

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For The Six Months Period Ended 30 June 2020

About Zurich General Takaful in Malaysia

Zurich General Takaful Malaysia Berhad (ZGTMB) is one of Malaysia's leading general takaful operators. It is a member of Zurich Insurance Group and the sole provider of shariah-compliant general takaful products within Zurich. With more than a decade of Takaful market expertise, ZGTMB offers an extensive range of general takaful solutions spanning motor, travel, property, financial and personal lines, small to medium enterprises as well as large industrial risks. Together with its dedicated employees, agency force, distributors and partners, supported by its nationwide branch network, ZGTMB is committed to help its customers understand and protect their valuable assets and businesses from risks.

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

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Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

| | | 30.06.2020 | | | 30.12.2019 | | |
|-------------------------------|------|---------------------|----------------------------|------------------|---------------------|----------------------------|------------------|
| | | Takaful Operator | General Takaful Fund | Company | Takaful Operator | General Takaful Fund | Company |
| ASSETS | Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Property, plant and equipment | | 749 | - | 749 | 532 | - | 532 |
| Intangible assets | 12 | 27,000 | - | 27,000 | 28,191 | - | 28,191 |
| Right-of-use assets | | 3,825 | - | 3,825 | 4,429 | - | 4,429 |
| Investments | 13 | 279,547 | 441,458 | 721,005 | 136,634 | 393,559 | 530,193 |
| Takaful receivables | | - | 53,679 | 53,679 | - | 52,868 | 52,868 |
| Retakaful assets | 15 | - | 123,951 | 123,951 | - | 127,310 | 127,310 |
| Other receivables # | | 13,033 | 2,358 | 2,700 | 19,153 | 828 | 971 |
| Deferred tax assets | | 10,279 | 1,517 | 11,796 | 10,019 | 2,805 | 12,824 |
| Cash and cash equivalents | | 118,225 | 191,756 | 309,981 | 228,760 | 175,433 | 404,193 |
| TOTAL ASSETS | | 452,658 | 814,719 | 1,254,686 | 427,718 | 752,803 | 1,161,511 |

Interfund balances are eliminated at Company level in accordance with MFRS10 Consolidated Financial Statements.

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

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020 (CONTINUED)

| | | 30.06.2020 | | | 30.12.2019 | | |
|---|------|---------------------|----------------------------|------------------|---------------------|----------------------------|------------------|
| | | Takaful Operator | General Takaful Fund | Company | Takaful Operator | General Takaful Fund | Company |
| LIABILITIES | Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Takaful contract liabilities | 16 | - | 722,112 | 722,112 | - | 659,576 | 659,576 |
| Lease liabilities | | 4,163 | - | 4,163 | 4,747 | - | 4,747 |
| Takaful payables | | - | 32,969 | 32,969 | - | 35,645 | 35,645 |
| Other payables # | | 43,271 | 52,105 | 82,685 | 26,842 | 53,736 | 61,568 |
| Expense liabilities | | 32,186 | - | 32,186 | 32,152 | - | 32,152 |
| Current tax liabilities | | 5,134 | 7,533 | 12,667 | 6,662 | 3,846 | 10,508 |
| TOTAL LIABILITIES | | 84,754 | 814,719 | 886,782 | 70,403 | 752,803 | 804,196 |
| SHAREHOLDERS' EQUITY | | | | | | | |
| Share capital | | 317,000 | - | 317,000 | 317,000 | - | 317,000 |
| Retained earnings | | 48,365 | - | 48,365 | 39,251 | - | 39,251 |
| Available-for-sale reserve | | 2,539 | - | 2,539 | 1,064 | - | 1,064 |
| | | 367,904 | - | 367,904 | 357,315 | - | 357,315 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 452,658 | 814,719 | 1,254,686 | 427,718 | 752,803 | 1,161,511 |

Interfund balances are eliminated at Company level in accordance with MFRS10 Consolidated Financial Statements.
The accompanying notes form an integral part of these condensed interim financial statements.

Company No.

