

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2025

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2025.

PRINCIPAL ACTIVITY

The principal activity of the Group and Company consists of the underwriting of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

FINANCIAL RESULTS

	<u>Group</u> RM	<u>Company</u> RM
Net profit for the financial year	<u>45,950,340</u>	<u>45,889,649</u>

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 Group and Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

As at 31 December 2025, the Directors do not recommend any dividend to be paid for the financial year.

DIRECTORS

The Directors of the Company in office since the beginning of the financial year to the date of this report are:

Athappan Gobinath Arvind
Dr. Letchumanan a/l Amaippen
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)
Lim Kian Wei (appointed on 1 July 2025)
Norchahya binti Ahmad (appointed on 19 December 2025)
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)
Simon Philip Guy Lee (resigned on 1 July 2025)
Dato' Chan Choy Lin (retired on 17 March 2026)

In accordance with Clause 65 of the Company's Constitution, Athappan Gobinath Arvind will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Clause 59 of the Company's Constitution, Lim Kian Wei, Datuk Shaharuddin bin Md Som and Norchahya binti Ahmad will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement, to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director 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 as shown in Note 21 to the financial statements and the financial statements of its related corporations or the fixed salary and benefits of a full-time employee of the holding company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interest of a Director in office at the end of the financial year in shares and options in the Company and its related corporations during the financial year was as follows:

	<u>Holdings registered in name of a Director</u>			<u>31.12.2025</u>
	<u>1.1.2025</u>	<u>Acquired</u>	<u>Exercised</u>	
<u>Ultimate Holding Company</u> - Fairfax Financial Holdings Limited ("FFHL") (Common or Subordinate voting shares of no par value each)				
Athappan Gobinath Arvind	15,861	415	-	16,276

Other than as disclosed, none of the Directors in office at the end of the financial year had any interest in shares and in options in the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

	<u>Group</u>	<u>Company</u>
	<u>RM</u>	<u>RM</u>
Total Directors' remuneration	548,828	548,828

Details of Directors' remuneration are set out in Note 21(b) to the financial statements.

INDEMNIFICATION OF DIRECTORS

The Directors and Officers of the Company are covered by a Directors' and Officers' Liability insurance maintained by the ultimate holding company, Fairfax Financial Holdings Limited ("FFHL"). The insurance covers the Malaysian subsidiaries of FFHL up to an aggregate limit of RM42,405,200 (USD9.9 million) against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. 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 premium for the insurance is RM31,804.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

(a) Board Responsibility and Oversight

Board Responsibility

The Board is committed to ensure that the highest standards of corporate governance are observed in the Company so that the affairs of the Company are conducted with professionalism, accountability and integrity with the objective of enhancing shareholders' value as well as safeguarding the interests of other stakeholders.

The Board is ultimately responsible for the proper stewardship of the Company's resources, the achievement of corporate objectives and the adherence to good corporate governance practices in conformity with Bank Negara Malaysia ("BNM") Guidelines, BNM Policy Document ("PD") on Corporate Governance issued on 3 August 2016. The Company has complied with the standards and adopted management practices that are consistent with these guidelines and PD.

The Board has overall responsibility for the strategic direction and development plans in furthering the achievements of the Company. The Board meets regularly and has a formal schedule of matters specifically reserved for its consideration and approval, which includes the annual business and strategic plans, business operations, financial performance, risk management, investment, as well as compliance requirements under the Risk-Based Capital Framework and the Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers. The Board's approval is also sought for transactions by the Company on outsourcing of certain business functions, major acquisition and disposal of assets, as well as material related party transactions. In addition, the Board reviews the Company's investment risk management and reinsurance practices and approves the authority levels for the Company's core functions, including expenditure approving, risk acceptance and claims approval.

On an ongoing basis, the Directors are kept informed through relevant training programmes and briefings to assist them to keep abreast with developments in the market place. The Directors are also updated with the policy and administrative changes as well as new guidelines issued by BNM and relevant professional bodies.

Board Composition and Meetings

On a yearly basis, the Directors are subject to an internal declaration to review their status of compliance with BNM/RH/GL 018-5 on Fit and Proper Criteria, BNM Policy Document on Corporate Governance issued on 3 August 2016 and Section 60 of the Financial Services Act, 2013 on the fulfilment of the minimum criteria of a "fit and proper person". In accordance with Section 54 of the Financial Services Act, 2013, all Directors are appointed and reappointed to the Board after prior approval has been obtained from BNM. None of the Directors are active politicians.

The Directors are persons of calibre, credibility and integrity. Collectively they bring with them a wide range of business and management experience, skills and specialised knowledge that are required to lead and oversee the affairs of the Company.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Composition and Meetings (continued)

As at reporting date, the Company's Board of Directors consists of five (5) Directors as set out below:

<u>Members:</u>	<u>Status of Directorship</u>
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	Independent Non-Executive Director, Chairman
Lim Kian Wei (appointed on 1 July 2025)	Independent Non-Executive Director
Norchahya binti Ahmad (appointed on 19 December 2025)	Independent Non-Executive Director
Athappan Gobinath Arvind	Executive Director
Dr. Letchumanan a/l Amaippen	Non-Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	Independent Non-Executive Director, Chairman
Simon Philip Guy Lee (resigned on 1 July 2025)	Independent Non-Executive Director
Dato' Chan Choy Lin (retired on 17 March 2026)	Independent Non-Executive Director

The Board met eleven (11) times during the financial year and the details of the Directors' attendance are as follows:

<u>Name</u>	<u>Number of Board Meetings</u>	
	<u>Attended</u>	<u>Percentage (%)</u>
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	6/6	100
Lim Kian Wei (appointed on 1 July 2025)	6/6	100
Norchahya binti Ahmad (appointed on 19 December 2025)	N/A	N/A
Athappan Gobinath Arvind	11/11	100
Dr. Letchumanan a/l Amaippen	11/11	100
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	2/2	100
Simon Philip Guy Lee (resigned on 1 July 2025)	5/5	100
Dato' Chan Choy Lin (retired on 17 March 2026)	11/11	100

