

Directors' Report and
Audited Financial Statements
For the financial year ended
31 December 2024



Setting the pace

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CONTENTS	PAGES
CORPORATE GOVERNANCE STATEMENT	1 - 16
DIRECTORS' REPORT	17 - 21
STATEMENT BY DIRECTORS	22
STATUTORY DECLARATION	22
INDEPENDENT AUDITORS' REPORT	23 - 26
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	27
STATEMENT OF PROFIT OR LOSS	28
STATEMENT OF COMPREHENSIVE INCOME	29
STATEMENT OF CHANGES IN EQUITY	30
STATEMENT OF CASH FLOWS	31
NOTES TO THE FINANCIAL STATEMENTS	32 - 141

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT

Introduction

Zurich Life Insurance Malaysia Berhad (“the Company”) is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability.

The Board of Directors (“the Board”) is satisfied that the Company has complied with all prescriptive requirements of and adopts the Corporate Governance policy document issued by Bank Negara Malaysia (“BNM”). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Company.

Roles and responsibilities of the Board

The Board is responsible for the overall governance of the Company by providing guidance, including setting the directions in terms of the Company’s corporate objectives and business strategies, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company’s internal control and reporting procedures.

Composition of the Board

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

Choy Khai Choon	Chairman (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim	Member (Independent Non-Executive Director)
Timothy William Howell	Member (Executive Director)

The Board comprises five Directors with skills and experiences in a diverse range of business, financial, technical and public service background. The Board is represented by one Non-Independent Non-Executive Directors, three Independent Non-Executive Directors and one Executive Director. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate. The Company sets the tenure limit of its independent directors to maximum of nine years.

The appointments to the Board were approved by BNM. All appointments and reappointments of Board members are subject to evaluation and review by the Nomination and Remuneration Committee and approved by the Board before the applications are submitted to BNM for approval.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors

Choy Khai Choon

Malaysian, Male

Non-Independent Non-Executive Director/Chairman

Member of Audit Committee

Member of Board Investment Committee

Member of Risk Management and Sustainability Committee

Member of Nomination and Remuneration Committee

Mr Choy Khai Choon ("Mr Choy") was appointed as an Non-Independent Non-Executive Director and Chairman of the Company on 17 September 2013 and 13 October 2018 respectively. Mr Choy was subsequently redesignated as Non-Independent Non-Executive Director and Chairman of the Company on 17 September 2022. Mr Choy is a member of the Audit Committee, Board Investment Committee, Risk Management and Sustainability Committee, and Nomination and Remuneration Committee of the Company.

Mr Choy graduated with a Bachelor of Commerce degree from The University of New South Wales, Australia and holds a Master in Business Administration (MBA) from Oklahoma City University, USA. He is a Member of the Malaysian Institute of Accountants and a Fellow of the Australian Certified Public Accountants.

Mr Choy served as the President and Chief Executive Officer ("CEO") of Cagamas Berhad from year 2006 to 2012 and was appointed director of Cagamas MBS Berhad, Cagamas SME Berhad, BNM Sukuk Berhad, Cagamas HKMC Berhad and Cagamas SRP Berhad.

Prior to joining Cagamas Berhad, Mr Choy held key positions in leading financial institutions in the areas of financial management, strategic planning and business development. Key roles held include serving as Regional Finance/Planning Director of Aviva Insurance Asia, CEO of Morley Fund Management Ltd, Aviva Insurance Group, Singapore and Senior General Manager, Group Head of RHB Berhad.

Mr Choy is currently the Chairman and Non-Independent Non-Executive Director of Zurich General Insurance Malaysia Berhad. Mr Choy sits as Chairman and Non-Independent Non-Executive Director of Kenanga Investors Berhad. Mr Choy is also an Independent Director of Hap Seng Plantations Holdings Berhad, MSM Malaysia Holdings Berhad and Asian Banking School Sdn Bhd. Mr Choy is, additionally, the Non-Independent Non-Executive Director of Kenanga Investment Bank Berhad. He also sits on the Board of Bond & Sukuk Information Platform Sdn Bhd, a wholly owned subsidiary of the Securities Commission. Mr Choy is also Member of Labuan Financial Services Authority.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors (continued)

Donald Joshua Jaganathan

Malaysian, Male

Independent Non-Executive Director

Chairman of Risk Management and Sustainability Committee

Chairman of Board Investment Committee

Member of Audit Committee

Member of Nomination and Remuneration Committee

Mr Donald Joshua Jaganathan ("Mr Donald") was appointed as Independent Non-Executive Director of the Company on 1 November 2020. Mr Donald is the Chairman of Risk Management and Sustainability Committee and Board Investment Committee of the Company. He is also a member of Audit Committee and Nomination and Remuneration Committee of the Company.

Mr Donald holds a Bachelor of Accounting (Hons) from the University of Malaya and is a Member of the Malaysian Institute of Accountants. He also holds a Master in Business Administration from the Cranfield School of Management, United Kingdom and is an alumnus of the Advanced Management Program, Harvard Business School.

Mr Donald is a Fellow Chartered Banker and serves as a Council Member of the Asian Institute of Chartered Bankers and the Chairman of its Education Committee. He is also a member of the Board of Directors of the Asian Banking School and the Chairman of its Talent Development Committee. He also serves as members of Board of Directors of RHB Bank Berhad and RHB Insurance Berhad.

Mr Donald has had a fulfilling career with Bank Negara Malaysia ("BNM") for 36 years, rising to the rank of Assistant Governor, with key responsibilities over the financial stability function, including oversight of BNM's Financial Stability Report. His work experience included leadership and management oversight over the supervision and regulation of the banking and insurance industry in Malaysia, training and development activities with the banking and insurance institutes, and serving as country representative in international supervisory bodies.

Mr Donald also held previous positions as the Chairman of the Board of Directors of Payments Network Malaysia Sdn Bhd, Chairman of the Board Executive Committee of the Malaysian Insurance Institute, Council Member of the Malaysian Institute of Accountants and Member of the Malaysian Financial Reporting Foundation.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors (continued)

Onn Kien Hoe

Malaysian, Male

Independent Non-Executive Director

Chairman of Audit Committee

Member of Risk Management and Sustainability Committee

Member of Board Investment Committee

Member of Nomination and Remuneration Committee

Mr Onn Kien Hoe ("Mr Onn") was appointed as an Independent Non-Executive Director of the Company on 1 July 2021. Mr Onn is the Chairman of the Audit Committee of the Company. He is also a member of Risk Management and Sustainability Committee, Board Investment Committee and the Nomination and Remuneration Committee of the Company.

Mr Onn completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Kampuchea Institute of Certified Public Accountants and Auditors.

Mr Onn is a partner with Crowe Malaysia PLT, an internationally affiliated accounting firm. His role includes acting as the Co-Head of the Corporate Advisory Division of Crowe Malaysia. He is also a Director in Crowe (KH) Co., Ltd, where he is also responsible for the operations of Crowe in Cambodia.

Mr Onn has extensive experience in the disciplines of audit, advisory and insolvency. He has participated in cross border transactions including mergers and acquisitions, listing, reverse takeovers, due diligence reviews and valuation assignments. His cross-border experience involves transactions on international stock exchanges including London, Hong Kong, Singapore, Australia, Cambodia and Malaysia.

Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants, a member of the Interpretation Committee of the Malaysian Accounting Standards Board and a member of the General Committee of Malaysian International Chamber of Commerce and Industry.

Mr Onn currently sits on the Board of Sern Kou Resources Berhad and several private limited companies.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors (continued)

Datuk Dr Hafsah binti Hashim

Malaysian, Female

Independent Non-Executive Director

Chairperson of Nomination and Remuneration Committee

Member of Audit Committee

Member of Risk Management and Sustainability Committee

Member of Board Investment Committee

Datuk Dr Hafsah binti Hashim ("Datuk Dr Hafsah") was appointed as Independent Non-Executive Director of the Company on 1 September 2022. Datuk Dr Hafsah is the Chairperson of the Nomination and Remuneration Committee. She is also a member of the Audit Committee, Board Investment Committee and Risk Management and Sustainability Committee of the Company.

Datuk Dr Hafsah obtained her Bachelor in Applied Science from Science University of Malaysia in 1982 and Masters in Business Administration from Aston University, United Kingdom in 1996.

Datuk Dr Hafsah has vast experience in public sector administration and has served in several ministries including Ministry of International Trade and Industry ("MITI"), Ministry of Agriculture and Ministry of Primary Industries. She also served as the Chief Executive Officer of SME Corporation Malaysia for nearly 14 years. In total, she served the Government of Malaysia for 36 years and 2 months before retiring on 15 August 2018.

On the international front, Datuk Dr Hafsah is appointed as the Monsha'at International Advisory Board Committee of Small and Medium Enterprise General Authority ("SMEA") of the Kingdom of Saudi Arabia from 1 November 2017 until 1 November 2019.

Datuk Dr Hafsah currently sits on the Board of Directors of among others, Zurich Takaful Malaysia Berhad, SBS Nexus Berhad and Southampton University Malaysia. She is also the Chairman of Usains Holding Sdn Bhd and Women Leadership Foundation as well as a Member of Board of Trustees of Malaysia Innovation Foundation.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors (continued)

Timothy William Howell

Australian, Male
Executive Director

Mr Timothy William Howell ("Mr Tim Howell") was appointed as an Executive Director of the Company on 1 November 2021.

Mr Tim Howell is a Fellow of the Institute of Actuaries of Australia and holds Bachelor of Commerce (Actuarial Studies) and Bachelor of Science (Computer Science). He is also a graduate from the Australian Institute of Company Directors.

Mr Tim Howell has more than 17 years' experience in the financial services sector, of which more than 10 years are with Zurich in finance, actuarial and proposition leadership positions. In November 2019, Mr Tim Howell assumed the position as Head of Finance/Chief Financial Officer ("CFO"), Asia Pacific ("APAC"). In his current role, Mr Tim Howell is accountable for delivering the financial performance of the APAC region and is focused on supporting the APAC Business Units to achieve their strategic and financial objectives.

From June 2017 until November 2019, Mr Tim Howell was Head of Zurich Propositions for Zurich Financial Services Australia (Life & Investments) with responsibility for developing retail risk and investment customer propositions. During this time the proposition function saw strong success with substantial market share growth, innovative digital projects delivered and a clear focus on customer solutions.

Mr Tim Howell's previous roles with Zurich included Chief Life Actuary from 2015 to 2017 with responsibility to lead the actuarial function including actuarial reserves and reporting (including Financial Condition Report), capital management, pricing and product actuarial advice, actuarial systems and reinsurance management. He was also the Director of Actuarial Service Centre Asia Pacific ("ASCAP") and was based in Malaysia from 2012 to 2015 with responsibility for building, developing and leading a team of actuarial professionals to support the life actuarial reporting for business units across the Asia Pacific region. Based on his previous working experiences in Malaysia, he would be acquainted with the local working environment.

Before joining Zurich, Mr Tim Howell was with Ernst & Young, Tower Australia Ltd (currently known as TAL) and Commonwealth Securities Ltd in actuarial and analyst roles.

Mr Tim Howell is also serves as a Board Member for Zurich Group entities, namely, Zurich General Insurance Malaysia Berhad, Zurich Services (Hong Kong) Limited, Cover-More Group Limited, Zurich Travel Solutions Pty Limited and Zurich Life Insurance Japan Company Ltd.

Directors' Training

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training, forum attended by Board members during the financial year ended 31 December 2024 included areas of leadership, governance, risk management, finance, investment, insurance related matters and information technology.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Meetings

The Board is scheduled to meet at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2024, the Board met thirteen (13) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2024.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Choy Khai Choon, Chairman	13/13
Donald Joshua Jaganathan	11/11
Onn Kien Hoe	13/13
Timothy William Howell	13/13
Datuk Dr Hafsah binti Hashim	13/13

Board Committees

The Board has established numbers of Board Committees and Senior Management Committees.

Each committee operates within defined terms of reference. Board Committees are the Audit Committee, the Nomination and Remuneration Committee, the Risk Management and Sustainability Committee and the Board Investment Committee. Senior Management Committees include the Asset Liability Management and Investment Committee ("ALMIC"), the Human Resource Committee ("HRC"), the Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), the Risk and Control Committee ("RCC"), the Occupational Safety and Health Committee ("OSHC"), Sustainability Council and various Senior Management Committees for Life Businesses. The Board Committees are chaired by an Independent Non-Executive Director, while the Senior Management Committees are chaired by the CEO or a member of senior management team.

Audit Committee

The members of the Audit Committee are as follows:

Onn Kien Hoe	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim	Member (Independent Non-Executive Director)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Audit Committee (continued)

The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The Audit Committee meets regularly with senior management, the internal auditors and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

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

- (i) To approve internal auditors' audit plan, review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
- (ii) To review the results of internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;
- (iii) To consider the appointment and removal of the external auditors, the audit fee and any question of resignation or dismissal;
- (iv) To discuss with the external auditors before the audit commences, the nature and scope of audit;
- (v) To provide assurance that the financial information presented by management is relevant, reliable and timely;
- (vi) To review the Compliance Policy and oversee its implementation, establish the Compliance function, review and evaluation the effectiveness of the overall management of compliance risk;
- (vii) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
- (viii) To determine the quality, adequacy and effectiveness of the Company's internal control environment.

The Audit Committee meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2024 the Audit Committee held six (6) meetings with senior management, internal auditors, and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The number of meetings attended by each member of the Audit Committee during the financial year ended 31 December 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Onn Kien Hoe, Chairman	6/6
Choy Khai Choon	6/6
Donald Joshua Jaganathan	6/6
Datuk Dr Hafsah binti Hashim	6/6

During the financial year ended 31 December 2024, apart from reviewing the quarterly results and annual financial statements, the Audit Committee also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Audit Committee (continued)

The Internal Audit Department also conducts audits on an ad-hoc basis based on special requests either by the Board of Directors or the senior management. It also works closely with the external auditors to resolve any internal control issues raised by them and assists in ensuring appropriate management-based actions are taken. The Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

Nomination and Remuneration Committee

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

Datuk Dr Hafsa binti Hashim	Chairperson (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Donald Joshua Jaganathan	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)

The Nomination and Remuneration Committee is made up of a majority of Independent Non-Executive Directors. In considering the right candidate for appointment to the Board, the Nomination and Remuneration Committee takes into account the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfil its fiduciary responsibilities. The Nomination and Remuneration Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

The principal duties and responsibilities of the Nomination and Remuneration Committee as per Terms of Reference approved by Board are:

- (i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, CEO and key senior officers (including the expatriates, if any) of the Company. The remuneration policy and practices shall:
 - (a) be documented and approved by the Board of the Company and be subject to periodic Board review, including when material changes are made to the remuneration policy;
 - (b) reflect the experience and level of responsibility borne by individual Directors, the CEO and key senior officers (including the expatriates, if any);
 - (c) be sufficient to attract and retain Directors, CEO and key senior officers (including the expatriates, if any) of calibre needed to manage the Company successfully; and
 - (d) be balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Nomination and Remuneration Committee (continued)

The principal duties and responsibilities of the Nomination and Remuneration Committee as per Terms of Reference approved by Board are: (continued)

- (ii) To recommend specific remuneration packages for Directors, CEO and key senior officers (including the expatriates, if any) of the Company. The remuneration packages shall:
 - (a) be based on an objective consideration and approved by the Board;
 - (b) take due consideration of the assessment of the Regional/Group Remuneration Team on the effectiveness, level of contribution such as effort and time spent and responsibilities of the Directors, the CEO and key senior officers (including the expatriates, if any) in discharging their duties for the benefits of the Company and of the Group;
 - (c) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
 - (d) be competitive and does not induce excessive risk-taking and is consistent with the Company's culture, objective, risk appetite and long term strategy.
- (iii) To ensure that the remuneration for individuals within the Company be aligned with prudent risk-taking and appropriately adjusted for risks. The remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that:
 - (a) the remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;
 - (b) the size of the bonus pool is linked to the overall performance of the Company;
 - (c) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;
 - (d) bonuses are not guaranteed, except in the context of sign-on bonuses; and
 - (e) for members of senior management and other material risk takers:
 - i. a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and
 - ii. the variable portion of remuneration increases along with the individual's level of accountability.
- (iv) To undertake and perform such other matters/activities according to the application requirements in the guidelines from Bank Negara Malaysia and/or as the Board think fit.

The number of meetings attended by each member of the Nomination and Remuneration Committee during the financial year ended 31 December 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Datuk Dr Hafsah binti Hashim, Chairperson	7/7
Choy Khai Choon	7/7
Donald Joshua Jaganathan	7/7
Onn Kien Hoe	7/7

In the opinion of the Nomination and Remuneration Committee, the Board has a balanced mix of skills and experience required for the businesses of the Company.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Risk Management and Sustainability Committee

The members of the Risk Management and Sustainability Committee ("RMSC") are as follows:

Donald Joshua Jaganathan	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsa binti Hashim	Member (Independent Non-Executive Director)

The RMSC is made up of Non-Executive Directors. It reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also formulates risk management policies and action plans and evaluates the adequacy of overall risk management policies and procedures.