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

| | 30.06.2020 | | | 30.06.2019 | | |
|---|-------------------------------|--------------------------------------|-------------------|-------------------------------|--------------------------------------|-------------------|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 |
| Gross earned contributions | - | 294,611 | 294,611 | - | 272,201 | 272,201 |
| Contribution ceded to retakaful operators | - | (26,689) | (26,689) | - | (25,503) | (25,503) |
| Net earned contributions | - | 267,922 | 267,922 | - | 246,698 | 246,698 |
| Wakalah fee income | 86,162 | - | - | 93,341 | - | - |
| Investment income | 6,407 | 10,623 | 17,030 | 3,773 | 9,686 | 13,459 |
| Realised gain | - | - | - | - | 50 | 50 |
| Fee and commission income | - | 4,592 | 4,592 | - | 4,988 | 4,988 |
| Other operating income – net | - | (19) | (19) | - | (2) | (2) |
| Other income | 92,569 | 15,196 | 21,603 | 97,114 | 14,722 | 18,495 |
| Total revenue | 92,569 | 283,118 | 289,525 | 97,114 | 261,420 | 265,193 |
| Gross benefits and claims paid | - | (116,094) | (116,094) | - | (129,641) | (129,641) |
| Claims ceded to retakaful operators | - | 4,721 | 4,721 | - | 10,433 | 10,433 |
| Gross change to contract liabilities | - | (74,929) | (74,929) | - | (45,552) | (45,552) |
| Change in contract liabilities ceded to retakaful operators | - | (4,279) | (4,279) | - | (5,845) | (5,845) |
| Net benefits and claims | - | (190,581) | (190,581) | - | (170,605) | (170,605) |

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020 (CONTINUED)

| | 30.06.2020 | | | 30.06.2019 | | |
|--|-------------------------------|--------------------------------------|-------------------|-------------------------------|--------------------------------------|-------------------|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 |
| Wakalah fee expenses | - | (86,162) | - | - | (93,341) | - |
| Fee and commission expenses | (31,129) | - | (31,129) | (35,625) | - | (35,625) |
| Management expenses | (47,063) | - | (47,063) | (42,444) | - | (42,444) |
| Expense liabilities | (34) | - | (34) | (2,769) | - | (2,769) |
| Other operating expenses | (90) | 805 | 715 | (130) | 1,718 | 1,588 |
| Other expenses | (78,316) | (85,357) | (77,511) | (80,968) | (91,623) | (79,250) |
| Total underwriting surplus/(deficit) from operations/profit before zakat and taxation | 14,253 | 7,180 | 21,433 | 16,146 | (808) | 15,338 |
| Zakat | (367) | - | (367) | (404) | - | (404) |
| Taxation | (4,772) | (7,180) | (11,952) | (6,189) | 808 | (5,381) |
| Net profit for the financial period | 9,114 | - | 9,114 | 9,553 | - | 9,553 |
| Basic earning per share (SEN) | 0.03 | - | - | 0.07 | - | - |

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

| | 30.06.2020 | | | 30.06.2019 | | |
|---|-------------------------------|--------------------------------------|-------------------|-------------------------------|--------------------------------------|-------------------|
| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 |
| Net profit for the financial period | 9,114 | - | 9,114 | 9,553 | - | 9,553 |
| Other comprehensive income: | | | | | | |
| <u>Items that may be subsequently reclassified to profit or loss:</u> | | | | | | |
| Fair value change on available-for-sale financial assets: | | | | | | |
| - Gross fair value change arising during the financial period | 1,941 | - | 1,941 | 934 | - | 934 |
| - Deferred tax | (466) | - | (466) | (224) | - | (224) |
| Gross fair value changes, net of tax | 1,475 | - | 1,475 | 710 | | 710 |
| Total comprehensive income for the financial period | 10,589 | - | 10,589 | 10,263 | - | 10,263 |