The Board members are provided with adequate and timely information and reports, including background explanatory information, on matters brought before the Board. All the Directors have full and unrestricted access to all information and records of the Company as well as services and advice of the Company Secretary and the senior management of the Company to assist them in discharging their duties and responsibilities.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Directors' Profile

YBhg. Datuk Shaharuddin bin Md Som
Independent Non-Executive Director, Chairman

YBhg. Datuk Shaharuddin bin Md Som ("Datuk Shaharuddin") was appointed to the Board on 17 July 2025 as Independent Non-Executive Director and as the Chairman of the Board of Directors. He is also a member of the Board Audit Committee, the Board Risk Management Committee, the Board Nomination Committee and the Board Remuneration Committee.

Datuk Shaharuddin spent over 30 years in the Malaysian Administrative and Diplomatic Service, where he held various high-level roles, including Ambassador to Japan, Myanmar and Zimbabwe, and Chief of Protocol at the Ministry of Foreign Affairs. These positions reflect his ability to manage complex relationships and navigate international affairs.

After retiring from government service, Datuk Shaharuddin remained active in the corporate sector, bringing him valuable experience from both public service and corporate leadership. Datuk Shaharuddin also possess a strong understanding of strategic planning, decision-making, and board responsibilities.

Currently, Datuk Shaharuddin serves as a Director at Dhaya Maju Infrastructure (Asia) Sdn. Berhad ("DMIA"), which is a holding company and at the subsidiaries of DMIA namely Dhaya Maju LTAT Sdn. Bhd., Monorail Mobility Int Berhad, Richfield Builder (M) Sdn. Bhd. and Pestech Sdn. Bhd. He is also a Board Member of Pestec Cambodia PLC, which is listed in the Cambodia Stock Exchange.

Datuk Shaharuddin graduated with a Bachelor of Arts (Second Class Upper) from the University of Malaya, Kuala Lumpur and obtained his Master of Arts in International Relations from The American University in Washington D.C., U.S.A, under the Malaysian Government Scholarship.

Lim Kian Wei
Independent Non-Executive Director

Mr. Lim Kian Wei was appointed to the Board on 1 July 2025 as an Independent Non-Executive Director. He is the Chairman of the Board Risk Management Committee and the Board Nomination Committee. He is also a member of the Board Audit Committee and the Board Remuneration Committee.

Mr. Lim has more than 22 years of senior management experience in the insurance industry with leadership roles in both life and general insurance spanning areas such as business development, agency distribution and management of industry associations. His various stints include CEO of the General Insurance Association of Malaysia, Executive Director of the General Insurance Association of Singapore and Executive Vice-President of Great Eastern Life Singapore.

Mr. Lim is currently an Independent Non-Executive Director of the Singapore Reinsurance Corporation.

Mr. Lim graduated with a Bachelor of Science (First Class Honors) in Nautical Studies from the University of Southampton UK and obtained his Master of Business Administration from the National University of Singapore. He is a Fellow of the Asian Institute of Insurance (formerly known as "Malaysian Insurance Institute").

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CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Directors' Profile (continued)

Norchahya binti Ahmad
Independent Non-Executive Director

Puan Norchahya binti Ahmad ("Puan Chahya") was appointed to the Board on 19 December 2025 as Independent Non-Executive Director. She is the Chairman of the Board Audit Committee and the Board Remuneration Committee. She is also a member of the Board Risk Management Committee and the Board Nomination Committee.

Puan Chahya brings over 35 years of diversified experience in finance, internal audit, risk management, business continuity management, human resources and corporate services. She is professionally accredited as an Associate Member of the Chartered Institute of Management Accountants ("ACMA"), Chartered Global Management Accountant ("CGMA"), Chartered Member of the IIA Malaysia ("CMIIA") and Associate Member of the Business Continuity Institute, UK ("AMBCI").

Puan Chahya began her career with Bank Negara Malaysia before moving to Federal Auto Holdings Berhad. She subsequently held leadership role at EON Berhad and UMW Holdings Berhad, including Group Financial Controller, Group Internal Auditor and Chief Risk Officer.

Puan Chahya has also contributed to the profession through her roles with The Institute of Internal Auditors Malaysia (IIAM) and the Malaysian Association of Risk and Insurance Management (MARIM), including serving IIAM's Board of Governors and as Deputy Chairperson of MARIM's Executive Committee.

She currently serves on the Audit & Risk Committee of Yayasan Pahang and IIAM as well as is an Independent Non-Executive Director of Sunway Construction Group Berhad.

Athappan Gobinath Arvind
Executive Director

Mr. Gobinath Arvind Athappan was appointed to the Board on 26 August 2023 as an Executive Director and a member of the Board Nomination Committee.

Mr. Gobi holds a Bachelor's in Electrical Engineering (Honours) from The National University of Singapore, and a Master's in Business Administration from Massachusetts Institute of Technology (MIT) Sloan School of Management, Cambridge, Massachusetts, United States of America.

