

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For The Financial Period From
1 January 2020 To 30 June 2020

About Zurich Life Insurance in Malaysia

Zurich Life Insurance Malaysia Berhad (ZLIMB), as part of Zurich Insurance Group, is an established life insurer headquartered in Kuala Lumpur. Through its diverse range of life insurance products, ZLIMB provides protection, medical and health, savings and investments solutions to address its customers' financial security needs. Together with its dedicated employees, agency force, distributors and partners, supported by its branch network in major cities nationwide, ZLIMB is committed to help its customers understand and protect themselves from risks. Additionally, shariah-compliant family takaful solutions are made available to customers through its sister company, Zurich Takaful Malaysia Berhad.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

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ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	30.06.2020 RM'000	31.12.2019 RM'000
ASSETS			
Property, plant and equipment		26,161	28,071
Right-of-use assets		34,650	38,163
Intangible assets		3,237	3,674
Investment properties		76,200	76,200
Investments	11	7,298,830	7,212,752
Available-for-sale financial assets		5,149,698	5,093,517
Financial assets at fair value through profit or loss		1,840,076	1,814,906
Loans and receivables		309,056	304,329
Reinsurance assets	13	33,332	31,664
Insurance receivables		30,904	28,447
Other receivables		24,917	22,252
Tax recoverable		10,310	11,083
Deferred tax assets		27,133	24,581
Cash and cash equivalents		271,890	274,156
Non-current asset held-for-sale		145,037	145,587
Total assets		7,982,601	7,896,630
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital		579,000	579,000
Retained earnings		743,294	733,531
Other reserves		144,770	112,491
Total equity		1,467,064	1,425,022
Insurance contract liabilities	14	4,559,558	4,489,729
Deferred tax liabilities		78,486	94,800
Lease liabilities		34,455	37,521
Other liabilities		79,934	87,145
Insurance payables		1,754,750	1,755,464
Current tax liabilities		8,354	6,949
Total liabilities		6,515,537	6,471,608
Total equity, policyholders' funds and liabilities		7,982,601	7,896,630

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
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
Gross earned premiums	392,895	391,452
Premiums ceded to reinsurers	(14,301)	(16,464)
Net earned premiums	378,594	374,988
Investment income	155,047	161,381
Realised gains and losses	(9,832)	1,954
Fair value gains and losses	(60,535)	67,959
Fee and commission income	814	946
Other revenue	85,494	232,240
Total revenue	464,088	607,228
Gross benefits and claims paid	(328,503)	(314,958)
Claims ceded to reinsurers	4,557	8,904
Gross change to contract liabilities	(23,941)	(9,684)
Change in contract liabilities ceded to reinsurers	1,668	(2,444)
Net claims	(346,219)	(318,182)
Fee and commission expenses	(56,514)	(57,772)
Management expenses	(66,883)	(65,436)
Other operating expenses - net	(660)	(769)
Other expenses	(124,057)	(123,977)
Operating profit	(6,188)	165,069
Finance cost	(707)	(722)
(Loss)/profit before taxation	(6,895)	164,347
Taxation	16,658	(36,708)
Net profit for the financial period	9,763	127,639
Basic/diluted earnings per share (sen)	1.69	22.04

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
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
Net profit for the financial period	9,763	127,639
Other comprehensive income/(loss):		
Item 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	74,984	165,521
- Gross fair value transferred to statement of profit or loss	9,909	(1,954)
- Deferred tax	(6,726)	(11,088)
Net fair value changes	78,167	152,479
Change in insurance contract liabilities arising from net fair value changes	(45,888)	(87,299)
Other comprehensive income for the financial period, net of tax	32,279	65,180
Total comprehensive income for the financial period	42,042	192,819

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

Company No.
196801000442 (8029-A)

