

Unaudited Condensed
Interim Financial Statements
For the Financial Period From
From 1 January 2023 To 30 June 2023

ZURICH LIFE INSURANCE MALAYSIA BERHAD (196801000442 (8029-A))
(Incorporated in Malaysia)

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ZURICH LIFE INSURANCE MALAYSIA BERHAD (196801000442 (8029-A))
(Incorporated in Malaysia)

Unaudited Condensed Statement of Financial Position As at 30 June 2023

		30.06.2023	31.12.2022	01.01.2022
		RM'000	RM'000	RM'000
	Note	<u> </u>	<u>Restated</u>	<u>Restated</u>
ASSETS				
Property, plant and equipment		22,185	23,816	27,439
Right-of-use assets		14,748	20,579	14,781
Intangible assets		182	815	1,952
Investment properties		54,950	54,950	57,103
Non-current assets classified as held-for-sale		5,910	6,100	16,250
Financial assets at fair value through other comprehensive income	12	4,915,309	4,955,883	5,048,218
Financial assets at fair value through profit or loss	12	2,099,823	1,877,865	2,107,071
Financial assets at amortised cost	12	17,025	17,082	27,184
Reinsurance contract assets	14	84,393	123,932	83,188
Other receivables		24,814	23,738	21,629
Tax recoverable		14,365	10,095	12,405
Deferred tax assets		9,739	10,232	9,152
Cash and cash equivalents		304,070	338,196	274,635
Total Assets		<u>7,567,513</u>	<u>7,463,283</u>	<u>7,701,007</u>
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Equity				
Share capital		579,000	579,000	579,000
Retained earnings		1,015,812	972,554	926,349
Other reserves		8,701	(14,802)	(12,244)
Total equity		<u>1,603,513</u>	<u>1,536,752</u>	<u>1,493,105</u>
Liabilities				
Insurance contract liabilities	14	5,588,198	5,568,147	5,881,169
Lease liabilities		14,778	20,440	15,190
Current tax liabilities		1,135	924	3,407
Deferred tax liabilities		227,214	203,795	198,397
Other liabilities		132,675	133,225	109,739
Total Liabilities		<u>5,964,000</u>	<u>5,926,531</u>	<u>6,207,902</u>
Total Equity, policyholder's funds and Liabilities		<u>7,567,513</u>	<u>7,463,283</u>	<u>7,701,007</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD (196801000442 (8029-A))
(Incorporated in Malaysia)

Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the Financial Period Ended 30 June 2023

	6 months ended	
	30.06.2023	30.6.2022
	RM'000	RM'000
		Restated
Operating Revenue	<u>431,071</u>	<u>424,305</u>
Insurance service result		
Insurance revenue	282,048	282,377
Insurance service expense	(186,344)	(297,085)
Net (expenses)/income from reinsurance contracts held	(36,310)	42,472
Total insurance service results	<u>59,394</u>	<u>27,764</u>
Investment result		
Investment income	149,023	141,928
Net capital losses and impairment of assets	(55,214)	(219,244)
Investment expenses	(2,464)	(1,908)
Net investment results	91,345	(79,224)
Insurance finance (expenses)/income	(94,856)	71,782
Reinsurance finance income	3,437	2,681
Total investment results	<u>(74)</u>	<u>(4,761)</u>
Fee income	894	1,120
Other operating income	24,781	22,029
Other operating expenses	(15,735)	(16,985)
Profit before taxation	<u>69,260</u>	<u>29,167</u>
Tax expense	(24,555)	(1,891)
Net profit for the financial period	<u>44,705</u>	<u>27,276</u>
Net profit for the period attributable to:		
Owners of the Company	<u>44,705</u>	<u>27,276</u>
Basic earnings per share (sen)	<u>7.721</u>	<u>4.711</u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD (196801000442 (8029-A))
(Incorporated in Malaysia)

Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the Financial Period Ended 30 June 2023

	6 months ended	
	30.06.2023	30.6.2022
	RM'000	RM'000
		Restated
Net profit for the financial period	44,705	27,276
Other comprehensive income/(loss), net of tax:		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		
Fair value through OCI investments:		
Net gains/(losses) on fair value changes	141,721	(175,408)
Realised gains transferred to income statements	(609)	(9,280)
Deferred tax	(9,875)	13,680
Fair value through OCI investments, net of deferred tax	131,237	(171,008)
Change in insurance contract liabilities arising from unrealised net fair value changes	(82,296)	100,031
	<u>48,941</u>	<u>(70,977)</u>
Insurance finance (expense)/income	(28,561)	71,920
Reinsurance finance income/(expenses)	913	(1,922)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	21,293	(979)
	<u>21,293</u>	<u>(979)</u>
Other comprehensive income/(loss) for the financial period	<u>21,293</u>	<u>(979)</u>
Total comprehensive income for the financial period	<u><u>65,998</u></u>	<u><u>26,297</u></u>

ZURICH LIFE INSURANCE MALAYSIA BERHAD (196801000442 (8029-A))
(Incorporated in Malaysia)

Unaudited Statement of Changes in Equity For the Financial Period Ended 30 June 2023

	Issued and fully paid ordinary shares	Non-distributable			Distributable	
		Share capital RM'000	Fair value reserves RM'000	Insurance/reinsurance finance reserves RM'000	Retained* earnings Life non-participating fund surplus RM'000	Retained earnings RM'000
At 1 January 2022	579,000	30,760	-	472,946	339,776	1,422,482
Impact of initial application of MFRS 17	-	-	(43,004)	113,627	-	70,623
At 1 January 2022 (Restated)	579,000	30,760	(43,004)	586,573	339,776	1,493,105
Net profit for the financial period	-	-	-	20,227	7,049	27,276
Other comprehensive (loss)/income for the financial period	-	(70,977)	69,998	-	-	(979)
At 30 June 2022	579,000	(40,217)	26,994	606,800	346,825	1,519,402
At 1 January 2023	579,000	(7,881)	(6,921)	669,138	303,416	1,536,752
Impact of initial application of MFRS 9	-	2,210	-	(2,422)	975	763
At 1 January 2023 (Restated)	579,000	(5,671)	(6,921)	666,716	304,391	1,537,515
Net profit for the financial period	-	-	-	39,114	5,591	44,705
Other comprehensive income/(loss) for the financial period	-	48,941	(27,648)	-	-	21,293
At 30 June 2023	579,000	43,270	(34,569)	705,830	309,982	1,603,513

*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 period ended 30 June 2023 (2022: Nil).