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

| | Issued and fully paid ordinary shares | Non- distributable Available- for-sale reserve | Distributable Retained earnings | Total |
|---|---|--|---------------------------------------|---------|
| | Share capital RM'000 | RM'000 | RM'000 | RM'000 |
| 1 January 2020 | 317,000 | 1,064 | 39,251 | 357,315 |
| Net profit for the financial period | - | - | 9,114 | 9,114 |
| Other comprehensive income for the financial period | - | 1,475 | - | 1,475 |
| At 30 June 2020 | 317,000 | 2,539 | 48,365 | 367,904 |
| 1 January 2019 | 259,000 | 83 | 13,125 | 272,208 |
| Effect of adoption of MFRS 16 | - | - | (31) | (31) |
| As restated | | | | |
| Issuance of shares during the financial period | 58,000 | - | - | 58,000 |
| Net profit for the financial period | - | - | 9,553 | 9,553 |
| Other comprehensive income for the financial period | - | 710 | - | 710 |
| At 30 June 2019 | 317,000 | 793 | 22,647 | 340,440 |

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

| | 6 months ended 30.06.2020 RM'000 | 6 months ended 30.06.2019 RM'000 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Cash (utilised in)/generated from operating activities | (97,357) | 18,745 |
| Investment income received | 14,256 | 12,629 |
| Income tax paid | (10,126) | (5,896) |
| Profit charged on lease liabilities | - | (112) |
| Net cash (outflows)/inflows from operating activities | (93,227) | 25,366 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (314) | (3) |
| Purchase of intangible assets | - | (10,000) |
| Net cash outflows from investing activities | (314) | (10,003) |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | - | 58,000 |
| Payment of lease liabilities | (672) | (389) |
| Net cash (outflows)/inflows from financing activities | (672) | 57,611 |
| Net movement in cash and cash equivalents | (94,213) | 72,974 |
| Cash and cash equivalents at the beginning of the financial period | 404,194 | 365,299 |
| Cash and cash equivalents at the end of the financial period | 309,981 | 438,273 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 108,764 | 126,423 |
| Fixed deposits with licensed financial institution with maturities less than 3 months | 201,217 | 311,850 |
| | 309,981 | 438,273 |

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements 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 2019, which were prepared in accordance with the MFRS and International Financial Reporting Standards ("IFRS").

The Islamic Financial Services Act ("IFSA") 2013 requires the assets and liabilities of the takaful funds are clearly segregated from those of the takaful operator. However, in preparing the Company-level financial statements, the balances and transactions of the takaful operator fund are consolidated with those of the takaful fund to represent the control possessed by the takaful operator over the respective funds.

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 change in the financial position and performance of the Company since the financial year ended 31 December 2019.

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 2019, except for the adoption of the following:

| <u>MFRSs / Interpretations / Amendments</u> | <u>Effective date</u> |
|---|-----------------------|
| The Conceptual Framework for Financial Reporting (Revised 2018) | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 - Definition of Material | 1 January 2020 |
| Amendments to MFRS 3 - Definition of a Business | 1 January 2020 |
| MFRS 16 'Leases' Covid-19-Related Rent Concessions | 1 June 2020 |

MFRS 9 "Financial Instruments" replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018.

The Company has applied the temporary exemption under Amendments to MFRS 4 – Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contract which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. Hence, the Company has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts"

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 on 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.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with takaful whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

Based on the analysis performed, the Company was eligible to apply the temporary exemption as the predominance ratio reflecting the share of liabilities connected to insurance to total liabilities exceeded 90 percent. No reassessment of eligibility was required during subsequent annual periods up to and including 2019 as there is no significant change in the activities performed by the Company. Due to the strong interaction between underlying assets held and the measurement of insurance contracts, the Company decided to use the option to defer the full implementation of MFRS 9 until MFRS 17 "Insurance Contracts" becomes effective on 1 January 2023.

For further information on the effects from MFRS 9, Note 18 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 profit ("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.

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 2020.