ZURICH LIFE INSURANCE MALAYSIA BERHAD

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

	Issued and fully paid ordinary shares		Non-distributable		Retained earnings			Total
	Numbers of shares '000	Share capital RM'000	Available- for-sale fair value reserve RM'000	Asset revaluation reserve RM'000	Non-Par unallocated surplus ¹ RM'000	Distributable retained earnings RM'000	Total retained earnings RM'000	
At 1 January 2020	579,000	579,000	101,363	11,128	403,053	330,478	733,531	1,425,022
Net profit/(loss) for the financial period	-	-	-	-	13,176	(3,413)	9,763	9,763
Other comprehensive income for the financial period	-	-	32,279	-	-	-	-	32,279
At 30 June 2020	<u>579,000</u>	<u>579,000</u>	<u>133,642</u>	<u>11,128</u>	<u>416,229</u>	<u>327,065</u>	<u>743,294</u>	<u>1,467,064</u>
At 1 January 2019	579,000	579,000	25,181	11,128	442,700	241,083	683,783	1,299,092
Net (loss)/profit for the financial period	-	-	-	-	(11,672)	139,311	127,639	127,639
Other comprehensive income for the financial period	-	-	65,180	-	-	-	-	65,180
At 30 June 2019	<u>579,000</u>	<u>579,000</u>	<u>90,361</u>	<u>11,128</u>	<u>431,028</u>	<u>380,394</u>	<u>811,422</u>	<u>1,491,911</u>

¹In accordance with the FSA, the unallocated surplus of the Non-Participating ("Non-Par") fund is only available for distribution to the shareholders upon approval by the Appointed Actuary. There was no transfer from Non-Par fund unallocated surplus for the financial period ended 30 June 2020 (2019: Nil).

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT 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 operating activities	(146,189)	(175,994)
Dividend/distribution income received	28,429	31,798
Interest/profit income received	127,598	129,277
Rental income on investment properties received	4,191	3,647
Property maintenance expenses paid	(3,617)	(3,676)
Interest expenses on lease liabilities	(707)	(722)
Income tax paid	(6,754)	(12,896)
Net cash inflows/(outflows) from operating activities	<u>2,951</u>	<u>(28,566)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(553)	(9)
Purchase of intangible assets	-	(577)
Proceed from disposal of property, plant and equipment	-	49
Net cash outflows from investing activities	<u>(553)</u>	<u>(537)</u>
FINANCING ACTIVITIES		
Payment of lease liabilities	(4,664)	(4,327)
Net cash outflows from financing activities	<u>(4,664)</u>	<u>(4,327)</u>
Net decrease in cash and cash equivalents	(2,266)	(33,430)
Cash and cash equivalents at the beginning of the financial period	<u>274,156</u>	<u>243,033</u>
Cash and cash equivalents at the end of the financial period	<u><u>271,890</u></u>	<u><u>209,603</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>271,890</u>	<u>209,603</u>
	<u><u>271,890</u></u>	<u><u>209,603</u></u>

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 unaudited condensed interim financial statements 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 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 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:

MFRS, Interpretations and amendments	Effective Date
• Amendments to MFRS 3 "Business Combination" – Definition of a Business	1 January 2020
• Amendments to MFRS 9 "Financial Instruments", MFRS 139 "Financial Instruments: Recognition and Measurement" and MFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform	1 January 2020
• Amendments to MFRS 16 "Leases" – COVID-19 Related Rent Concessions	1 June 2020
• Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material	1 January 2020
• The Conceptual Framework for Financial Reporting (Revised 2018)	1 January 2020

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. 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.

4. SEASONAL OR CYCLICAL FACTORS

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

5. 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 Life Insurance Malaysia Berhad has ensured that the Company continues to provide core insurance 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.

6. CHANGE IN ACCOUNTING ESTIMATES

There was no material changes in basis used for accounting estimates for the current financial period to date.

7. DEBT AND EQUITY SECURITIES

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

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8. DIVIDEND PAYMENT

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

9. SUBSEQUENT EVENT

There are no material subsequent events from the end of the current financial period under review to the date of these 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. INVESTMENTS

	30.06.2020	31.12.2019
	RM'000	RM'000
Malaysian Government Securities/Government Investment Issues	689,467	674,426
Corporate debt securities	4,427,339	4,354,792
Equity securities	1,197,955	1,420,292
Unit trusts	675,013	458,913
Loans	309,056	304,329
	<u>7,298,830</u>	<u>7,212,752</u>

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

Available-for-sale ("AFS") financial assets	5,149,698	5,093,517
Fair value through profit or loss ("FVTPL") financial assets	1,840,076	1,814,906
Loans and receivables ("LAR")	309,056	304,329
	<u>7,298,830</u>	<u>7,212,752</u>

Investments that mature after 12 months:

AFS financial assets	4,714,645	4,582,001
FVTPL financial assets	195,282	165,144
LAR	3,235	3,604
	<u>4,913,162</u>	<u>4,750,749</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

12. 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 structured products with fair values obtained via investment bankers and/or fund managers.