Mr. Gobi has more than 25 years' working experience and over 23 years in the general insurance industry, all with the operating companies of Fairfax Financial Holdings Limited (Canada), the ultimate parent company of The Pacific Insurance Berhad. In addition to his insurance expertise, he also brings foundational meaningful technology and IT-related exposure gained during his tenure with IBM, Singapore.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Directors' Profile (continued)

Athappan Gobinath Arvind (continued)
Executive Director

Mr. Gobi currently sits on the Board of the following companies:

- Fairfax Asia Limited
- Falcon Insurance Company (Hong Kong) Limited
- Thai Reinsurance Public Company Limited
- BIDV Insurance Corporation
- Fairfirst Insurance Limited
- Singapore Reinsurance Corporation Limited
- Singapore-Re Management Services Private Limited
- PT. Ansuransi Multi Artha Guna Tbk.
- The Falcon Insurance Public Company Limited

Dr. Letchumanan a/l Amaippen
Non-Independent Non-Executive Director

Dr. Letchumanan a/l Amaippen ("Dr. Letchumanan") was appointed to the Company's Board of Directors on 16 May 2025. He is also a member of the Board Audit Committee, the Board Risk Management Committee, the Board Nomination Committee and the Board Remuneration Committee.

Dr. Letchumanan obtained his Bachelor of Medicine-Bachelor of Surgery ("MBBS") qualification from Kasturba Medical College, Mysore University, Manipal, Karnataka, India in 1983.

Dr. Letchumanan obtained a Fellowship of College General Practitioners from the Indian Medical Council ("IMC") in 2005, and a Certificate in Occupational Medicine from the National Institute of Occupational Safety and Health ("NIOSH") in 2002, enabling him to practice as an Occupational Health doctor. He has almost 30 years of combined expertise in medicine and healthcare industries/fields.

Dr. Letchumanan is currently the Board Secretary of Koperasi MCIS Berhad, and also the Director of Prinsip Ribuan Sdn. Bhd.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Training attended by Board of Directors

The following are the trainings attended by the Directors during the financial year:

1. "Cybersecurity Awareness Training" by EC-Council Global Services Sdn. Bhd.
2. "Demystifying IFRS 17 Insurance Contracts: High level Understanding and Impacts" by Earnst & Young
3. "Directors' Induction Programme" by The Pacific Insurance Berhad, attended Lim Kian Wei, Datuk Shaharuddin bin Md Som, Puan Norchahya binti Ahmad and Dr. Letchumanan a/l Amaippen
4. "Tokenising Financial Assets: What Financial Leaders Needs to Know Today" by FIDE FORUM, attended by Dato' Chan Choy Lin
5. "The Influence of Board Culture on Corporate Performance" by FIDE FORUM, attended by Dato' Chan Choy Lin, Mr. Athappan Gobinath Arvind
6. "Understanding the Impact of MFRS 17 Insurance Contracts", by Malaysian Institute of Accountants ("MIA"), attended by Dato' Chan Choy Lin
7. "Economic Outlook & Post-Budget 2026" by FIDE FORUM, attended by Dato' Chan Choy Lin
8. "Transfer Pricing – Evolution or Revolution" by KPMG, attended by Dato' Chan Choy Lin
9. "Breakfast Talk on E-Invoice & Service Tax" by Deloitte, attended by Dato' Chan Choy Lin
10. "Stakeholders Expectation - Key Insights for Sustainability Reporting" by Baker Tilly Singapore, attended by Dato' Chan Choy Lin
11. "Case Study- IFRS SI and S2" by MIA, attended by Dato' Chan Choy Lin
12. "BNM Sasana Symposium - Building a Resilient Malaysia" by Bank Negara Malaysia ("BNM"), attended by Dato' Chan Choy Lin
13. "Conversation with NRC Board Members" by Lead Women, attended by Dato' Chan Choy Lin
14. "Future Directorship in the Digital Era" by FIDE FORUM, attended by Dato' Chan Choy Lin
15. "Boardroom Blindspots: How Our Perceptions of Risk Influence Our Boardroom Effectiveness" by Institute of Corporate Directors Malaysia, attended by Dato' Chan Choy Lin
16. "Enhanced Conflict of Interest & Related Party Transactions" by SumiSaujana Group Bhd, attended by Dato' Chan Choy Lin
17. "Crisis Simulation Masterclass - Decision making in a Crisis" by FIDE FORUM, attended by Datuk Shaharuddin bin Md Som
18. "PIDM National Resolution Symposium" by Perbadanan Insurans Deposit Malaysia ("PIDM"), attended by Datuk Shaharuddin bin Md Som and Athappan Gobinath Arvind
19. "FIDE Core – Modules A (Insurance): 2nd Run" by Iclif Executive Education Centre, attended by Datuk Shaharuddin bin Md Som
20. "AI Adoption Study & Launch Event" by FIDE FORUM, attended by Datuk Shaharuddin bin Md Som
21. "Special Lecture: How Global Events Will Affect the Outlook for the Financial Industry in 2025" by FIDE FORUM, attended by Dr. Letchumanan a/l Amaippen
22. "Safeguarding the Board of Directors: Navigating Anti-Money Laundering" by Asian Institute of Insurance ("Aii"), attended by Dr. Letchumanan a/l Amaippen
23. "AI's Next Wave: Chips, Code, and Localisation" by FIDE FORUM, attended by Dr. Letchumanan a/l Amaippen

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CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Training attended by Board of Directors (continued)

The following are the trainings attended by the Directors during the financial year: (continued)

24. "FIDE Core – Modules A & B (Insurance)" by Iclif Executive Education Centre, attended by Dr. Letchumanan a/l Amaippen
25. "Asia School of Business: 10th Anniversary Celebrations - Executive Panels" by FIDE FORUM, attended by Dr. Letchumanan a/l Amaippen
26. "Asia School of Business: 10th Anniversary Celebrations - Leadership & Entrepreneurship – The Resilience Playbook" by FIDE FORUM, attended by Dr. Letchumanan a/l Amaippen
27. "Navigating Shareholder Expectations: Remuneration Sentiment Insights in Malaysian Financial Institutions" by FIDE FORUM, attended by Dr. Letchumanan a/l Amaippen
28. "Mandatory Risk Management Training and Certification" by PT. Asuransi Multi Artha Guna Tbk., attended by Athappan Gobinath Arvind
29. "Fairfax Leaders' meeting" by Fairfax Financial Holdings Limited, Toronto, Canada, attended by Athappan Gobinath Arvind
30. "Safeguarding the Board of Directors: Navigating Anti-Money Laundering" by Aii, attended by Athappan Gobinath Arvind
31. "The Federal Reserve's Monetary Policy Strategy: Back to the Future?" by Iclif Executive Education Centre, attended by Athappan Gobinath Arvind

Board Committees

To support the execution of its duties and functions, the Board delegates certain responsibilities to the Board Committees namely, the Board Audit Committee, the Board Risk Management Committee and the Board Nomination Committee as well as the Board Remuneration Committee which operate within clearly defined terms of reference. The Board Committees report to the Board on matters discussed at their meetings and make recommendations on items that require the Board's approval.