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC are as follows:

- (i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;
- (iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management;
- (iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (v) To provide oversight over technology-related matters which include review of technology-related frameworks, review and recommendation of technology risk appetite, risk tolerances for technology related events, ensure key performance indicators and forward looking risk indicators are in place, adequacy of IT and cybersecurity strategic plans, effective implementation of sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF") and ensure that risk assessments undertaken in relation to material technology application submitted to BNM are robust and comprehensive; and
- (vi) To provide oversight over sustainability-related matters which include:
 - (a) review of the Company's sustainability strategy and objectives;
 - (b) review of the Company's approach and conduct concerning sustainability, assessing progress against agreed actions at least annually;
 - (c) review of legislative and regulatory developments and reporting requirements relating to sustainability;
 - (d) review of the proposal to the Board for approval targets on environmental, social and corporate governance ("ESG") matters which have a material impact on business strategy, underwriting or business performance.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Risk Management and Sustainability Committee (continued)

The number of meetings attended by each member of the RMSC during the financial year ended 31 December 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Donald Joshua Jaganathan, Chairman	4/4
Choy Khai Choon	4/4
Onn Kien Hoe	3/4
Datuk Dr Hafsah binti Hashim	4/4

Board Investment Committee

The members of the Board Investment Committee ("BIC") are as follows:

Donald Joshua Jaganathan	Chairman (Independent Non-Executive Director)
Choy Khai Choon	Member (Non-Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr Hafsah binti Hashim	Member (Independent Non-Executive Director)

The BIC consists of at least three members, the majority of whom shall be Independent Non-Executive Directors.

The BIC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of BIC are as follows:

- (i) To ensure proper investment of insurance funds, the Company must put in place an investment and risk management policy that is in line with the risk appetite set by the Board of the Company. The investment and risk management policy should be approved and reviewed regularly by the Board and cover overall investment strategy and proper risk management systems, including monitoring and control mechanisms. In this respect, the Committee is required to review:
 - (a) The Company's ALMIC recommendations for the following:
 - changes to Investment Strategy Policy Statement (includes Strategic Asset Allocation);
 - changes to ALMIC Charter; and
 - changes to Delegated Authority for Investments.
 - (b) The ALMIC meeting approvals and main discussion topics; and
 - (c) Compliance to Risk Appetite Statement and relevant investment guidelines based on the economic performance.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Board Investment Committee (continued)

The number of meetings attended by each member of the BIC during the financial year ended 31 December 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Donald Joshua Jaganathan, Chairman	4/4
Choy Khai Choon	4/4
Onn Kien Hoe	3/4
Datuk Dr Hafsah binti Hashim	4/4

Management accountability

The Company has an organisation structure showing all reporting lines as well as clearly documented job description for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits, which are documented in the Company's Internal Control Procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company have, in any circumstances, conflict of interest referred to in Part B, paragraph 14 of BNM Guidelines on Corporate Governance, and paragraph 58 of the Financial Services Act 2013 ("FSA").

The Board has approved a communication policy that is applicable to all levels of staff of the Company.

Corporate independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL 018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transaction has also been obtained. All material related party transactions have been disclosed in the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Internal controls

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action is taken in a timely manner, where necessary. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to the senior management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee, and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

Zurich promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across Zurich Malaysia. Management is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Testing effectiveness of relevant internal controls by the second line of defense also forms part of the control life cycle.

Risk management

RMSC meets regularly, at least every quarter in a financial year, to review risk management reports of the Company. The RMSC has categorised risks into six (6) risk types affecting the Company namely (i) Life Insurance Risk, (ii) Market Risk, (iii) Credit Risk, (iv) Operational Risk, (v) Strategic, Reputation Risk and Sustainability Risk and (vi) Capital Management and Liquidity Risk.

The Company has established, within its risk management framework, a structural approach to enterprise-wide risk management. The process involves risk identification, assessment, mitigation, and monitoring process whereby all department heads of the Company are required to assess and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity, and regularly monitor risks and actions in relation to identified risks.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

Remuneration Policy

The Company's remuneration policy is based on Zurich Insurance Group Limited ("ZIGL") remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which is aligned with risk considerations and provides for competitive total remuneration opportunities to attract, retain, motivate and reward employees to deliver outstanding performance.

The remuneration system is also an important element of the risk management framework and is designed to not encourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the overall business strategy and plans. Aligned with the Company's corporate governance standards, there are separate responsibilities for the business planning and performance management process and for the implementation of the remuneration system.

The Board reviews and approves the remuneration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board may approve amendments to the remuneration architecture in general or to the applicable plans including exceptions to the short-term incentive plan and/or long-term incentive plan target amounts, to the performance criteria, vesting and/or performance periods and related retention periods.

With respect to the regular review and the oversight of the implementation of the Zurich's Remuneration Rules ("ZRR") issued by the Group, the Board is supported by the Nomination and Remuneration Committee and respective monitoring process as stated in the ZRR.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Remuneration Policy (continued)

The guiding principles of the remuneration philosophy as set out in the ZRR are as follows:

- The remuneration architecture is simple, transparent and can be put into practice.
- Remuneration is tied to long-term results for individuals who have a material impact on the Company's risk profile.
- The structure and level of total remuneration are aligned with the Company's risk policies and risk-taking capacity.
- A high performance culture is promoted by differentiating total remuneration based on the relative performance of business and individuals.
- Expected performance is clearly defined through a structured system of performance management and this is used as the basis for remuneration decision.
- Variable remuneration awards are linked to key performance factors which include the performance of the Company, business units, functions, as well as individual achievements.
- The Company's Short Term Incentive Plan ("STIP") and Long Term Incentive Plan ("LTIP") used for variable remuneration, are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with the Company's long term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market practices.
- Reward decisions are made on the basis of merit – performance, skills, experience, qualifications and potential and are free from discrimination towards or against particular diverse backgrounds. The remuneration system and practices ensure all employees have equal opportunities.

Total remuneration and its composition may be influenced by factors such as scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, professional experience, internal equity, external competitiveness and legal requirements.

Total remuneration can include elements of base salary and variable remuneration.

- Base salary is the fixed pay for the role performed, determined by the scope and complexity of the role and is reviewed regularly. Overall base salary structures are positioned to manage salaries around the relevant market medians. Key factors to be taken into account are the individual's overall experience and performance.
- The variable remuneration architecture is aligned with the achievement of the key financial objective and the execution of the business strategy, risk management framework and operational plans, via short-term and long-term incentive plans. The plan designs are reviewed regularly by the Nomination and Remuneration Committee and the Board. The incentive plans are discretionary and can be terminated, modified, changed or revised, at any time, except for previously awarded grants. A clawback framework is in place, however, for members of the Executive Committee to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP and LTIP participants.
- Variable remuneration is structured such that, on average, there is a higher weighting towards the longer term sustainable performance for the most senior employees of the Company, including the individuals with the most impact on the Company's risk profile, i.e. key risk takers. This ensures that a significant portion of the variable pay for the senior group is deferred to promote the risk awareness of the participants and to encourage the participants to operate the business in a sustainable manner.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2024.

PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of life insurance business, including investment-linked and annuity business.

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

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>66,720</u>

RESERVES AND PROVISIONS

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

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

DIVIDENDS

The dividends paid or declared since the end of the previous financial year were as follows:

	RM'000
Final dividend declared for the financial year ended 31 December 2023	<u>140,000</u>

The Directors do not recommend the payment of any dividend in respect of the current financial year.

SHARE CAPITAL

No new ordinary shares were issued during the financial year.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

Directors who served since the date of the last report to the date of this report or who were appointed or resigned during the financial year are as follow:

<u>Name of Directors</u>	<u>Designation</u>
Choy Khai Choon	Chairman, Non-Independent Non-Executive Director
Donald Joshua Jaganathan	Independent Non-Executive Director
Onn Kien Hoe	Independent Non-Executive Director
Datuk Dr Hafsah binti Hashim	Independent Non-Executive Director
Timothy William Howell	Executive Director

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 23 to the financial statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

INDEMNITY AND INSURANCE COST

The Company, through its ultimate holding corporation, Zurich Insurance Group Ltd. ("ZIGL") has maintained a Directors' and Officers' Liability Insurance ("the Group's D&O Insurance") on a group basis up to an aggregate limit of USD375 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Company has also placed a Directors' and Officers' Liability Insurance with a local insurer up to the deductible amount under the Group's D&O Insurance. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The total amount paid and payable for indemnity insurance effected for the Directors of the Company for the financial year amounted to RM8,542.08.

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, particulars of interests of a Director who held office at the end of the financial year in shares of a related corporation are as follows:

	<u>Number deferred/restricted/performance share units</u>			
	<u>At</u> <u>1.1.2024</u>	<u>Granted/</u> <u>Reinvested</u> <u>dividends</u>	<u>Exercised</u>	<u>At</u> <u>31.12.2024</u>
<u>Units in Zurich Insurance Group Ltd.</u>				
Direct interest:				
Timothy William Howell	1,223	643	(506)	1,360

Zurich Insurance Group Ltd. ("ZIGL") the holding company of Zurich Insurance Company Ltd. ("ZICL") which in turn is the immediate holding company of the Company, has designed a Group Long Term Incentive Plan ("the Plan") for the Group's most senior executives for the accomplishment of key Group performance measures. Participants are granted performance-based target shares under the Plan with the vesting of these target grants subject to specific performance achievements over a three-year period.

These performance-based target shares provide the holders with the right to purchase common stock of ZIGL at an exercise price set at the market price of common shares on the Swiss Stock Exchange on the day prior to the date of grant.

Other than the above, none of the other Directors in office at the end of the financial year held any interests in shares in, or debentures of, the Company or its related corporations during the financial year.

By virtue of the above Director's interests in the shares of the ultimate holding company, he is deemed to have an interest in the shares of the Company to the extent that the ultimate holding company has interest.

DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Company for the financial year is as follows:

	RM'000
Directors' fees	720
Directors' other emoluments	174
	<hr/> 894

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ensure that there was adequate provision for its insurance liabilities in accordance with the requirements of MFRS 17 Insurance Contracts, as issued by the Malaysian Accounting Standards Board ("MASB");
 - (ii) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (iii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS' REMUNERATION

The auditors' remuneration of the Company during the financial year was RM618,000.

IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS

The Directors regard ZICL as the immediate holding corporation and ZIGL as the ultimate holding corporation. Both corporations are incorporated in Switzerland.

AUDITORS

The auditors, Ernst & Young PLT (LLP0022760-LCA & AF 0039) have expressed their willingness to accept re-appointment as auditors. Auditors' remuneration for the year ended 2024 is as disclosed in Note 23.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 March 2025.


CHOY KHAI CHOON
DIRECTOR


ONN KIEN HOE
DIRECTOR

Kuala Lumpur
25 March 2025

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

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

We, Choy Khai Choon and Onn Kien Hoe, being two of the Directors of the Company do hereby state that, in the opinion of the Directors, the financial statements set out on pages 27 to 141 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and cash flows for the financial year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and comply with the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 March 2025.


CHOY KHAI CHOON
DIRECTOR


ONN KIEN HOE
DIRECTOR

Kuala Lumpur
25 March 2025

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

I, Rafidah Binti Abdul Jamal, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements set out on pages 27 to 141 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.


RAFIDAH BINTI ABDUL JAMAL

Subscribed and solemnly declared by the abovenamed Rafidah Binti Abdul Jamal at Kuala Lumpur in Malaysia on 25 March 2025.

Before me



22A, LORONG ARA KIRI 2
LUCKY GARDEN, BANGSAR
59100 KUALA LUMPUR

196801000442 (8029-A)

**Independent auditors' report to the member of
Zurich Life Insurance Malaysia Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zurich Life Insurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 27 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, the Corporate Governance Statement, but does not include the financial statements of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Sustainability Report, which is expected to be made available to us after the date of this auditors' report.

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

196801000442 (8029-A)

**Independent auditors' report to the member of
Zurich Life Insurance Malaysia Berhad (cont'd.)**

Information other than the financial statements and auditors' report thereon (cont'd.)

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

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

When we read the Sustainability Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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



**Shape the future
with confidence**

196801000442 (8029-A)

**Independent auditors' report to the member of
Zurich Life Insurance Malaysia Berhad (cont'd.)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Shape the future
with confidence

196801000442 (8029-A)

Independent auditors' report to the member of
Zurich Life Insurance Malaysia Berhad (cont'd.)

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT

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

Kuala Lumpur, Malaysia
25 March 2025

Brandon Bruce Sta Maria
No. 02937/09/2025 J
Chartered Accountant

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

	Note	2024 RM'000	2023 RM'000
ASSETS			
Property, plant and equipment	4	19,823	21,252
Right-of-use assets	5	14,637	13,768
Intangible assets	6	7	101
Investment properties	7	54,700	54,950
Non-current assets classified as held-for-sale	8	-	3,950
Financial assets measured at fair value through other comprehensive income ("FVOCI")	9(a)	5,032,121	5,188,253
Financial assets measured at fair value through profit or loss ("FVTPL")	9(b)	2,378,315	2,048,589
Financial assets measured at amortised cost ("AC")	10	14,166	16,983
Reinsurance contract assets	11	21,602	34,707
Other receivables	12	26,185	26,820
Tax recoverable		3,888	6,993
Cash and cash equivalents		407,881	207,609
Total assets		7,973,325	7,623,975
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	14	579,000	579,000
Retained earnings	15(a)	927,745	1,001,025
Other reserves	15(b)	27,982	16,239
Total equity		1,534,727	1,596,264
Insurance contract liabilities	11	5,884,319	5,659,185
Lease liabilities	16	14,875	13,632
Current tax liabilities		609	779
Deferred tax liabilities	13	257,406	216,633
Other liabilities	17	281,389	137,482
Total liabilities		6,438,598	6,027,711
Total equity, policyholders' funds and liabilities		7,973,325	7,623,975

The accompanying notes form an integral part of the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	Note	2024 RM'000	2023 RM'000
Insurance revenue	18	610,262	586,065
Insurance service expenses	19	(552,214)	(482,175)
Net expenses from reinsurance contracts held	20	(23,377)	(32,434)
Total insurance service results		34,671	71,456
Investment income	21	301,931	295,798
Unrealised gains on financial assets		308,132	48,873
Realised (losses)/gains on financial assets at:			
- FVTPL		(326)	(20,738)
- FVOCI		3,555	2,059
Net fair value (losses)/gains on non-financial assets		(283)	526
Reversal of impairment loss/(impairment loss) on financial assets		2,012	(2,267)
Investment expenses		(2,748)	(4,211)
Total investment results		612,273	320,040
Insurance finance expenses	22	(480,509)	(266,245)
Reinsurance finance income	22	6,086	11,020
Net insurance finance result		(474,423)	(255,225)
Fee income		2,833	1,943
Other operating expenses	23	(45,882)	(12,887)
Profit before taxation		129,472	125,327
Tax expense	24	(62,752)	(46,443)
Net profit for the financial year		66,720	78,884
Basic/diluted earnings per share (sen)	26	11.52	13.62

The accompanying notes form an integral part of the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	Note	2024 RM'000	2023 RM'000
Net profit for the financial year		66,720	78,884
Other comprehensive income, net of tax:			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Fair value through other comprehensive income investments:			
Net gains on fair value changes		18,188	164,254
Realised gains transferred to profit or loss		(3,555)	(2,059)
Deferred tax	13	(1,139)	(10,461)
		<u>13,494</u>	<u>151,734</u>
Change in insurance contract liabilities arising from unrealised net fair value changes		<u>(5,782)</u>	<u>(91,398)</u>
		7,712	60,336
Insurance finance income/(expenses)		4,026	(32,562)
Reinsurance finance income	22	5	1,057
Other comprehensive income for the financial year		<u>11,743</u>	<u>28,831</u>
Total comprehensive income for the financial year		<u>78,463</u>	<u>107,715</u>

The accompanying notes form an integral part of the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	Issued and fully paid ordinary shares	Non-distributable			Distributable	
	Share capital	Fair value reserves	Insurance/ reinsurance finance reserves	Retained earnings Life non- participating fund surplus*	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2024	579,000	54,665	(38,426)	680,753	320,272	1,596,264
Net profit for the financial period	-	-	-	47,645	19,075	66,720
Other comprehensive income for the financial year	-	7,712	4,031	-	-	11,743
Dividend (Note 25)	-	-	-	-	(140,000)	(140,000)
At 31 December 2024	<u>579,000</u>	<u>62,377</u>	<u>(34,395)</u>	<u>728,398</u>	<u>199,347</u>	<u>1,534,727</u>
At 1 January 2023	579,000	(5,671)	(6,921)	617,750	304,391	1,488,549
Net profit for the financial year	-	-	-	63,003	15,881	78,884
Other comprehensive income/(loss) for the financial period	-	60,336	(31,505)	-	-	28,831
At 31 December 2023	<u>579,000</u>	<u>54,665</u>	<u>(38,426)</u>	<u>680,753</u>	<u>320,272</u>	<u>1,596,264</u>

*In accordance with the Financial Services Act ("FSA"), 2013, the unallocated surplus of the Non-Participating ("Non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. There was no transfer from Non-Par fund unallocated surplus for the financial year ended 31 December 2024 (2023: Nil).