ZURICH LIFE INSURANCE MALAYSIA BERHAD (196801000442 (8029-A))
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Unaudited Statement of Cash Flow
For the Financial Period Ended 30 June 2023

	<u>Note</u>	<u>30.06.2023</u>	<u>30.06.2022</u>
		RM'000	RM'000
OPERATING ACTIVITIES			
Cash utilised in operating activities	15	(165,609)	(130,345)
Dividend/distribution income received		37,418	34,965
Interest/profit income received		113,073	116,600
Rental income received/(expenses paid)		228	(73)
Income tax paid		(13,802)	(5,587)
Net cash (outflows)/inflows from operating activities		<u>(28,692)</u>	<u>15,560</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	170
Proceeds from disposal of non-current assets held-for-sale		182	-
Purchase of property, plant and equipment		(1,319)	(169)
Purchase of intangible assets		-	(132)
Net cash outflows from investing activities		<u>(1,137)</u>	<u>(131)</u>
Cash flows from financing activities			
Payment of lease liabilities		(4,297)	(4,456)
Net cash outflows from financing activities		<u>(4,297)</u>	<u>(4,456)</u>
Net (decrease)/increase in cash and bank balances		(34,126)	10,973
Cash and bank balances at the beginning of the financial year		338,196	274,635
Cash and cash equivalents at 30 June		<u>304,070</u>	<u>285,608</u>
Cash and cash equivalents comprise:			
Cash and bank balances		<u>304,070</u>	<u>285,608</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

1. BASIS OF PREPARATION

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting, International Accounting Standard ("IAS") 34: Interim Financial Reporting, Guidelines / Circulars issued by Bank Negara Malaysia ("BNM") and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2022, which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), except as disclose in note 2 to the interim financial statements.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2022.

The accounting policies and presentation adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the financial results relating to the adoption of MFRS 17 Insurance contracts and MFRS 9 Financial instruments. The comparative information and disclosure have been prepared in accordance with MFRSs and restated where relevant to reflect the initial adoption of the new accounting standards, MFRS 17 and MFRS 9.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

The accounting policies adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following MFRS and amendments to MFRS:

<u>Description</u>	<u>Effective Date</u>
MFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17, <i>Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 – Comparative Information</i>	1 January 2023
Amendments to MFRS 101, <i>Presentation of Financial Statements - Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112, <i>Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The initial application of the abovementioned accounting standards and amendments issued by Malaysian Accounting Standards Board ("MASB") did not have any material financial impact to the current period and prior period financial statements of the Company upon their first adoption except as mentioned in Note 2 "changes in accounting policies".

2. CHANGE IN ACCOUNTING POLICIES

(i) MFRS 17 Insurance Contracts

MFRS 17 replaces MFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative financial information and presented a third statement of financial position as at 1 January 2022.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Changes to classification and measurement

The adoption of MFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under MFRS 4 to continue accounting using its previous accounting policies. However, MFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The key principles of MFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the contract holders) by agreeing to compensate the policyholder if a specified uncertain future event (the covered event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards.
- Divides the insurance and reinsurance contracts into groups it will recognise and measure.
- Recognises and measures groups of insurance contracts at:
 - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
Plus
 - An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM).
- Recognises profit from a group of Insurance contracts over the period the Company provides insurance coverage, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognises the loss immediately.
- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

Level of aggregation

Under MFRS 17, insurance and reinsurance contracts are aggregated into groups for measurement purpose. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by years of issuance and inception) and groups of contracts.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance contracts issued that are assets
- Portfolios of reinsurance contracts held that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are liabilities

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Changes to presentation and disclosure (cont'd.)

The groups referred to above are those established at initial recognition in accordance with the MFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously the Company reported the following main line items: premium income, claims paid, and change in insurance contract liabilities. MFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Insurance finance income or expense

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, made when applying the standard.

Transition

The Company determined the transition approach at groups of insurance contracts levels, depending on availability of reasonable and supportable historical information. The Company will apply a retrospective transition approach and expects that most groups of insurance contracts will follow either a full retrospective approach or fair value approach.

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if MFRS 17 had always applied.
- Derecognised any existing balances that would not exist had MFRS 17 always applied.
- Recognised any resulting net difference in equity.

The Company has assessed that a significant portion of its life insurance liabilities (including unit-linked insurance liabilities, annuity contracts and certain life insurance contracts with policyholder participation qualify as direct participating contracts under MFRS 17 and eligible for the application of Variable Fee Approach ("VFA"). The optional exemption from the annual cohort requirement for such contracts is not applicable to the Company. For non-participating contracts such as term life plans, medical plans and in-force reinsurance contracts held, the General Measurement Model ("GMM") or also known as Building Block Approach ("BBA") will be applied.

The Company applies full retrospective approach ("FRA") for the measurement of the Contractual Service Margin ("CSM") for all the groups of contracts at transition on 1 January 2022. The CSM is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if MFRS 17 had always been applied. The fair value approach is used to estimate the initial CSM for the groups of contracts when the Company was acquired by Zurich Insurance Company Limited ("ZICL") on 1 October 2011. In the subsequent measurement, the groups of contracts accepted prior to the acquisition date and contracts written after the acquisition date was measured using the FRA.

The Company will be applying the GMM model for all reinsurance contracts held.

