

Unaudited Condensed Interim Financial Statements

For The Financial Period From
1 January 2021 To 30 June 2021

Company No.

201701035345 (1249516-V)

ZURICH GENERAL INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

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Company No.

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ZURICH GENERAL INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	30.06.2021 RM'000	31.12.2020 RM'000
ASSETS			
Property, plant and equipment		12,866	12,906
Right-of-use assets		8,373	10,120
Intangible asset	12	34,555	35,819
Available-for-sale financial assets	13	1,613,464	1,588,438
Reinsurance assets	15	275,950	256,736
Insurance receivables		70,415	60,638
Loans and receivables		52,138	52,847
Tax recoverable		1,620	2,963
Deferred tax assets		8,096	316
Cash and cash equivalents		35,592	46,652
Non-current assets classified as held-for-sale		3,416	3,416
Total assets		2,116,485	2,070,851
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		238,953	192,617
Capital contribution reserve		224,792	224,792
Available-for-sale reserve		2,826	26,484
Total equity		566,571	543,893
Insurance contract liabilities	16	1,297,568	1,220,674
Lease liabilities		8,610	10,255
Other liabilities		129,693	190,773
Insurance payables		112,084	105,256
Current tax liabilities		1,959	-
Total liabilities		1,549,914	1,526,958
Total equity and liabilities		2,116,485	2,070,851

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

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ZURICH GENERAL INSURANCE MALAYSIA BERHAD

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000
Gross earned premiums	468,768	391,838
Premiums ceded to reinsurers	(73,306)	(64,030)
Net earned premiums	395,462	327,808
Investment income	29,289	31,337
Realised losses	(15)	(3,771)
Fair value loss	-	(970)
Fee and commission income	10,122	8,656
Other revenue	39,396	35,252
Total revenue	434,858	363,060
Gross claims paid	(177,801)	(160,188)
Claims ceded to reinsurers	17,031	16,465
Gross change to contract liabilities	(102,109)	(73,793)
Change in contract liabilities ceded to reinsurers	16,684	23,060
Net claims	(246,195)	(194,456)
Fee and commission expenses	(48,415)	(43,996)
Management expenses	(87,843)	(85,362)
Other operating income - net	527	722
Other expenses	(135,731)	(128,636)
Operating profit	52,932	39,968
Finance costs	(166)	(249)
Profit before taxation	52,766	39,719
Taxation	(6,430)	(3,153)
Net profit for the financial period	46,336	36,566
BASIC EARNINGS PER SHARE (SEN)	46.34	36.57

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

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000
Net profit for the financial period	46,336	36,566
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Fair value change on available-for-sale financial assets, net of deferred tax:		
- Gross fair value change arising during the financial period	(31,144)	7,258
- Gross fair value transferred to statement of profit or loss	15	3,730
- Deferred tax	7,471	(2,636)
Other comprehensive income for the financial period, net of tax	(23,658)	8,352
Total comprehensive income for the financial period	22,678	44,918

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (CONTINUED)

	Issued and fully paid ordinary shares		Non-distributable Available- for-sale fair value reserve	Distributable Retained earnings	Total
	Share capital	Capital contribution reserve			
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	100,000	224,792	26,484	192,617	543,893
Net profit for the financial period	-	-	-	46,336	46,336
Other comprehensive income for the financial period	-	-	(23,658)	-	(23,658)
At 30 June 2021	100,000	224,792	2,826	238,953	566,571
At 1 January 2020 – as previously reported	100,000	224,792	25,632	116,783	467,207
Net profit for the financial period	-	-	-	36,566	36,566
Other comprehensive income for the financial period	-	-	8,352	-	8,352
At 30 June 2020	100,000	224,792	33,984	153,349	512,125