Level 3 - Valuation Techniques - Unobservable input

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unquoted equity securities, un-rated securities, investment properties, non-performing loans and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgments. The judgment applied in valuing the non-performing loans is explained in Note 3(ii) to the financial statements.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

12. 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 2020</u>				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	678,706	-	678,706
- Corporate debt securities	-	4,241,278	-	4,241,278
- Equity securities	-	-	10,424	10,424
- Unit trusts	219,290	-	-	219,290
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	10,761	-	10,761
- Corporate debt securities	-	186,061	-	186,061
- Equity securities	1,187,531	-	-	1,187,531
- Unit trusts	455,723	-	-	455,723
Non-financial assets				
Investment properties	-	-	76,200	76,200
Non-current assets held-for-sale	-	-	145,037	145,037
	<u>1,862,544</u>	<u>5,116,806</u>	<u>231,661</u>	<u>7,211,011</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

12. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31 December 2019</u>				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	667,879	-	667,879
- Corporate debt securities	-	4,193,871	1,300	4,195,171
- Equity securities	215,071	-	10,424	225,495
- Unit trusts	4,972	-	-	4,972
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	6,547	-	6,547
- Corporate debt securities	-	159,621	-	159,621
- Equity securities	1,194,797	-	-	1,194,797
- Unit trusts	453,941	-	-	453,941
Non-financial assets				
Investment properties	-	-	76,200	76,200
Non-current assets held-for-sale	-	-	145,587	145,587
	<u>1,868,781</u>	<u>5,027,918</u>	<u>233,511</u>	<u>7,130,210</u>

13. REINSURANCE ASSETS

	30.06.2020	31.12.2019
	RM'000	RM'000
Reinsurers' share of insurance contract liabilities (Note 14)	<u>33,332</u>	<u>31,664</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

14. INSURANCE CONTRACT LIABILITIES

The analysis of life insurance contract liabilities and the movements are as follows:

	30.06.2020			31.12.2019		
	Gross	Re- insurance	Net	Gross	Re- insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liability for future policyholders' benefits	3,313,769	(21,572)	3,292,197	3,255,739	(24,122)	3,231,617
Net asset value attributable to unitholders	1,109,585	-	1,109,585	1,086,246	-	1,086,246
Actuarial liabilities	4,423,354	(21,572)	4,401,782	4,341,985	(24,122)	4,317,863
Claims liabilities	127,490	(11,760)	115,730	115,342	(7,542)	107,800
	4,550,844	(33,332)	4,517,512	4,457,327	(31,664)	4,425,663
Life Participating Fund:						
- Unallocated deficit	(230,361)	-	(230,361)	(160,785)	-	(160,785)
- Available-for-sale reserve	218,085	-	218,085	172,197	-	172,197
- Asset revaluation reserve	20,990	-	20,990	20,990	-	20,990
	4,559,558	(33,332)	4,526,226	4,489,729	(31,664)	4,458,065

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Actuarial liabilities</u>							
At 1 January 2019	2,533,290	1,798,152	4,331,442	(9,486)	(16,075)	(25,561)	4,305,881
Benefit and claims experience variation	(108,574)	26,231	(82,343)	1,688	(249)	1,439	(80,904)
Change due to valuation basis:							
Model enhancement	(104,773)	35	(104,738)	-	-	-	(104,738)
Yield movement	5,121	105,288	110,409	-	-	-	110,409
Assumption changes	(3,836)	15,745	11,909	-	-	-	11,909
Net asset value attributable to unitholders	-	75,306	75,306	-	-	-	75,306
At 31 December 2019	2,321,228	2,020,757	4,341,985	(7,798)	(16,324)	(24,122)	4,317,863
Benefit and claims experience variation	(27,447)	24,191	(3,256)	2,209	341	2,550	(706)
Change due to valuation basis:							
Model enhancement	(1,469)	1,484	15	-	-	-	15
Yield movement	27,061	34,210	61,271	-	-	-	61,271
Assumption changes	-	-	-	-	-	-	-
Net asset value attributable to unitholders	-	23,339	23,339	-	-	-	23,339
At 30 June 2020	2,319,373	2,103,981	4,423,354	(5,589)	(15,983)	(21,572)	4,401,782

