-for-sale reserves of the Company represents the fair value gains or losses of the available-for-sale financial assets, net of deferred tax.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 NET EARNED CONTRIBUTIONS

	2021	2020
	RM'000	RM'000
Family Takaful Fund/Company		
(i) Gross earned contributions Takaful contracts (Note 12(a))	417,888	411,200
(ii) Contributions ceded to retakaful operators Takaful contracts (Note 12(a))	(42,662)	(39,945)
Net earned contributions	375,226	371,255

21 FEE AND COMMISSION INCOME

	2021	2020
	RM'000	RM'000
<u>Takaful Operator</u>		
Wakalah fee income	132,638	123,684
Asset management fees	6,895	5,918
Others	14,089	15,304
Fee and commission income	153,622	144,906

22 INVESTMENT INCOME

	2021	2020
	RM'000	RM'000
(a) <u>Takaful Operator</u>		
AFS financial assets:		
- Hibah/profit income	7,554	5,554
- Amortisation of premiums - net (Note 7(c)(i))	(1,214)	(635)
LAR:		
- Hibah/profit income	507	495
	6,847	5,414
(b) <u>Family Takaful Fund</u>		
FVTPL investments:		
- Hibah/profit income	3,212	2,974
- Dividend income	6,907	8,743
- Amortisation of premiums - net (Note 7(c)(ii))	(287)	(237)
AFS financial assets:		
- Hibah/profit income	10,470	9,094
- Amortisation of premiums - net (Note 7(c)(ii))	(957)	(715)
LAR:		
- Hibah/profit income	1,219	1,432
	20,564	21,291

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 INVESTMENT INCOME (CONTINUED)

(c) Company

FVTPL investments:		
- Hibah/profit income	3,212	2,974
- Dividend income	6,907	8,743
- Amortisation of premiums - net (Note 7(c)(iii))	(287)	(237)
AFS investments:		
- Hibah/profit income	18,024	14,648
- Amortisation of premiums - net (Note 7(c)(iii))	(2,171)	(1,350)
LAR:		
- Hibah/profit income	1,726	1,927
	<u>27,411</u>	<u>26,705</u>

23 REALISED (LOSSES)/GAINS

	2021 RM'000	2020 RM'000
(a) <u>Takaful Operator</u>		
AFS financial assets:		
Islamic debt securities	15	13
FVTPL investments	(25)	-
	<u>(10)</u>	<u>13</u>
(b) <u>Family Takaful Fund</u>		
AFS financial assets:		
Islamic debt-securities	826	90
FVTPL investments	(2,791)	1,990
	<u>(1,965)</u>	<u>2,080</u>
(c) <u>Company</u>		
AFS financial assets:		
Islamic debt-securities	841	103
FVTPL investments	(2,816)	1,990
	<u>(1,975)</u>	<u>2,093</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 FAIR VALUE (LOSSES)/GAINS

	2021	2020
	RM'000	RM'000
FVTPL investments:		
Takaful Operator (Note 7 (c)(i))	-	50
Family Takaful Fund (Note 7 (c)(ii))	(8,703)	3,390
Company	(8,703)	3,440

25 OTHER OPERATING INCOME - NET

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
<u>2021</u>			
Trailer fee income	-	3,872	3,872
Write-back on impairment of Qard	8,000	-	-
Others	363	(79)	284
	8,363	3,793	4,156
<u>2020</u>			
Trailer fee income	-	3,594	3,594
Others	164	(464)	(300)
	164	3,130	3,294

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 NET CLAIMS

	2021 RM'000	2020 RM'000
(a) <u>Family Takaful Fund</u>		
(i) Gross benefits and claims paid (Note 12(a))	(155,917)	(153,866)
(ii) Claims ceded to retakaful operators (Note 12(a))	22,981	23,730
(iii) Gross change in contract liabilities	(72,434)	(110,061)
(iv) Change in contract liabilities ceded to retakaful operators	(3,800)	3,682
Net claims	<u>(209,170)</u>	<u>(236,515)</u>
	2021 RM'000	2020 RM'000
(b) <u>Company</u>		
(i) Gross benefits and claims paid (Note 12(a))	(155,917)	(153,866)
(ii) Claims ceded to retakaful operators (Note 12(a))	22,981	23,730
(iii) Gross change in contract liabilities	(82,917)	(114,462)
(iv) Change in contract liabilities ceded to retakaful operators	(3,800)	3,682
Net claims	<u>(219,653)</u>	<u>(240,916)</u>

27 FEE AND COMMISSION EXPENSES

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2021</u>			
Wakalah fee expenses	-	132,638	-
Asset management fees	-	6,895	-
Others	-	14,089	-
Commission expenses	<u>103,573</u>	<u>-</u>	<u>103,573</u>
	<u>103,573</u>	<u>153,622</u>	<u>103,573</u>
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2020</u>			
Wakalah fee expenses	-	123,684	-
Asset management fees	-	5,918	-
Others	-	15,304	-
Commission expenses	<u>93,101</u>	<u>-</u>	<u>93,101</u>
	<u>93,101</u>	<u>144,906</u>	<u>93,101</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 MANAGEMENT EXPENSES