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000
OPERATING ACTIVITIES		
Cash generated/(utilised) in operating activities	(33,375)	14,595
Dividend/distribution income received	29,237	30,975
Interest/profit income received	316	492
Rental income on investment properties received	(296)	(136)
Interest expense on lease liabilities	(166)	249
Income tax paid	(3,438)	(3,525)
Net cash inflows/(outflows) from operating activities	<u>(7,722)</u>	<u>42,650</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(1,268)</u>	<u>-</u>
Net cash outflows from investing activities	<u>(1,268)</u>	<u>-</u>
FINANCING ACTIVITIES		
Payment of lease liabilities	<u>(2,070)</u>	<u>(2,311)</u>
Net cash outflows from financing activities	<u>(2,070)</u>	<u>(2,311)</u>
Net increase/(decrease) in cash and cash equivalents	(11,060)	40,339
Cash and cash equivalents at the beginning of the financial period	<u>46,652</u>	<u>44,937</u>
Cash and cash equivalents at the end of the financial period	<u><u>35,592</u></u>	<u><u>85,276</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>35,592</u></u>	<u><u>85,276</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting. The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2020, which were prepared in accordance with the MFRS and International Financial Reporting Standards ("IFRS").

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following:

<u>MFRSs / Interpretations / Amendments</u>	<u>Effective date</u>
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform	1 January 2021
Amendments to MFRS 16 - Covid 19 - Related Rent Concessions beyond 30 June 2021	1 April 2021

The adoption of the above mentioned standards, amendments and interpretations issued by Malaysian Accounting Standards Board ("MASB") in the current financial year did not have any material impact to the unaudited condensed interim financial statements of the Company.

3. CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies for the financial period ended 30 June 2021.

4. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the audited financial statements for the financial year ended 31 December 2020 was not qualified.

5. SEASONAL OR CYCLICAL FACTORS

The Company's business operations are not significantly affected by any unusual seasonal or cyclical factors.

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6. UNUSUAL ITEMS

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period under review.

7. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the financial period ended 30 June 2021.

8. DEBT AND EQUITY SECURITIES

There were no issuances or repayments of debt and equity securities for the current financial period under review.

9. DIVIDEND PAYMENT

There was no dividend paid during the current financial period under review.

10. CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in composition of the Company during the current financial period under review.

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date.

12. INTANGIBLE ASSET

The intangible asset includes RM34,222,000 (31 December 2020: RM35,555,000) exclusive bancassurance arrangement with Alliance Bank Malaysia Berhad ("ABMB"). The intangible asset will be amortised on a straight-line basis over the duration of the bancassurance agreement.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2021	31.12.2020
	RM'000	RM'000
Unit trusts		
- Quoted in Malaysia	96,772	84,688
- Unquoted in Malaysia	1,516,692	1,503,750
	<u>1,613,464</u>	<u>1,588,438</u>

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14. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and fair value hierarchy

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

Level 1 - Quoted market price

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

Level 2 - Valuation Techniques - Market observable input

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

Level 3 - Valuation Techniques - Unobservable input

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unquoted equity securities, un-rated securities, investment properties and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgments.

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14. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>30 June 2021</u>				
AFS financial assets:				
- Unit trusts	1,613,464	-	-	1,613,464
	<u>1,613,464</u>	<u>-</u>	<u>-</u>	<u>1,613,464</u>
Non-financial assets:				
Non-current assets classified as held-for-sale	-	-	3,416	3,416
	<u>1,613,464</u>	<u>-</u>	<u>3,416</u>	<u>1,616,880</u>
<u>31 December 2020</u>				
AFS financial assets:				
- Unit trusts	1,588,438	-	-	1,588,438
	<u>1,588,438</u>	<u>-</u>	<u>-</u>	<u>1,588,438</u>
Non-financial assets:				
Non-current assets classified as held-for-sale	-	-	3,416	3,416
	<u>1,588,438</u>	<u>-</u>	<u>3,416</u>	<u>1,591,854</u>

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14. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair value measurements using valuation techniques based on unobservable input (level 3)

The following table show the changes in level 3 items for the financial period ended 30 June 2021 and 31 December 2020 for recurring fair value measurements:

	AFS	Non-current asset classified as held-for- sale
	RM'000	RM'000
At 1 January 2021	-	3,416
Fair value loss recorded in:		
- Statement of profit or loss	-	-
At 30 June 2021	-	3,416
At 1 January 2020	970	6,846
Fair value loss recorded in:		
- Statement of profit or loss	(970)	(3,430)
At 31 December 2020	-	3,416

15. REINSURANCE ASSETS

	30.06.2021	31.12.2020
	RM'000	RM'000
Reinsurance of insurance contracts		
Claim liabilities (Note 17)	210,184	193,500
Premium liabilities (Note 17)	65,766	63,236
	<u>275,950</u>	<u>256,736</u>

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair values at the date of the statement of financial position.

