

Unaudited Condensed
Interim Financial Statements
For The Financial Period From
1 January 2022 To 30 June 2022

Company No.

201701035345 (1249516-V)

ZURICH GENERAL INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

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ZURICH GENERAL INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	30.06.2022 RM'000	31.12.2021 RM'000
ASSETS			
Property, plant and equipment		12,287	13,683
Right-of-use assets		4,916	6,372
Intangible asset	12	31,989	33,311
Non-current assets classified as held-for-sale		2,986	3,116
Available-for-sale financial assets	13	1,828,757	1,682,921
Reinsurance assets	15	430,522	418,031
Insurance receivables		69,374	62,678
Loans and other receivables		50,025	52,673
Tax recoverable		1,575	1,549
Deferred tax assets		27,820	15,853
Cash and cash equivalents		100,806	126,744
Total assets		<u>2,561,057</u>	<u>2,416,931</u>
EQUITY AND LIABILITIES			
Share capital		150,000	100,000
Retained earnings		328,732	284,012
Capital contribution reserve		224,792	224,792
Available-for-sale reserve		(40,754)	(13,363)
Total equity		<u>662,770</u>	<u>595,441</u>
Insurance contract liabilities	16	1,631,167	1,539,362
Lease liabilities		5,114	6,454
Other liabilities		152,533	147,053
Insurance payables		109,385	128,122
Current tax liabilities		88	499
Total liabilities		<u>1,898,287</u>	<u>1,821,490</u>
Total equity and liabilities		<u>2,561,057</u>	<u>2,416,931</u>

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

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

	6 months ended 30.06.2022 RM'000	6 months ended 30.06.2021 RM'000
Gross earned premiums	455,578	468,768
Premiums ceded to reinsurers	(86,491)	(73,306)
Net earned premiums	369,087	395,462
Investment income	33,112	29,289
Realised losses	(389)	(15)
Fair value loss	(3,016)	-
Fee and commission income	10,509	10,122
Other revenue	40,216	39,396
Total revenue	409,303	434,858
Gross claims paid	(185,007)	(177,801)
Claims ceded to reinsurers	9,161	17,031
Gross change to contract liabilities	(71,629)	(102,109)
Change in contract liabilities ceded to reinsurers	18,218	16,684
Net claims	(229,257)	(246,195)
Fee and commission expenses	(53,019)	(48,415)
Management expenses	(79,264)	(87,843)
Other operating income - net	2,138	527
Other expenses	(130,145)	(135,731)
Operating profit	49,901	52,932
Finance costs	(73)	(166)
Profit before taxation	49,828	52,766
Taxation	(5,108)	(6,430)
Net profit for the financial period	44,720	46,336
BASIC EARNINGS PER SHARE (SEN)	40.71	46.34

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 2022

	6 months ended 30.06.2022 RM'000	6 months ended 30.06.2021 RM'000
Net profit for the financial period	44,720	46,336
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	(36,427)	(31,144)
- Gross fair value transferred to statement of profit or loss	386	15
- Deferred tax	8,650	7,471
Other comprehensive income for the financial period, net of tax	(27,391)	(23,658)
Total comprehensive income for the financial period	17,329	22,678

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (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 2022	100,000	224,792	(13,363)	284,012	595,441
Issuance of shares during the financial period	50,000	-	-	-	50,000
Net profit for the financial period	-	-	-	44,720	44,720
Other comprehensive income for the financial period	-	-	(27,391)	-	(27,391)
At 30 June 2022	150,000	224,792	(40,754)	328,732	662,770
At 1 January 2021 – as previously reported	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