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 2019 was not qualified.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. SEASONAL OR CYCLICAL FACTORS

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

6. UNUSUAL ITEMS

In the first quarter 2020, the rapid spread of the COVID-19 has been declared a pandemic. Globally, increasing measures are being taken to contain it, and these have led to a significant volatility in the financial markets and resulting in an adverse impact on the global business and economic activity.

With the rapid development of COVID-19 outbreak in Malaysia, the Government issued a Movement Control Order ("MCO") beginning from 18 March 2020 until 31 March 2020. The MCO was subsequently extended to 3 May 2020. The MCO imposes limitation on movement of people, suspension of non-essential business operations, travel restrictions, and quarantine measures. The Government has also introduced various economic stimulus plans to assist the citizens and businesses.

The Conditional Movement Control Order ("CMCO") was later introduced from 4 May 2020, of which majority of the economic and social activities were allowed, subject to the Standard Operating Procedures ("SOP") set for each sector. The CMCO was later extended to 9 June 2020, followed by the introduction of the Recovery Movement Control Order ("RMCO") from 10 June 2020 until 31 August 2020 with further relaxation on economic and social activities.

During these period, Zurich General Takaful Malaysia Berhad has ensured that the Company continues to provide core takaful services to its customers. The Company expects that the impact of Covid-19 may have a knock-on effect on the business operations and performance of the Company during the financial year. Due to uncertainty of when the outbreak will be fully contained, it is challenging to predict the exact extent of the impact to the Company at this juncture. Nevertheless, the Company will continue to monitor the situation and will take actions as needed to ensure it remains viable as a Company.

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

7. CHANGE IN ESTIMATES

There were no material changes in basis used for accounting estimates for the financial period ended 30 June 2020.

8. DIVIDEND PAYMENT

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

9. CHANGES IN COMPOSITION OF THE COMPANY

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. 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.

11. CONTINGENT LIABILITIES

There are no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

12. INTANGIBLE ASSETS

The self-developed software costs are in relation to internal development expenditure incurred for the software systems controlled by the Company that do not form an integral part of the hardware. These systems will generate economic benefits exceeding costs beyond one year.

Other intangible assets include the customer relationship arising from the acquisition of general takaful portfolio and the exclusive bancatakaful arrangement with AIBMB. These intangible assets are amortised on a straight-line basis over the duration of the economic benefit received.

13. INVESTMENTS

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

| | | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 |
|---|-----|--|--|---------------------------|
| <u>At 30 June 2020</u> | | | | |
| Financing receivables | (a) | - | 3,060 | 3,060 |
| Available-for-sale ("AFS") financial assets | (b) | 279,547 | 438,398 | 717,945 |
| | | <u>279,547</u> | <u>441,458</u> | <u>721,005</u> |
| The following investments mature after 12 months: | | | | |
| AFS financial assets | | <u>247,856</u> | <u>384,210</u> | <u>632,066</u> |
| <u>At 31 December 2019</u> | | | | |
| Financing receivables | (a) | - | 1,560 | 1,560 |
| Available-for-sale ("AFS") financial assets | (b) | 136,634 | 391,999 | 528,633 |
| | | <u>136,634</u> | <u>393,559</u> | <u>530,193</u> |
| The following investments mature after 12 months: | | | | |
| AFS financial assets | | <u>125,423</u> | <u>343,532</u> | <u>468,955</u> |

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13. INVESTMENTS (CONTINUED)

(a) Financing receivables

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 |
|--|--|--|---------------------------|
| <u>At 30 June 2020</u> | | | |
| Amortised cost: | | | |
| Fixed deposit with licensed financial institutions | - | 3,060 | 3,060 |
| | <u>-</u> | <u>3,060</u> | <u>3,060</u> |
| <u>At 31 December 2019</u> | | | |
| Amortised cost: | | | |
| Fixed deposit with licensed financial institutions | - | 1,560 | 1,560 |
| | <u>-</u> | <u>1,560</u> | <u>1,560</u> |

As at 30 June 2020, the fixed deposit of RM3,060,000 (30 December 2019: RM1,560,000) has a maturity period of more than 3 months placed with licensed Islamic banks.