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16. INSURANCE CONTRACT LIABILITIES

	30.06.2021			31.12.2020		
	Gross	Re- insurance	Net	Gross	Re- insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	582,296	(131,698)	450,598	551,915	(130,860)	421,055
Provision for incurred but not reported claims ("IBNR")	301,894	(78,486)	223,408	230,166	(62,640)	167,526
Claim liabilities	884,190	(210,184)	674,006	782,081	(193,500)	588,581
Premium liabilities	413,378	(65,766)	347,612	438,593	(63,236)	375,357
	<u>1,297,568</u>	<u>(275,950)</u>	<u>1,021,618</u>	<u>1,220,674</u>	<u>(256,736)</u>	<u>963,938</u>

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16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2021			2020		
	Gross	Re- insurance	Net	Gross	Re- insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Claims liabilities</u>						
At 1 January	782,081	(193,500)	588,581	671,617	(164,140)	507,477
Claims incurred in the current accident year	146,869	(9,685)	137,184	330,621	(53,536)	277,085
Other movements in claims incurred in prior accident years	61,314	(8,184)	53,130	126,226	(6,323)	119,903
Claims paid during the financial period/year	(177,801)	17,031	(160,770)	(371,091)	35,060	(336,031)
Movement in IBNR reserves	71,727	(15,846)	55,881	24,708	(4,561)	20,147
At 30 June/31 December	<u>884,190</u>	<u>(210,184)</u>	<u>674,006</u>	<u>782,081</u>	<u>(193,500)</u>	<u>588,581</u>
<u>Premium liabilities</u>						
At 1 January	438,593	(63,236)	375,357	356,372	(56,210)	300,162
Premium written in the financial period/year	443,553	(75,836)	367,717	910,873	(139,824)	771,049
Premium earned during the financial period/year	(468,768)	73,306	(395,462)	(828,652)	132,798	(695,854)
At 30 June/31 December	<u>413,378</u>	<u>(65,766)</u>	<u>347,612</u>	<u>438,593</u>	<u>(63,236)</u>	<u>375,357</u>

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17. TOTAL CAPITAL AVAILABLE

The regulated capital of the Company as at 30 June 2021 comprised capital available of RM522,431,000 (31 December 2020: RM504,148,000).

The capital structure of the Company as at 30 June 2021, as prescribed under the RBC Framework, is shown below:

	30.06.2021	31.12.2020
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	100,000	100,000
Reserves, including retained earnings	463,745	417,409
	<u>563,745</u>	<u>517,409</u>
<u>Tier 2 Capital</u>		
Available-for-sale reserves	<u>2,826</u>	<u>26,484</u>
Less:		
<u>Deductions</u>		
Intangible asset	(34,222)	(35,555)
Deferred tax assets	(9,918)	(4,190)
	<u>(44,140)</u>	<u>(39,745)</u>
Total Capital Available	<u>522,431</u>	<u>504,148</u>

18. ADDITIONAL DISCLOSURE /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.

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").

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18. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

The following table shows the carrying amount under MFRS 139 for financial assets with SPPI cash flow analysed by credit quality:

(a) Fair value / carrying amount:

	Financial assets with SPPI cash flow	Other financial assets	Total
	RM'000	RM'000	RM'000
<u>30 June 2021</u>			
Fair value at 30 June 2021	-	1,979,238	1,979,238
Fair value changes during the financial period	-	(31,128)	(31,128)
Financial assets that do not have low credit risk:			
- Fair value / carrying amount at 30 June 2021 under MFRS 139	-	N/A	N/A
<u>31 December 2020</u>			
Fair value at 31 December 2020	-	1,940,631	1,940,631
Fair value changes during the financial year	-	1,121	1,121
Financial assets that do not have low credit risk:			
- Fair value / carrying amount at 31 December 2020 under MFRS 139	-	N/A	N/A

Zurich General Insurance Malaysia Berhad

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