	2021	2020
	RM'000	RM'000
<u>Takaful Operator/Company</u>		
Staff salaries and bonus	7,972	10,979
Defined contribution plan	1,387	2,022
Other staff costs	(2,700)	10,969
	6,659	23,970
Auditors' remuneration:		
- Statutory audit	252	262
- Non audit service	-	14
Non-Executive Directors' remuneration (Note 28(a)):		
- fees	406	420
- other emoluments	134	125
Shariah Committee remuneration (Note 28(b)):		
- fees	81	77
- other emoluments	22	29
Depreciation charge on property and equipment (Note 4)	1,438	1,104
Amortisation of intangible assets (Note 5)	787	602
Depreciation charge of right-of-use assets (Note 6)	1,534	1,941
Office rental	4,098	2,048
Bad debts written-off	1,303	1,416
Printing and stationery	742	1,202
Advertising and promotions	2,814	711
Postage and telephone	804	943
Professional fees	1,227	648
Agency training	939	576
Data processing	4,098	4,955
Repairs and maintenance	1,280	1,062
Motor vehicle expenses	25	1
Electricity charges	326	482
Bank and credit card charges	2,009	1,950
Other expenses	30,867	26,231
	61,845	70,769

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 MANAGEMENT EXPENSES (CONTINUED)

(a) Directors' and Chief Executive Officers' remuneration

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

	Takaful Operator/Company					
	Fees	Salary	Bonus	Allowance	Others	Benefits-in kind
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2021</u>						
Chief Executive Officer						
- Mukesh Dhawan and Nazrul Hisham Abdul Hamid	-	2,936	221	-	108	184
	-	2,936	221	-	108	184
Non-Executive Directors						
- Hasnah binti Omar	150	-	-	33	-	-
- Datuk Dr. Hafsah binti Hashim	90	-	-	37	-	-
- Jan Yoke Lan	47	-	-	17	-	-
- Assoc. Prof. Dr Mohamed Fairouz bin Abdul Khir	47	-	-	17	-	-
- Onn Kien Hoe (Retired on 17 May 2021)	34	-	-	15	-	-
- Dr. Yusri Bin Mohamad (Retired on 4 June 2021)	38	-	-	15	-	-
	406	-	-	134	-	-

For Executive Directors of the Company, Stephen James Clark and Matthew William Swinfen Cottrel remuneration are paid by ZICL during the financial year.

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28 MANAGEMENT EXPENSES (CONTINUED)

(a) Directors' and Chief Executive Officers' remuneration

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

	Takaful Operator/Company					
	Fees	Salary	Bonus	Allowance	Others	Benefits- in kind
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2020</u>						
Chief Executive Officer						
- Mukesh Dhawan	-	1,675	145	-	1	31
	-	1,675	145	-	1	31
Non-Executive Directors						
- Hasnah binti Omar	150	-	-	29	-	-
- Onn Kien Hoe	90	-	-	32	-	-
- Dr. Yusri Bin Mohamad	90	-	-	32	-	-
- Datuk Dr. Hafsah binti Hashim	90	-	-	32	-	-
	420	-	-	125	-	-

For the Executive Director of the Company, Stephen James Clark, his remunerations is paid by ZICL during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 MANAGEMENT EXPENSES (CONTINUED)

(a) Directors' and Chief Executive Officers' remuneration

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

	Number of Directors	
	2021	2020
<u>Non-Executive Directors:</u>		
RM10,000 – RM100,000	4	-
RM100,001 – RM200,000	2	4

(b) Shariah Committee remuneration

	Fees	Allowance	2021 Total
	RM'000	RM'000	RM'000
Shariah Committee Members			
- Assoc. Prof. Dr Mohamed Fairouz Bin Abdul Khir	19	5	24
- Assoc. Prof. Dr. Md Khalil Bin Ruslan	8	2	10
- Dr Wan Marhaini Binti Wan Ahmad	15	5	20
- Dr Yusri Bin Mohamad	8	2	10
- Assoc. Prof. Dr. Zulkifli Bin Hasan	15	4	19
- Dr. Zaharuddin Bin Abdul Rahman	8	2	10
- Prof. Dr. Zurina Shafii	8	2	10
	81	22	103

	Fees	Allowance	2020 Total
	RM'000	RM'000	RM'000
Shariah Committee Members			
- Assoc. Prof. Dr. Md Khalil Bin Ruslan	15	6	21
- Dr. Luqman Bin Abdullah	13	5	18
- Prof. Dr. Mohamad Bin Abdul Hamid	13	5	18
- Dr. Yusri Bin Mohamad	15	6	21
- Assoc. Prof. Dr. Zulkifli Bin Hasan	15	5	20
- Assoc. Prof. Dr. Mohamed Fairouz Bin Abdul Khir	3	1	4
- Dr. Wan Marhaini Binti Wan Ahmad	3	1	4
	77	29	106

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OTHER OPERATING EXPENSES

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2021</u>			
Fund management fees	1,263	-	1,263
Others	20	59	79
	<u>1,283</u>	<u>59</u>	<u>1,342</u>

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2020</u>			
Fund management fees	1,170	-	1,170
Others	73	755	828
	<u>1,243</u>	<u>755</u>	<u>1,998</u>

30 TAXATION

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2021</u>			
Current tax:			
Current financial year	6,071	1,418	7,489
Under/(over) provision in prior financial year	52	(899)	(847)
	<u>6,123</u>	<u>519</u>	<u>6,642</u>
Deferred tax (Note 17)	(5,935)	(760)	(6,695)
Tax expense/(income)	<u>188</u>	<u>(241)</u>	<u>(53)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 TAXATION (CONTINUED)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2020</u>			
Current tax:			
Current financial year	4,780	1,670	6,450
Overprovision in prior financial year	(235)	(1,261)	(1,496)
	4,545	409	4,954
Deferred tax (Note 17)	(1,768)	(1,449)	(3,217)
Tax expense/(income)	2,777	(1,040)	1,737

The income tax for the Company is calculated based on the tax rate of 24% of the estimated assessable profit for the financial year.

The income tax for Family Takaful fund is calculated based on the tax rate of 8% of the estimated assessable investment income net of allowable deductions for the financial year.