The memberships, roles and terms of reference of the Audit, Risk Management, Nomination and Remuneration Committees of the Board during the financial year are as follows:

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(i) Board Audit Committee

As at reporting date, the Board Audit Committee ("BAC") comprises three (3) Independent Non-Executive Directors and one (1) non-independent non-executive director. The composition of the BAC is as follows: (continued)

<u>Members:</u>	<u>Status of Directorship</u>
Norchahya binti Ahmad (appointed as member on 19 December 2025 and subsequently as Chairman on 18 March 2026)	Independent Non-Executive Director, Chairman
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	Independent Non-Executive Director
Lim Kian Wei (appointed on 1 July 2025)	Independent Non-Executive Director
Dr. Letchumanan a/l Amaippen	Non-Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	Independent Non-Executive Director
Simon Philip Guy Lee (resigned on 1 July 2025)	Independent Non-Executive Director
Dato' Chan Choy Lin (retired on 17 March 2026)	Independent Non-Executive Director, Chairman

The BAC met four (4) times during the financial year and the details of the members' attendance are as follows:

<u>Name</u>	<u>Number of Meetings</u>	
	<u>Attended</u>	<u>Percentage (%)</u>
Norchahya binti Ahmad (appointed as member on 19 December 2025 and subsequently as Chairman on 18 March 2026)	N/A	N/A
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	2/2	100
Lim Kian Wei (appointed on 1 July 2025)	2/2	100
Dr. Letchumanan a/l Amaippen	4/4	100
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	1/1	100
Simon Philip Guy Lee (resigned on 1 July 2025)	1/2	50
Dato' Chan Choy Lin (retired on 17 March 2026)	4/4	100

The BAC's terms of reference are in compliance with BNM PD on Corporate Governance. The BAC has independent access to the Company's internal auditors, external auditors and management so as to enable it to discharge its functions, which include the reinforcement of the independence and objectivity of the internal and external audit functions and their scope of work and results.

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CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(i) Board Audit Committee (continued)

The BAC reviewed audit issues of the internal/external auditors and those of the examiners from BNM, as well as management's responses and actions taken to address the findings. The BAC also reviewed, inter-alia, the Company's financial statements, the impact of new or proposed changes in accounting standards and policies on the financial statements and the maintenance of a sound system of internal controls to safeguard shareholders' investment and the Company's assets. Besides reviewing and approving the Annual Audit Plan, the BAC also evaluated the independence, objectivity and effectiveness of the external auditors before recommending to the Board for onwards recommendation to the shareholders on their appointment or reappointment.

(ii) Board Risk Management Committee

The Board Risk Management Committee ("BRMC") supports the Board in the overall risk management oversight of the Company. As at reporting date, the BRMC comprises three (3) Independent Non-Executive Directors and one (1) non-independent non-executive director.

The composition of the BRMC is as follows:

<u>Members:</u>	<u>Status of Directorship</u>
Lim Kian Wei (appointed as member on 1 July 2025 and subsequently as Chairman on 16 July 2025)	Independent Non-Executive Director, Chairman
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	Independent Non-Executive Director
Norchahya binti Ahmad (appointed on 19 December 2025)	Independent Non-Executive Director
Dr. Letchumanan a/l Amaippen	Non-Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	Independent Non-Executive Director
Simon Philip Guy Lee (resigned on 1 July 2025)	Independent Non-Executive Director, Chairman
Dato' Chan Choy Lin (retired on 17 March 2026)	Independent Non-Executive Director

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(ii) Board Risk Management Committee (continued)

The BRMC met four (4) times during the financial year and the details of the members' attendance are as follows:

<u>Name</u>	<u>Number of Meetings Attended</u>	<u>Percentage (%)</u>
Lim Kian Wei (appointed as member on 1 July 2025 and subsequently as Chairman on 16 July 2025)	2/2	100
Datuk Shahrudin bin Md Som (appointed on 17 July 2025)	2/2	100
Norchahya binti Ahmad (appointed on 19 December 2025)	N/A	N/A
Dr. Letchumanan a/l Amaippen	4/4	100
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	1/1	100
Simon Philip Guy Lee (resigned on 1 July 2025)	2/2	100
Dato' Chan Choy Lin (retired on 17 March 2026)	4/4	100

BNM's PD BNM/RH/GL 013-5 on Risk Governance requires the Board to ensure that the Company's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.

The Board must also provide effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework.

During the financial year 2025, the BRMC reviewed periodic management reports on risk exposure, risk portfolio and management strategies, mitigation plans and control measures ensuring adequacy of infrastructure, resources and systems for effective risk management, assessing adequacy of policies and framework for identifying, measuring, monitoring and controlling risks, as well as reviewing the extent to which these are operating effectively.

The role and responsibilities of BRMC is to support the Board in meeting the expectations on risk management as set out in the BNM's PDs, which include amongst others, the PDs on Corporate Governance, Risk Governance, Operational Risk Management and Risk-Based Capital Framework for Insurers ("RBC").