The accompanying notes form an integral part of the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Note	2024 RM'000	2023 RM'000
OPERATING ACTIVITIES			
Cash utilised in operating activities	28	(84,166)	(402,927)
Dividend/distribution income received		68,066	65,682
Interest/profit income received		248,516	231,854
Net rental expenses paid for investment properties		(3,429)	(1)
Income tax paid		<u>(20,182)</u>	<u>(15,597)</u>
Net cash inflows/(outflows) from operating activities		<u>208,805</u>	<u>(120,989)</u>
INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets held-for-sale		3,917	2,676
Purchase of property, plant and equipment	4	<u>(4,128)</u>	<u>(3,313)</u>
Net cash outflows from investing activities		<u>(211)</u>	<u>(637)</u>
FINANCING ACTIVITY			
Payment of lease liabilities	16	<u>(8,322)</u>	<u>(8,961)</u>
Net cash outflows from financing activity		<u>(8,322)</u>	<u>(8,961)</u>
Net increase/(decrease) in cash and cash equivalents		200,272	(130,587)
Cash and cash equivalents at the beginning of the financial year		<u>207,609</u>	<u>338,196</u>
Cash and cash equivalents at the end of the financial year		<u><u>407,881</u></u>	<u><u>207,609</u></u>
Cash and cash equivalents comprise:			
Cash and cash equivalents		<u><u>407,881</u></u>	<u><u>207,609</u></u>

The accompanying notes form an integral part of the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is an unquoted public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:

Registered office

Level 25, Mercu 3
No.3 Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

Principal place of business

Level 23A, Mercu 3
No.3 Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

The Company is engaged principally in the underwriting of life insurance business, including investment-linked and annuity business. There have been no significant changes in the nature of these principal activities during the financial year.

The Directors regard Zurich Insurance Company Ltd. ("ZICL") as the immediate holding company and Zurich Insurance Group Ltd ("ZIGL") as the ultimate holding company. Both companies are incorporated in Switzerland.

ZIGL is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board in accordance with a resolution of the Directors on 25 March 2025.

2. MATERIAL ACCOUNTING POLICIES INFORMATION

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

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the MFRS Accounting Standards, IFRS Accounting Standards, the Financial Services Act, 2013 and the requirements of the Companies Act 2016 in Malaysia.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("the RBC Framework") issued by Bank Negara Malaysia ("BNM") as at the date of the statement of financial position.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 16 *Leases* – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 *Presentation of Financial Statements* - Non-current Liabilities with Covenants
- Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures* - Supplier Finance Arrangements

The initial application of the applicable accounting standards and amendments to standards or interpretations did not have any material financial impact to the current year and prior year's financial statements of the Company.

The accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective up to the date of issuance of the Company's financial statements are disclosed below:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates* - Lack of Exchangeability

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*
- Amendments to MFRS 7 *Financial Instruments: Disclosures* and MFRS 9 *Financial Instruments* – Classification and Measurement of Financial Instruments
- Amendments to MFRS 7 *Financial Instruments: Disclosures*
- Amendments to MFRS 9 *Financial Instruments*
- Amendments to MFRS 10 *Consolidated Financial Statement*
- Amendments to MFRS 107 *Statement of Cash Flows*

Standards to MFRSs effective for annual periods beginning on or after 1 January 2027

- MFRS 18 *Presentation and Disclosure in Financial Statements*
- MFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The Company plans to apply the abovementioned pronouncements to standards when effective. The adoption of the above pronouncements are not expected to have a material financial impact to the financial statements of the Company in the period of initial application.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise as disclosed in the summary of material accounting policies.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Critical accounting estimates and judgements

The preparation of financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed in Note 3.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Summary of material accounting policies

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

(a) Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. These includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	10 years
Renovation	10 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policy on impairment of non-financial assets is disclosed in Note 2.2(j) to the financial statements.

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) Leases

The Company as a lessee

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

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, the lease and non-lease components are accounted for as a single lease component and payments for both components are included in the measurement of the lease liability.

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. Please refer to (iv) below on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) Leases (continued)

The Company as a lessee (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) Leases (continued)

The Company as a lessee (continued)

(v) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, printing and photocopy machines. The Company has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The Company as a lessor

The Company classifies all leases for which it is a lessor as operating leases, as each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight line basis over the lease term and are reported as rental income.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Summary of material accounting policies (continued)

(c) Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both. Such properties are measured initially at its cost, including related transaction costs and borrowing costs if the investment properties meet the definition of qualifying asset.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are assessed monthly for offers to purchase received, if any, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially different from the fair values. All gains or losses arising from a change in fair value of investment properties are recognised in profit or loss.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, the fair value changes of the property upon the reclassification are recognised in an equity reserve. Increases are recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases are recognised in profit or loss for any decrease in excess of the amount included in the revaluation surplus for that property.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(d) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVOCI - debts securities

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt securities are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(d) Financial assets (continued)

Financial assets measured at FVOCI - equity securities (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis. Equity investments designated as not held for trading are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance contract liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stressed case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(d) Financial assets (continued)

Business model assessment (continued)

Change in business model is not expected to be frequent but should such event take place, it must be:

- determined by the Company's senior management as a result of external or internal changes;
- significant to the Company's operations; and
- demonstrable to external parties.

A change in the Company's business model will occur only when the Company begin or cease to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

The Solely Payments of Principal and Interest ("SPPI") test

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(e) Fair value of financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published (closing) prices at the close of business at the reporting date.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(f) Recognition of financial assets

All regular way of purchases and sales of financial assets are recognised on trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or market convention.

(g) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Company has also transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to profit or loss.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(h) Offsetting of financial assets and financial liabilities

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

(i) Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Allowance for impairment for insurance and reinsurance receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, where available.

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties;
- or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to profit or loss immediately. A subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(k) Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing the present value of benefits payable if an insured event occurs with the present value of benefits payable if the insured event did not occur.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items. They are contracts for which, at inception, satisfied all criteria specified below:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets. These contracts are accounted for under Variable Fee Approach (“VFA”) measurement model. For all other insurance contracts issued by the Company are without direct participation features and accounts for these groups of contracts under the Building Block Approach (“BBA”) measurement model.

The Company also enters into reinsurance contracts to cede insurance risks arising from the life insurance contracts it underwrites. Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts to are classified as reinsurance contracts. Reinsurance contract held can never be classified as direct participating contracts. Hence, measurement under BBA is applied.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment

(i) Separating components from insurance and reinsurance contracts

The Company assesses its life insurance contracts to determine whether they contain distinct components which must be accounted for under another MFRS rather than MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) insurance contracts. Currently, the Company's products do not include distinct components that require separation.

Some term life insurance contracts issued by the Company include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17. MFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Investment components which are highly interrelated with the insurance contract of which they form part of the contract are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. The surrender options are considered non-distinct investment components as the Company is unable to measure the value of the surrender option component separately from the life insurance portion of the contract.

(ii) Level of aggregation

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further split to annual cohorts with contracts that are issued within a calendar year and then divided the groups of contracts based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, in determining the level of aggregation, the Company identifies a contract as the smallest in 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). MFRS 17 also notes that no groups of contracts for level of aggregation purposes may contain contracts issued more than one year apart, with the exception for the portfolio at initial recognition and Participating product portfolio falls under the purview of BNM guidance – Management of Participating Life Business.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

(ii) Level of aggregation (continued)

The groups of contracts for which the full retrospective approach and the fair value approach has been adopted on transition include contracts issued more than one year apart.

The insurance contracts portfolios are divided into:

- A group of contracts that are onerous at initial recognition;
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- A group of the remaining contracts in the portfolio.

The reinsurance contracts held portfolios are further divided into:

- A group of contracts on which there is a net gain on initial recognition;
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition; and
- A group of the remaining contracts in the portfolio.

(iii) Initial recognition

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date; or
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held:

- If the reinsurance contracts provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; or
- In all other cases, from the beginning of the coverage period of the first contract in the group.

The Company holds a non-proportionate stop loss treaty reinsurance contract that covers potential shortfalls in the annuity fund arising from underlying contracts. The contract was recognised at the beginning of the coverage period in 2013, in accordance with MFRS 17.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(iv) Onerous groups of contracts

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

If the facts and circumstances indicate that a group is expected to be onerous, a loss component should be recognised in the statement of financial position and the corresponding loss should be recognised in profit or loss accordingly.

(v) Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

- Both of the following criteria are satisfied:
 - (i) The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - (ii) The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For insurance contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the policyholder by the Company. The Company considers when underwriting equivalent contracts on the renewal dates for the remaining coverage. The Company reassess contract boundary of each group at the end of each reporting period.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA

(i) Insurance contracts – initial measurement

On initial recognition, the Company measures a group of life insurance contracts as the total of:

- Fulfilment cash flows; and
- A CSM representing the unearned profit the Company will recognise as it provides service under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to policyholders.
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs.
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts.
- Transaction-based taxes.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(i) Insurance contracts – initial measurement (continued)

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders.
- Other information about the known or estimated characteristics of the insurance contracts.
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of income to profit or loss (through insurance revenue) which are implicitly deferred over the period of the contract.

The Company's CSM is a component of the liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. The Company measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- Initial recognition of the fulfilment cash flows.
- Derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows.
- Any cash flows arising from the contracts in the group at that date.

For groups of contracts assessed as onerous, the Company has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component has been established by the Company for the liability for remaining coverage for an onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2.2(I)(vi)(vi)(ii).

The liability for remaining coverage is the Company's obligation to investigate and pay valid claims for insured events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the coverage period) and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under an insurance contract plus the CSM for that contract.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(ii) Reinsurance contracts held – initial measurement

The liability for incurred claims is the Company's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. At initial recognition of a group of contracts, the liability for incurred claims is usually nil as no insured event has occurred.

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses if the reinsurance contract held was entered before or at the same time as the onerous group of underlying insurance contracts.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Company uses a systematic and rational method to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iii) Insurance contracts held – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

Insurance contracts without direct participation features

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group (see Note 2.2(I)(vi)(i)).
 - Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
 - The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss.
- Or
- Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (see Note 2.2(I)(vi)(vi)(ii)).
 - The effect of any currency exchange differences on the CSM.
 - The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period (see Note 3(d)).

Locked-in discount rate applied is determined based on year-end of initial recognition cohort.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iii) Insurance contracts held – subsequent measurement (continued)

Insurance contracts without direct participation features (continued)

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted to CSM.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition (see Note 3(b)).

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprised the fulfilment cash flows related to past service allocated to the group at that date.

Insurance contracts with direct participation features

Direct participating contracts are contracts under which the Company's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iii) Insurance contracts held – subsequent measurement (continued)

Insurance contracts with direct participation features

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the Company's share of the fair value of the underlying items, which relate to future services, as described below.

The carrying amount of the CSM at the end period for direct participating contracts is adjusted for:

- the CSM of any new contracts that are added to the Company in the period;
 - the Company's share of the change in the fair value of the underlying items fulfilment cash flows that relate to future services, except to the extent that:
 - the Company has chosen to exclude from the CSM changes in the effect of financial risk on its share of the underlying items;
 - the Company's share of a decrease in the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component;
- Or
- the Company's share of an increase in the fair value of the underlying items or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses); and
 - the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts with direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items i.e. the effect of financial guarantees.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iv) Reinsurance contracts – subsequent measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Company has established a loss-recovery component, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held. Reversals of the loss-recovery component that are not changes in the fulfilment cashflows of the group of reinsurance contracts held adjust the CSM.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(v) Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired).

Or

- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

(vi) Presentation of insurance contracts

The Company has presented separately in the statement of financial position the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related groups of insurance contracts issued.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into a insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from insurance contracts issued from the expenses or income from reinsurance contracts held.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(vi) Presentation (continued)

(i) Insurance revenue

The Company's insurance revenue depicts the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 3(d).

(ii) Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(I) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(vi) Presentation (continued)

(ii) Loss components (continued)

The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

(iii) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money.
- The effect of financial risk and changes in financial risk.

For contracts measured under the BBA, the main amounts within insurance finance income or expenses are interest accreted on fulfilment cashflows, RA and CSM; and the effect of changes in interest rates and other financial assumptions. For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying items (excluding additions and withdrawals).

The Company disaggregates insurance finance income or expenses on insurance contracts issued between profit or loss and OCI. The impact of changes in market profit rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts, see Note 3(b) for current discount rates.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies the insurance income finance or expense to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(l) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement - not measured under PAA (continued)

(iv) Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary share capital

Ordinary shares are classified as equity.

(ii) Dividends on ordinary share capital

Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

(n) Earnings per share ("EPS")

The Company presents basic EPS data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own share held.

(o) Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(p) Other financial liabilities

Other financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified terms, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(q) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one of more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Other income recognition

Interest income

Interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Company. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognised as investment income when the right to receive payment is established, which in case of quoted equity securities is the ex-dividend date, unless the dividend clearly represents a recovery of part of the cost of the investment.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(s) Other income recognition (continued)

Rental income

Rental income on owner-occupied and investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on straight-line basis over the lease term.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost, and are recorded on occurrence of the sale transaction.

(t) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional and presentation currency of the Company.

Foreign currency transactions in the Company are initially translated to Ringgit Malaysia at the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency assets and liabilities are included in profit or loss for the financial year except for differences arising on the translation of items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such items are also recognised directly in other comprehensive income.

(u) Employee benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(u) Employee benefits (continued)

Long-term employee benefits

Long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed as below, except that there measurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to the employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF"). Once the contributions have been paid, the Company has no further payment obligations.

Share-based long-term incentive plan

The ultimate holding corporation, Zurich Insurance Group Ltd ("ZIGL"), operates a global long-term incentive plan wherein performance-based target shares administered by a central shareholding vehicle are granted to eligible directors and senior executives of the ZIGL and its subsidiary companies ("ZIGL Group") based on the financial and performance criteria and such conditions as it may deem fit. The Company purchases the right to shares from this holding vehicle for Malaysian senior executives who participate in the plan. When shares vest with the policyholders, the central share vehicle transfers those shares directly to the policyholders. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the statement of profit and loss over the vesting period of the grant.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(u) Employee benefits (continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates:

- when the Company can no longer withdraw the offer of those benefits; and
- when the Company recognises costs for a restructuring and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

(v) Fair value measurements

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- | | |
|----------|--|
| Level 1: | Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date. |
| Level 2: | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3: | Unobservable inputs for the asset or liability. |

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(w) Funding under the Par Stabilisation Plan (“PSP”)

Any deficit in the Ordinary Life Participating fund will be made good via an interest-free funding under the PSP, granted by the Shareholder's fund to the Ordinary Life Participating fund (“Par Fund”). In the Ordinary Life Participating fund, the funding is included in the fulfilment cash flow used to measure the insurance liabilities under MFRS 17.

PSP is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Ordinary Life Participating fund's obligation to repay the nominal amount of funding, nor does it affect or change any rights or obligations of the shareholder's fund.

The funding shall be repaid from future surpluses of the Ordinary Life Participating fund.

PSP funding is accounted for as receivable and payable in the financial statements of the Shareholder's Fund and Par Fund respectively and is stated at cost. At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(i) to the financial statements on impairment of financial assets.

The amount payable to Shareholder's Fund in the Par fund is stated at cost.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the financial statements are as outlined below.

Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) The methods used to measure insurance contracts

The Company primarily uses deterministic projections to estimate the present value of future cash flows. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

The following assumptions were used when estimating future cash flows:

- Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements for annuity business. Assumptions are differentiated by policyholder gender, underwriting class and contract type.

An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

- Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force contracts and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Company.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance and reinsurance contracts (continued)

(a) The methods used to measure insurance contracts (continued)

The following assumptions were used when estimating future cash flows: (continued)

- Expenses (continued)

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts (such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics).

- Lapse and surrender rates

Lapses relate to the termination of contracts due to non-payment of premiums. Surrenders relate to the voluntary termination of contracts by policyholders. Contract termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, contract duration and sales trends.

An increase in lapse rates early in the life of the contract would tend to reduce profits of the Company, but later increases are broadly neutral in effect.

(b) Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the observable market yields of Government Securities in the currency of the Life insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

The Company adopts a bottom-up approach in which discount rates are based on risk-free yield curve and an adjustment for illiquidity premium.

(a) For risk-free yield curves and Ultimate Forward Rate ("UFR"), references are made in particular to the Bank Negara Malaysia Risk Based Capital Framework ("BNM RBC") which is also aligned with the approach taken by the International Associations of Insurance Supervisors ("IAIS") on the design of the global insurance capital standards ("ICS").

(b) For illiquidity premium, illiquidity buckets ("illiquidity application ratio") are assigned using an objective scoring system that is based on illiquidity characteristics of products on each portfolio. Market observable illiquidity premium levels are derived every month-end based on a credit-risk adjusted market spread of reference assets of the currency.