The Company apply a bottom-up discount rate approach, i.e. risk-free yield curve plus an illiquidity premium where applicable. MFRS 17 requires using a market consistent yield curve factoring the illiquidity embedded in insurance liabilities. The methodology consists in using a Basic Risk-Free Rate (RFR), based on government bonds and adding on an illiquidity premium (IP) allowance to reflect the remuneration of illiquidity observed.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Financial Impact

The impact of transition of MFRS 17 on the Company balance sheet at 1 January 2022 is as follows:

Opening balance sheet

	MFRS 4 1 January 2022 RM'000	Remapping/ Removal of MFRS 4 RM'000	Remeasure- ment effect of MFRS 17 RM'000	MFRS 17 1 January 2022 RM'000
Assets				
Property, plant and equipment	27,439	-	-	27,439
Right-of-use assets	14,781	-	-	14,781
Intangible assets	1,952	-	-	1,952
Investment properties	57,103	-	-	57,103
Non-current assets held-for-sale	16,250	-	-	16,250
Investments	7,460,455	(277,982)	-	7,182,473
Available-for-sale financial assets	5,048,218	-	-	5,048,218
Financial assets at fair value through profit or loss	2,107,071	-	-	2,107,071
Loans and receivables	305,166	(277,982)	-	27,184
Reinsurance contract assets	84,553	(64,090)	62,725	83,188
Insurance receivables	31,198	(31,198)	-	-
Other receivables	21,629	-	-	21,629
Tax recoverable	12,405	-	-	12,405
Deferred tax assets	9,152	-	-	9,152
Cash and bank balances	274,635	-	-	274,635
Total Assets	8,011,552	(373,270)	62,725	7,701,007
Equity, Policyholders' Funds and Liabilities				
Share capital	579,000	-	-	579,000
Retained earnings	812,722	-	113,627	926,349
Other reserves	30,760	-	(43,004)	(12,244)
Total equity	1,422,482	-	70,623	1,493,105
Insurance contract liabilities	4,673,472	1,251,477	(43,780)	5,881,169
Deferred tax liabilities	162,515	-	35,882	198,397
Lease liabilities	15,190	-	-	15,190
Other liabilities	109,780	(41)	-	109,739
Insurance payables	1,624,706	(1,624,706)	-	-
Current tax liabilities	3,407	-	-	3,407
Total liabilities	6,589,070	(373,270)	(7,898)	6,207,902
Total equity, policyholders' funds and liabilities	8,011,552	(373,270)	62,725	7,701,007

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Financial Impact (cont'd)

Reinsurance contract that are assets

	<u>1 January 2022</u> RM'000 Restated
Liabilities for remaining coverage for reinsurance contracts held	
General Measurement Model	29,088
Liabilities for incurred claims	54,100
Total	<u>83,188</u>

Insurance contract liabilities

	<u>1 January 2022</u> RM'000 Restated
Liabilities for remaining coverage	
Present value of future cash flows	5,237,152
Risk adjustment on liabilities for remaining coverage	122,318
Contractual service margin	365,369
Net assets from receivables and payables for insurance business and others	<u>(2,911)</u>
	<u>5,721,928</u>
Liabilities for incurred claims	
Present value of incurred claims	156,705
Risk adjustment on liabilities for incurred claims	2,536
	<u>159,241</u>
Total	<u>5,881,169</u>

The following table show the nature and amount of the measurement adjustments made to the opening balance sheet:

	Description
Remapping / Removal of MFRS 4	<p>The items include:</p> <ul style="list-style-type: none"> • Policy loans (which were previously reported into investments under loans and receivables) is now part of fulfilment cash flows and netted off against insurance contract liabilities. • Insurance receivables, insurance payables, reinsurance contract assets, insurance contract liabilities and other payables were removed on transition and are net off within MFRS 17 equivalents.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Financial Impact (cont'd)

The following table show the nature and amount of the measurement adjustments made to the opening balance sheet: (cont'd)

	Description
Remeasurement effects of MFRS 17	<p>The items includes:</p> <p><u>Transition Contractual service margin ('CSM')</u> CSM is a new liability component that represents the future unearned profits associated with insurance contracts written which will be released to the profit and loss over the insurance contract coverage period.</p> <p><u>Fulfilment cash flows ('FCF')</u> The measurement of insurance contract assets/liabilities under MFRS 17 is based on groups of insurance contracts and includes a liability for fulfilling the contract obligations associated with the insurance contract, such as premiums, expenses, and insurance benefits and claims. These are recorded within the FCF component of the insurance contract liabilities, together with the risk adjustment.</p> <p><u>Tax effect</u> New deferred tax were reported, where appropriate, on temporary differences between the new MFRS 17 accounting balances and associated tax bases.</p>

(ii) MFRS 9 Financial Instruments

MFRS 9 'Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement' on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. However, as the Company qualifies for temporary exemption under the guidance on Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts from applying MFRS 9 and has deferred and adopted MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

The nature of the changes in accounting policies can be summarised as follows:

To determine their classification and measurement category, MFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The MFRS 139 measurement categories for financial assets fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost have been replaced by:

- Financial assets at fair value through profit or loss including equity instruments and derivatives
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at amortised cost

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(ii MFRS 9 Financial Instruments(cont'd.)

The Company has classified and measured all its quoted and unquoted equity instruments, as well as unit trusts at FVPL. Its holding in debt instruments has been classified as FVOCI.

There will be no significant changes to the Company's accounting for financial liabilities as it largely retains the MFRS 139 requirements.

Changes to the impairment calculation

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets held at FVOCI or amortised cost by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL.

The Company's debt instruments at FVOCI and amortised cost comprise solely of corporate debt securities that are graded in the top investment category by MARC and RAM therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL (12mECL) basis. The Company does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, 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.

The adoption of the ECL requirements of MFRS 9 resulted in increases in impairment allowances related to the Company's debt instruments. The increase in allowance was adjusted to retained earnings.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extend of the Company's disclosure about its financial instruments particularly in the year of the adoption of the new standard.

The Company has applied the new rules retrospectively from 1 January 2023, without restating prior periods' information and recognising any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in its' opening retained earnings.