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CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(iii) Board Nomination and Board Remuneration Committees

The terms of reference of both Board Nomination Committee ("BNC") and Board Remuneration Committee ("BRC") are in compliance with the guidelines on the functions and responsibilities of the committees for insurers issued under BNM's PD on Corporate Governance.

Board Nomination Committee

As at reporting date, the BNC comprises three (3) Independent Non-Executive Directors, one (1) Executive Director and one (1) Non-Independent Non-Executive Director. The composition of the BNC is as follows:

<u>Members:</u>	<u>Status of Directorship</u>
Lim Kian Wei (appointed as member on 1 July 2025 and subsequently as Chairman on 16 July 2025)	Independent Non-Executive Director, Chairman
Datuk Shahrudin bin Md Som (appointed on 17 July 2025)	Independent Non-Executive Director
Norchahya binti Ahmad (appointed on 19 December 2025)	Independent Non-Executive Director
Athappan Gobinath Arvind	Executive Director
Dr. Letchumanan a/l Amaippen	Non-Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	Independent Non-Executive Director
Simon Philip Guy Lee (resigned on 1 July 2025)	Independent Non-Executive Director, Chairman
Dato' Chan Choy Lin (retired on 17 March 2026)	Independent Non-Executive Director

Company No.
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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(iii) Board Nomination and Board Remuneration Committees (continued)

Board Nomination Committee (continued)

The BNC met nine (9) times during the financial year and the details of the members' attendance are as follows:

<u>Name</u>	<u>Number of</u>	
	<u>Meetings</u>	<u>Percentage (%)</u>
	<u>Attended</u>	
Lim Kian Wei (appointed as member on 1 July 2025 and subsequently as Chairman on 16 July 2025)	5/5	100
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	5/5	100
Norchahya binti Ahmad (appointed on 19 December 2025)	N/A	N/A
Athappan Gobinath Arvind	9/9	100
Dr. Letchumanan a/l Amaippen	9/9	100
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	2/2	100
Simon Philip Guy Lee (resigned on 1 July 2025)	4/4	100
Dato' Chan Choy Lin (retired on 17 March 2026)	9/9	100

The BNC is entrusted with the responsibility to consider and evaluate the appointment of new Directors and existing Directors to sit on the Board Committees of the Company and to recommend candidates to the Board for appointment and reappointment or re-election. The committee is also responsible to recommend to the Board the appointment of the Chief Executive Officer and key senior officers of the Company.

With regard to retiring directors, the BNC reviews the suitability and competencies and contributions of Directors for re-election and reappointment before recommending them to the Board for approval and subsequently to the shareholders for approval at the Annual General Meeting.

Board Remuneration Committee

The BRC also annually reviews the Board's structure, size and composition and the mix of skills and core competencies required for the Board to discharge its duties effectively. It also assesses on an annual basis, the effectiveness of the Board as a whole and the Board Committees and the contributions of each individual Director. In addition, the BRC deliberates Board succession plans as and when appropriate.

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THE PACIFIC INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(a) Board Responsibility and Oversight (continued)

Board Committees (continued)

(iii) Board Nomination and Board Remuneration Committees (continued)

Board Remuneration Committee (continued)

As at reporting date, the BRC comprises three (3) Independent Non-Executive Directors and (1) Non-Independent Non-Executive Director. The composition of the BRC is as follows:

<u>Members:</u>	<u>Status of Directorship</u>
Norchahya binti Ahmad (appointed as member on 19 December 2025 and subsequently as Chairman on 18 March 2026)	Independent Non-Executive Director, Chairman
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	Independent Non-Executive Director
Lim Kian Wei (appointed on 1 July 2025)	Independent Non-Executive Director
Dr. Letchumanan a/l Amaippen	Non-Independent Non-Executive Director
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	Independent Non-Executive Director
Simon Philip Guy Lee (resigned on 1 July 2025)	Independent Non-Executive Director
Dato' Chan Choy Lin (retired on 17 March 2026)	Independent Non-Executive Director, Chairman

The BRC met one (1) time during the financial year and the details of the members' attendance are as follows:

<u>Name</u>	<u>Number of Meetings Attended</u>	<u>Percentage (%)</u>
Norchahya binti Ahmad (appointed as member on 19 December 2025 and subsequently as Chairman on 18 March 2026)	N/A	N/A
Datuk Shaharuddin bin Md Som (appointed on 17 July 2025)	N/A	N/A
Lim Kian Wei (appointed on 1 July 2025)	N/A	N/A
Dr. Letchumanan a/l Amaippen	1/1	100
Dato' Khalid bin Abdol Rahman (retired on 18 May 2025)	1/1	100
Simon Philip Guy Lee (resigned on 1 July 2025)	1/1	100
Dato' Chan Choy Lin (retired on 17 March 2026)	1/1	100

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate the Directors, Chief Executive Officer and key senior officers of the quality required to manage the Company. In this respect, the BRC reviews and approves the remuneration packages of the Directors, Chief Executive Officer and key senior officers of the Company.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(b) Management Accountability

The Company has an organisational structure with clearly communicated defined lines of accountability and delegated authority to ensure proper identification of responsibilities and segregation of duties. The operational authority limits covering all aspects of operations which include underwriting, claims and finance are reviewed and updated as appropriate. Clearly documented job descriptions for all management and executive employees are maintained while formal appraisals of performance are conducted at least once annually. Any fundamental to the organisational structure are communicated to all staff.

The Directors who hold office or possess property do not have any direct or indirect interest, which is in conflict with their duty or interest as Directors, as referred to in Section 58 of the Financial Services Act, 2013.

(c) Remuneration Policy

The Remuneration Policy ("Policy") is one of the key components of the Human Resources strategy to fully support the overall business strategy.