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

	2021 RM'000	2020 RM'000
<u>Company</u>		
Profit/(loss) before taxation attributable to Takaful Operator, after Zakat	3,395	(1,741)
Taxation at Malaysia statutory tax rate of 24%	815	(418)
Expenses not deductible for tax purposes	220	4,691
Tax income attributable to participants	(241)	(1,040)
Over provision of tax in prior financial year	(847)	(1,496)
Total tax (income)/expenses	(53)	1,737

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 CASH FLOWS

	2021	2020
	RM'000	RM'000
Net profit/(loss) for the financial year	3,448	(3,478)
Adjustment for:		
Investment income	(27,411)	(26,705)
Realised gains from disposal of FVTPL and AFS investments	(816)	(101)
Fair value loss/(gain)	11,494	(5,430)
Depreciation of property and equipment	1,439	1,104
Write-offs of property and equipment	-	1
Write-offs of intangible assets	-	483
Amortisation of intangible assets	788	602
Depreciation for right-of-use assets	1,534	1,941
Interest expense on lease liability	116	147
Tax expense attributable to Takaful Operator	188	2,777
Tax income attributable to participants	(241)	(1,040)
Net cashflows from operating before changes in working capital	(9,461)	(29,699)
Changes in working capital:		
Increase in financial assets at fair value through profit or loss	(45,814)	(47,131)
Increase in available-for-sale financial assets	(76,709)	(106,312)
Decrease/(increase) in retakaful assets	3,718	(1,778)
Decrease in Takaful receivables	640	7,295
Decrease in other receivables	2,334	2,988
Increase in Takaful contract liabilities	78,001	101,056
(Decrease)/increase in Takaful payables	(3,774)	8,399
Decrease in other payables	(3,534)	(3,625)
Increase in expense liabilities	6,050	1,597
Cash used in operating activities	(48,549)	(67,210)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationship

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

<u>Related Companies</u>	<u>Relationship</u>
Zurich Insurance Group Ltd. ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd. ("ZICL")	Penultimate holding company
Zurich Holding Malaysia Berhad ("ZHMB")	Immediate holding company
Zurich Life Insurance Malaysia Berhad ("ZLIMB")	Subsidiary of ultimate holding company
Zurich Services Malaysia Sdn Bhd ("ZSM")	Subsidiary of penultimate holding company
Zurich Shared Services Malaysia Sdn Bhd ("ZSSM")	Subsidiary of ZSM
Zurich General Insurance Malaysia Berhad ("ZGIMB")	Subsidiary of immediate holding company
Zurich General Takaful Malaysia Berhad ("ZGTMB")	Subsidiary of immediate holding company

Significant related party transactions

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

Takaful Operator/Company

	2021 RM'000	2020 RM'000
Capital:		
Transactions with immediate holding company :		
- Injection of capital	-	60,000
(Expense)/income		
Transactions with subsidiaries of ultimate holding company :		
- Outsourcing and reimbursement costs	(37,234)	(31,662)
Transactions with subsidiaries of immediate holding company :		
- Outsourcing and reimbursement costs	(1,952)	(170)
- Outsourcing income and reimbursement of expenses paid on behalf	1,137	405
Transactions with subsidiaries of penultimate holding company :		
- Outsourcing and reimbursement costs	(2,828)	(343)
Transactions with penultimate holding company :		
- IFRS 9 project costs	197	-
- Investment services fees	156	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 SIGNIFICANT RELATED PARTY DISCLOSURE (CONTINUED)

Related party balances

Included in the statement of financial position of the Company are significant related party balances as shown below:

Takaful Operator/Company

	<u>2021</u> RM'000	<u>2020</u> RM'000
Balance with Zurich Life Insurance Malaysia Berhad:		
- Outsourcing fees	(1,620)	(1,862)
- Reimbursement of expenses paid on behalf	(820)	(1,142)
	<u>(2,440)</u>	<u>(3,004)</u>
Balance with Zurich General Insurance Malaysia Berhad:		
- Outsourcing fees	(94)	(41)
- Reimbursement of expenses paid on behalf	(251)	(49)
	<u>(345)</u>	<u>(90)</u>
Balance with Zurich General Takaful Malaysia Berhad:		
- Outsourcing fees	69	859
- Reimbursement of expenses paid on behalf	(192)	753
	<u>(123)</u>	<u>1,612</u>
Balance with Zurich Services Malaysia Sdn Bhd:		
- Outsourcing fees	(52)	-
- Reimbursement of expenses paid on behalf	(13)	-
	<u>(65)</u>	<u>-</u>
Balance with Zurich Insurance Company Ltd.:		
- IFRS 9 project costs	-	(197)
- Investment service fees	-	(156)
	<u>-</u>	<u>(353)</u>

These related party balances are current, unsecured, non profit-bearing and payable within 12 months.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 SIGNIFICANT RELATED PARTY DISCLOSURE (CONTINUED)

Key management personnel's remuneration

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

	2021	2020
	RM'000	RM'000
Salary	4,762	2,220
Bonus	241	145
Defined contribution plans	226	-
Other benefits	184	32
	<u>5,413</u>	<u>2,397</u>
Included in the total key management personnel is the Directors' emoluments/CEO's remuneration (Note 28(a))	<u>3,989</u>	<u>2,397</u>

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

The estimated cash value of benefits-in-kind provided to CEO amounted to RM184,000 (2020: RM nil).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 RISK MANAGEMENT FRAMEWORK

(a) 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 Framework. The Framework 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 Framework is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight over technology-related matters 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") and the various Senior Management Committees for General Businesses. All these committees are chaired by the Chief Executive Officer or a member of the senior management team.

They are responsible to oversee 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.

(b) Governance and Regulatory Framework

The Company is required to comply with the IFSA 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.

The Board exercises oversight on investments to safeguard the interests of participants and shareholders while ensuring compliance with Shariah.