The following section sets out the impact of adopting MFRS 9 on the statement of financial position, including the effect of replacing MFRS 139's incurred credit loss calculations with MFRS 9's ECLs.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(ii) MFRS 9 Financial Instruments (cont'd.)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2023 is, as follows:

		1 January 2023					
		MFRS 139 measurement		Remeasurement		MFRS 9	
		Amount RM'000	Reclassification RM'000	ECL RM'000	Amount RM'000		Category
Financial assets							
Loans and receivable		17,082	-	-	17,082		AC
To: <i>Financial assets at amortised cost</i>			(17,082)		(17,082)		
Financial assets at amortised cost			17,082	(2)	17,080		AC
From: <i>Loans and receivable</i>		17,082	-	(2)	17,080		AC
Financial investments - AFS		4,955,883	-	-	4,955,883		
To: <i>Debt instrument FVOCI</i>			(4,674,228)	-	(4,674,228)		
To: <i>Financial assets at fair value through profit or loss</i>			(281,655)	-	(281,655)		
		4,955,883	(4,955,883)	-	-		
Debt instrument at fair value through OCI							FVOCI
From: <i>Financial investments - AFS</i>			4,674,228	(9,845)	4,664,383		
			4,674,228	(9,845)	4,664,383		
Financial assets at fair value through profit or loss		1,877,865	-	-	1,877,865		FVPL
From: <i>Financial investments - AFS</i>			281,655	-	281,655		
		1,877,865	281,655	-	2,159,520		

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2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(ii) MFRS 9 Financial Instruments (cont'd.)

Disclosure (cont'd)

	Reserves and retained earnings
	RM'000
Fair value reserve	
Closing balance under MFRS 139 (31 December 2022)	(7,881)
Reclassification of debt instruments from available-for-sale to fair value through profit and loss	(2,020)
Recognition of expected credit losses under MFRS 9 for debt financial assets at FVOCI	4,200
Deferred tax in relation to MFRS 9 application	30
<i>Opening balance under MFRS 9 (1 January 2023)</i>	<u>(5,671)</u>
Retained earnings	
Closing balance under MFRS 139 (31 December 2022)	838,354
Impact of application of MFRS 17	176,579
Deferred tax in relation to MFRS 17 application	(42,379)
<i>Closing balance under MFRS 139 (31 December 2022) - Restated</i>	<u>972,554</u>
<i>Reclassification of debt instruments from available-for-sale to fair value through profit and loss</i>	2,020
Recognition of MFRS 9 ECLs including those measured at FVOCI	(4,200)
Deferred tax in relation to MFRS 9 application	733
<i>Opening balance under MFRS 9 (1 January 2023)</i>	<u>971,107</u>

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3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the audited financial statements for the financial year ended 31 December 2022 was not qualified.

4. SEASONAL OR CYCLICAL FACTORS

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

5. UNUSUAL ITEMS

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

6. CHANGE IN ACCOUNTING ESTIMATES

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

7. DEBT AND EQUITY SECURITIES

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

8. DIVIDEND PAYMENT

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

9. SUBSEQUENT EVENT

There are no material subsequent events from the end of the current financial period under review to the date of these unaudited condensed interim financial statements.

10. CHANGES IN COMPOSITION OF THE COMPANY

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

11. CONTINGENT LIABILITIES

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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12. Financial Assets

The table below analyses financial assets carried at fair value:

	<u>30.06.2023</u>	<u>31.12.2022/ 01.01.2023 (Restated)</u>
	RM'000	RM'000
Malaysian Government Securities/Government Investment Issues	1,264,300	1,145,243
Corporate debt securities	3,833,552	3,706,044
Equity securities	1,047,933	1,145,380
Unit trusts	869,347	837,081
Loans	17,025	17,082 *
	<u>7,032,157</u>	<u>6,850,830</u>

**Excluding policy loans amounting to RM 271,070,000 (2021: RM277,987,000) which, under MFRS 17 is reported as part of fulfilment cash flows and netted off against insurance contract liabilities.*

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

	<u>30.06.2023</u>	<u>01.01.2023 (Restated)</u>	<u>31.12.2022</u>
	RM'000	RM'000	RM'000
(i) Financial assets at fair value through other comprehensive income	4,915,309	4,674,228	4,955,883
(ii) Financial assets at fair value through profit or loss	2,099,823	2,159,520	1,877,865
(iii) Financial assets at amortised cost	17,025	17,082	17,082
	<u>7,032,157</u>	<u>6,850,830</u>	<u>6,850,830</u>

Investments that mature after 12 months:

Financial assets at fair value through other comprehensive income	4,708,738	4,370,535	4,370,535
Financial assets at fair value through profit or loss	178,149	165,692	165,692
Financial assets at amortised cost	1,679	1,725	1,725
	<u>4,888,566</u>	<u>4,537,952</u>	<u>4,537,952</u>

13. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair value due to relative short-term nature of these financial instruments.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

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13. FAIR VALUE INFORMATION (CONT'D.)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2022: no transfer in either directions).

Level 3 fair value

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities. The main asset classes in this category are unquoted equity securities, un-rated securities, investment properties, non-performing loans and debt securities from organisations in default. The fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgments. The judgement applied in valuing the non-performing loans is explained in Note 3(ii) to the audited financial statements.

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>
	RM'000	RM'000	RM'000	RM'000
30 June 2023				
Financial assets at fair value through other comprehensive income:				
Malaysian Government Securities/ Government Investment Issues	-	1,257,981	-	1,257,981
Corporate debt securities	-	3,620,686	36,642	3,657,328
Financial assets at fair value through profit or loss:				
Malaysian Government Securities/ Government Investment Issues	-	6,319	-	6,319
Corporate debt securities	-	175,682	543	176,225
Equity securities	1,017,319	-	30,613	1,047,932
Unit trusts	869,347	-	-	869,347
Non-financial assets:				
- Investment properties	-	-	54,950	54,950
- Non-current assets held-for-sale	-	5,910	-	5,910
	<u>1,886,666</u>	<u>5,066,578</u>	<u>122,748</u>	<u>7,075,992</u>

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13. FAIR VALUE INFORMATION (CONT'D.)

Financial instruments and non-financial assets carried at fair value (cont'd.)

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: (cont'd.)