The adjustment of illiquidity premium in (b) is added as a layer in addition to the risk-free yield curve in (a) based on the illiquidity application ratio of each portfolio. The Company applies the OCI option and recognizes the impact of changes in discount rates in OCI. Current interest rates are applied in the measurement of fulfilment cashflows in the statement of financial position. The interest rates applied to recognize the insurance finance income or expense in the statement of profit or loss is based on locked-in interest rates determined on initial recognition.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance and reinsurance contracts (continued)

(c) Risk adjustment for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Zurich Group would require for bearing non-financial risk and are allocated to groups of contracts written by the Company reflecting the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from all contracts issued by insurance entities in the Zurich Group, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion. This diversification benefit is then allocated to the each of the respective insurance company. This is defined as the Value at Risk at the specified confidence level of the distribution of the underlying cash flows for the defined insurance and other non-financial risks. The Company applies different shocks at a confidence level specified by Zurich Group and apply diversification to determine the risk adjustment. The confidence level applied are 90% - 95% (2023: 90% - 95%). The confidence levels applied for reinsurance contracts are 90% - 95% (2023: 90% - 95%).

(d) Amortisation of the Contractual Service Margin ("CSM")

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is amortised and recognised in profit or loss as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group.
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future.
- Recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration. For groups of Life insurance contracts, the quantity of benefit is the contractually agreed sum insured over the duration of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the insurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and office equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January 2023	27,330	400	18,183	45,913
Additions	3,164	-	149	3,313
Write-offs	(1,347)	-	-	(1,347)
At 31 December 2023	29,147	400	18,332	47,879
Additions	2,181	-	1,947	4,128
Write-offs	(1,717)	-	-	(1,717)
At 31 December 2024	<u>29,611</u>	<u>400</u>	<u>20,279</u>	<u>50,290</u>
Accumulated depreciation				
At 1 January 2023	14,845	153	7,099	22,097
Charge for the financial year (Note 23)	3,969	80	1,828	5,877
Write-offs	(1,347)	-	-	(1,347)
At 31 December 2023	17,467	233	8,927	26,627
Charge for the financial year (Note 23)	3,562	80	1,915	5,557
Write-offs	(1,717)	-	-	(1,717)
At 31 December 2024	<u>19,312</u>	<u>313</u>	<u>10,842</u>	<u>30,467</u>
Net carrying amount				
At 31 December 2023	<u>11,680</u>	<u>167</u>	<u>9,405</u>	<u>21,252</u>
At 31 December 2024	<u>10,299</u>	<u>87</u>	<u>9,437</u>	<u>19,823</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

5. RIGHT-OF-USE ASSETS

	Premises	
	2024	2023
	RM'000	RM'000
Cost		
At 1 January	63,144	61,763
Additions	912	-
Modification	2,452	1,381
At 31 December	<u>66,508</u>	<u>63,144</u>
Accumulated depreciation		
At 1 January	49,376	41,184
Charge for the financial year (Note 23)	8,310	8,458
Modification	(5,815)	(266)
At 31 December	<u>51,871</u>	<u>49,376</u>
Net carrying amount		
At 31 December	<u>14,637</u>	<u>13,768</u>

The Company also has certain leases of equipment with low value. The Company applies the leases of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	2024	2023
	RM'000	RM'000
Depreciation of right-of-use assets (Note 23)	8,310	8,458
Interest expense on leases liabilities (Note 16)	412	507
Expense related to leases of low-value assets (Note 23)	209	250
Total amount recognised in profit or loss	<u>8,931</u>	<u>9,215</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

6. INTANGIBLE ASSETS

	Computer software
	RM'000
Cost	
At 1 January 2023	15,547
Additions	-
Write-offs	-
At 31 December 2023	15,547
Additions	-
Write-offs	(39)
At 31 December 2024	15,508
Accumulated amortisation	
At 1 January 2023	14,732
Amortisation during the financial year (Note 23)	714
At 31 December 2023	15,446
Amortisation during the financial year (Note 23)	94
Write offs	(39)
At 31 December 2024	15,501
Net carrying amount	
At 31 December 2023	101
At 31 December 2024	7

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

7. INVESTMENT PROPERTIES

	2024	2023
	RM'000	RM'000
At 1 January	54,950	54,950
Fair value losses recorded in statement of profit or loss	<u>(250)</u>	<u>-</u>
At 31 December	<u><u>54,700</u></u>	<u><u>54,950</u></u>

The fair values of the investment properties as at 31 December 2024 and 31 December 2023 were determined by external independent valuers, or by management based on market or income approaches by reference to valuations performed by external independent valuers where considered appropriate. Fair value changes are recorded in profit or loss.

Rental income and the rates and maintenance expenses in respect of investment properties are disclosed in Note 21 to the financial statements.

The titles to all investment properties amounting to RM54,700,000 (2023: RM54,950,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these investment properties have been passed to the Company upon unconditional completion of the acquisition of those properties.

Fair value is determined through various valuation techniques using Level 3 inputs (defined as unobservable inputs for asset or liability) in the fair value hierarchy of MFRS 13 Fair Value Measurement. Changes in fair value are recognised in profit or loss during the reporting period in which they are reviewed.

The Level 3 inputs or unobservable inputs include:

- Term yield - the expected rental that the investment properties are expected to achieve and are derived from the current passing rental, including revision upon renewal of tenancies during the financial year;
- Reversion yield - the expected rental that the investment properties are expected to achieve upon expiry of term rental;
- Allowance for void - refers to allowance provided for vacancy periods; and
- Price per square foot ("psf") - estimated price psf for which a property should exchange on the date of valuation between a willing buyer and a willing seller.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

7. INVESTMENT PROPERTIES (CONTINUED)

The fair value measurements using Level 3 inputs are as follows:

	Valuation technique	Term yield %	Reversion %	Allowance %	Reversion RM
31 December 2024					
Office building	Investment method	6.25 - 7.00	6.75	5.00 - 10.00	1.00
31 December 2023					
Office building	Investment method	6.25 - 7.00	6.75	5.00 - 10.00	1.00

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value measurement.

8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

	2024 RM'000	2023 RM'000
At 1 January	3,950	6,100
Disposal	<u>(3,950)</u>	<u>(2,150)</u>
At 31 December	<u><u>-</u></u>	<u><u>3,950</u></u>

The Company disposed off the last property classified as held-for-sale, during the current financial year (2023: two properties disposed).

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

9. FINANCIAL ASSETS MEASURED AT FVOCI AND FVTPL

	2024	2023
	RM'000	RM'000
(a) FVOCI financial assets		
Malaysian Government Securities/Government Investment Issues	1,505,856	1,431,321
Corporate debt securities		
- Unquoted in Malaysia	<u>3,526,265</u>	<u>3,756,932</u>
	<u>5,032,121</u>	<u>5,188,253</u>
Current	173,940	220,110
Non-current	<u>4,858,181</u>	<u>4,968,143</u>
	<u>5,032,121</u>	<u>5,188,253</u>
(b) FVTPL financial assets		
Malaysian Government Securities/Government Investment Issues	10,522	6,324
Corporate debt securities		
- Unquoted in Malaysia	178,112	175,785
Equity securities		
- Quoted in Malaysia	1,149,785	965,212
- Unquoted in Malaysia	35,024	30,903
Unit trusts		
- Quoted in Malaysia	452,557	394,194
- Quoted outside Malaysia	94,654	84,402
- Unquoted outside Malaysia	<u>457,661</u>	<u>391,769</u>
	<u>2,378,315</u>	<u>2,048,589</u>
Current	2,198,031	1,875,133
Non-current	<u>180,284</u>	<u>173,456</u>
	<u>2,378,315</u>	<u>2,048,589</u>

The fair value hierarchy of the above investments are disclosed in Note 36 to the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

10. FINANCIAL ASSETS MEASURED AT AMORTISED COST (“AC”)

	2024	2023
	RM'000	RM'000
Mortgage loans	53,790	53,919
Allowance for impairment loss	<u>(39,624)</u>	<u>(36,936)</u>
Net loans	<u>14,166</u>	<u>16,983</u>

The estimated fair values of the loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans were first recognised together with appropriate market credit adjustments except for loans which are non-performing, where it is reported at estimated recoverable fair value. The carrying value of the secured loans and unsecured loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The maturity structure of the financial assets measured at AC is as follows:

	2024	2023
	RM'000	RM'000
Receivables within 12 months	12,607	15,518
Receivables after 12 months	<u>1,559</u>	<u>1,465</u>
	<u>14,166</u>	<u>16,983</u>

Included in the total loan portfolio net of allowance for impairment loss as at 31 December 2024 are several non-performing loans (“NPL”) amounting to approximately RM12,427,000 (2023: RM15,344,000) which are collateralised by properties as pledged by the borrowers. The Company has assessed the value of the collaterals or agreed settlement plans and has made appropriate allowances for impairment where appropriate. Should the market value or adjusted value of the collaterals deviate by 10% and the recovery process be delayed by a year, there may be a potential shortfall in the net recoverable value of approximately RM2,345,000 (2023: RM2,895,000) for the NPL.

A reconciliation of the allowance for impairment loss for NPL are as follows:

	2024	2023
	RM'000	RM'000
At 1 January	36,936	36,936
Allowance during the financial year	<u>2,688</u>	<u>-</u>
At 31 December	<u>39,624</u>	<u>36,936</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES

The breakdown of groups of a insurance contracts issued, and reinsurance contracts held, that are in an assets position and those in a liabilities position is set out in the table below:

	Assets RM'000	Liabilities RM'000	Total RM'000
<u>31 December 2024</u>			
Insurance contracts issued	-	5,884,319	5,884,319
Reinsurance contracts held	<u>(21,602)</u>	<u>-</u>	<u>(21,602)</u>
Insurance and reinsurance contracts (assets)/liabilities	<u>(21,602)</u>	<u>5,884,319</u>	<u>5,862,717</u>
<u>31 December 2023</u>			
Insurance contracts issued	-	5,659,185	5,659,185
Reinsurance contracts held	<u>(34,707)</u>	<u>-</u>	<u>(34,707)</u>
Insurance and reinsurance contracts (assets)/liabilities	<u>(34,707)</u>	<u>5,659,185</u>	<u>5,624,478</u>

The Company has applied the full retrospective approach ("FRA") on transition to all contracts issued. The impact on the current year results and balance of CSM and reinsurance CSM at the end of respective financial year is as disclosed in Note 11(c) and (d).

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(a) Insurance contracts issued

The roll-forward of the net liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is disclosed in the table below:

	Liabilities for remaining coverage		Liability for incurred claims	Total
	Excluding loss component RM'000	Loss component RM'000	RM'000	RM'000
At 1 January 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,350,771	180,324	128,090	5,659,185
Net insurance contract liabilities	5,350,771	180,324	128,090	5,659,185
Insurance revenue				
Expected incurred claims and other insurance service results	(447,845)	-	-	(447,845)
Change in the risk adjustment for non-financial risk expired	(14,335)	-	-	(14,335)
CSM recognised for services provided	(70,188)	-	-	(70,188)
Recovery of insurance acquisition cash flows	(48,387)	-	-	(48,387)
Other insurance revenue	(29,507)	-	-	(29,507)
	(610,262)	-	-	(610,262)
Insurance service expense				
Incurred claims and other insurance service expenses	-	-	521,621	521,621
Losses on onerous contracts and reversals of those losses	-	(20,208)	-	(20,208)
Amortisation of insurance acquisition cash flows	48,387	-	-	48,387
Changes that relate to past services	-	-	2,414	2,414
	48,387	(20,208)	524,035	552,214
Insurance service results	(561,875)	(20,208)	524,035	(58,048)
Insurance finance expenses	478,403	3,862	-	482,265
Investment components	(468,063)	-	468,063	-
Total changes in the statement of profit or loss and other comprehensive income	(551,535)	(16,346)	992,098	424,217
Cash flows:				
Premiums and premium tax received	835,116	-	-	835,116
Claims and other insurance service expenses paid	-	-	(964,885)	(964,885)
Insurance acquisition cash flows	(69,314)	-	-	(69,314)
Total cash flows	765,802	-	(964,885)	(199,083)
Net insurance contract liabilities as at 31 December 2024	5,565,038	163,978	155,303	5,884,319
At 31 December 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,565,038	163,978	155,303	5,884,319
Net insurance contract liabilities	5,565,038	163,978	155,303	5,884,319

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(a) Insurance contracts issued (continued)

The roll-forward of the net liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is disclosed in the table below:

	Liabilities for remaining coverage		Liability for incurred claims	Total
	Excluding loss component RM'000	Loss component RM'000	RM'000	RM'000
At 1 January 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,213,119	220,974	138,868	5,572,961
Net insurance contract liabilities	5,213,119	220,974	138,868	5,572,961
Insurance revenue				
Expected incurred claims and other insurance service results	(453,875)	-	-	(453,875)
Change in the risk adjustment for non-financial risk expired	(12,882)	-	-	(12,882)
CSM recognised for services provided	(57,988)	-	-	(57,988)
Recovery of insurance acquisition cash flows	(48,359)	-	-	(48,359)
Other insurance revenue	(12,961)	-	-	(12,961)
	<u>(586,065)</u>	<u>-</u>	<u>-</u>	<u>(586,065)</u>
Insurance service expense				
Incurred claims and other insurance service expenses	-	-	505,785	505,785
Losses on onerous contracts and reversals of those losses	-	(44,984)	-	(44,984)
Amortisation of insurance acquisition cash flows	48,359	-	-	48,359
Changes that relate to past services	-	-	(26,985)	(26,985)
	<u>48,359</u>	<u>(44,984)</u>	<u>478,800</u>	<u>482,175</u>
Insurance service results	(537,706)	(44,984)	478,800	(103,890)
Insurance finance expenses	385,871	4,334	-	390,205
Investment components	(610,541)	-	610,541	-
Total changes in the statement of profit or loss and other comprehensive income	(762,376)	(40,650)	1,089,341	286,315
Cash flows:				
Premiums and premium tax received	837,640	-	-	837,640
Claims and other insurance service expenses paid	-	-	(1,100,119)	(1,100,119)
Insurance acquisition cash flows	(67,369)	-	-	(67,369)
Total cash flows	<u>770,271</u>	<u>-</u>	<u>(1,100,119)</u>	<u>(329,848)</u>
Other movements	129,757	-	-	129,757
Net insurance contract liabilities as at 31 December 2023	5,350,771	180,324	128,090	5,659,185
At 31 December 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,350,771	180,324	128,090	5,659,185
Net insurance contract liabilities	5,350,771	180,324	128,090	5,659,185

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(b) Reinsurance contracts held

The roll-forward of the net liabilities or assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below:

	Assets for remaining coverage		Amount recoverable: Incurred claims	Total
	Excluding loss-recovery component RM'000	Loss- recovery component RM'000	RM'000	RM'000
At 1 January 2024				
Reinsurance contract assets	67,596	(61,777)	(40,526)	(34,707)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	67,596	(61,777)	(40,526)	(34,707)
Allocation of reinsurance premiums	16,384	-	-	16,384
Amounts recoverable for claims and other expenses incurred	-	-	(25,598)	(25,598)
Recognition of loss-recovery from onerous underlying contracts	-	32,591	-	32,591
Net income from reinsurance contracts held	16,384	32,591	(25,598)	23,377
Reinsurance finance income	(4,126)	(2,666)	-	(6,792)
Effect of changes in non- performance risk of reinsurers	(56)	-	757	701
Total changes in the statement of profit or loss and other comprehensive income	12,202	29,925	(24,841)	17,286
Cash flows:				
Premiums	(33,085)	-	-	(33,085)
Amounts received from reinsurers	-	-	28,904	28,904
Total cash flows	(33,085)	-	28,904	(4,181)
Net reinsurance contract assets as at 31 December 2024	46,713	(31,852)	(36,463)	(21,602)
At 31 December 2024				
Reinsurance contract assets	46,713	(31,852)	(36,463)	(21,602)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	46,713	(31,852)	(36,463)	(21,602)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(b) Reinsurance contracts held (continued)

The roll-forward of the net liabilities or assets for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below: (continued)

	Assets for remaining coverage		Amount recoverable: Incurred claims	Total
	Excluding loss-recovery component RM'000	Loss- recovery component RM'000	RM'000	RM'000
At 1 January 2023				
Reinsurance contract assets	120,642	(87,431)	(97,526)	(64,315)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	120,642	(87,431)	(97,526)	(64,315)
Allocation of reinsurance premiums	24,636	-	-	24,636
Amounts recoverable for claims and other expenses incurred	-	-	(22,186)	(22,186)
Recognition of loss-recovery from onerous underlying contracts	-	29,984	-	29,984
Net income from reinsurance contracts held	24,636	29,984	(22,186)	32,434
Reinsurance finance income	(7,672)	(4,330)	-	(12,002)
Effect of changes in non- performance risk of reinsurers	(75)	-	-	(75)
Total changes in the statement of profit or loss and other comprehensive income	16,889	25,654	(22,186)	20,357
Cash flows:				
Premiums	(69,935)	-	-	(69,935)
Amounts received from reinsurers	-	-	79,186	79,186
Total cash flows	(69,935)	-	79,186	9,251
Net reinsurance contract assets as at 31 December 2023	67,596	(61,777)	(40,526)	(34,707)
At 31 December 2023				
Reinsurance contract assets	67,596	(61,777)	(40,526)	(34,707)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	67,596	(61,777)	(40,526)	(34,707)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(c) Insurance contracts issued

The table below presents a roll-forward of the net liabilities for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustments and contractual service margin ("CSM") for portfolios of insurance contracts insured in the life insurance unit.