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**

	6 months ended 30.06.2022 RM'000	6 months ended 30.06.2021 RM'000
OPERATING ACTIVITIES		
Cash generated/(utilised) in operating activities	(98,166)	(33,375)
Dividend/distribution income received	32,898	29,237
Interest/profit income received	482	316
Rental income on investment properties received	(291)	(296)
Interest expense on lease liabilities	(73)	(166)
Income tax paid	(8,864)	(3,438)
Net cash inflows/(outflows) from operating activities	<u>(74,014)</u>	<u>(7,722)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(104)	(1,268)
Disposal of assets classified as held-for-sale	127	-
Net cash outflows from investing activities	<u>23</u>	<u>(1,268)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of shares	50,000	-
Payment of lease liabilities	(1,947)	(2,070)
Net cash outflows from financing activities	<u>48,053</u>	<u>(2,070)</u>
Net increase/(decrease) in cash and cash equivalents	(25,938)	(11,060)
Cash and cash equivalents at the beginning of the financial period	126,744	46,652
Cash and cash equivalents at the end of the financial period	<u>100,806</u>	<u>35,592</u>
Cash and cash equivalents comprise:		
Cash and bank balances	75,842	30,863
Short-term deposits	24,964	4,729
	<u>100,806</u>	<u>35,592</u>

The accompanying notes form an integral part of these 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 2021, 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 2021.

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 2021, except for the adoption of the following :

Description	Effective for annual financial periods beginning on or after
• Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022
• Amendments to MFRS 16 Leases (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022
• Amendments to MFRS 116 Property, Plant and Equipment (Reference to Property, Plant and Equipment – Proceeds before Intended Use)	1 January 2022
• Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Reference to Onerous Contracts - Cost of Fulfilling a Contract)	1 January 2022
• Amendments to MFRS 3 Business Combinations (Reference to the Conceptual Framework)	1 January 2022
• Amendments to MFRS 9 Financial Instruments (Annual Improvements to MFRS Standards 2018 – 2020)	1 January 2022

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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies for the financial period ended 30 June 2022.

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 2021 was not qualified.

5. SEASONAL OR CYCLICAL FACTORS

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

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 2022.

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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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 was 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 RM31,556,000 (31 December 2021: RM32,889,000) 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

	30.06.2022	31.12.2021
	RM'000	RM'000
Unit trusts		
- Quoted in Malaysia	82,643	80,625
- Unquoted in Malaysia	1,746,114	1,602,296
	<u>1,828,757</u>	<u>1,682,921</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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 (Continued)

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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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 2022</u>				
AFS financial assets:				
- Real estate investment trusts	82,643	-	-	82,643
- Unit trusts	1,746,114	-	-	1,746,114
	<u>1,828,757</u>	<u>-</u>	<u>-</u>	<u>1,828,757</u>
Non-financial assets:				
Non-current assets classified as held-for-sale	-	-	2,986	2,986
	<u>1,828,757</u>	<u>-</u>	<u>2,986</u>	<u>1,831,743</u>
<u>31 December 2021</u>				
AFS financial assets:				
- Real estate investment trusts	80,625	-	-	80,625
- Unit trusts	1,602,296	-	-	1,602,296
	<u>1,682,921</u>	<u>-</u>	<u>-</u>	<u>1,682,921</u>
Non-financial assets:				
Non-current assets classified as held-for-sale	-	-	3,116	3,116
	<u>1,682,921</u>	<u>-</u>	<u>3,116</u>	<u>1,686,037</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**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 2022 and 31 December 2021 for recurring fair value measurements:

	AFS	Non-current asset classified as held-for- sale
	RM'000	RM'000
At 1 January 2022	-	3,116
Disposal	-	(130)
At 30 June 2022	-	2,986
At 1 January 2021	-	3,416
Disposal	-	(300)
At 31 December 2021	-	3,116

15. REINSURANCE ASSETS

	30.06.2022	31.12.2021
	RM'000	RM'000
Reinsurance of insurance contracts		
Claim liabilities (Note 16)	369,271	351,053
Premium liabilities (Note 16)	61,251	66,978
	<u>430,522</u>	<u>418,031</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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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE CONTRACT LIABILITIES

	30.06.2022			31.12.2021		
	Gross	Re- insurance	Net	Gross	Re- insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	786,272	(244,116)	542,156	743,375	(237,451)	505,924
Provision for incurred but not reported claims ("IBNR")	353,453	(93,782)	259,671	327,415	(83,462)	243,953
Fund provision of risk margin for adverse deviation ("FPRAD")	65,423	(31,373)	34,050	62,729	(30,140)	32,589
Claim liabilities	1,205,148	(369,271)	835,877	1,133,519	(351,053)	782,466
Premium liabilities	426,019	(61,251)	364,768	405,843	(66,978)	338,865
	<u>1,631,167</u>	<u>(430,522)</u>	<u>1,200,645</u>	<u>1,539,362</u>	<u>(418,031)</u>	<u>1,121,331</u>