(c) Capital Management

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

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework for Takaful Operators regulated by BNM is 130% for each takaful operator. The Company complied with the minimum CAR as at 31 December 2021. The Total Available Capital of the Company as at 31 December 2021 was RM189,440,000 (2020: RM190,961,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital Management (continued)

The capital structure of the Company as at 31 December 2021, as prescribed under the RBCT Framework, is shown below:

	2021	2020
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up capital	180,000	180,000
Valuation surplus in takaful fund	(8,670)	(25,121)
Retained earnings	13,576	8,448
	<u>184,906</u>	<u>163,327</u>
<u>Tier 2 Capital</u>		
Available-for-sale reserves	(337)	10,527
Qard	15,390	21,712
	<u>15,053</u>	<u>32,239</u>
Amount deducted from capital	(10,519)	(4,605)
Total Capital Available	<u>189,440</u>	<u>190,961</u>

34 TAKAFUL RISK

The Company accepts Takaful risk through its written Takaful contracts. The Company writes Family Takaful contracts (health, group family, mortgage and investment-linked). Takaful 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 Takaful risk appetite is defined through the review of portfolio size, underwriting criteria, product limits, retakaful arrangements, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, aggregate risks and loss scenarios.

(a) Family Takaful

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 family medical history of the applicants. 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

The table below shows the concentration of Family Takaful contract liabilities, excluding AFS fair value reserves, by type of contract.

	Gross RM'000	Retakaful RM'000	Net RM'000
<u>31 December 2021</u>			
Family Takaful contract liabilities:			
Endowment	658,625	(8,141)	650,484
Term	170,335	(15,262)	155,073
Total Family Takaful contract liabilities	828,960	(23,403)	805,557

31 December 2020

Family Takaful contract liabilities:			
Endowment	575,113	(11,352)	563,761
Term	175,847	(15,768)	160,079
Total Family Takaful contract liabilities	750,960	(27,120)	723,840

Key assumptions

Material judgment is 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 and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Key assumptions (continued)

The table below shows the key underlying assumptions used for valuation of Family Takaful contract liabilities:

Assumptions	Description
Valuation Method	<p>Long-term plans are reserved using either a Gross Premium Valuation ("GPV") or a Sterling Reserve Discounted Cash Flow ("SDCF") approach. For products where there is a tabarru dripping from the Participants Investment Account into the Participants Risk Investment Account, the SDCF is adopted to ensure all future obligations can be met without recourse to further finance or capital support at any future time over the term of the certificate.</p> <p>Short-term plans are reserved using a short-term reserving methodology. The reserve held is the higher of the unexpired risk reserve ("URR") and the unearned tabarru reserve ("UTR").</p>
Discount Rate	<p>Government Investment Issues ("GII") yields determined based on the following:</p> <p>(i) For cash flows with duration less than 15 years, GII zero coupon spot yields of matching duration.</p> <p>(ii) For cash flows with duration 15 years or more, GII zero coupon spot yields of 15 years to maturity.</p> <p>Data source: Bond Pricing Agency Malaysia Sdn. Bhd.</p>
Mortality, Disability, Dread Disease, Expense, Lapse and Fund Growth Rates	<p>Best estimate and PRAD assumptions are determined based on internal experience studies, with due regard to significant recent experience. These assumptions reflect the Company's long term view of future experience that is expected to emerge. For products with limited internal experience, the pricing basis are adopted as the valuation assumptions until further credible experience is available.</p>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions. The impact from the opposite direction of the change in assumptions is expected to have the same opposite impact to gross and net claim liabilities, profit before tax and equity.

		Impact on Family Takaful contract liabilities		* Profit/(loss) before taxation of Family Takaful Fund
	Change in assumptions	Gross	Net	
	%	RM'000	RM'000	RM'000
		< -----Increase / (Decrease)----- >		
<u>31 December 2021</u>				
Mortality/morbidity	+10%	28,463	17,075	(17,075)
Lapse and surrender rates	+10%	56	340	(340)
Discount rate	+100 basis points	(13,044)	(11,938)	11,938
<u>31 December 2020</u>				
Mortality/morbidity	+10%	19,239	10,494	(10,494)
Lapse and surrender rates	+10%	33	290	(290)
Discount rate	+100 basis points	(13,626)	(12,524)	12,524

* The profits are before surplus sharing or Qard repayment.

It is expected that there will be minimal impact on the Family Takaful contract liabilities in relation to changes made to longevity and investment return assumptions.

35 FINANCIAL RISK

The Company's activities expose it to credit risk, liquidity risk and market risk. The Company's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Company's financial performance. The Board is responsible for setting the objectives and underlying principles of financial risk management for the Company and detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits in accordance with the objectives and underlying principles approved by the Board. The Board has established the Risk Management and Sustainability Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 FINANCIAL RISK (CONTINUED)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are investment in cash, Islamic private debt securities, and receivables, including amounts due from Takaful contracts and amounts due from retakaful in respect of payments already made to participants. For investments in Islamic private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. The Qard are not financial instruments, and hence these items are not exposed to credit risk.

For receivables, the Company adopts the policy of dealing only with customers of appropriate credit history. Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

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

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

Exposure to credit risk

The table below show 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.