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Claims liabilities</u>							
At 1 January 2019	42,420	51,743	94,163	(602)	(5,566)	(6,168)	87,995
Movement in claim provisions	16,908	4,271	21,179	(502)	(872)	(1,374)	19,805
At 31 December 2019	59,328	56,014	115,342	(1,104)	(6,438)	(7,542)	107,800
Movement in claim provisions	2,221	9,927	12,148	(157)	(4,061)	(4,218)	7,930
At 30 June 2020	61,549	65,941	127,490	(1,261)	(10,499)	(11,760)	115,730

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2020			2019		
	With DPF	Without DPF*	Total	With DPF	Without DPF*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Unallocated surplus/(deficit)</u>						
At 1 January	(160,785)	403,053	242,268	(81,468)	442,700	361,232
Effects of initial adoption of MFRS 16	-	-	-	7	-	7
As restated	(160,785)	403,053	242,268	(81,461)	442,700	361,239
Premium received	63,009	315,585	378,594	147,336	622,411	769,747
Payment due to death, surrenders, benefits and claims	(160,105)	(163,841)	(323,946)	(408,529)	(387,226)	(795,755)
Net investment income	37,116	32,836	69,952	183,896	112,967	296,863
Management expenses and commissions	(24,446)	(98,371)	(122,817)	(43,635)	(194,226)	(237,861)
Change in life insurance fund actuarial liabilities	(366)	(93,151)	(93,517)	195,154	(226,877)	(31,723)
Change in claims liabilities	(2,053)	3,721	1,668	(1,186)	1,121	(65)
Tax expense	(180)	16,397	16,217	(10,389)	32,183	21,794
Temporary funding (refund to)/from Shareholders' Fund	17,449	-	17,449	(141,971)	-	(141,971)
Net (deficit) for the financial period/year	(69,576)	13,176	(56,400)	(79,324)	(39,647)	(118,971)
At 30 June/31 December	(230,361)	416,229	185,868	(160,785)	403,053	242,268

*The unallocated surplus of the Life Non-Participating fund is reported under non-distributable retained earnings in the statement of changes in equity.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2020 RM'000	2019 RM'000
<u>Available-for-sale reserves</u>		
At 1 January	172,197	71,836
Fair value change on available-for-sale financial assets, net of tax:		
- Gross fair value change	48,600	105,368
- Deferred taxation	(2,712)	(5,007)
	<u>45,888</u>	<u>100,361</u>
At 30 June/31 December	<u>218,085</u>	<u>172,197</u>
	30.06.2020 RM'000	31.12.2019 RM'000
Asset revaluation reserves	<u>20,990</u>	<u>20,990</u>

15. TOTAL CAPITAL AVAILABLE

The regulated capital of the Company as at 30 June 2020 comprised capital available of RM1,953,237,000 (31 December 2019: RM1,944,480,000).

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

	30.06.2020 RM'000	31.12.2019 RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	<u>1,099,114</u>	<u>1,151,276</u>
	<u>1,678,114</u>	<u>1,730,276</u>
<u>Tier 2 Capital</u>		
Assets revaluation reserves	24,910	24,910
Available-for-sale reserves	<u>277,346</u>	<u>213,875</u>
	<u>302,256</u>	<u>238,785</u>
Less:		
Deferred tax assets	<u>(27,133)</u>	<u>(24,581)</u>
Total Capital Available	<u><u>1,953,237</u></u>	<u><u>1,944,480</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE FUNDS