The main functions of the Policy are to:

- support the Company's strategy to build a healthy and high performance based culture that attracts, retains, motivates and rewards employees based on merit.
- promote the achievement of strategic objectives within the Company's risk appetite.

Scope of Coverage

The policy is applicable to all permanent and contract employees of the Company. The Directors believe the long term success of the Company is directly linked to the positive attitude and caliber of employees that the employs and the working environment that the Company creates.

Remuneration Philosophy

The Company's remuneration philosophy is to:

- recruit, motivate, reward and retain employees who believe in, and live by, the Company's culture and values.
- maintain a healthy working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Company.
- set employees' total remuneration package at a competitive level by benchmarking to the market and providing incentives geared to agreed performance outcomes, where appropriate.

THE PACIFIC INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(c) Remuneration Policy (continued)

Key Remuneration Principles

The Remuneration Policy is based fundamentally on the following principles:

- The Policy is aligned to the overall business strategy, objectives and values of the Company without being detrimental to the interests of its policy holders.
- The Policy contains arrangements for ensuring that executive remuneration is fair and responsible in the context of overall company remuneration.
- The remuneration includes fixed, variable, short and long-term as well as intangible rewards (in line with market practice), or any other rewards the Company may deem fit from time to time.
- The Policy encourages employees to be prudent risk takers and to act in the interest of the Company.
- Incentives aimed at encouraging retention are clearly distinguished from those relating to rewarding performance.
- Bonus is at the discretion of the Board, subject to the performance of the Company.
- The Policy ensures compliance with the regulatory requirements and law.
- Performance measures take into account both quantitative as well as qualitative factors consistent with Company's culture.

Remuneration Guiding Principle

Base Principle

- The key objective is to provide the base element of remuneration that reflects the person's role/position in the Company and is payable for doing the expected job.
- Base Salary is determined generally by job at a competitive and fair market rate.
- Base Salary should exclude Fixed Allowances, if any.
- Base Salary is targeted at market median (P50) in general, but can be targeted at between market P50 to P75 for critical positions, key talents and high-value specialists.
- External competitiveness and internal equity should be well balanced.

Market Benchmarking & Positioning

- Comparisons of reward programs are primarily made against major companies that the Company competes with for business and talents in the markets where we operate in.
- Pay positioning is benchmarked to both local and foreign companies in the market, as long as business volume is relatively similar.
- Participation in the remuneration survey of the financial services industry. Where the Company has not participated in the annual remuneration survey of the financial services industry, the existing market data is aged accordingly based on the latest relevant statistics.
- Internal salary structure should be market competitive and reviewed as and when necessary.

Benefits

- Risk and non-risk benefits are market driven whilst always maintaining a balance between benefits to employees and costs to / long term interest of the Company.
- Benefits are updated when needed, as long as costs to / long term interest of the Company are managed, in order to cope with emerging benefits trends.
- All benefits are compliant with local regulations.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(c) Remuneration Policy (continued)

Elements of the Remuneration Plan

The remuneration plan includes, but is not limited to, the following elements:

Remuneration Element	Purpose
Guaranteed package	- Pays based on overall job requirements, accountability, complexity / variety of tasks. - Ensures that the Company attracts and retains high-performing people by paying market based guaranteed package.
Short-term incentives - Performance Bonus	- Focuses on attaining results in both the short and medium term, whilst at the same time ensuring successful execution of the Company's strategic plan. - Variable component that rewards contributions based on performance and prudent risk taking behavior.
Long-term incentives	- Crucial in retaining dedication and committed employees. - Rewards sustainable performance.
Recognition	- Supports and reinforces innovation and entrepreneurship. - Recognises employees living the values of the Company and contributing towards an entrepreneurial culture.

Communication

- Email communication and virtual briefing to the Head of Departments ("HODs") and Branch Managers ("BMs") on the annual appraisal exercise and the requirements.
- Communicate the key elements and process to Managers.

Key Management Personnel

The remuneration process includes strict adherence to regulatory requirements and active oversight by the Board whereby the remuneration of the CEO and material risk takers, i.e. Key Management Personnel ("KMP") are reviewed and approved by the Remuneration Committee and Board annually. The management maintains and regularly reviews the list of Senior Management Team grade Selected General Manager and above, who fall within the definition of "material risk takers".

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(c) Remuneration Policy (continued)

Elements of the Remuneration Plan (continued)

The remuneration for the CEO, senior officers and other Material Risk Takers for the current financial year is shown in the table below:

Total value of remuneration awards for the financial year	CEO		Senior Officers and Other Material Risk Takers	
	Unrestricted RM	Deferred RM	Unrestricted RM	Deferred RM
Fixed Remuneration				
Cash-based	664,212	-	3,171,728	-
Shares and share-linked instruments	-	-	24,360	-
Other	284,574	-	599,408	-
Variable Remuneration				
Cash-based	71,102	-	569,698	-
Shares and share-linked instruments	-	-	-	-
Other	10,682	-	7,832	-

The breakdown of the total amount of remuneration for directors for the financial year, disclosed individually for each director, is tabled in Note 21(b) to the financial statements for the financial year ended 31 December 2025.

Interpretation

The Chief Executive Officer is authorised to resolve any issues which may arise in the course of administering the Compensation Schemes/Plans.

Policy Review

The Policy shall be reviewed from time to time, as necessary and appropriate. Any revision to the Policy shall be reviewed by the Remuneration Committee to recommend to the Board for approval.

Material Risk Takers

Material Risk Takers are also the key management personnel and the remuneration structure is as disclosed in Note 26 to the financial statements.