	Estimate of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
At 1 January 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,158,706	120,860	379,619	5,659,185
Net insurance contract liabilities	5,158,706	120,860	379,619	5,659,185
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(70,188)	(70,188)
Risk adjustment recognised for the risk expired	-	(14,335)	-	(14,335)
Experience adjustments	44,269	-	-	44,269
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(84,682)	8,727	75,955	-
Changes in estimates that adjust the CSM	(23,811)	(8,117)	31,928	-
Changes in estimate that do not adjust the CSM	(24,863)	4,655	-	(20,208)
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	2,594	(180)	-	2,414
Insurance service results	(86,493)	(9,250)	37,695	(58,048)
Insurance finance expenses	473,544	3,794	4,927	482,265
Total changes in the statement of profit or loss and other comprehensive income	387,051	(5,456)	42,622	424,217
Cash flows:				
Premiums and premium tax received	835,116	-	-	835,116
Claims and other insurance service expenses paid	(964,885)	-	-	(964,885)
Insurance acquisition cash flows	(69,314)	-	-	(69,314)
Total cash flows	(199,083)	-	-	(199,083)
Net insurance contract liabilities as at 31 December 2024	5,346,674	115,404	422,241	5,884,319
At 31 December 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,346,674	115,404	422,241	5,884,319
Net insurance contract liabilities	5,346,674	115,404	422,241	5,884,319

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(c) Insurance contracts issued (continued)

The table below presents a roll-forward of the net liabilities for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustments and CSM for portfolios of insurance contracts insured in the life insurance unit. (continued)

	Estimate of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
At 1 January 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,087,896	121,462	363,603	5,572,961
Net insurance contract liabilities	5,087,896	121,462	363,603	5,572,961
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(57,988)	(57,988)
Risk adjustment recognised for the risk expired	-	(12,882)	-	(12,882)
Experience adjustments	38,949	-	-	38,949
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(83,112)	9,610	73,502	-
Changes in estimates that adjust the CSM	6,556	(1,090)	(5,466)	-
Changes in estimate that do not adjust the CSM	(42,126)	(2,858)	-	(44,984)
<u>Changes that relate to past services</u>				
Adjustments to liabilities for incurred claims	(27,432)	447	-	(26,985)
Insurance service results	(107,165)	(6,773)	10,048	(103,890)
Insurance finance expenses	378,066	6,171	5,968	390,205
Total changes in the statement of profit or loss and other comprehensive income	270,901	(602)	16,016	286,315
Cash flows:				
Premiums and premium tax received	837,640	-	-	837,640
Claims and other insurance service expenses paid	(1,100,119)	-	-	(1,100,119)
Insurance acquisition cash flows	(67,369)	-	-	(67,369)
Total cash flows	(329,848)	-	-	(329,848)
Other movements	129,757	-	-	129,757
Net insurance contract liabilities as at 31 December 2023	5,158,706	120,860	379,619	5,659,185
At 31 December 2024				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	5,158,706	120,860	379,619	5,659,185
Net insurance contract liabilities	5,158,706	120,860	379,619	5,659,185

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(d) Reinsurance contracts held

The table below presents a roll-forward of the net assets for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustments and CSM for portfolios of reinsurance contracts insured in the life insurance unit.

	Estimate of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
At 1 January 2024				
Reinsurance contract assets	17,103	(2,744)	(49,066)	(34,707)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	17,103	(2,744)	(49,066)	(34,707)
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	7,544	7,544
Risk adjustment recognised for the risk expired	-	212	-	212
Experience adjustments	(4,458)	-	-	(4,458)
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(3,748)	(165)	3,913	-
Changes in estimates that adjust the CSM	4,431	16,339	(20,770)	-
Changes in estimate that do not adjust the CSM	36,482	(16,403)	-	20,079
<u>Changes that relate to past services</u>				
Changes in amount recoverable arising from changes in liability for incurred claims	-	-	-	-
Net expenses or (income)	32,707	(17)	(9,313)	23,377
Reinsurance finance income	(5,077)	(94)	(1,621)	(6,792)
Effects of changes in non-performance risk of reinsurers	702	(1)	-	701
Total changes in the statement of profit or loss and other comprehensive income	28,332	(112)	(10,934)	17,286
Cash flows:				
Premiums	(33,085)	-	-	(33,085)
Amounts received by reinsurers	28,904	-	-	28,904
Total cash flows	(4,181)	-	-	(4,181)
Net reinsurance contract liabilities/(assets) as at 31 December 2024	41,254	(2,856)	(60,000)	(21,602)
At 31 December 2024				
Reinsurance contract assets	41,254	(2,856)	(60,000)	(21,602)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract liabilities/(assets)	41,254	(2,856)	(60,000)	(21,602)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(d) Reinsurance contracts held (continued)

The table below presents a roll-forward of the net assets for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustments and CSM for portfolios of reinsurance contracts insured in the life insurance unit. (continued)

	Estimate of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
At 1 January 2023				
Reinsurance contract assets	(13,962)	(2,528)	(47,825)	(64,315)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	(13,962)	(2,528)	(47,825)	(64,315)
<u>Changes that relate to current services</u>				
CSM recognised for services provided	-	-	(1,305)	(1,305)
Risk adjustment recognised for the risk expired	-	193	-	193
Experience adjustments	(1,339)	-	-	(1,339)
<u>Changes that relate to future services</u>				
Contracts initially recognised in the period	(4,453)	(207)	4,660	-
Changes in estimates that adjust the CSM	2,579	(30)	(2,549)	-
Changes in estimate that do not adjust the CSM	34,919	(34)	-	34,885
<u>Changes that relate to past services</u>				
Changes in amount recoverable arising from changes in liability for incurred claims	-	-	-	-
Net expenses or (income)	31,706	(78)	806	32,434
Reinsurance finance income	(9,818)	(137)	(2,047)	(12,002)
Effects of changes in non-performance risk of reinsurers	(74)	(1)	-	(75)
Total changes in the statement of profit or loss and other comprehensive income	21,814	(216)	(1,241)	20,357
Cash flows:				
Premiums	(69,935)	-	-	(69,935)
Amounts received by reinsurers	79,186	-	-	79,186
Total cash flows	9,251	-	-	9,251
Net reinsurance contract liabilities/(assets) as at 31 December 2023	17,103	(2,744)	(49,066)	(34,707)
At 31 December 2023				
Reinsurance contract assets	17,103	(2,744)	(49,066)	(34,707)
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract (assets)/liabilities	17,103	(2,744)	(49,066)	(34,707)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(e) Insurance contracts issued (continued)

The impact on the current year results and balance of CSM at the end of the financial year, due to the use of the fully retrospective approach ("FRA") at the transition date, for portfolios of insurance contracts issued is disclosed in the table below:

	2024 RM'000	2023 RM'000
Contractual service margin as at 1 January	<u>379,619</u>	<u>363,603</u>
<u>Changes that relate to current services</u>		
CSM recognised for services provided	(70,188)	(57,988)
<u>Changes that relate to future services</u>		
Contracts initially recognised in the period	75,955	73,502
Changes in estimates that adjust the CSM	31,928	(5,466)
Insurance service result	<u>37,695</u>	<u>10,048</u>
Insurance finance expenses	4,927	5,968
Total changes in the statement of profit or loss and other comprehensive income	<u>42,622</u>	<u>16,016</u>
Contractual service margin as at 31 December	<u>422,241</u>	<u>379,619</u>

The disclosure of when the CSM is expected to be recognised in profit or loss in future years is presented below:

	2024 RM'000	2023 RM'000
Less than 1 year	37,434	33,962
1 – 2 years	31,748	29,582
2 – 3 years	28,837	26,898
3 – 4 years	26,861	25,096
4 – 5 years	25,198	23,288
More than 5 years	272,163	240,793
	<u>422,241</u>	<u>379,619</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(f) Reinsurance contracts issued (continued)

The impact on the current year results and balance of CSM at the end of the financial year, due to the use of the fully retrospective approach ("FRA") at the transition date, for portfolios of reinsurance contracts held is disclosed in the table below:

	2024 RM'000	2023 RM'000
Contractual service margin as at 1 January	49,066	47,825
<u>Changes that relate to current services</u>		
CSM recognised for services provided	(7,544)	1,305
<u>Changes that relate to future services</u>		
Contracts initially recognised in the period	(3,913)	(4,660)
Changes in estimates that adjust the CSM	20,770	2,549
Reinsurance service result	9,313	(806)
Reinsurance finance expenses	1,621	2,047
Total changes in the statement of profit or loss and other comprehensive income	10,934	1,241
Contractual service margin as at 31 December	60,000	49,066

The disclosure of when the CSM is expected to be recognised in profit or loss in future years is presented below:

	2024 RM'000	2023 RM'000
Less than 1 year	(884)	1,585
1 – 2 years	(876)	1,968
2 – 3 years	(747)	2,613
3 – 4 years	(754)	2,577
4 – 5 years	(845)	3,782
More than 5 years	64,106	36,541
	<u>60,000</u>	<u>49,066</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(g) Insurance contracts issued (continued)

The components of new business for portfolios of insurance contracts issued by the Company is disclosed in the table below:

	Contracts issued		
	Non- onerous RM'000	Onerous RM'000	Total RM'000
<u>31 December 2024</u>			
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	477,843	-	477,843
Estimate of insurance acquisition cash flows	61,739	-	61,739
Estimate of present value of future cash outflows	539,582	-	539,582
Estimate of present value of future cash inflows	(624,264)	-	(624,264)
Risk adjustment	8,727	-	8,727
CSM	75,955	-	75,955
Losses on onerous contracts at initial recognition	-	-	-
<u>31 December 2023</u>			
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	462,878	-	462,878
Estimate of insurance acquisition cash flows	51,161	-	51,161
Estimate of present value of future cash outflows	514,039	-	514,039
Estimate of present value of future cash inflows	(597,151)	-	(597,151)
Risk adjustment	9,610	-	9,610
CSM	73,502	-	73,502
Losses on onerous contracts at initial recognition	-	-	-

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

11. INSURANCE AND REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

(h) Reinsurance contracts issued (continued)

The components of new business for portfolios of reinsurance contracts issued by the Company is disclosed in the table below:

	Reinsurance contracts issued		
	Non- onerous RM'000	Onerous RM'000	Total RM'000
<u>31 December 2024</u>			
Estimate of present value of future cash outflows	9,635	-	9,635
Estimate of present value of future cash inflows	(13,383)	-	(13,383)
Risk adjustment	(165)	-	(165)
CSM	3,913	-	3,913
Losses on onerous contracts at initial recognition	-	-	-
<u>31 December 2023</u>			
Estimate of present value of future cash outflows	11,116	-	11,116
Estimate of present value of future cash inflows	(15,569)	-	(15,569)
Risk adjustment	(207)	-	(207)
CSM	4,660	-	4,660
Losses on onerous contracts at initial recognition	-	-	-

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

12. OTHER RECEIVABLES

	2024	2023
	RM'000	RM'000
Outstanding proceeds from disposal of investments	7,346	7,116
Deposits, prepayments and other receivables	19,494	20,370
	26,840	27,486
Allowance for impairment	(655)	(666)
	<u>26,185</u>	<u>26,820</u>

The carrying amounts of financial assets approximate fair values due to the relatively short-term maturity of these balances.

13. DEFERRED TAX LIABILITIES

	2024	2023
	RM'000	RM'000
At 1 January	216,633	178,995
Recognised in:		
Profit or loss (Note 24)	39,634	27,177
Other comprehensive income	1,139	10,461
At 31 December	<u>257,406</u>	<u>216,633</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	2024	2023
	RM'000	RM'000
Deferred tax assets	(7,024)	(8,781)
Deferred tax liabilities	264,430	225,414
	<u>257,406</u>	<u>216,633</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

13. DEFERRED TAXATION (CONTINUED)

The components and movements of deferred tax assets and liabilities of the Company during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	Investments and loans RM'000	Investment properties RM'000	Total RM'000
2024			
At 1 January 2024	(1,580)	(7,201)	(8,781)
Recognised in:			
Income statement	1,164	289	1,453
Other comprehensive income	304	-	304
At 31 December 2024	<u>(112)</u>	<u>(6,912)</u>	<u>(7,024)</u>
2023			
At 1 January 2023	(9,577)	(8,556)	(18,133)
Recognised in:			
Profit or loss	8,369	1,355	9,724
Other comprehensive income	(372)	-	(372)
At 31 December 2023	<u>(1,580)</u>	<u>(7,201)</u>	<u>(8,781)</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

13. DEFERRED TAXATION (CONTINUED)

The components and movements of deferred tax assets and liabilities of the Company during the financial year prior to offsetting are as follows: (continued)

(ii) Deferred tax liabilities

	Property, plant and equipment RM'000	Investments and loans RM'000	Life Non- Participat- ing Fund surplus RM'000	Total RM'000
2024				
At 1 January 2024	395	10,045	214,974	225,414
Recognised in:				
Income statement	142	22,993	15,046	38,181
Other comprehensive income	-	835	-	835
At 31 December 2024	<u>537</u>	<u>33,873</u>	<u>230,020</u>	<u>264,430</u>
2023				
At 1 January 2023	698	1,351	195,079	197,128
Recognised in:				
Profit or loss	(303)	(2,139)	19,895	17,453
Other comprehensive income	-	10,833	-	10,833
At 31 December 2023	<u>395</u>	<u>10,045</u>	<u>214,974</u>	<u>225,414</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

14. SHARE CAPITAL

	2024		2023	
	Number of shares	Share capital	Number of shares	Share capital
	'000	RM'000	'000	RM'000
<u>Issued and fully paid</u>				
At 31 December				
– ordinary shares with no par value	<u>579,000</u>	<u>579,000</u>	<u>579,000</u>	<u>579,000</u>

15. RESERVES

(a) Retained earnings

In accordance with Section 83 of the FSA, the life non-participating unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Pursuant to the single tier system, any dividends distributed by the Company from the distributable retained earnings will be exempted from tax in the hands of the shareholder. The Company shall not be required to deduct tax on dividend paid, credited or distributed to the shareholder.

The Company may distribute single tier exempt dividends to its shareholder out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

(b) Other reserves

Other reserves consist of fair value through other comprehensive income assets revaluation reserve and insurance finance reserves.

The fair value through other comprehensive income of the Company represents the fair value gains or losses of the fair value through other comprehensive income financial assets, net of deferred tax, of the life non-participating and shareholder's funds.

The assets revaluation reserve represents the fair value difference arising upon the reclassification of self-occupied properties which are carried at cost less accumulated depreciation and accumulated impairment loss, to investment properties. Upon disposal, any surplus previously recorded is transferred to retained earnings; the transfer is not made through profit or loss.

The insurance finance reserve of the Company represents the cumulative changes to the carrying amount of insurance contracts issued and reinsurance contracts held arising from the effect and changes in the time value of money and financial risk of the life non-participating fund.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

16. LEASE LIABILITIES

	2024	2023
	RM'000	RM'000
At 1 January	13,632	20,440
Additions	888	-
Accrued interest (Note 5)	412	507
Lease modification	8,265	1,646
Payment for lease liabilities	<u>(8,322)</u>	<u>(8,961)</u>
At 31 December	<u>14,875</u>	<u>13,632</u>
Repayable within 12 months	11,792	7,152
Repayable after 12 months	<u>3,083</u>	<u>6,480</u>
	<u>14,875</u>	<u>13,632</u>

The Company has applied the practical expedient to all rent concessions that meet the conditions specified in the Amendments to MFRS 16.