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 30 JUNE 2020

	Life Fund RM'000	Share- holders' Fund RM'000	Total RM'000
Assets			
Property, plant and equipment	26,161	-	26,161
Right-of-use assets	34,650	-	34,650
Intangible assets	3,237	-	3,237
Investment properties	54,250	21,950	76,200
Investments	6,503,177	795,653	7,298,830
AFS	4,354,045	795,653	5,149,698
FVTPL	1,840,076	-	1,840,076
LAR	309,056	-	309,056
Reinsurance assets	33,332	-	33,332
Insurance receivables	30,904	-	30,904
Other receivables	23,882	1,035	24,917
Tax recoverable	4,281	6,029	10,310
Deferred tax assets	-	27,133	27,133
Cash and cash equivalents	264,138	7,752	271,890
Non-current assets held-for-sale	102,287	42,750	145,037
Total assets	7,080,299	902,302	7,982,601
Equity, policyholders' funds and liabilities			
Share capital	-	579,000	579,000
Retained earnings	416,229	327,065	743,294
Other reserves	123,953	20,817	144,770
Total equity	540,182	926,882	1,467,064
Insurance contract liabilities	4,559,558	-	4,559,558
Deferred tax liabilities	78,486	-	78,486
Lease liabilities	34,455	-	34,455
Other liabilities	79,360	574	79,934
Insurance payables	1,754,750	-	1,754,750
Current tax liabilities	3,797	4,557	8,354
Total liabilities	6,510,406	5,131	6,515,537
Total equity, policyholders' funds and liabilities	7,050,588	932,013	7,982,601
Inter-fund balances	29,711	(29,711)	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE FUNDS (CONTINUED)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2019**

	Life Fund	Share- holders' Fund	Total
	RM'000	RM'000	RM'000
Assets			
Property, plant and equipment	28,071	-	28,071
Right-of-use assets	38,163	-	38,163
Intangible assets	3,674	-	3,674
Investment properties	54,250	21,950	76,200
Investments	6,381,525	831,227	7,212,752
AFS	4,262,290	831,227	5,093,517
FVTPL	1,814,906	-	1,814,906
LAR	304,329	-	304,329
Reinsurance assets	31,664	-	31,664
Insurance receivables	28,447	-	28,447
Other receivables	20,302	1,950	22,252
Tax recoverable	5,054	6,029	11,083
Deferred tax assets	-	24,581	24,581
Cash and cash equivalents	258,741	15,415	274,156
Non-current assets held-for-sale	102,837	42,750	145,587
Total assets	6,952,728	943,902	7,896,630
Equity, policyholders' funds and liabilities			
Share capital	-	579,000	579,000
Retained earnings	403,053	330,478	733,531
Other reserves	96,946	15,545	112,491
Total equity	499,999	925,023	1,425,022
Insurance contract liabilities	4,489,729	-	4,489,729
Deferred tax liabilities	94,800	-	94,800
Lease liabilities	37,521	-	37,521
Other liabilities	86,542	603	87,145
Insurance payables	1,755,464	-	1,755,464
Current tax liabilities	2,297	4,652	6,949
Total liabilities	6,466,353	5,255	6,471,608
Total equity, policyholders' funds and liabilities	6,966,352	930,278	7,896,630
Inter-fund balances	(13,624)	13,624	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE FUNDS (CONTINUED)

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

	Life Fund	Share- holders' Fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	392,895	-	392,895
Premiums ceded to reinsurers	(14,301)	-	(14,301)
Net earned premiums	378,594	-	378,594
Investment income	140,441	14,606	155,047
Realised gains and losses	(9,954)	122	(9,832)
Fair value gains and losses	(60,535)	-	(60,535)
Fee and commission income	814	-	814
Other revenue	70,766	14,728	85,494
Total revenue	449,360	14,728	464,088
Gross benefits and claims paid	(328,503)	-	(328,503)
Claims ceded to reinsurers	4,557	-	4,557
Gross change to contract liabilities	(23,941)	-	(23,941)
Change in contract liabilities ceded to reinsurers	1,668	-	1,668
Net claims	(346,219)	-	(346,219)
Fee and commission expenses	(56,514)	-	(56,514)
Management expenses	(66,200)	(683)	(66,883)
Other operating expenses – net	(210)	(450)	(660)
Other expenses	(122,924)	(1,133)	(124,057)
Operating profit	(19,783)	13,595	(6,188)
Finance cost	(707)	-	(707)
Profit before taxation	(20,490)	13,595	(6,895)
Temporary funding from/(to)	17,449	(17,449)	-
Taxation	16,217	441	16,658
Net profit/(loss) for the financial period	13,176	(3,413)	9,763