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16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2022			2021		
	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	1,133,519	(351,053)	782,466	782,081	(193,500)	588,581
Claims incurred in the current accident year	158,539	(10,425)	148,114	445,166	(128,372)	316,794
Other movements in claims incurred in prior accident years	69,365	(5,400)	63,965	76,273	(6,206)	70,067
Claims paid during the financial year	(185,007)	9,161	(175,846)	(329,979)	27,987	(301,992)
Movement in IBNR	26,038	(10,321)	15,717	144,393	(38,634)	105,759
Movement in FPRAD	2,694	(1,233)	1,461	15,585	(12,328)	3,257
At 30 June/31 December	<u>1,205,148</u>	<u>(369,271)</u>	<u>835,877</u>	<u>1,133,519</u>	<u>(351,053)</u>	<u>782,466</u>
<u>Premium liabilities</u>						
At 1 January	405,843	(66,978)	338,865	438,593	(63,236)	375,357
Premium written in the financial year	475,754	(80,764)	394,990	910,265	(173,063)	737,202
Premium earned during the financial year	<u>(455,578)</u>	<u>86,491</u>	<u>(369,087)</u>	<u>(943,015)</u>	<u>169,321</u>	<u>(773,694)</u>
At 30 June/31 December	<u>426,019</u>	<u>(61,251)</u>	<u>364,768</u>	<u>405,843</u>	<u>(66,978)</u>	<u>338,865</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

17. TOTAL CAPITAL AVAILABLE

The regulated capital of the Company as at 30 June 2022 comprised capital available of RM603,395,000 (31 December 2021: RM546,280,000).

The capital structure of the Company as at 30 June 2022, as prescribed under the RBC Framework, is shown below:

	30.06.2022	31.12.2021
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	150,000	100,000
Reserves, including retained earnings	553,524	508,804
	<u>703,524</u>	<u>608,804</u>
<u>Tier 2 Capital</u>		
Available-for-sale reserves	(40,754)	(13,363)
	<u>(40,754)</u>	<u>(13,363)</u>
Less:		
<u>Deductions</u>		
Intangible asset	(31,556)	(32,889)
Deferred tax assets	(27,819)	(16,272)
	<u>(59,375)</u>	<u>(49,161)</u>
Total Capital Available	<u>603,395</u>	<u>546,280</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 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"):

	Fair value at RM'000	Change in fair value RM'000	Results of the cash flows characteristics
<u>30 June 2022</u>			
Real estate investment trusts quoted in Malaysia	82,643	5,103	Non-SPPI
Unit trusts unquoted in Malaysia	1,746,114	(41,144)	Non-SPPI
Loans and receivables*	45,834	-	SPPI
Cash and cash equivalents	100,806	-	SPPI
	<u>1,975,397</u>	<u>(36,401)</u>	
<u>31 December 2021</u>			
Real estate investment trusts quoted in Malaysia	80,625	(4,643)	Non-SPPI
Unit trusts unquoted in Malaysia	1,602,296	(47,788)	Non-SPPI
Loans and receivables*	51,576	-	SPPI
Cash and cash equivalents	126,744	-	SPPI
	<u>1,861,241</u>	<u>(52,431)</u>	

Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 17 *Insurance Contracts*.

* Excludes prepayment of RM4,191,000 (2021: RM1,097,000).

19. SIGNIFICANT EVENT DURING THE FINANCIAL PERIOD

On 23 May 2022, the Board of Directors has approved the allotment of 50,000,000 new shares of the Company for a total consideration of RM50 million to Zurich Holdings Malaysia Berhad.

The ordinary shares were issued and fully paid by cash as follows:

Date	Number of shares	Price per share RM	Share capital RM'000
27 May 2022	50,000,000	1.00	50,000
	<u>50,000,000</u>		<u>50,000</u>

Zurich General Insurance Malaysia Berhad

Registration No. 201701035345 (1249516-V)

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