(d) Corporate Independence

The Company has met all the requirements of BNM's PD BNM/RH/GL 018-6 on Related Party Transactions and BNM Circular on Intercompany Charges paid to Related Entities. Other than the provision of financial services which are on normal commercial terms and in the ordinary course of business, all material related party transactions have been disclosed in the audited financial statements in accordance with MFRS124 *Related Party Disclosures*.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management

The Board oversee the design and development of the risk management framework and ensure that the framework is effective for controlling risk-taking activities of the Company in line with its risk appetite and has taken into account changes in the business environment. In doing so, the Board provide constructive challenge to management on the credibility and robustness of the framework to ensure that there are no material gaps or weaknesses.

The risk management framework must enable the identification, measurement, and continuous monitoring of all relevant and material risks on a group and company-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the Company. The sophistication of the Company's risk management framework must keep pace with any changes in the Company's risk profile (including its business growth and complexity) and the external risk environment.

The Board has the overall responsibility to ensure the maintenance of internal control system and risk management framework for the Company in order to provide reasonable assurance for effective and efficient operations, internal financial controls and compliance with laws and regulations.

There is a continuous process present for identifying, evaluating and managing the key risks of the Company. This process is periodically reviewed by the BRMC and the Board. The risk management framework is maintained in the Company by the Risk Management Department ("RMD") which is headed by the Chief Risk Officer ("CRO"). The CRO reports directly and independently to the BRMC of the Company.

During the financial year, the RMD identified and assessed the Company's keys risks on an annual basis. The key risks of the Company comprised of strategic risks, insurance risks (i.e. product risks and underwriting risks), financial risks, operational risks, and emerging risks. All the key risks were reflected in the Company's Risk Profile. RMD will review and monitor the Company's key risks and controls/ action on a quarterly basis.

The disclosure of the Company's risk management policies are set out under Note 27 to the financial statements.

Apart from the above, the following key committees, among others, continue to serve the objective of enhancing the risk management culture in the Company:

- (i) The Executive Risk Management Committee, which was established on 8 November 2018, is an executive-led management committee accountable to the BRMC. The purpose of the Committee is to assist the BRMC in fulfilling its oversight responsibilities relating to risk management, legal and regulatory compliance, capital management and related matters as well as risks and opportunities relating to strategic decisions undertaken by the Company.
- (ii) The Executive Risk Management Committee is also tasked to oversee the implementation of the Business Continuity Framework, which include the Company's business continuity plan ("BCP") to support critical business functions in the event of a disruption to the operations. It also has in place an IT Disaster Recovery Plan ("ITDRP") which aims to ensure that disruptions to IT operations and services are mitigated to an acceptable level through a combination of well-planned contingency and recovery controls. The Company had tested the BCP and the ITDRP last year, with observation by the internal audit team.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management (continued)

Apart from the above, the following key committees, among others, continue to serve the objective of enhancing the risk management culture in the Company (continued):

- (iii) The Executive Risk Management Committee is also tasked to oversee the climate change risk, which have been integrated into the existing Enterprise Risk Management Framework. The Board has approved a Climate Change Risk Policy in 2025, to set the direction in building and uplifting the Company's resilience against impacts of climate change.
- (iv) The Information Technology Steering Committee is an executive-led management committee accountable to monitor the overall efficiency, performance and effectiveness of IT services. The purpose of the Committee is to assist senior management in fulfilling its oversight responsibilities relating to the Company's Information Technology matters, risks and opportunities relating to IT strategies and strategic decisions to fulfil the Company's long-term goals.
- (v) The Pricing Steering Committee addresses the challenges of the detariffication for motor and fire. In 2017, the Company increased the scope of the Pricing Steering Committee to a Product Development and Pricing Steering Committee to include the review of existing products and undertake the planning, design and development of new products, to meet the prevailing BNM guidelines, e.g. BNM/RH/STD 029-10 on Introduction of New Products by Insurers and Takaful Operators and BNM/RH/GL 000-3 on Guidelines on Product Transparency and Disclosure. The Committee has hence been renamed to Product Development and Pricing Steering Committee. All newly developed products within the scope of the policy document are submitted to the Board for notation or approval and where appropriate to BNM for approval.
- (vi) The Occupational Safety and Health Management Committee is committed to provide a working environment that emphasises on the safety and health of the employees. The Committee develops and adopts relevant policies and applicable best practices to improve the standard of safety and health environment of the Company.

The Company operates in a highly regulated business environment that is subject to prudential and supervisory review by BNM. The Company Secretary and management keep the Board apprised of new laws and guidelines and changes thereof as well as new accounting and insurance standards to be adopted by the Company. To address compliance risks, the Company has a designated Compliance Officer who is responsible for implementing a compliance framework to provide reasonable assurance that the Company's business is conducted in compliance with the relevant laws, regulations and internal/external guidelines. The Compliance Department submits a compliance statement to the Board on a quarterly basis.

The Internal Audit department is headed by the Chief Internal Auditor. The Internal Audit department reports directly to the BAC.

The roles and responsibilities of the BAC with respect to Internal Audit functions are in accordance with BNM's PD on Corporate Governance issued on 3 August 2016.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management (continued)

Internal Audit function adopts a systematic and disciplined, risk-based audit methodology, and prepares its audit strategy and annual plan based on the risk profiles of the business and functional departments of the Company, identified through an audit risk management process. Internal Audit independently reviews the risk exposures and control processes of governance, operations and information systems implemented by management. Internal Audit activities are guided by the annual audit plan approved by the BAC, with its status of achievement reported at every BAC meeting.

Internal Audit reports are tabled at the BAC meetings, after audit issues have been addressed by management. Follow-up procedures are carried out by Internal Audit to ensure that agreed action plans to improve controls are implemented by management on a timely basis. The BAC meets with the external auditors at least once annually without the presence of management to discuss any problems, issues and concerns arising from the interim and final statutory audits, as well as any other relevant matters.

These initiatives, together with the implementation of the external auditors' recommendations for improvement on internal controls, provide reasonable assurance that necessary control procedures are in place.