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2021</u>			
AFS financial assets:			
Government Investment Issues	-	3,241	3,241
Unquoted Islamic debt-securities	193,423	229,714	423,137
FVTPL investments:			
Unquoted Islamic debt-securities	-	65,651	65,651
Quoted Shariah-approved equities *	-	147,678	147,678
Unquoted Shariah-approved equities	-	4,006	4,006
Unit trusts *	-	293,718	293,718
Retakaful assets #	-	23,403	23,403
Takaful receivables	-	-	-
Other receivables **	31,059	2,060	3,694
Cash and cash equivalents	15,971	110,751	126,722
	<u>240,453</u>	<u>880,222</u>	<u>1,091,250</u>

* Not subject to credit risk

** Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

Retakaful assets exclude share of unearned contribution reserve

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Exposure to credit risk (continued)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2020</u>			
AFS financial assets:			
Government Investment Issues	-	3,441	3,441
Unquoted Islamic debt-securities	136,454	225,327	361,781
FVTPL investments:			
Unquoted Islamic debt-securities	-	60,897	60,897
Quoted Shariah-approved equities *	-	141,432	141,432
Unquoted Shariah-approved equities	-	3,088	3,088
Investment-linked units *	3,100	-	-
Unit trusts *	-	268,506	268,506
Retakaful assets #	-	27,120	27,120
Takaful receivables	-	640	640
Other receivables **	23,924	1,019	2,947
Cash and cash equivalents	81,990	77,117	159,107
	<u>245,468</u>	<u>808,587</u>	<u>1,028,959</u>

* Not subject to credit risk

** Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

Retakaful assets exclude share of unearned contribution reserve

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 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 assets according to the RAM and/or MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

Takaful Operator

	Neither past-due nor impaired			Not subject to credit risk	Past due but not impaired	Impaired	Total
	Investment grade	Non-investment grade	Not rated				
	Government Guaranteed (AAA to BBB)	(BB to C)					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2021</u>							
AFS financial assets:							
- Unquoted Islamic debt-securities	2,525	190,898	-	-	-	-	193,423
Other receivables *	-	-	-	31,059	-	-	31,059
Cash and cash equivalents	-	15,971	-	-	-	-	15,971
	<u>2,525</u>	<u>206,869</u>	<u>-</u>	<u>31,059</u>	<u>-</u>	<u>-</u>	<u>240,453</u>

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

Family Takaful fund

	Neither past-due nor impaired			Not subject to credit risk	Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade				
	Government Guaranteed	(AAA to BBB)	(BB to C)				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2021</u>							
AFS financial assets:							
- Government Investment Issues	3,241	-	-	-	-	-	3,241
- Unquoted Islamic debt-securities	9,802	219,912	-	-	-	-	229,714
FVTPL investments:							
- Unquoted Islamic debt-securities	4,700	58,454	2,497	-	-	-	65,651
- Quoted Shariah approved equities	-	-	-	147,678	-	-	147,678
- Unquoted Shariah approved equities	-	4,006	-	-	-	-	4,006
- Unit trusts	-	-	-	293,718	-	-	293,718
Retakaful assets #	-	23,403	-	-	-	-	23,403
Takaful receivables	-	-	-	-	-	-	-
Other receivables *	-	-	-	2,060	-	-	2,060
Cash and cash equivalents	-	110,751	-	-	-	-	110,751
	17,743	416,526	2,497	2,060	441,396	-	880,222

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

Company

	Neither past-due nor impaired				Not subject to credit risk	Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade	Not rated				
	Government Guaranteed (AAA to BBB)		(BB to C)					
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
<u>31 December 2021</u>								
AFS financial assets:								
- Government Investment Issues	3,241	-	-	-	-	-	-	3,241
- Unquoted Islamic debt-securities	12,327	410,810	-	-	-	-	-	423,137
FVTPL investments:								
- Unquoted Islamic debt-securities	4,700	58,454	2,497	-	-	-	-	65,651
- Quoted Shariah approved equities	-	-	-	-	147,678	-	-	147,678
- Unquoted Shariah approved equities	-	4,006	-	-	-	-	-	4,006
- Unit trusts	-	-	-	-	293,718	-	-	293,718
Retakaful assets #	-	23,403	-	-	-	-	-	23,403
Takaful receivables	-	-	-	-	-	-	-	-
Other receivables *	-	-	-	3,694	-	-	-	3,694
Cash and cash equivalents	-	126,722	-	-	-	-	-	126,722
	20,268	623,395	2,497	3,694	441,396	-	-	1,091,250

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

Takaful Operator

	Neither past-due nor impaired			Not subject to credit risk	Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade				
	Government Guaranteed (AAA to BBB)		(BB to C)				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2020</u>							
AFS financial assets:							
- Unquoted Islamic debt-securities	2,572	133,882	-	-	-	-	136,454
FVTPL investments:							
- Investment-linked funds	-	-	-	3,100	-	-	3,100
Other receivables *	-	-	-	23,924	-	-	23,924
Cash and cash equivalents	-	81,990	-	-	-	-	81,990
	<u>2,572</u>	<u>215,872</u>	<u>-</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>245,468</u>

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

Family Takaful fund

	Neither past-due nor impaired			Not subject to credit risk	Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade				
	Government Guaranteed	(AAA to BBB)	(BB to C)				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2020</u>							
AFS financial assets:							
- Government Investment Issues	3,441	-	-	-	-	-	3,441
- Unquoted Islamic debt-securities	5,232	220,095	-	-	-	-	225,327
FVTPL investments:							
- Unquoted Islamic debt-securities	7,203	53,694	-	-	-	-	60,897
- Quoted Shariah approved equities	-	-	-	141,432	-	-	141,432
- Unquoted Shariah approved equities	-	3,088	-	-	-	-	3,088
- Unit trust	-	-	-	268,506	-	-	268,506
Retakaful assets #	-	27,120	-	-	-	-	27,120
Takaful receivables	-	-	-	640	-	-	640
Other receivables *	-	-	-	1,019	-	-	1,019
Cash and cash equivalents	-	77,117	-	-	-	-	77,117
	15,876	381,114	-	1,659	-	-	808,587