(b) AFS financial assets

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Company RM'000 |
|-----------------------------------|--|--|---------------------------|
| <u>At 30 June 2020</u> | | | |
| Fair value: | | | |
| Islamic debt securities, unquoted | 279,547 | 438,398 | 717,945 |
| | <u>279,547</u> | <u>438,398</u> | <u>717,945</u> |
| <u>At 31 December 2019</u> | | | |
| Fair value: | | | |
| Islamic debt securities, unquoted | 136,634 | 391,999 | 528,633 |
| | <u>136,634</u> | <u>391,999</u> | <u>528,633</u> |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 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 judgements.

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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 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|-----------------------------|-------------------|-------------------|-------------------|-----------------|
| 30 June 2020 | | | | |
| AFS financial assets: | | | | |
| - Corporate debt securities | - | 717,944 | - | 717,944 |
| | - | 717,944 | - | 717,944 |
| 31 December 2019 | | | | |
| AFS financial assets: | | | | |
| - Corporate debt securities | - | 528,633 | - | 528,633 |
| | - | 528,633 | - | 528,633 |

15. RETAKAFUL ASSETS

| | General Takaful Fund RM'000 | Company RM'000 |
|--|--------------------------------------|-------------------|
| At 30 June 2020 | | |
| Retakaful of takaful contracts | | |
| Claims liabilities (Note 16) | 109,875 | 109,875 |
| Unearned contribution reserves (Note 16) | 14,076 | 14,076 |
| | 123,951 | 123,951 |
| At 31 December 2019 | | |
| Retakaful of takaful contracts | | |
| Claims liabilities (Note 16(i)) | 114,079 | 114,079 |
| Unearned contribution reserves (Note 16(ii)) | 13,231 | 13,231 |
| | 127,310 | 127,310 |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. TAKAFUL CONTRACT LIABILITIES

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

| | 30.06.2020 | | | 31.12.2019 | | |
|---|----------------|------------------|----------------|----------------|------------------|----------------|
| | Gross | Re-takaful | Net | Gross | Re-takaful | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Provision for claims | 313,913 | (86,628) | 227,285 | 275,152 | (85,446) | 189,706 |
| Provision for incurred but not reported claims ("IBNR") | 106,761 | (11,841) | 94,920 | 95,974 | (16,955) | 79,019 |
| Provision for adverse deviation ("PRAD") | 36,596 | (11,406) | 25,190 | 33,356 | (11,678) | 21,678 |
| Claim liabilities (i) | 457,270 | (109,875) | 347,395 | 404,482 | (114,079) | 290,403 |
| Unearned contribution reserves (ii) | 187,623 | (14,076) | 173,547 | 202,876 | (13,231) | 189,645 |
| AFS fair value adjustment (iii) | 7,213 | - | 7,213 | 4,373 | - | 4,373 |
| Unallocated surplus (iv) | 70,006 | - | 70,006 | 47,845 | - | 47,845 |
| | <u>722,112</u> | <u>(123,951)</u> | <u>598,161</u> | <u>659,576</u> | <u>(127,310)</u> | <u>532,266</u> |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

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

| | 30.06.2020 | | | 31.12.2019 | | |
|---|------------|------------|-----------|------------|------------|-----------|
| | Gross | Re-takaful | Net | Gross | Re-takaful | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>(i) Claims liabilities</u> | | | | | | |
| At 1 January | 404,482 | (114,079) | 290,403 | 326,757 | (127,431) | 199,326 |
| Claims incurred in the current period | 165,622 | (714) | 164,908 | 360,694 | (16,524) | 344,170 |
| Claims paid during the financial period | (116,094) | 4,721 | (111,373) | (288,854) | 28,219 | (260,635) |
| Movement in PRAD | 3,260 | 197 | 3,457 | 5,885 | 1,657 | 7,542 |
| At 30 June/31 December | 457,270 | (109,875) | 347,395 | 404,482 | (114,079) | 290,403 |
| <u>(ii) Unearned contribution reserves</u> | | | | | | |
| At 1 January | 202,876 | (13,231) | 189,645 | 170,544 | (11,982) | 158,562 |
| Contribution written in the financial period | 270,897 | (19,073) | 251,824 | 653,694 | (49,909) | 603,785 |
| Contribution earned during the financial period | (286,150) | 18,228 | (267,922) | (621,362) | 48,660 | (572,702) |
| At 30 June/31 December | 187,623 | (14,076) | 173,547 | 202,876 | (13,231) | 189,645 |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