	<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>
31 December 2022				
Financial assets at fair value through other comprehensive income:				
Malaysian Government Securities/ Government Investment Issues	-	1,139,028	-	1,139,028
Corporate debt securities	-	3,498,558	36,642	3,535,200
Equity securities	-	-	29,429	29,429
Unit trusts	252,226	-	-	252,226
Financial assets at fair value through profit or loss:				
Malaysian Government Securities/ Government Investment Issues	-	6,215	-	6,215
Corporate debt securities	-	170,302	542	170,844
Equity securities	1,115,951	-	-	1,115,951
Unit trusts	584,855	-	-	584,855
Non-financial assets:				
- Investment properties	-	-	54,950	54,950
- Non-current assets held-for-sale	-	6,100	-	6,100
	<u>1,953,032</u>	<u>4,820,203</u>	<u>121,563</u>	<u>6,894,798</u>

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14. INSURANCE AND REINSURANCE CONTRACT ASSETS / LIABILITIES

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

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
	RM'000	RM'000	RM'000
30 June 2023			
Life Insurance contracts issued	-	5,588,198	5,588,198
Reinsurance contracts held	(84,393)	-	(84,393)
Insurance and reinsurance contracts (assets)/liabilities	<u>(84,393)</u>	<u>5,588,198</u>	<u>5,503,805</u>
31 December 2022			
Life Insurance contracts issued	-	5,568,147	5,568,147
Reinsurance contracts held	(123,932)	-	(123,932)
Insurance and reinsurance contracts (assets)/liabilities	<u>(123,932)</u>	<u>5,568,147</u>	<u>5,444,215</u>

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14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.1 Insurance contracts issued

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

	30.06.2023			
	Liabilities for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023				
Life Insurance contract liabilities	5,255,382	180,023	132,742	5,568,147
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	5,255,382	180,023	132,742	5,568,147
Insurance revenue				
Expected incurred claims and other insurance service results	(224,790)	-	-	(224,790)
Change in risk adjustment for non-financial risk expired	(6,324)	-	-	(6,324)
CSM recognised for service provided	(24,719)	-	-	(24,719)
Recovery of insurance acquisition cashflows	(22,426)	-	-	(22,426)
Other insurance revenue	(3,789)	-	-	(3,789)
	<u>(282,048)</u>	<u>-</u>	<u>-</u>	<u>(282,048)</u>
Insurance service expense				
Incurred claims and other insurance service expenses	63,807	-	158,525	222,332
Losses on onerous contracts and reversals of those losses	-	(58,414)	-	(58,414)
Amortisation of insurance acquisition cash flows	22,426	-	-	22,426
	<u>86,233</u>	<u>(58,414)</u>	<u>158,525</u>	<u>186,344</u>
Insurance service results	(195,815)	(58,414)	158,525	(95,704)
Insurance finance expenses	204,074	1,640	-	205,714
Total changes in the statement of profit or loss and other comprehensive income	8,259	(56,774)	158,525	110,010
Cash flows				
Premiums and premium tax received	402,695	-	-	402,695
Claims and other insurance service expenses paid	(63,808)	-	(431,669)	(495,477)
Investment components	(255,221)	-	255,221	-
Insurance acquisition cashflows	(33,625)	-	-	(33,625)
Total cash flows	<u>50,041</u>	<u>-</u>	<u>(176,448)</u>	<u>(126,407)</u>
Other movements	36,448			36,448
Net life insurance contract liabilities as at 30 June 2023	5,350,130	123,249	114,819	5,588,198
At 30 June 2023				
Life Insurance contract liabilities	5,350,130	123,249	114,819	5,588,198
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	5,350,130	123,249	114,819	5,588,198

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14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.1 Insurance contracts issued (cont'd)

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below: (cont'd)

	31.12.2022			
	Liabilities for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022				
Life Insurance contract liabilities	5,572,928	149,000	159,241	5,881,169
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	<u>5,572,928</u>	<u>149,000</u>	<u>159,241</u>	<u>5,881,169</u>
Insurance revenue				
Expected incurred claims and other insurance service results	(480,161)	-	-	(480,161)
Change in risk adjustment for non-financial risk expired	(12,935)	-	-	(12,935)
CSM recognised for service provided	(52,727)	-	-	(52,727)
Recovery of insurance acquisition cashflows	(49,491)	-	-	(49,491)
Other insurance revenue	2,211	-	-	2,211
	<u>(593,103)</u>	<u>-</u>	<u>-</u>	<u>(593,103)</u>
Insurance service expense				
Incurred claims and other insurance service expenses	128,262	-	307,426	435,688
Losses on onerous contracts and reversals of those losses	-	28,645	-	28,645
Amortisation of insurance acquisition cash flows	49,491	-	-	49,491
	<u>177,753</u>	<u>28,645</u>	<u>307,426</u>	<u>513,824</u>
Insurance service results	(415,350)	28,645	307,426	(79,279)
Insurance finance expenses	(13,595)	2,378	-	(11,217)
Other movements	12	-	-	12
Total changes in the statement of profit or loss and other comprehensive income	<u>(428,933)</u>	<u>31,023</u>	<u>307,426</u>	<u>(90,484)</u>
Cash flows				
Premiums and premium tax received	863,694	-	-	863,694
Claims and other insurance service expenses paid	(128,263)	-	(779,759)	(908,022)
Investment components	(445,834)	-	445,834	-
Insurance acquisition cashflows	(77,838)	-	-	(77,838)
Total cash flows	<u>211,759</u>	<u>-</u>	<u>(333,925)</u>	<u>(122,166)</u>
Other movements	(100,372)	-	-	(100,372)
Net life insurance contract liabilities as at 31 December 2022	<u>5,255,382</u>	<u>180,023</u>	<u>132,742</u>	<u>5,568,147</u>
At 31 December 2022				
Life Insurance contract liabilities	5,255,382	180,023	132,742	5,568,147
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	<u>5,255,382</u>	<u>180,023</u>	<u>132,742</u>	<u>5,568,147</u>

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14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.2 Reinsurance contracts held

The roll-forward of the net asset or liability 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:

	30.06.2023			
	Assets for remaining coverage		Amount recoverable: incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023				
Reinsurance contract assets	(78,966)	87,432	115,466	123,932
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	(78,966)	87,432	115,466	123,932
Allocation of reinsurance premiums:				
Amounts relating to the changes in the assets for remaining coverage	(10,310)	-	-	(10,310)
Amounts recoverable from reinsurers	-	-	5,540	5,540
Recognition of loss-recovery from onerous underlying contracts	-	(31,540)	-	(31,540)
Net income or expense from reinsurance contract held	(10,310)	(31,540)	5,540	(36,310)
Reinsurance finance income	2,197	2,104	-	4,301
Effect of changes in non-performance risk of reinsurers	49	-	-	49
Total changes in the statement of profit or loss and other comprehensive income	(8,064)	(29,436)	5,540	(31,960)
Cash flows				
Premiums and similar expenses paid	53,260	-	-	53,260
Amounts received	17,936	-	(80,991)	(63,055)
Total cash flows	71,196	-	(80,991)	(9,795)
Other movements	2,216	-	-	2,216
Net reinsurance contract assets as at 30 June 2023	(13,618)	57,996	40,015	84,393
At 30 June 2023				
Reinsurance contract assets	(13,618)	57,996	40,015	84,393
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	(13,618)	57,996	40,015	84,393

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14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.2 Reinsurance contracts held (cont'd)

The roll-forward of the net asset or liability 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: (cont'd)

	31.12.2022			
	Assets for remaining coverage		Amount	
	Excluding loss-recovery component	Loss- recovery component	recoverable: incurred claims	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022				
Reinsurance contract assets	(10,454)	39,542	54,100	83,188
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	(10,454)	39,542	54,100	83,188
Allocation of reinsurance premiums:				
Amounts relating to the changes in the assets for remaining coverage	(20,679)	-	-	(20,679)
Amounts recoverable from reinsurers	-	-	29,934	29,934
Recognition of loss-recovery from onerous underlying contracts	-	45,802	-	45,802
Net income or expense from reinsurance contracts held	(20,679)	45,802	29,934	55,057
Reinsurance finance income	122	2,088	-	2,210
Effect of changes in non-performance risk of reinsurers	62	-	-	62
Total changes in the statement of profit or loss and other comprehensive income	(20,495)	47,890	29,934	57,329
Cash flows				
Premiums and similar expenses paid	(8,378)	-	-	(8,378)
Amounts received	(40,321)	-	31,432	(8,889)
Total cash flows	(48,699)	-	31,432	(17,267)
Other movements	682	-	-	682
Net reinsurance contract assets as at 31 December 2022	(78,966)	87,432	115,466	123,932
At 31 December 2022				
Reinsurance contract assets	(78,966)	87,432	115,466	123,932
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	(78,966)	87,432	115,466	123,932

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14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.3 Insurance contracts issued

The table below presents a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the life insurance unit.

	30.06.2023			
	Estimate of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023				
Life Insurance contract liabilities	5,116,274	121,462	330,411	5,568,147
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	5,116,274	121,462	330,411	5,568,147
Changes that relate to current services				
Contractual service margin recognised for services provided	-	-	(24,719)	(24,719)
Risk adjustment recognised for the risk expired	-	(6,234)	-	(6,234)
Experience adjustments	(16,053)	-	-	(16,053)
Changes that relate to future services				
Contracts initially recognised in the period	(38,959)	4,668	34,291	-
Changes in estimates that adjust the contractual service margin	(696)	(1,327)	2,023	-
Changes in estimates that do not adjust the contractual service margin	(50,710)	(483)	-	(51,193)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	2,495	-	-	2,495
Insurance service results	(103,923)	(3,376)	11,595	(95,704)
Insurance finance expenses	200,121	3,663	1,930	205,714
Other movements	-	-	-	-
Total changes in the statement of profit or loss and other comprehensive income	96,198	287	13,525	110,010
Cash flows				
Premiums and premium tax received	402,695	-	-	402,695
Claims and other insurance service expenses paid	(495,477)	-	-	(495,477)
Insurance acquisition cashflows	(33,625)	-	-	(33,625)
Total cash flows	(126,407)	-	-	(126,407)
Other movements	36,448	-	-	36,448
Net life insurance contract liabilities as at 30 June 2023	5,122,513	121,749	343,936	5,588,198
At 30 June 2023				
Life Insurance contract liabilities	5,122,513	121,749	343,936	5,588,198
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	5,122,513	121,749	343,936	5,588,198

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14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.3 Insurance contracts issued (cont'd)

The table below presents a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the life insurance unit. (cont'd)

	31.12.2022			
	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 2022				
Life Insurance contract liabilities	5,390,945	124,855	365,369	5,881,169
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	5,390,945	124,855	365,369	5,881,169
Changes that relate to current services				
Contractual service margin recognised for services provided	-	-	(52,726)	(52,726)
Risk adjustment recognised for the risk expired	-	(14,035)	-	(14,035)
Experience adjustments	(87,528)	-	-	(87,528)
Changes that relate to future services				
Contracts initially recognised in the period	(81,331)	7,769	73,562	-
Changes in estimates that adjust the contractual service margin	64,086	(2,583)	(60,879)	624
Changes in estimates that do not adjust the contractual service margin	41,169	3,890	-	45,059
Changes that relate to past services				
Adjustments to liabilities for incurred claims	29,327	-	-	29,327
Insurance service results	(34,277)	(4,959)	(40,043)	(79,279)
Insurance finance expenses	(17,868)	1,566	5,085	(11,217)
Other movements	12	-	-	12
Total changes in the statement of profit or loss and other comprehensive income	(52,133)	(3,393)	(34,958)	(90,484)
Cash flows				
Premiums and premium tax received	863,695	-	-	863,695
Claims and other insurance service expenses paid, including investment components	(908,022)	-	-	(908,022)
Insurance acquisition cashflows	(77,837)	-	-	(77,837)
Total cash flows	(122,164)	-	-	(122,164)
Other movements	(100,374)			(100,374)
Net life insurance contract liabilities as at 31 December 2022	5,116,274	121,462	330,411	5,568,147
At 31 December 2022				
Life Insurance contract liabilities	5,116,274	121,462	330,411	5,568,147
Life Insurance contract assets	-	-	-	-
Net life insurance contract liabilities	5,116,274	121,462	330,411	5,568,147

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.4 Reinsurance contracts held