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

Company

	Neither past-due nor impaired				Not subject to credit risk	Past due but not impaired	Impaired	Total
	Investment grade		Non-investment grade	Not rated				
	Government Guaranteed (AAA to BBB)		(BB to C)					
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
<u>31 December 2020</u>								
AFS financial assets:								
- Government Investment Issues	3,441	-	-	-	-	-	-	3,441
- Unquoted Islamic debt-securities	7,804	353,977	-	-	-	-	-	361,781
FVTPL investments:								
- Unquoted Islamic debt-securities	7,203	53,694	-	-	-	-	-	60,897
- Quoted Shariah approved equities	-	-	-	-	141,432	-	-	141,432
- Unquoted Shariah approved equities	-	3,088	-	-	-	-	-	3,088
- Unit trusts	-	-	-	-	268,506	-	-	268,506
Retakaful assets #	-	27,120	-	-	-	-	-	27,120
Takaful receivables	-	-	-	640	-	-	-	640
Other receivables *	-	-	-	2,947	-	-	-	2,947
Cash and cash equivalents	-	159,107	-	-	-	-	-	159,107
	<u>18,448</u>	<u>596,986</u>	<u>-</u>	<u>3,587</u>	<u>409,938</u>	<u>-</u>	<u>-</u>	<u>1,028,959</u>

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000)

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

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35 FINANCIAL RISK (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and Takaful liabilities that are settled by delivering cash or another financial asset. The Company is exposed to calls on its available cash resources mainly from claims arising from takaful and investment contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of lapses/surrenders. The nature of the Company's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior period.

The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This involves projecting cash flows on a regular basis to predict cash outflows from Takaful and investment contracts over the short, medium and long term; which include purchases of assets with similar durations to its Takaful contracts; assets purchased by the Company to satisfy specified marketability requirements; and the Company maintains cash and liquid assets to meet daily calls on its Takaful contracts and other obligations.

Maturity profiles

The table below summarises the maturity profile of the financial and takaful assets and liabilities of the Company based on remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for Takaful contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised Takaful liabilities. Unearned contribution reserve, retakaful's share of unearned contribution and expense liabilities have been excluded from the analysis as they are not contractual obligations.

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35 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk

Takaful Operator

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2021</u>								
AFS financial assets	193,423	52,147	68,192	74,323	18,797	-	-	213,459
Other receivables *	31,059	31,059	-	-	-	-	-	31,059
Cash and cash equivalents	15,971	15,971	-	-	-	-	-	15,971
	<u>240,453</u>	<u>99,177</u>	<u>68,192</u>	<u>74,323</u>	<u>18,797</u>	<u>-</u>	<u>-</u>	<u>260,489</u>
Other payables	26,824	26,824	-	-	-	-	-	26,824
Lease liabilities	2,076	1,228	680	346	-	-	-	2,254
	<u>28,900</u>	<u>28,052</u>	<u>680</u>	<u>346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,078</u>

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Family takaful fund

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2021</u>								
AFS financial assets	232,955	13,018	37,052	42,204	212,095	17,814	-	322,183
FVTPL investments	511,053	7,638	10,477	14,204	54,652	1,123	441,396	529,490
Retakaful assets #	23,403	11,435	17	80	2,290	9,581	-	23,403
Takaful receivables	-	-	-	-	-	-	-	-
Other receivables *	2,060	2,060	-	-	-	-	-	2,060
Cash and cash equivalents	110,751	110,751	-	-	-	-	-	110,751
	<u>880,222</u>	<u>144,902</u>	<u>47,546</u>	<u>56,488</u>	<u>269,037</u>	<u>28,518</u>	<u>441,396</u>	<u>987,887</u>
Takaful contract liabilities	829,422	692,611	15,532	457	11,294	128,067	-	847,961
Takaful payables	4,789	4,789	-	-	-	-	-	4,789
Other payables	49,057	49,057	-	-	-	-	-	49,057
	<u>883,268</u>	<u>746,457</u>	<u>15,532</u>	<u>457</u>	<u>11,294</u>	<u>128,067</u>	<u>-</u>	<u>901,807</u>

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Company

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2021</u>								
AFS financial assets	426,378	65,165	105,244	116,527	230,892	17,814	-	535,642
FVTPL investments	511,053	7,638	10,477	14,204	54,652	1,123	445,402	533,496
Retakaful assets #	23,403	11,435	17	80	2,290	9,581	-	23,403
Takaful receivables	-	-	-	-	-	-	-	-
Other receivables *	3,694	3,694	-	-	-	-	-	3,694
Cash and cash equivalents	126,722	126,722	-	-	-	-	-	126,722
	<u>1,091,250</u>	<u>214,654</u>	<u>115,738</u>	<u>130,811</u>	<u>287,834</u>	<u>28,518</u>	<u>445,402</u>	<u>1,222,957</u>
Takaful contract liabilities	829,422	692,611	15,532	457	11,294	128,067	-	847,961
Takaful payables	4,789	4,789	-	-	-	-	-	4,789
Other payables	46,456	46,456	-	-	-	-	-	46,456
Lease liabilities	2,076	1,228	680	346	-	-	-	2,254
	<u>882,743</u>	<u>745,084</u>	<u>16,212</u>	<u>803</u>	<u>11,294</u>	<u>128,067</u>	<u>-</u>	<u>901,460</u>

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Takaful Operator

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2020</u>								
AFS financial assets	136,454	25,443	60,002	46,519	16,438	-	-	148,402
FVTPL investments	3,100	-	-	-	-	-	3,100	3,100
Other receivables *	23,924	23,924	-	-	-	-	-	23,924
Cash and cash equivalents	81,990	81,990	-	-	-	-	-	81,990
	<u>245,468</u>	<u>131,357</u>	<u>60,002</u>	<u>46,519</u>	<u>16,438</u>	<u>-</u>	<u>3,100</u>	<u>257,416</u>
Other payables	30,235	30,235	-	-	-	-	-	30,235
Lease liabilities	3,285	1,228	1,601	337	119	-	-	3,285
	<u>33,520</u>	<u>31,463</u>	<u>1,601</u>	<u>337</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>33,520</u>