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

| | 30.06.2020 | | | 31.12.2019 | | |
|--|------------|--------------|--------|------------|--------------|---------|
| | Gross | Deferred tax | Net | Gross | Deferred tax | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>(iii) AFS reserve</u> | | | | | | |
| At January | 4,373 | (1,381) | 2,992 | 404 | - | 404 |
| Fair value movements arising from AFS financial assets | 5,118 | (897) | 4,221 | 5,350 | (1,381) | 3,969 |
| At 30 June/31 December | 9,491 | (2,278) | 7,213 | 5,754 | (1,381) | 4,373 |
| | | | | | | |
| | 30.06.2020 | | | 31.12.2019 | | |
| | Gross | Re-takaful | Net | Gross | Re-takaful | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>(iv) Unallocated surplus</u> | | | | | | |
| At January | 47,845 | - | 47,845 | 12,935 | - | 12,935 |
| Surplus during the financial period/year | 22,161 | - | 22,161 | 44,410 | - | 44,410 |
| Surplus distributed during the year | - | - | - | (9,500) | - | (9,500) |
| At 30 June/31 December | 70,006 | - | 70,006 | 47,845 | - | 47,845 |

Any surplus arising during the financial period/year will only be distributed at year end as recommended by the appointed actuary.

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17. TOTAL CAPITAL AVAILABLE

The regulated capital of the Company as at 30 June 2020 comprised of Available Capital of RM406,327,000 (31 December 2019: RM368,708,000).

The capital structure of the Company as at 30 June 2020, as prescribed under the RBCT Framework, is shown below:

| | 30.06.2020 | 31.12.2019 |
|-------------------------------------|----------------|----------------|
| | RM'000 | RM'000 |
| <u>Tier 1 Capital</u> | | |
| Paid-up share capital | 317,000 | 317,000 |
| Reserve including retained earnings | 118,370 | 87,095 |
| | <u>435,370</u> | <u>404,095</u> |
| <u>Tier 2 Capital</u> | | |
| Available-for-sale reserve | 9,752 | 5,437 |
| Less: | | |
| Other intangible asset | (27,000) | (28,000) |
| Deferred tax assets | (11,795) | (12,824) |
| Total Capital Available | <u>406,327</u> | <u>368,708</u> |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 (see Note 2).

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”).

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

| | Government Guaranteed | AAA to AA | A1 to A3 | Total |
|-----------------------------------|----------------------------------|------------------|-----------------|----------------|
| | RM’000 | RM’000 | RM’000 | RM’000 |
| 30 June 2020 | | | | |
| AFS investments: | | | | |
| Islamic debt securities, unquoted | 71,697 | 626,556 | 19,692 | 717,945 |
| Cash and bank balances | - | 176,191 | 25,025 | 201,216 |
| | <u>71,697</u> | <u>802,747</u> | <u>44,717</u> | <u>919,161</u> |

(b) Fair value / carrying amount:

| | Financial assets with SPPI cash flows | Other financial assets | Total |
|---|--|-----------------------------------|---------------|
| | RM’000 | RM’000 | RM’000 |
| Fair value at 30 June 2020 | 919,161 | - | 919,161 |
| Fair value changes during the financial period | - | - | - |
| Financial assets that do not have low credit risk: | | | |
| - Fair value/carrying amount at 31 December 2019 under MFRS 139 | - | NA | NA |

N/A – not applicable

Zurich General Takaful Malaysia Berhad

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