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

	30.06.2023			
	Estimate of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023				
Reinsurance contract assets	282,286	2,529	(160,883)	123,932
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	282,286	2,529	(160,883)	123,932
Changes that relate to current services				
Contractual service margin recognised for services received	-	-	(13,099)	(13,099)
Risk adjustment recognised for the risk expired	-	(105)	-	(105)
Experience adjustments	(12,842)	-	-	(12,842)
Changes that relate to future services				
Contracts initially recognised in the period	2,289	108	(2,397)	-
Changes in estimates that adjust the contractual service margin	95,705	42	(95,747)	-
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	(18,649)	(50)	-	(18,699)
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	8,501	(66)	-	8,435
Net expenses or income from reinsurance contract held	75,004	(71)	(111,243)	(36,310)
Reinsurance finance income	7,653	82	(3,434)	4,301
Effect of changes in non-performance risk of reinsurers	49	-	-	49
Total changes in the statement of profit or loss and other comprehensive income	82,706	11	(114,677)	(31,960)
Cash flows				
Premiums and similar expenses paid	44,760	-	-	44,760
Amounts received	(54,557)	-	-	(54,557)
Total cash flows	(9,797)	-	-	(9,797)
Other movements	2,218	-	-	2,218
Net reinsurance contract assets as at 30 June 2023	357,413	2,540	(275,560)	84,393
At 30 June 2023				
Reinsurance contract assets	357,413	2,540	(275,560)	84,393
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	357,413	2,540	(275,560)	84,393

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14. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

14.4 Reinsurance contracts held (cont'd)

The table below presents a roll-forward of the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM for reinsurance held portfolios included in the life insurance unit. (cont'd)

	31.12.2022			
	Estimate of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022				
Reinsurance contract assets	284,817	3,268	(204,897)	83,188
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	284,817	3,268	(204,897)	83,188
Changes that relate to current services				
Contractual service margin recognised for services received	-	-	28,719	28,719
Risk adjustment recognised for the risk expired	-	(262)	-	(262)
Experience adjustments	(29,843)	-	-	(29,843)
Changes that relate to future services				
Contracts initially recognised in the period	5,913	316	(6,229)	-
Changes in estimates that adjust the contractual service margin	(30,152)	(401)	30,553	-
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	17,173	(262)	-	16,911
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	39,697	(165)	-	39,532
Net expenses or income from reinsurance contract held	2,788	(774)	53,043	55,057
Reinsurance finance income	11,205	34	(9,029)	2,210
Effect of changes in non-performance risk of reinsurers	61	1	-	62
Total changes in the statement of profit or loss and other comprehensive income	14,054	(739)	44,014	57,329
Cash flows				
Premiums and similar expenses paid	(48,075)	-	-	(48,075)
Amounts received	30,808	-	-	30,808
Total cash flows	(17,267)	-	-	(17,267)
Other movements	682	-	-	682
Net reinsurance contract assets as at 31 December 2022	282,286	2,529	(160,883)	123,932
At 31 December 2022				
Reinsurance contract assets	282,286	2,529	(160,883)	123,932
Reinsurance contract liabilities	-	-	-	-
Net reinsurance contract assets	282,286	2,529	(160,883)	123,932

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15. CASH FLOWS

	<u>30.06.2023</u>	<u>30.06.2022</u>
	RM'000	RM'000
Cash flow from operating activities		
Net profit for the financial period	44,705	27,276
Adjustments for:		
Depreciation of property, plant and equipment	2,951	2,802
Depreciation of right-of-use assets	4,229	4,153
Amortisation of intangible assets	632	631
Investment income	(149,022)	(141,928)
Realised losses recorded in profit or loss	8,254	11,519
Fair value losses recorded in profit or loss	47,150	207,740
Unrealised foreign exchange gains recorded in profit or loss	(24,902)	(21,871)
Interest expenses on lease liabilities	238	203
Tax expense	14,876	5,360
Operating (loss)/profit before changes in working capital	<u>(50,889)</u>	<u>95,885</u>
Changes in working capital:		
Decrease in financial assets at fair value through profit or loss	28,705	28,277
Increase in available-for-sale financial assets	(99,701)	(52,470)
Decrease in loans and receivables	54	1,555
Decrease/(Increase) in reinsurance assets	40,452	(61,143)
Increase in other receivables	(2,614)	(4,286)
Decrease in insurance contract liabilities	(125,209)	(51,605)
Increase/(decrease) in other liabilities	43,593	(86,558)
Cash used in operating activities	<u>(165,609)</u>	<u>(130,345)</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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

16. TOTAL CAPITAL AVAILABLE

The regulated capital of the Company as at 30 June 2023 comprised capital available of RM1,869,180,000 (31 December 2022: RM1,791,790,000).

The capital structure of the Company as at 30 June 2023, as prescribed under the RBC Framework, is shown below:

	30.06.2023	31.12.2022
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	<u>1,191,594</u>	<u>1,201,552</u>
	<u>1,770,594</u>	<u>1,780,552</u>
<u>Tier 2 Capital</u>		
Fair value through other comprehensive income ("FVOCI") reserves	107,829	21,469
Less:		
Deferred tax assets	<u>(9,239)</u>	<u>(10,231)</u>
Total Capital Available	<u><u>1,869,184</u></u>	<u><u>1,791,790</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

17. INSURANCE FUNDS

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 30 JUNE 2023

	Life fund	Share- holders fund	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment	22,185	-	-	22,185
Right-of-use assets	14,748	-	-	14,748
Intangible assets	182	-	-	182
Investment properties	33,000	21,950	-	54,950
Non-current assets classified as held-for-sale	5,910	-	-	5,910
Financial assets at fair value through other comprehensive income	4,263,808	651,501	-	4,915,309
Financial assets at fair value through profit or loss	2,097,316	2,507	-	2,099,823
Financial assets at amortised cost	17,025	-	-	17,025
Reinsurance contract assets	84,393	-	-	84,393
Other receivables	25,329	110,425	(110,940)	24,814
Tax recoverable	5,788	8,577	-	14,365
Deferred tax assets	500	9,239	-	9,739
Cash and cash equivalents	289,498	14,572	-	304,070
Total Assets	6,859,682	818,771	(110,940)	7,567,513
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Equity				
Share capital	-	579,000	-	579,000
Retained earnings	705,830	309,982	-	1,015,812
Other reserves	9,848	(1,147)	-	8,701
Total Equity	715,678	887,835	-	1,603,513
Liabilities				
Insurance contract liabilities	5,699,138	-	(110,940)	5,588,198
Lease liabilities	14,778	-	-	14,778
Current tax liabilities	1,135	-	-	1,135
Deferred tax liabilities	227,214	-	-	227,214
Other liabilities	131,105	1,570	-	132,675
Total Liabilities	6,073,370	1,570	(110,940)	5,964,000
Total Equity, Policyholders' Funds and Liabilities	6,789,048	889,405	(110,940)	7,567,513
Inter-fund balances	70,634	(70,634)	-	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