17. OTHER LIABILITIES

	2024	2023
	RM'000	RM'000
Investment creditors	55	1,827
Unclaimed monies	36,291	34,174
Rental deposits	111	111
Accrual for unutilised staff leave	1,524	1,420
Accrued expenses	42,261	43,548
Other payables	61,147	56,402
Dividend payable to Holding Company	<u>140,000</u>	<u>-</u>
	<u>281,389</u>	<u>137,482</u>
Repayable within 12 months	281,278	137,461
Repayable after 12 months	<u>111</u>	<u>21</u>
	<u>281,389</u>	<u>137,482</u>

The carrying amounts of financial liabilities approximate fair values due to the relatively short-term maturity of these balances.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

18. INSURANCE REVENUE

	2024	2023
	RM'000	RM'000
Expected claims and insurance service expenses	447,845	453,875
Change in risk adjustment for non financial risk	14,335	12,882
Amount of CSM recognised in profit or loss	70,188	57,988
Release of expected and experience adjustment relating to policyholders' tax	29,507	12,961
Amounts relating to recovery of insurance acquisition cash flows	48,387	48,359
	<u>610,262</u>	<u>586,065</u>

19. INSURANCE SERVICE EXPENSES

	2024	2023
	RM'000	RM'000
Incurred claims and other directly attributable expenses	521,621	505,785
Net reversal of losses on onerous contracts	(20,208)	(44,984)
Changes to liabilities for incurred claims (past services)	2,414	(26,985)
Insurance acquisition cash flow amortisation	48,387	48,359
	<u>552,214</u>	<u>482,175</u>

20. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

	2024	2023
	RM'000	RM'000
Expected claims and other expenses recovery incurred	12,322	26,331
Change in risk adjustment for non financial risk	(3,482)	(390)
Amount of CSM recognised in profit or loss	7,544	(1,305)
Allocation of reinsurance premiums	<u>16,384</u>	<u>24,636</u>
Amounts recoverable for claims and other expenses incurred	(25,598)	(22,186)
Losses on onerous contracts and reversal of those losses	<u>32,591</u>	<u>29,984</u>
Amounts recoverable from reinsurers	<u>6,993</u>	<u>7,798</u>
Net expenses from reinsurance contracts held	<u>23,377</u>	<u>32,434</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

21. INVESTMENT INCOME

	2024	2023
	RM'000	RM'000
<u>FVTPL financial assets</u>		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	331	265
- Corporate debt securities unquoted in Malaysia	8,383	8,612
Dividend/distribution income:		
- Equity securities quoted in Malaysia	39,589	38,309
- Equity securities unquoted in Malaysia	570	761
- Unit trusts quoted in Malaysia	25,227	24,867
- Unit trusts quoted outside Malaysia	1,301	1,142
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(33)	(27)
- Corporate debt securities unquoted in Malaysia	(499)	(543)
	<u>74,869</u>	<u>73,386</u>
<u>FVOCI financial assets</u>		
Interest/profit income:		
- Malaysian Government Securities/Government Investment Issues	61,482	53,494
- Corporate debt securities unquoted in Malaysia	167,603	172,008
Amortisation of premiums:		
- Malaysian Government Securities/Government Investment Issues	(1,419)	(1,648)
- Corporate debt securities unquoted in Malaysia	(7,545)	(8,426)
	<u>220,121</u>	<u>215,428</u>
<u>Amortised cost</u>		
Interest/profit income:		
- Mortgage loans	228	134
- Fixed and call deposits	8,158	6,914
	<u>8,386</u>	<u>7,048</u>
<u>Investments properties</u>		
Gross rental income	3,229	3,734
Less: Maintenance expenses	(4,674)	(3,798)
	<u>(1,445)</u>	<u>(64)</u>
	<u>301,931</u>	<u>295,798</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

22. NET INSURANCE FINANCE RESULT

	2024	2023
	RM'000	RM'000
Finance expenses from insurance contracts issued		
Changes in fair value of underlying assets of contracts measured under the VFA	(443,403)	(330,656)
Interest accreted using current financial assumptions	(4,927)	(5,967)
Effect of changes in interest rates and other financial assumptions	<u>(33,935)</u>	<u>(53,582)</u>
	<u>(482,265)</u>	<u>(390,205)</u>
 Represented by:		
Amount recognised in profit and loss	(480,509)	(266,245)
Amount recognised in OCI	<u>(1,756)</u>	<u>(123,960)</u>
	<u>(482,265)</u>	<u>(390,205)</u>
 Finance income from reinsurance contracts held		
Interest accreted using current financial assumptions	1,621	2,049
Effect of changes in interest rates and other financial assumptions	505	5,371
Changes in non-performance risk of reinsurers	(701)	75
Changes in fair value of underlying assets of reinsurance contracts measured under the VFA	<u>4,666</u>	<u>4,582</u>
	<u>6,091</u>	<u>12,077</u>
 Represented by:		
Amount recognised in profit and loss	6,086	11,020
Amount recognised in OCI	<u>5</u>	<u>1,057</u>
	<u>6,091</u>	<u>12,077</u>
 Net insurance finance result	<u>(474,423)</u>	<u>(255,225)</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

23. OTHER OPERATING EXPENSES

Details of the other operating expenses incurred by the Company are provided below:

	2024	2023
	RM'000	RM'000
Realised foreign exchange gain	157	137
Unrealised foreign exchange (loss)/gain	(14,002)	17,732
Other income	66	1,092
Other non-attributable expenses	(32,103)	(31,848)
	<u>(45,882)</u>	<u>(12,887)</u>

Details of the expenses incurred by the Company are provided below:

	2024	2023
	RM'000	RM'000
Staff costs (including Chief Executive Officer and Executive Director):		
- Salaries and bonus	76,444	80,760
- Staff and retirement benefits contributions	17,012	17,417
Directors' remuneration	894	897
Auditors' remuneration:		
- Statutory audit	572	504
- Other assurance services	-	605
- Regulatory-related services	46	42
Expenses relating to leases of low-value assets (Note 5)	209	250
Depreciation of property, plant and equipment (Note 4)	5,557	5,877
Depreciation of right-of-use assets (Note 5)	8,310	8,458
Amortisation of intangible assets (Note 6)	94	714
Agency related expenses	16,350	15,983
Advertising, promotional and entertainment expenses	3,151	2,779
Other miscellaneous expenses	2,224	2,489
	<u>130,863</u>	<u>136,775</u>

Represented by expenses recognised in:

Insurance service expenses:	93,885	98,732
- Maintenance expenses	71,578	77,081
- Acquisition expenses	22,307	21,651
Investment related expenses	4,875	6,195
Other non-attributable expenses	32,103	31,848
	<u>130,863</u>	<u>136,775</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

23. OTHER OPERATING EXPENSES (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	Other emoluments RM'000	Fees RM'000	Benefits- in-kind RM'000	Total RM'000
2024				
Chief Executive Officer	1,843	-	5	1,848
Executive Director				
Timothy William Howell	-	-	-	-
Non-Executive Directors				
Choy Khai Choon	41	240	5	286
Donald Joshua Jaganathan	42	160	-	202
Onn Kien Hoe	41	160	-	201
Datuk Dr Hafsah binti Hashim	45	160	-	205
	169	720	5	894
2023				
Chief Executive Officer	4,796	-	27	4,823
Executive Director				
Timothy William Howell	-	-	-	-
Non-Executive Directors				
Choy Khai Choon	40	240	9	289
Donald Joshua Jaganathan	44	160	-	204
Onn Kien Hoe	40	160	-	200
Datuk Dr Hafsah binti Hashim	44	160	-	204
	168	720	9	897

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

	Number of Directors	
	2024	2023
<u>Executive Director:</u>		
RM0	1	1
<u>Non-Executive Directors:</u>		
RM200,001 – RM300,000	4	4

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

24. TAXATION

	2024	2023
	RM'000	RM'000
<u>Current tax</u>		
Current financial year	23,721	20,797
Over provision of taxation in prior financial year	(604)	(1,531)
	<u>23,117</u>	<u>19,266</u>
<u>Deferred tax (Note 13)</u>		
Origination and reversal of temporary differences	39,635	27,177
	<u>62,752</u>	<u>46,443</u>

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

	2024	2023
	RM'000	RM'000
Profit before taxation	129,472	125,327
Taxation at Malaysian statutory tax rate of 24% (2023:24%)	31,073	30,078
Effect due to different tax rates	(20,115)	(14,178)
Income not subject to tax	(45,637)	(40,017)
Expenses not deductible for tax purposes	75,347	60,185
Tax impact on investment income attributable to policyholders and unitholders	22,688	11,906
	<u>63,356</u>	<u>47,974</u>
Over provision of taxation in prior financial year	(604)	(1,531)
Tax expenses	<u>62,752</u>	<u>46,443</u>

The income tax for the Shareholder's fund is calculated based on the corporate tax rate of 24% (2023: 24%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on the tax rate of 8% (2023: 8%) of the assessable investment income net of allowable deductions for the financial year.

25. DIVIDENDS

The Company declared final dividend of RM140,000,000 (i.e. a dividend of RM0.24 per ordinary share) in respect of the financial year ended 31 December 2023 during the current financial year.

The Directors have not recommended the payment of any final dividend for the current financial year.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

26. EARNINGS PER SHARE

The basic earnings per ordinary share has been calculated by dividing the net profit for the financial year attributable to equity holders of the Company over the weighted average number of shares of the Company in issue during the financial year.

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

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

	2024 RM'000	2023 RM'000
Net profit attributable to ordinary equity holders	<u>66,720</u>	<u>78,884</u>
Weighted average number of shares in issue	<u>579,000</u>	<u>579,000</u>
Basic/diluted earnings per share (sen)	<u>11.52</u>	<u>13.62</u>

27. OPERATING LEASES

The Company leases out its investment property. The Company classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2024 RM'000	2023 RM'000
Within 1 year	2,070	2,951
In the 2 nd year	239	2,198
In the 3 rd year	<u>26</u>	<u>162</u>
Total undiscounted lease payments	<u>2,335</u>	<u>5,311</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

28. CASH UTILISED IN OPERATING ACTIVITIES

	Note	2024 RM'000	2023 RM'000
Net profit for the financial year		66,720	78,884
Adjustments:			
Depreciation of property, plant and equipment	4	5,557	5,877
Depreciation of right-of-use assets	5	8,310	8,458
Amortisation of intangible assets	6	94	714
Investment income	21	(301,931)	(295,798)
Unrealised gains on financial assets		(308,132)	(48,873)
Realised losses/(gains) on financial assets measured at:			
- FVTPL		326	20,738
- FVOCI		(3,555)	(2,059)
Net fair value losses/(gains) on non financial assets		283	(526)
(Reversal of impairment loss)/impairment loss		(2,012)	2,267
Unrealised foreign exchange loss/(gain) recorded in profit or loss		14,001	(17,732)
Write-back of impairment of other receivables		(11)	(36)
Interest expenses on lease liabilities	16	412	507
Purchase of FVOCI/FVTPL financial assets		(775,306)	(1,442,944)
Proceeds from sale and redemption of FVOCI/FVTPL financial assets		906,576	1,248,296
Tax expense		<u>62,752</u>	<u>46,443</u>
Operating cashflows before changes in working capital		(325,916)	(395,784)
Changes in working capital:			
Decrease in financial assets at AC		129	97
Decrease in reinsurance assets		13,110	30,666
Decrease/(increase) in other receivables		1,253	(3,715)
Increase/(decrease) in insurance contract liabilities		223,378	(37,736)
Increase in other liabilities		<u>3,880</u>	<u>3,545</u>
Cash utilised in operating activities		<u>(84,166)</u>	<u>(402,927)</u>

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of benefits and claims incurred for insurance contracts, which are also classified under operating activities.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

29. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The related parties and their relationship with the Company as at 31 December 2024 are as follows:

<u>Name of company</u>	<u>Relationship</u>
Zurich Insurance Group Limited ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd. ("ZICL")	Immediate holding company
Zurich Services (Hong Kong) Limited	Subsidiary of ZICL
Zurich International Life Limited	Subsidiary of ZICL
Zurich Insurance Company Ltd., Hong Kong	Subsidiary of ZICL
PT Zurich Topas Life	Subsidiary of ZICL
Zurich Holdings Malaysia Berhad	Subsidiary of ZICL
Zurich Customer Active Management	Subsidiary of ZICL
Zurich Services Malaysia Sdn. Bhd.	Subsidiary of ZICL
Zurich Global Investment Management	Subsidiary of ZICL
Zurich General Insurance Malaysia Berhad	Fellow subsidiary
Zurich General Takaful Malaysia Berhad	Fellow subsidiary
Zurich Takaful Malaysia Berhad	Fellow subsidiary
Zurich Shared Services Malaysia Sdn. Bhd.	Fellow subsidiary

(b) Related party transactions

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiary and associated companies of ZIGL, collectively known as ZIGL Group, at agreed terms and prices.

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

	2024	2023
	RM'000	RM'000
(Expenses)/income:		
<u>Immediate holding company</u>		
Dividend declared	(140,000)	-
Reimbursement of expenses	(5,321)	(9,518)
<u>Subsidiary of ultimate holding company</u>		
Reimbursement of expenses	(9,769)	(517)
Cost sharing charges	(6,686)	(5,320)
<u>Fellow subsidiary</u>		
Cost sharing charges	37,399	31,561
Reimbursement of expenses	22,177	22,279
Actuarial support services	279	(597)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

29. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

The significant outstanding balances of the Company with its related parties are as follows:

	2024	2023
	RM'000	RM'000
Amount due from related companies		
<u>Other receivables*</u>		
Subsidiary of ultimate holding company	-	1
Fellow subsidiary	6,440	6,733
Amount due to related companies		
<u>Trade payables**</u>		
Immediate holding company	64,380	60,120
<u>Other payables*</u>		
Immediate holding company	148,314	5,552
Subsidiary of ultimate holding company	1,229	2,797
Fellow subsidiary	-	98

* These balances are unsecured, interest-free and repayable in the short-term.

** This balance is unsecured, interest-free and payable in accordance with the relevant insurance contracts.

(d) Key management personnel

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

	2024	2023
	RM'000	RM'000
Salaries and other short-term employee benefits and directors' emoluments	13,216	13,444
Defined contribution retirement benefits	1,593	2,011
Share-based payments/benefits	1,460	3,101
	<u>16,269</u>	<u>18,556</u>
CEO's remuneration (Note 23)	<u>1,848</u>	<u>4,823</u>

The estimated monetary value of benefits provided to the CEO during the financial year by way of usage of the Company's assets was RM5,191 (2023: RM27,139).

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

30. RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Company adopts the three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirements are incorporated in the Company's Risk Management Policy. The policy explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, stakeholders and, ultimately, the Company. It also outlines the key aspects of the risk management process and identifies the main reporting procedures.

The adoption of the policy is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight for technology-related and sustainability-related matters. The Company has established senior management committees which act as a platform for two-way communication between the Management and the Board. The Committees are the Asset Liability Management and Investment Committee ("ALMIC"), Human Resource Committee ("HRC"), Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), Risk and Control Committee ("RCC"), Occupational Safety and Health Committee ("OSHC"), Sustainability Council and the various Senior Management Committees for Life Businesses. All these committees are chaired by the Chief Executive Officer or a member of the senior management team.

They are responsible for overseeing the development and assess the effectiveness of risk management policies, review risk exposures and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

Regulatory Framework

The Company is required to comply with the FSA and BNM Regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws and regulations have priority while the stricter rules will apply, where possible.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

30. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management

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

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework for Insurers regulated by BNM is 130% for each insurance entity. The Company complied with the minimum CAR as at 31 December 2024.

The Total Capital Available of the Company as at 31 December 2024 was RM1,993,463,000 (2023: RM1,998,482,000).

The capital structure of the Company as at 31 December 2024, as prescribed under the RBC Framework, is shown below:

	2024	2023
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	<u>1,284,788</u>	<u>1,301,836</u>
	<u>1,863,788</u>	<u>1,880,836</u>
<u>Tier 2 Capital</u>		
Available-for-sale reserve	136,698	126,138
Less:		
Deferred tax assets	<u>(7,023)</u>	<u>(8,492)</u>
Total Capital Available	<u><u>1,993,463</u></u>	<u><u>1,998,482</u></u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

31. INSURANCE RISK

The Company accepts insurance risk through its written insurance contracts. The Company writes Life insurance contracts (health, group life, mortgage and investment-linked). Insurance risk is the inherent uncertainty regarding the fluctuations in the timing, frequency and severity of insured events, relative to our expectations at the time of underwriting. It can also refer to fluctuations in the timing and amount of claim settlements. The insurance risk appetite is defined through the review of portfolio size, underwriting criteria, product limits, reinsurance arrangements, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, aggregate risks and loss scenarios.

Reinsurance offers financial protection to insurance companies against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honor their obligations. The Company monitors the reinsurers' creditworthiness on a regular basis.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and life medical history of the policyholders. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Geographically, the Company's risks are concentrated in Malaysia.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

The table below sets out the concentration of the Company's net insurance liabilities, by type of insurance contracts issued and reinsurance contracts held:

	Insurance contracts issued RM'000	Re- insurance contracts held RM'000	Net RM'000
<u>31 December 2024</u>			
Annuity	713,162	65,981	779,143
Participating	2,464,869	(26,961)	2,437,908
Protection Medical	567,800	(5,067)	562,733
Protection Non Medical	1,355,286	(55,555)	1,299,731
Savings	783,202	-	783,202
	<u>5,884,319</u>	<u>(21,602)</u>	<u>5,862,717</u>
<u>31 December 2023</u>			
Annuity	739,827	44,862	784,689
Participating	2,439,297	(21,468)	2,417,829
Protection Medical	413,979	(8,810)	405,169
Protection Non Medical	1,251,709	(49,291)	1,202,418
Savings	814,373	-	814,373
	<u>5,659,185</u>	<u>(34,707)</u>	<u>5,624,478</u>

Key Assumptions

Material judgments are required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to arrive at realistic and reasonable valuations.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of the insurance contract liabilities with all other assumptions (as details in Note 3(i)) held constant, showing the impact on gross and net insurance liabilities. The correlation of assumptions will have a significant effect on the sensitivity analysis but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary according to the current economic assumptions.