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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35 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Family takaful fund

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2020</u>								
AFS financial assets	228,768	11,315	34,355	39,507	189,945	25,788	-	300,910
FVTPL investments	473,923	6,045	16,999	11,197	43,822	2,756	409,938	490,757
Retakaful assets #	27,120	14,918	23	38	2,183	9,958	-	27,120
Takaful receivables	640	640	-	-	-	-	-	640
Other receivables *	1,019	1,019	-	-	-	-	-	1,019
Cash and cash equivalents	77,117	77,117	-	-	-	-	-	77,117
	<u>808,587</u>	<u>111,054</u>	<u>51,377</u>	<u>50,742</u>	<u>235,950</u>	<u>38,502</u>	<u>409,938</u>	<u>897,563</u>
Takaful contract liabilities	762,030	615,990	21,903	356	10,865	114,946	-	764,060
Takaful payables	8,696	8,696	-	-	-	-	-	8,696
Other payables	38,818	38,818	-	-	-	-	-	38,818
	<u>809,544</u>	<u>658,966</u>	<u>21,880</u>	<u>318</u>	<u>8,682</u>	<u>104,988</u>	<u>-</u>	<u>794,834</u>

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Company

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2020</u>								
AFS financial assets	365,222	36,758	94,357	86,026	206,383	-	-	423,524
FVTPL investments	473,923	6,045	16,999	11,197	43,822	2,756	409,938	490,757
Retakaful assets #	27,120	14,918	23	38	2,183	9,958	-	27,120
Takaful receivables	640	640	-	-	-	-	-	640
Other receivables *	2,947	2,947	-	-	-	-	-	2,947
Cash and cash equivalents	159,107	159,107	-	-	-	-	-	159,107
	<u>1,028,959</u>	<u>220,415</u>	<u>111,379</u>	<u>97,261</u>	<u>252,388</u>	<u>12,714</u>	<u>409,938</u>	<u>1,104,095</u>
Takaful contract liabilities	758,930	615,990	21,903	356	10,865	114,946	-	764,060
Takaful payables	21,222	21,222	-	-	-	-	-	21,222
Other payables	47,057	47,057	-	-	-	-	-	47,057
Lease liabilities	3,285	1,228	1,601	337	119	-	-	3,285
	<u>830,494</u>	<u>680,959</u>	<u>23,481</u>	<u>655</u>	<u>8,801</u>	<u>104,988</u>	<u>-</u>	<u>818,884</u>

Retakaful assets exclude share of unearned contribution reserve

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 FINANCIAL RISK (CONTINUED)

Market risks

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices which will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets, including those held to back investment-linked contracts to the extent that the fees earned by the Company on these contracts are often dependent on the market value of the underlying portfolio.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

The Investment Committee manages and monitors market risks. The Committee's reports are tabled to the Board. For each of the major components of market risk the Company has policies and procedures in place which detail how each risk should be managed and monitored.

(i) Profit rate risk

Profit rate risk arises primarily from the Company's investments in debt securities. Changes in investment values attributable to profit rate changes are mitigated by corresponding and partially offsetting changes in the economic value of takaful contract liabilities. The Company manages its profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from profit rate movements. The Company monitors its profit rate risk exposure through periodic reviews of the asset and liability position, as well as through stress testing by using duration and convexity measurements. The nature of the Company's exposures to profit rate risk and its objectives, policies and processes for managing profit rate risk have not changed significantly from the prior period.

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 AFS financial assets).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 FINANCIAL RISK (CONTINUED)

Market risks (continued)

(i) Profit rate risk (continued)

	Changes in variables	Impact on profit before tax [^]		Impact on equity [*]		Impact on Takaful contract liabilities [*]	
		2021	2020	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Takaful Operator</u>							
RM	+50 basis points	-	-	(239)	(137)	-	-
RM	-50 basis points	-	-	248	(216)	-	-
<u>Family Takaful Fund</u>							
RM	+50 basis points	-	-	-	-	(5,968)	(6,254)
RM	-50 basis points	-	-	-	-	6,483	6,792
<u>Company</u>							
RM	+50 basis points	-	-	(239)	(137)	(5,968)	(6,254)
RM	-50 basis points	-	-	248	(216)	6,483	6,792

[^] Impact on Islamic money market instruments only.

^{*} Impact on equity/Takaful contract liabilities reflects adjustments for tax, when applicable.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's primary transactions are carried out in Ringgit Malaysia ("RM"). Exposures to foreign currency risk are monitored on an on-going basis.

The Company has no significant exposure to currency risk.

(iii) Operational risks

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Company has developed comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures, monitor and control the risk in order to avoid or reduce future losses. 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 FINANCIAL RISK (CONTINUED)

Market risks (continued)

(iv) 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 stress testing. In addition, the Company monitors and manages the equity exposure against policies set and agreed by the Investment Committee. These policies include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set.

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 AFS financial assets). 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.

Family takaful fund/Company

<u>Market Indices</u>	<u>Changes in variables</u>	<u>Impact on Takaful contract liabilities *</u>		<u>Impact on profit before tax</u>		<u>Impact on equity *</u>	
		2021	2020	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bursa Malaysia	15%	20,380	19,518	-	-	-	-
Bursa Malaysia	-15%	(20,380)	(19,518)	-	-	-	-

* Impact on Takaful contract liabilities and equity 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 (CONTINUED)

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES

The Company has applied the temporary exemption from the adoption of MFRS 9 "Financial Instruments" from 1 January 2018 to no later than 1 January 2023 (see Note 2(a)(i)). In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets.