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE FUNDS (CONTINUED)

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	Life Fund	Share- holders' Fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	391,452	-	391,452
Premiums ceded to reinsurers	(16,464)	-	(16,464)
Net earned premiums	374,988	-	374,988
Investment income	146,329	15,052	161,381
Realised gains and losses	1,941	13	1,954
Fair value gains and losses	67,959	-	67,959
Fee and commission income	946	-	946
Other revenue	217,175	15,065	232,240
Total revenue	592,163	15,065	607,228
Gross benefits and claims paid	(314,958)	-	(314,958)
Claims ceded to reinsurers	8,904	-	8,904
Gross change to contract liabilities	(9,684)	-	(9,684)
Change in contract liabilities ceded to reinsurers	(2,444)	-	(2,444)
Net claims	(318,182)	-	(318,182)
Fee and commission expenses	(57,772)	-	(57,772)
Management expenses	(61,607)	(3,829)	(65,436)
Other operating expenses – net	(320)	(449)	(769)
Other expenses	(119,699)	(4,278)	(123,977)
Operating profit	154,282	10,787	165,069
Finance cost	(722)	-	(722)
Profit before taxation	153,560	10,787	164,347
Temporary funding (to)/from	(173,128)	173,128	-
Taxation	7,896	(44,604)	(36,708)
Net (loss)/profit for the financial period	(11,672)	139,311	127,639

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE FUNDS (CONTINUED)

INVESTMENT-LINKED FUND

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	30.06.2020	31.12.2019
	RM'000	RM'000
Assets		
Investments		
FVTPL	1,072,295	1,008,268
Other receivables	1,111	216
Tax recoverable	560	65
Cash and cash equivalents	51,354	100,884
Total assets	1,125,320	1,109,433
Liabilities		
Deferred tax liabilities	4,902	5,061
Other liabilities	1,225	9,365
Total liabilities	6,127	14,426
Inter-fund balances	9,608	8,761
Net asset value attributable to unitholders (Note 14)	1,109,585	1,086,246

INVESTMENT-LINKED FUND

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

	6 months ended 30.06.2020	6 months ended 30.06.2019
	RM'000	RM'000
Investment income	18,681	17,298
Fair value gains and losses	(14,607)	31,015
	4,074	48,313
Fee and commission expenses	(6,913)	(6,726)
Management expenses	(24)	(24)
Other operating income/(expenses) – net	(14)	(58)
(Loss)/profit before taxation	(2,877)	41,505
Taxation	628	(2,998)
Net (loss)/profit for the financial period	(2,249)	38,507

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

17. 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 2021.

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 flows analysed by credit quality:

	Government Guarantee	AAA to AA	A1 to A3	BB and below	Impaired	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
30 June 2020						
AFS investments:						
Malaysian						
Government						
Securities/						
Government						
Investment Issues	678,706	-	-	-	-	678,706
Corporate debt						
securities	873,694	3,174,779	191,869	936	-	4,241,278
	<u>1,552,400</u>	<u>3,174,779</u>	<u>191,869</u>	<u>936</u>	<u>-</u>	<u>4,919,984</u>
31 December 2019						
AFS investments:						
Malaysian						
Government						
Securities/						
Government						
Investment Issues	667,879	-	-	-	-	667,879
Corporate debt						
securities	846,508	3,168,521	177,880	962	1,300	4,195,171
	<u>1,514,387</u>	<u>3,168,521</u>	<u>177,880</u>	<u>962</u>	<u>1,300</u>	<u>4,863,050</u>

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

(b) Fair value/carrying amount:

	Financial assets with SPPI cash flows	Other financial assets	Total
	RM'000	RM'000	RM'000
Fair value as at 30 June 2020	4,919,984	2,735,068	7,655,052
Fair value changes during the financial period	9,909	3,520	13,429
Financial assets that do not have low credit risk: Fair value/carrying amount as at 30 June 2020 under MFRS 139	936	N/A	N/A
Fair value at 31 December 2019	4,863,050	2,698,847	7,561,897
Fair value changes during the financial year	202,746	3,521	206,267
Financial assets that do not have low credit risk: Fair value/carrying amount at 31 December 2019 under MFRS 139	2,262	N/A	N/A

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