	Change in assump- tions	Impact on profit before tax gross of re- insurance	Impact on profit before tax net of re- insurance	Impact on equity gross of re- insurance	Impact on equity net of re- insurance
	%	RM'000	RM'000	RM'000	RM'000
<----- (Decrease)/Increase ----->					
<u>31 December 2024</u>					
Mortality/morbidity rate	+10%	(94,145)	(87,996)	(74,346)	(69,325)
Expenses	+10%	(20,637)	(19,561)	(16,198)	(15,380)
Lapse and surrender rates	+10%	(4,304)	(4,388)	(3,009)	(3,124)
Discount rate	+1%	(715)	(676)	77,761	75,116
Mortality/morbidity rate	-10%	77,252	72,574	61,595	57,688
Expenses	-10%	19,227	18,201	15,126	14,346
Lapse and surrender rates	-10%	3,828	3,925	2,638	2,768
Discount rate	-1%	324	294	(94,746)	(91,930)
<u>31 December 2023</u>					
Mortality/morbidity rate	+10%	(89,199)	(63,509)	(96,674)	(58,273)
Expenses	+10%	(22,608)	(14,475)	(17,036)	(10,520)
Lapse and surrender rates	+10%	10,541	(4,256)	(5,445)	(5,097)
Discount rate	+1%	52,819	(54)	94,238	90,930
Mortality/morbidity rate	-10%	44,338	46,577	46,620	34,829
Expenses	-10%	21,847	13,772	16,137	9,678
Lapse and surrender rates	-10%	(11,444)	4,728	5,993	5,605
Discount rate	-1%	(80,505)	537	(115,326)	(111,783)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

31. INSURANCE RISK (CONTINUED)

Sensitivities (continued)

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of the insurance contract liabilities with all other assumptions (as details in Note 3(i)) held constant, showing the impact on gross and net insurance liabilities. The correlation of assumptions will have a significant effect on the sensitivity analysis but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity analysis will also vary according to the current economic assumptions. (continued)

	Change in assumptions	2024		2023	
		Impact on CSM before tax gross of re-insurance	Impact on CSM before tax net of re-insurance	Impact on CSM before tax gross of re-insurance	Impact on CSM before tax net of re-insurance
	%	RM'000	RM'000	RM'000	RM'000
<----- (Decrease)/Increase ----->					
Mortality/morbidity rate	+10%	(52,332)	(41,859)	(53,223)	(87,506)
Expenses	+10%	(34,075)	(35,580)	(35,251)	(41,489)
Lapse and surrenders rate	+10%	(22,702)	(23,546)	(23,383)	(31,604)
Discount rate	+1%	38,471	47,831	16,049	6,169
Mortality/morbidity rate	-10%	72,145	59,951	106,051	112,856
Expenses	-10%	35,485	36,941	36,150	42,316
Lapse and surrenders rate	-10%	25,133	26,176	25,139	33,608
Discount rate	-1%	(1,757)	(30,918)	(2,050)	(31,673)

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK

The Company is exposed to a range of financial risks through its assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, and market risk which comprise of currency risk, interest rate/profit yield risk and price risk.

The Company manages these positions within an Asset Liability Management (“ALM”) framework that has been developed to achieve long term investment returns in excess its obligations under insurance contracts. The key principle of the framework is to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored.

The Company’s ALM is integrated with the management of the financial risks associated with the Company’s other classes of financial assets and liabilities not directly associated with insurance liabilities. The note below explains how financial risks are managed using the categories utilised in the Company’s ALM framework. In particular, the ALM framework requires the management of interest rate risk, equity price risk, credit risk and liquidity risk at both business line level and company-wide basis. The following notes are in relation to the Company’s management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

Credit Risk

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company is mainly exposed to credit risk through (i) investment in cash and private debt securities, (ii) corporate/individuals and mortgage lending activities, and (iii) exposure to counterparty’s reinsurance contracts. For investments in private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A-/A2 (at the date of investment) provided by Malaysian Rating Corporation Berhad (“MARC”) and Rating Agency Malaysia Berhad (“RAM”), respectively. The Company however intends to maintain an average rating of AA in the overall bond portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but also depends on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company’s liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

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

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of impairment/specific provision is made on those securities/loans (or part of remaining amount) where the level of security has been impaired. Refer to Note 10 to the financial statements for more details on assessment and disclosure of credit risk on loan borrowers.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk

Exposure to credit risk

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Note	Life Insurance and Shareholder's Funds RM'000	Unit-Linked Funds RM'000	Total RM'000
<u>31 December 2024</u>				
FVOCI financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(a)	1,505,856	-	1,505,856
- Corporate debt securities	9(a)	3,526,265	-	3,526,265
FVTPL financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(b)	-	10,522	10,522
- Corporate debt securities	9(b)	-	178,112	178,112
AC financial assets:				
- Mortgage loans	10	14,166	-	14,166
Reinsurance contract assets	11	21,602	-	21,602
Other receivables*		23,086	164	23,250
Cash and cash equivalents		333,752	74,129	407,881
		<u>5,424,727</u>	<u>262,927</u>	<u>5,687,654</u>
<u>31 December 2023</u>				
FVOCI financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(a)	1,431,321	-	1,431,321
- Corporate debt securities	9(a)	3,756,932	-	3,756,932
FVTPL financial assets:				
- Malaysian Government Securities/ Government Investment Issues	9(b)	-	6,324	6,324
- Corporate debt securities	9(b)	-	175,785	175,785
AC financial assets:				
- Mortgage loans	10	16,983	-	16,983
Reinsurance contract assets	11	34,707	-	34,707
Other receivables*		22,267	892	23,159
Cash and cash equivalents		134,268	73,341	207,609
		<u>5,396,478</u>	<u>256,342</u>	<u>5,652,820</u>

* Excludes prepayments of RM2,935,000 as at 31 December 2024 (2023: RM3,661,000).

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the Company's credit rating of counterparties.

	Neither past-due nor impaired		Not rated	Unit-Linked Funds	Past due but not impaired	Impaired	Total
	Investment grade	Non- Investment grade					
	(AAA to BBB)	(BB to C)					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2024</u>							
FVOCI financial assets:							
- Malaysian Government Securities/ Government Investment Issues	1,505,856	-	-	-	-	-	1,505,856
- Corporate debt securities	3,432,637	56,986	-	-	-	36,642	3,526,265
FVTPL financial assets:							
- Malaysian Government Securities/ Government Investment Issues	-	-	-	10,522	-	-	10,522
- Corporate debt securities	-	-	-	178,112	-	-	178,112
AC financial assets:							
- Mortgage loans	-	-	1,739	-	956	11,471	14,166
Reinsurance contract assets	13,503	-	8,099	-	-	-	21,602
Other receivables*	-	-	23,086	164	-	-	23,250
Cash and cash equivalents	333,752	-	-	74,129	-	-	407,881
	<u>5,285,748</u>	<u>56,986</u>	<u>32,924</u>	<u>262,927</u>	<u>956</u>	<u>48,113</u>	<u>5,687,654</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial and insurance assets according to the Company's credit rating of counterparties. (continued)

	Neither past-due nor impaired		Not rated	Unit-Linked Funds	Past due but not impaired	Impaired	Total
	Investment grade	Non- Investment grade					
	(AAA to BBB)	(BB to C)					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2023</u>							
FVOCI financial assets:							
- Malaysian Government Securities/ Government Investment Issues	1,431,321	-	-	-	-	-	1,431,321
- Corporate debt securities	3,268,868	451,422	-	-	-	36,642	3,756,932
FVTPL financial assets:							
- Malaysian Government Securities/ Government Investment Issues	-	-	-	6,324	-	-	6,324
- Corporate debt securities	-	-	-	175,785	-	-	175,785
AC financial assets:							
- Mortgage loans	-	-	1,639	-	1,184	14,160	16,983
Reinsurance contract assets	28,242	-	6,465	-	-	-	34,707
Other receivables*	-	-	22,267	892	-	-	23,159
Cash and cash equivalents	134,268	-	-	73,341	-	-	207,609
	<u>4,862,699</u>	<u>451,422</u>	<u>30,371</u>	<u>256,342</u>	<u>1,184</u>	<u>50,802</u>	<u>5,652,820</u>

* Excludes prepayments of RM2,935,000 as at 31 December 2024 (2023: RM3,661,000).

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment assessment

The Company's ECL assessment and measurement method is set out below.

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default.
- The counterparty having past due liabilities to public creditors or employees.
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/ protection.
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

To-date, there is two (2023: two) occurrences of rating default event where one of the corporate debt securities was defaulted since the financial year ended 31 December 2013. The bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

No credit exposure limits were exceeded during the financial year.

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

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12months ECL ("12m ECL"). Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets subject to impairment assessment

Debt instruments measured at FVOCI

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on the Company's internal credit rating system.

	2024			2023		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
Internal rating grade						
Investment grade	4,781,412	157,081	4,938,493	4,552,960	147,229	4,700,189
Non-investment grade	25,502	31,484	56,986	364,622	86,800	451,422
Impaired	-	36,642	36,642	-	36,642	36,642
Total gross amount	<u>4,806,914</u>	<u>225,207</u>	<u>5,032,121</u>	<u>4,917,582</u>	<u>270,671</u>	<u>5,188,253</u>
ECL	<u>(2,082)</u>	<u>(5,331)</u>	<u>(7,413)</u>	<u>(4,094)</u>	<u>(8,018)</u>	<u>(12,112)</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets subject to impairment assessment (continued)

Debt instruments measured at FVOCI (continued)

An analysis of changes in the fair value and the corresponding ECLs of financial assets are as follows:

	2024			2023		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
<u>Fair value</u>						
At 1 January	4,917,582	270,671	5,188,253	4,535,101	139,127	4,674,228
New assets originated or purchased	481,807	-	481,807	956,185	21,992	978,177
Assets derecognised or matured	(649,654)	-	(649,654)	(598,751)	(28,353)	(627,104)
Accrued interest capitalised	3,555	-	3,555	2,500	(441)	2,059
Change in fair value	19,887	(556)	19,331	160,242	1,346	161,588
Amortisation/interest adjustment	(10,366)	(805)	(11,171)	(2,519)	1,824	(695)
Movement between 12months ECL and lifetime ECL	44,103	(44,103)	-	(135,176)	135,176	-
At 31 December	<u>4,806,914</u>	<u>225,207</u>	<u>5,032,121</u>	<u>4,917,582</u>	<u>270,671</u>	<u>5,188,253</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets subject to impairment assessment (continued)

Debt instruments measured at FVOCI (continued)

An analysis of changes in the fair value and the corresponding ECLs of financial assets are as follows: (continued)

	2024			2023		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
<u>ECL</u>						
At 1 January	(4,094)	(8,018)	(12,112)	(2,789)	(7,056)	(9,845)
New assets originated or purchased	(294)	-	(294)	(623)	(525)	(1,148)
Assets derecognised or matured (excluding write-offs)	458	-	458	690	1,395	2,085
Unwinding of discount	2,892	1,643	4,535	(1,582)	(1,622)	(3,204)
Movement between 12 months ECL and lifetime ECL	(1,044)	1,044	-	210	(210)	-
At 31 December	<u>(2,082)</u>	<u>(5,331)</u>	<u>(7,413)</u>	<u>(4,094)</u>	<u>(8,018)</u>	<u>(12,112)</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets subject to impairment assessment (continued)

Loans measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk of loans based on the Company's internal credit rating system and year-end credit risk classification. The amounts presented are gross of impairment allowances.

	2024			2023		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
Internal rating grade						
Not rated	1,740	-	1,740	1,641	-	1,641
Past due but not impaired	956	-	956	1,184	-	1,184
Impaired	-	51,094	51,094	-	51,094	51,094
Total gross amount	<u>2,696</u>	<u>51,094</u>	<u>53,790</u>	<u>2,825</u>	<u>51,094</u>	<u>53,919</u>
ECL	<u>(1)</u>	<u>(39,623)</u>	<u>(39,624)</u>	<u>(2)</u>	<u>(36,934)</u>	<u>(36,936)</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets subject to impairment assessment (continued)

Loans measured at amortised cost (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	2024			2023		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
<u>Gross carrying amount</u>						
At 1 January	2,825	51,094	53,919	2,924	51,094	54,018
Assets derecognised or matured (excluding write-offs)	(59)	-	(59)	(43)	-	(43)
Amortisation/interest adjustment	(70)	-	(70)	(56)	-	(56)
At 31 December	<u>2,696</u>	<u>51,094</u>	<u>53,790</u>	<u>2,825</u>	<u>51,094</u>	<u>53,919</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial assets subject to impairment assessment (continued)

Loans measured at amortised cost (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows: (continued)

	2024			2023		
	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000	12m ECL RM'000	Lifetime ECL RM'000	Total RM'000
ECL						
At 1 January	(2)	(36,934)	(36,936)	(2)	(36,934)	(36,936)
Addition	-	(2,689)	(2,689)	-	-	-
Movement between 12months ECL and lifetime ECL	1	-	1	-	-	-
At 31 December	<u>(1)</u>	<u>(39,623)</u>	<u>(39,624)</u>	<u>(2)</u>	<u>(36,934)</u>	<u>(36,936)</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations when due. This situation arises when the Company is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored, and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in life insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

Maturity Profile

The table below summarises the maturity profile of the Company's financial assets and liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance contract held, maturity profiles are determined based on estimated timing of discounted net cash outflows from the recognised insurance liabilities and assets. The insurance contract liabilities below are gross of reinsurance. Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as these carry no maturity values. Products with no maturity dates are annuity and whole life plans.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

The following table summarises the maturity profile of portfolios of insurance contracts issued and portfolios of reinsurance contracts held of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the financial years presented.

	<u>Up to a year</u> <u>RM'000</u>	<u>1 - 5 years</u> <u>RM'000</u>	<u>> 5 years</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>31 December 2024</u>				
Reinsurance contract assets	52,465	(36,463)	(33,228)	(17,226)
Insurance contract liabilities	1,510,027	399,972	3,623,786	5,533,785
	<u>1,562,492</u>	<u>363,509</u>	<u>3,590,558</u>	<u>5,516,559</u>
<u>31 December 2023</u>				
Reinsurance contract assets	72,307	26,515	(82,786)	16,036
Insurance contract liabilities	1,727,900	397,895	3,624,766	5,750,561
	<u>1,800,207</u>	<u>424,410</u>	<u>3,541,980</u>	<u>5,766,597</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

The following table summarises the maturity profile of financial assets and liabilities of the Company based on remaining undiscounted contractual cash flows, including interest receivable.

	Carrying Value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<u>31 December 2024</u>						
Financial assets						
FVOCI financial assets	5,032,121	387,315	1,960,550	4,817,950	-	7,165,815
FVTPL financial assets	2,378,315	17,141	89,800	131,477	2,189,681	2,428,099
AC financial assets	14,166	12,607	553	1,006	-	14,166
Other receivables*	23,250	23,250	-	-	-	23,250
Cash and cash equivalents	407,881	407,881	-	-	-	407,881
	<u>7,855,733</u>	<u>848,194</u>	<u>2,050,903</u>	<u>4,950,433</u>	<u>2,189,681</u>	<u>10,039,211</u>
Financial liabilities						
Lease liabilities	14,875	11,792	3,083	-	-	14,875
Other liabilities	281,389	281,278	111	-	-	281,389
	<u>296,264</u>	<u>293,070</u>	<u>3,194</u>	<u>-</u>	<u>-</u>	<u>296,264</u>

* Excludes prepayments of RM2,935,000 as at 31 December 2024 (2023: RM3,661,000).

ZURICH LIFE INSURANCE MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

The following table summarises the maturity profile of financial assets and liabilities of the Company based on remaining undiscounted contractual cash flows, including interest receivable. (continued)

	Carrying Value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
<u>31 December 2023</u>						
Financial assets						
FVOCI financial assets	5,188,253	445,544	1,878,968	5,182,181	-	7,506,693
FVTPL financial assets	2,048,589	17,223	81,607	134,009	1,866,480	2,099,319
AC financial assets	16,983	15,518	525	940	-	16,983
Other receivables*	23,159	23,159	-	-	-	23,159
Cash and cash equivalents	207,609	207,609	-	-	-	207,609
	<u>7,484,593</u>	<u>709,053</u>	<u>1,961,100</u>	<u>5,317,130</u>	<u>1,866,480</u>	<u>9,853,763</u>
Financial liabilities						
Lease liabilities	13,632	7,705	6,707	-	-	14,412
Other liabilities	137,482	137,461	21	-	-	137,482
	<u>151,114</u>	<u>145,166</u>	<u>6,728</u>	<u>-</u>	<u>-</u>	<u>151,894</u>

* Excludes prepayments of RM2,935,000 as at 31 December 2024 (2023: RM3,661,000).