The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"). Takaful receivables and retakaful assets have been excluded from the above assessment as they will be under the scope of MFRS 17 "Insurance Contracts":

Takaful Operator

	Fair value at 31 December RM'000	Change in fair value RM'000	Results of the cash flows characteristics
<u>31 December 2021</u>			
AFS financial assets:			
Unquoted Islamic debt-securities	193,423	(3,530)	Non-SPPI
Other receivables *	31,059	-	SPPI
Cash and cash equivalents	15,971	-	SPPI
	240,453	(3,530)	

Family Takaful fund

	Fair value at 31 December RM'000	Change in fair value RM'000	Results of the cash flows characteristics
<u>31 December 2021</u>			
AFS financial assets:			
Government Investment Issues	3,241	(175)	Non-SPPI
Unquoted Islamic debt-securities	229,714	(11,356)	Non-SPPI
FVTPL investments:			
Unquoted Islamic debt-securities	65,651	(2,474)	SPPI
Quoted Shariah-approved equities	147,678	(1,064)	SPPI
Unquoted Shariah-approved equities	4,006	(176)	SPPI
Unit trusts	293,718	(4,989)	SPPI
Other receivables *	2,060	-	SPPI
Cash and cash equivalents	110,751	-	SPPI
	856,819	(20,234)	

* Excludes prepayments of RM114,000 from Takaful Operator fund as at 31 December 2021 (2020: RM3,347,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Company

	Fair value at 31 December RM'000	Change in fair value RM'000	Results of the cash flows characteristics
<u>31 December 2021</u>			
AFS financial assets:			
Government Investment Issues	3,241	(175)	Non-SPPI
Unquoted Islamic debt-securities	423,137	(14,886)	Non-SPPI
FVTPL investments:			
Unquoted Islamic debt-securities	65,651	(2,474)	SPPI
Quoted Shariah-approved equities	147,678	(1,014)	SPPI
Unquoted Shariah-approved equities	4,006	(176)	SPPI
Unit trusts	293,718	(4,989)	SPPI
Other receivables	3,694	-	SPPI
Cash and cash equivalents	126,722	-	SPPI
	<u>1,067,847</u>	<u>(23,714)</u>	

Takaful Operator

	Fair value at 31 December RM'000	Change in fair value RM'000	Results of the cash flows characteristics
<u>31 December 2020</u>			
AFS financial assets:			
Unquoted Islamic debt-securities	136,454	1,368	Non-SPPI
FVTPL investments:			
Investment-linked funds	3,100	50	SPPI
Other receivables	23,924	-	SPPI
Cash and cash equivalents	81,990	-	SPPI
	<u>245,468</u>	<u>1,418</u>	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Family Takaful fund

	Fair value at 31 December RM'000	Change in fair value RM'000	Results of the cash flows characteristics
<u>31 December 2020</u>			
AFS financial assets:			
Government Investment Issues	3,441	44	Non-SPPI
Unquoted Islamic debt-securities	225,327	5,122	Non-SPPI
FVTPL investments:			
Unquoted Islamic debt-securities	60,897	970	SPPI
Quoted Shariah-approved equities	141,432	4,044	SPPI
Unquoted Shariah-approved equities	3,088	(2060)	
Unit trusts	268,506	436	SPPI
Other receivables	1,019	-	SPPI
Cash and cash equivalents	77,117	-	SPPI
	<u>780,827</u>	<u>8,556</u>	

Company

	Fair value at 31 December RM'000	Change in fair value RM'000	Results of the cash flows characteristics
<u>31 December 2020</u>			
AFS financial assets:			
Government Investment Issues	3,441	44	Non-SPPI
Unquoted Islamic debt-securities	361,781	6,490	Non-SPPI
FVTPL investments:			
Unquoted Islamic debt-securities	60,897	970	SPPI
Quoted Shariah-approved equities	141,432	4,044	SPPI
Unquoted Shariah-approved equities	3,088	(2060)	SPPI
Unit trusts	268,506	436	SPPI
Other receivables	2,947	-	SPPI
Cash and cash equivalents	159,107	-	SPPI
	<u>1,001,199</u>	<u>9,924</u>	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 COMPARATIVE FIGURES

Certain comparative figures of Takaful Operator, Family Takaful fund and the Company statement of profit or loss have been reclassified to conform with the current year presentation. There was no impact to the Statement of Financial Position as at 1 January 2020. For information and comparison purposes, the effects of the reclassifications in the Takaful Operator fund, Family Takaful fund and the Company Statement of Profit or Loss are presented as follows:

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Previously stated			Reclassification			Restated		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Surplus sharing from family takaful fund	5,000	-	-	(5,000)	-	-	-	-	-
Gross change to contract liabilities	-	(109,462)	(109,462)	-	(599)	(5,000)	-	(110,061)	(114,462)
Surplus declared and payable to participants	-	(5,000)	(5,000)	-	-	5,000	-	(5,000)	-
Surplus declared and payable to Takaful Operator	-	(5,000)	-	5,000	-	-	5,000	(5,000)	-
Deficit transferred to unallocated surplus	-	-	-	-	599	-	-	599	-

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 COMPARATIVE FIGURES (CONTINUED)

STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Previously stated			Reclassification			Restated		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Other receivables	27,147	1,019	6,170	124	-	124	27,271	1,019	6,294
Takaful payables	-	(8,696)	(8,696)	(12,526)	-	(12,526)	(12,526)	(8,696)	(21,222)
Other payables	(42,637)	(38,818)	(59,459)	12,402	-	12,402	(30,235)	(38,818)	(47,057)

Zurich Takaful Malaysia Berhad

No. Pendaftaran 200601012246 (731996-H)

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