17. INSURANCE FUNDS (CONT'D)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 31 DECEMBER 2022

	Life fund	Share- holders fund	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment	23,816	-	-	23,816
Right-of-use assets	20,579	-	-	20,579
Intangible assets	815	-	-	815
Investment properties	33,000	21,950	-	54,950
Non-current assets classified as held-for-sale	6,100	-	-	6,100
Financial assets at fair value through other comprehensive income	4,366,215	589,668	-	4,955,883
Financial assets at fair value through profit or loss	1,877,865	-	-	1,877,865
Financial assets at amortised cost	17,082	-	-	17,082
Reinsurance contract assets	123,932	-	-	123,932
Other receivables	23,296	145,526	(145,084)	23,738
Tax recoverable	2,699	7,396	-	10,095
Deferred tax assets	-	10,232	-	10,232
Cash and cash equivalents	329,322	8,874	-	338,196
Total Assets	6,824,721	783,646	(145,084)	7,463,283
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Share capital	-	579,000	-	579,000
Retained earnings	669,138	303,416	-	972,554
Other reserves	(10,435)	(4,367)	-	(14,802)
Total Equity	658,703	878,049	-	1,536,752
Liabilities				
Insurance contract liabilities	5,713,231	-	(145,084)	5,568,147
Lease liabilities	20,440	-	-	20,440
Current tax liabilities	924	-	-	924
Deferred tax liabilities	203,795	-	-	203,795
Other liabilities	131,475	1,750	-	133,225
Total Liabilities	6,069,865	1,750	(145,084)	5,926,531
Total Equity, Policyholders' Funds and Liabilities	6,728,568	879,799	(145,084)	7,463,283
Inter-fund balances	96,153	(96,153)	-	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

17. INSURANCE FUNDS (CONT'D)

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

	Life fund	Share- holders fund	Total
	RM'000	RM'000	RM'000
Operating Revenue	419,642	11,429	431,071
Insurance service result			
Insurance revenue	282,048	-	282,048
Insurance service expense	(186,344)	-	(186,344)
Net expenses from reinsurance contracts held	(36,310)	-	(36,310)
Total insurance service results	59,394	-	59,394
Investment result			
Investment income	137,594	11,429	149,023
Net capital losses and impairment of assets	(55,018)	(196)	(55,214)
Investment expenses	(2,076)	(388)	(2,464)
Net investment results	80,500	10,845	91,345
Insurance finance expenses	(94,856)	-	(94,856)
Reinsurance finance income	3,437	-	3,437
Total investment results	(10,919)	10,845	(74)
Fee income	894	-	894
Other operating income	25,121	(340)	24,781
Other operating expenses	(13,303)	(2,432)	(15,735)
Profit before taxation	61,187	8,073	69,260
Tax expense	(22,073)	(2,482)	(24,555)
Net profit for the financial period	39,114	5,591	44,705

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

17. INSURANCE FUNDS (CONT'D)

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

	Life fund	Share- holders fund	Total
	RM'000	RM'000	RM'000
Operating Revenue	411,667	12,638	424,305
Insurance service result			
Insurance revenue	282,377	-	282,377
Insurance service expense	(297,085)	-	(297,085)
Net expenses from reinsurance contracts held	42,472	-	42,472
Total insurance service results	27,764	-	27,764
Investment result			
Investment income	129,290	12,638	141,928
Net capital losses and impairment of assets	(218,984)	(260)	(219,244)
Investment expenses	(1,511)	(397)	(1,908)
Net investment results	(91,205)	11,981	(79,224)
Insurance finance expenses	71,782	-	71,782
Reinsurance finance income	2,681	-	2,681
Total investment results	(16,742)	11,981	(4,761)
Fee income	1,120	-	1,120
Other operating income	22,680	(651)	22,029
Other operating expenses	(15,397)	(1,588)	(16,985)
Profit before taxation	19,425	9,742	29,167
Tax expense	803	(2,694)	(1,891)
Net profit for the financial period	20,228	7,048	27,276

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

17. INSURANCE FUNDS (CONT'D)

INVESTMENT-LINKED FUND

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS AS AT 30 JUNE 2023

	<u>30.06.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
ASSETS		
Financial assets at fair value through profit or loss	1,280,320	1,225,531
Other receivables	1,491	924
Cash and cash equivalents	85,388	114,447
Total Assets	<u>1,367,199</u>	<u>1,340,902</u>
Liabilities		
Insurance contract liabilities	1,358,708	1,337,758
Current tax liabilities	1,135	921
Deferred tax liabilities	2,293	2,279
Other liabilities	2,999	1,238
Total Liabilities	<u>6,427</u>	<u>4,438</u>
Inter-fund balances	<u>2,064</u>	<u>(1,294)</u>
Net asset value attributable to unitholders	<u>1,358,708</u>	<u>1,337,758</u>

INVESTMENT-LINKED FUND

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

	<u>30.06.2023</u>	<u>30.06.2022</u>
	RM'000	RM'000
Insurance service result		
Insurance revenue	299	(10,357)
Insurance service expense	82	40
Total insurance service results	<u>381</u>	<u>(10,317)</u>
Investment result		
Investment income	19,311	17,111
Net capital losses and impairment of assets	(34,279)	(163,672)
Net investment results	(14,968)	(146,561)
Insurance finance (expenses)/income	(9,457)	124,670
Total investment results	<u>(24,425)</u>	<u>(21,891)</u>
Fee expenses	(480)	(86)
Other operating income	24,904	22,000
Other operating expenses	-	(11)
Profit before taxation	<u>380</u>	<u>(10,305)</u>
Tax expense	(380)	10,305
Net profit for the financial period	<u>-</u>	<u>-</u>

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