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

	Current *	Non-current	Unit-Linked Funds	Total
	RM'000	RM'000	RM'000	RM'000
<u>31 December 2024</u>				
Financial assets				
FVOCI financial assets	173,940	4,858,181	-	5,032,121
FVTPL financial assets	811,049	-	1,567,266	2,378,315
AC financial assets	12,607	1,559	-	14,166
Other receivables **	23,086	-	164	23,250
Cash and cash equivalents	333,752	-	74,129	407,881
	<u>1,354,434</u>	<u>4,859,740</u>	<u>1,641,559</u>	<u>7,855,733</u>
Financial liabilities				
Lease liabilities	11,792	3,083	-	14,875
Other liabilities	279,713	111	1,565	281,389
	<u>291,505</u>	<u>3,194</u>	<u>1,565</u>	<u>296,264</u>
Insurance contract liabilities				
Reinsurance contract assets	72,307	(56,271)	-	16,036
Insurance contract liabilities	108,848	4,022,661	1,619,052	5,750,561
	<u>181,155</u>	<u>3,966,390</u>	<u>1,619,052</u>	<u>5,766,597</u>

* Expected recovery or settlement within 12 months from the date of the statement of financial position.

** Excludes prepayments of RM2,935,000 as at 31 December 2024 (2023: RM3,661,000).

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

	Current *	Non-current	Unit-Linked Funds	Total
	RM'000	RM'000	RM'000	RM'000
<u>31 December 2023</u>				
Financial assets				
FVOCI financial assets	220,110	4,968,143	-	5,188,253
FVTPL financial assets	684,050		1,364,539	2,048,589
AC financial assets	15,518	1,465	-	16,983
Other receivables **	22,267	-	892	23,159
Cash and cash equivalents	134,268	-	73,341	207,609
	<u>1,076,213</u>	<u>4,969,608</u>	<u>1,438,772</u>	<u>7,484,593</u>
Financial liabilities				
Lease liabilities	7,705	6,707	-	14,412
Other liabilities	134,843	21	2,618	137,482
	<u>142,548</u>	<u>6,728</u>	<u>2,618</u>	<u>151,894</u>
Insurance contract liabilities				
Reinsurance contract assets	52,465	(69,691)	-	(17,226)
Insurance contract liabilities	81,874	4,023,758	1,428,153	5,533,785
	<u>134,339</u>	<u>3,954,067</u>	<u>1,428,153</u>	<u>5,516,559</u>

* Expected recovery or settlement within 12 months from the date of the statement of financial position.

** Excludes prepayments of RM2,935,000 as at 31 December 2024 (2023: RM3,661,000).

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of exposures i.e. foreign exchange rates (currency risk), market interest rate/profit yield risk and market prices (price risk).

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structures and risk management methodologies, approving hedging, and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Company also issues unit-linked investment policies in a number of its products. In unit-linked business, the policyholders bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Company's exposure to market risk on this business is limited to the extent of income arising from fee earned by the Company based on the value of the assets in the funds.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the FSA and, hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main currency risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

The Company's main exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Interest Rate Risks

Interest rate risk is part of market risk as any adverse movements in interest rates may affect the Company investment's fair valuation and reinvestment issues to the Company. ALMIC actively monitors such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch as given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Company has no significant concentration of interest rate/profit yield risk.

The Company's exposure to interest rate risk on debt instruments are, as follows:

	2024	2023
	RM'000	RM'000
Financial assets		
Debt instruments at FVTPL	188,634	182,109
Debt instruments at FVOCI	5,032,121	5,188,253
	<u>5,220,755</u>	<u>5,370,362</u>

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield FVOCI financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on equity*		Impact on insurance contract liabilities*	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
	<----(Decrease)/Increase---->		<----(Decrease)/Increase---->	
Change in variables:				
<u>Interest rate</u>				
+ 100 basis point	(142,995)	(128,565)	(210,307)	(207,200)
- 100 basis point	158,761	176,794	231,323	270,808

**Impact on equity/insurance contract liabilities reflects adjustments for tax, when applicable.*

The method used for deriving sensitivity information and significant variables did not change from previous year.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

32. FINANCIAL RISK (CONTINUED)

Market Risk (continued)

Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The equity investment portfolio of the Company is exposed to movements in equity markets. The Company monitors its equity price risk through regular stress testing. In addition, the Company monitors and manages the equity exposure against investment guidelines set and agreed by ALMIC. These investment guidelines include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set. The Company uses historical stock betas, index levels and equity prices, and estimates the volatility and correlation of each of these share prices and index levels to calculate the gains and losses that could occur over a period of time, given a certain index level.

The Company may use derivative financial instruments as a means of hedging against the impact of negative market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Company's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

In respect of risk associated with the use of derivative financial instruments, price risk is controlled through the settling of exposure limits, which are subjected to detailed monitoring and review.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of FVOCI financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on equity*		Impact on insurance contract liabilities*	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
	<----(Decrease)/Increase---->		<----(Decrease)/Increase---->	
Change in variables:				
<u>FTSE Bursa Malaysia</u>				
FBM KLCI + 15% - gain	19,757	13,574	193,227	138,121
FBM KLCI – 15% - loss	(19,757)	(13,574)	(193,227)	(138,121)
<u>Change in NAV</u>				
NAV + 15%	-	-	78,071	72,221
NAV -15%	-	-	(78,071)	(72,221)

*Impact on equity/insurance contract liabilities reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from previous year.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

33. OPERATIONAL RISK

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

The Company has developed comprehensive Standard Operating Procedures (“SOP”) to enable all relevant departments to implement measures, to monitor and control the risk. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via structured risk assessment process.

34. COMPLIANCE RISK

The Company has developed internal policies and procedures (for example, Trade and Economic Sanctions Local Standard, Introduction of New Products Framework, Outsourcing Framework, etc.) aligned with the laws and guidelines issued by both Zurich Group Compliance and the local regulatory authorities.

35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK

Strategic Risk

Strategic risk refers to the unintended risk that can emerge as a by-product of planning or executing Zurich Malaysia’s strategy.

Strategic risks can arise from:

- Inadequate risk-reward assessment of strategic plans.
- Improper execution of strategic plans.
- Unexpected changes to underlying assumptions, including those about the external environment.

Zurich Malaysia works to manage risks associated with strategic business decisions through the risk assessment processes and tools, including the Total Risk Profiling™ process. As part of Zurich Malaysia’s annual assessment of strategic risks, the senior management assesses potential risk from both external and internal factors, looking at current year and beyond. The senior management defines actions to respond as appropriate and reviews changes to the key risks and the status of their actions at least quarterly.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

Reputation Risk

Reputation risk is the risk that an act or omission by the Company or any of its employees could result in a reputational damage or loss of trust in Zurich Malaysia among any of its stakeholders. It includes potential negative publicity regarding Zurich Malaysia's business practices.

Zurich Malaysia aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of Zurich Malaysia's code of conduct that promotes integrity and good business practice.
- Living up to its sustainability commitments.

Zurich Malaysia centrally manages certain aspects of the risk of reputation, for example, communications through functions with the appropriate expertise. Potential risks to Zurich Malaysia's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

Sustainability Risk

Sustainability risk pertains to the potential adverse impact on the Company's brand and reputation due to the failure to responsibly consider environmental, social, and governance issues throughout its business operations. Additionally, it encompasses the risks associated with not striving to create sustainable value for all stakeholders.

Sustainability involves conducting business today in a manner that ensures the preservation of the Company's and society's future. The risks and opportunities associated with sustainability arise from the effects of environmental, social, and governance ("ESG") challenges on the Company, as well as from the Company's management of its positive or negative impacts on ESG matters. To safeguard against financial and reputational repercussions, both perspectives are incorporated in the identification and assessment of sustainability issues.

Climate change, as one of the most complex risks facing society today, is intergenerational and interdependent. As an insurer, the Company faces risks from climate change and shall disclose its climate risk in line with the recommendation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") and BNM's Policy Document on Climate Risk Management and Scenario Analysis on Disclosures.

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected. As a result, insurers are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

35. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

Sustainability risk approach

To support the Company's businesses in applying its purposes and values, as well as mitigating reputation risk impacts, the Company has integrated sustainability risk assessment into the existing risk management cycle to identify, assess and respond to potential risks and opportunity areas from a sustainability perspective across all the Company's activities, in particular for operations and investment management.

This is a three-steps process:

- Risk identification and Assessment: Sustainability risks are identified and assessed at least annually through various processes such as risk appetite review and annual Total Risk Profiling™ exercise.
- Risk response: Risk response can include sustainability risk positions, which describes the Company's appetite for a sustainability risk and may also trigger the development of new policies, guidelines, products, processes, projects or other management actions. It can also entail a new strategic sustainability priority in line with the Total Risk Profiling™ methodology.
- Risk Monitoring and Reporting: Sustainability risks are monitored at least quarterly and reported to Senior Management and Board.

The Company applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, it engages and works together with relevant stakeholders on the margins of its thresholds to ensure responsible and sustainable business practices.

Clear roles and responsibilities, starting with the Board of Directors of the Company and its management, support effective oversight and actions with respect to climate change and other sustainability risks.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

36. FAIR VALUE INFORMATION

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. Example of 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.

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

36. FAIR VALUE INFORMATION (CONTINUED)

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:

	<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 2024</u>				
FVOCI financial assets				
- Malaysian Government Securities/Government Investment Issues	-	1,505,856	-	1,505,856
- Corporate debt securities	-	3,489,623	36,642	3,526,265
FVTPL financial assets				
- Malaysian Government Securities/Government Investment Issues	-	10,522	-	10,522
- Corporate debt securities	-	177,570	542	178,112
- Equity securities	1,149,785	-	35,024	1,184,809
- Unit trusts	1,004,872	-	-	1,004,872
Non-financial assets				
- Investment properties	-	-	54,700	54,700
	<u>2,154,657</u>	<u>5,183,571</u>	<u>126,908</u>	<u>7,465,136</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

36. FAIR VALUE INFORMATION (CONTINUED)

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:

	<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 2023</u>				
FVOCI financial assets				
- Malaysian Government Securities/ Government Investment Issues	-	1,431,321	-	1,431,321
- Corporate debt securities	-	3,720,290	36,642	3,756,932
FVTPL financial assets				
- Malaysian Government Securities/ Government Investment Issues	-	6,324	-	6,324
- Corporate debt securities	-	175,243	542	175,785
- Equity securities	965,212	-	30,903	996,115
- Unit trusts	870,365	-	-	870,365
Non-financial assets				
- Investment properties	-	-	54,950	54,950
- Non-current assets classified as held-for-sale	-	3,950	-	3,950
	<u>1,835,577</u>	<u>5,337,128</u>	<u>123,037</u>	<u>7,295,742</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

36. FAIR VALUE INFORMATION (CONTINUED)

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

The following table show the changes in Level 3 items for recurring fair value measurements:

	<u>FVOCI</u>	<u>FVTPL</u>	<u>Amortised</u> <u>cost</u>	<u>Investment</u> <u>properties</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2024	36,642	31,445	15,344	54,950
Addition	-	-	157	-
Reclassified to performing	-	-	(327)	-
Disposals	-	-	(58)	-
Fair value changes				
- Charged to profit or loss	-	4,121	(2,689)	(250)
At 31 December 2024	<u>36,642</u>	<u>35,566</u>	<u>12,427</u>	<u>54,700</u>
At 1 January 2023	66,071	542	14,907	54,950
Reclassification with adoption of MFRS 9	(29,429)	29,429	-	-
At 1 January 2023 (as restated)	36,642	29,971	14,907	54,950
Addition	-	-	468	-
Disposals	-	-	(31)	-
Fair value changes				
- Charged to profit or loss	-	1,474	-	-
At 31 December 2023	<u>36,642</u>	<u>31,445</u>	<u>15,344</u>	<u>54,950</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

37. INSURANCE FUND

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.

**STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2024**

	Life Fund RM'000	Shareholder's Fund RM'000	Total RM'000
ASSETS			
Property, plant and equipment	19,823	-	19,823
Right-of-use assets	14,637	-	14,637
Intangible assets	7	-	7
Investment properties	33,000	21,700	54,700
Financial assets measured at FVOCI	4,324,029	708,092	5,032,121
Financial assets measured at FVTPL	2,375,615	2,700	2,378,315
Financial assets measured at AC	14,166	-	14,166
Reinsurance contract assets	21,602	-	21,602
Other receivables	23,709	2,476	26,185
Tax recoverable	557	3,331	3,888
Cash and cash equivalents	244,027	163,854	407,881
Total assets	7,071,172	902,153	7,973,325
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	-	579,000	579,000
Retained earnings	728,398	199,347	927,745
Other reserves	25,445	2,537	27,982
Total equity	753,843	780,884	1,534,727
Insurance contract liabilities	5,884,319	-	5,884,319
Lease liabilities	14,875	-	14,875
Current tax liabilities	609	-	609
Deferred tax liabilities	264,429	(7,023)	257,406
Other liabilities	140,598	140,791	281,389
Total liabilities	6,304,830	133,768	6,438,598
Total equity, policyholders' funds and Liabilities	7,058,673	914,652	7,973,325
Inter-fund balances	12,499	(12,499)	-

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

37. INSURANCE FUND (CONTINUED)

**STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2023**

	Life Fund RM'000	Shareholder's Fund RM'000	Total RM'000
ASSETS			
Property, plant and equipment	21,252	-	21,252
Right-of-use assets	13,768	-	13,768
Intangible assets	101	-	101
Investment properties	33,000	21,950	54,950
Non-current assets classified as held-for-sale	3,950	-	3,950
Financial assets measured at FVOCI	4,402,449	785,804	5,188,253
Financial assets measured at FVTPL	2,045,948	2,641	2,048,589
Financial assets measured at AC	16,983	-	16,983
Reinsurance contract assets	34,707	-	34,707
Other receivables	26,439	381	26,820
Tax recoverable	2,098	4,895	6,993
Cash and cash equivalents	200,936	6,673	207,609
Total assets	6,801,631	822,344	7,623,975
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	-	579,000	579,000
Retained earnings	680,752	320,273	1,001,025
Other reserves	14,664	1,575	16,239
Total equity	695,416	900,848	1,596,264
Insurance contract liabilities	5,659,185	-	5,659,185
Lease liabilities	13,632	-	13,632
Current tax liabilities	779	-	779
Deferred tax liabilities	225,125	(8,492)	216,633
Other liabilities	135,963	1,519	137,482
Total liabilities	6,034,684	(6,973)	6,027,711
Total equity, policyholders' funds and Liabilities	6,730,100	893,875	7,623,975
Inter-fund balances	71,531	(71,531)	-

ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

37. INSURANCE FUND (CONTINUED)

**STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024**

	Life Fund RM'000	Shareholder's Fund RM'000	Total RM'000
Insurance revenue	610,262	-	610,262
Insurance service expenses	(552,214)	-	(552,214)
Net income from reinsurance contracts held	(23,377)	-	(23,377)
Total insurance service results	34,671	-	34,671
Investment income	272,352	29,579	301,931
Unrealised gains on financial assets	308,073	59	308,132
Realised (losses)/gains on financial assets at:			
- FVTPL	(326)	-	(326)
- FVOCI	4,173	(618)	3,555
Net fair value losses on non financial asset	(2,721)	(250)	(2,971)
Reversal of impairment on financial assets	4,081	619	4,700
Investment expenses	(2,099)	(649)	(2,748)
Total investment results	583,533	28,740	612,273
Insurance finance expenses	(480,509)	-	(480,509)
Reinsurance finance income	6,086	-	6,086
Net insurance finance result	(474,423)	-	(474,423)
Fee income	2,833	-	2,833
Other operating expenses	(43,389)	(2,493)	(45,882)
Profit before taxation	103,225	26,247	129,472
Tax expense	(55,580)	(7,172)	(62,752)
Net profit for the financial period	47,645	19,075	66,720


ZURICH LIFE INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2024 (CONTINUED)

37. INSURANCE FUND (CONTINUED)

**STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Life Fund RM'000	Shareholder's Fund RM'000	Total RM'000
Insurance revenue	586,065	-	586,065
Insurance service expenses	(482,175)	-	(482,175)
Net expenses from reinsurance contracts held	(32,434)	-	(32,434)
Total insurance service results	71,456	-	71,456
Investment income	270,753	25,045	295,798
Unrealised gains on financial assets	48,739	134	48,873
Realised (losses)/gains on financial assets at:			
- FVTPL	(20,738)	-	(20,738)
- FVOCI	2,258	(199)	2,059
Net fair value gains on non-financial assets	526	-	526
Impairment losses on financial assets	(1,893)	(374)	(2,267)
Investment expenses	(3,366)	(845)	(4,211)
Total investment results	296,279	23,761	320,040
Insurance finance expenses	(266,245)	-	(266,245)
Reinsurance finance income	11,020	-	11,020
Net insurance finance result	(255,225)	-	(255,225)
Fee income	1,943	-	1,943
Other operating expenses	(10,570)	(2,317)	(12,887)
Profit before taxation	103,883	21,444	125,327
Tax expense	(40,880)	(5,563)	(46,443)
Net profit for the financial period	63,003	15,881	78,884



Zurich Life Insurance Malaysia Berhad
Registration No. 196801000442 (8029-A)

Level 23A, Mercu 3,
No. 3, Jalan Bangsar, KL Eco City,
59200 Kuala Lumpur, Malaysia
Tel: 03-2109 6000 Fax: 03-2109 6888
Call Centre: 1-300-888-622
www.zurich.com.my