The other key elements of the Company's system of internal control are stated below:

(i) Corporate culture

The Board and management of the Company set the requirements for an effective control culture in the organisation through the Company's core corporate values i.e. professionalism, integrity, excellent customer service, teamwork and governance.

(ii) Organisation structure

The Company has an organisational structure showing clearly defined lines of accountability and delegated authority levels to ensure effectiveness of the internal control system. Any changes to organisational structure are communicated to all staff to ensure proper identification of responsibilities and segregation of duties.

(iii) Communication

Regular management meetings are held in the Company to discuss the financial performance, operational performance, business issues, implications of new risks and any other relevant matters.

(iv) Staff competency and succession planning

The professionalism and competency of staff are enhanced through continuous training and development programmes and a structured recruitment process. A performance planning and appraisal system of staff is in place with established key performance indicators and competencies subject to annual review. The Company has a Code of Ethics that guides all staff in their work performance and in upholding their ethical standards.

The Board is cognisant of its responsibilities to identify and develop viable candidates for long term succession planning of the senior management. The senior management has identified key staff for critical functions to ensure a smooth succession plan is in place.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

(e) Internal Controls and Operational Risk Management (continued)

(v) Whistleblowing program

Whistleblowing is considered an effective safeguard against fraud, corruption or other malpractice that undermines the internal control system and organisational reporting lines. Hence, the Company has implemented a whistleblowing program to encourage its staff and any external parties to report, in good faith, any suspicion of fraud, irregularity or misdemeanour, without fear of reprisals by any party. The Board shall review concerns, including anonymous complaints, which staff or external parties may, in confidence, raise about possible misconduct or improprieties within the Company and shall have the concerns independently investigated by the internal audit department and/or external service providers whom the Board may think fit.

(vi) Independence of external auditors

The Company has adopted a policy on the provision of non-audit services to be rendered by the external auditors. The Company ensures that the external auditors' ability to conduct audits objectively and independently is not impaired, or perceived to be impaired. Unless specifically allowed by the Board, the Company only engages the services of the external auditors for audit assurance. The Board also reviews the total fees earned by the external auditors from non-audit services rendered to the Company for assurance that the independence of the external auditors is not impaired.

(f) Public Accountability and Fair Practices

As custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company has taken the appropriate steps to ensure that all insurance policies issued or delivered to all policyholders contain the necessary information to alert them of the existence of the Financial Markets Ombudsman Service (FMOS) and BNM LINK, in compliance with the requirements of BNM's PD and Claims Settlement Practices and PD on Fair Treatment of Financial Consumers. The FMOS and BNM LINK were set up with the view to provide alternative avenues for the policyholders/claimants to seek redress if the complaint/appeal is not resolved by the Financial Service Provider.

The Company has also taken the necessary measures to comply with the requirements pursuant to BNM's PD on Introduction of New Products by Insurers and Takaful Operators, PD on Product Transparency and Disclosure, PD on Phased Liberalisation of Motor and Fire Tariffs and PD on Medical and Health Insurance/Takaful Business.

(g) Financial Reporting

The Board has overall oversight responsibility for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the provisions of the Companies Act 2016 in Malaysia and relevant regulatory requirements.

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THE PACIFIC INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing-off of impaired debts and the making of impairment allowance for impaired debts, and had satisfied themselves that all known impaired debts had been written off and that adequate impairment allowance had been made for impaired debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values 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:
- (i) the amount written off for bad debts or the amount of the allowance for impairment of the Group and the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and 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 Group and 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 of financial statements of the Group and 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 Group and 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 Group and the Company which has arisen since the end of the financial year other than as disclosed in Note 31 to the financial statements.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability other than as disclosed in Note 31 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 Group and the Company to meet their 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 Group and the Company for the financial year in which this report is made.

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

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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

(g) Before the financial statements of the Group and Company were made out, the Directors took reasonable steps to ascertain that there was adequate insurance liabilities in accordance with the valuation methods specified in Malaysian Financial Reporting Standards ("MFRS") 17 - *Insurance Contracts*.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77, is the immediate holding company. The ultimate holding company is Fairfax Financial Holdings Limited ("FFHL"), a company incorporated in Canada.

SUBSEQUENT EVENT

There were no material events subsequent to the end of the current financial year that have not been reported in the financial statements.

AUDITORS' REMUNERATION

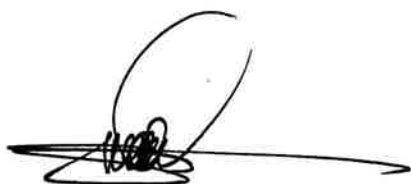
	<u>Group</u> RM	<u>Company</u> RM
Audit fees	688,070	655,700
Audit related-services fees	<u>1,200</u>	<u>1,200</u>

The auditors' remuneration is disclosed in Note 21 to the financial statements. The auditors were not granted indemnity or insurance by the Group and the Company.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2026.



DATUK SHAHARUDDIN BIN MD SOM
DIRECTOR



NORCHAHYA BINTI AHMAD
DIRECTOR

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THE PACIFIC INSURANCE BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	Note	2025		2024	
		Group RM	Company RM	Group RM	Company RM
Insurance revenue	8	938,323,059	938,323,059	928,455,788	928,455,788
Insurance service expenses	8	(436,126,930)	(436,126,930)	(555,982,215)	(555,982,215)
Insurance service result before reinsurance contracts held		502,196,129	502,196,129	372,473,573	372,473,573
Allocation of reinsurance premiums	8	(503,373,791)	(503,373,791)	(501,643,707)	(501,643,707)
Amounts recoverable from reinsurers	8	46,363,344	46,363,344	155,876,576	155,876,576
Net expense from reinsurance contracts held		(457,010,447)	(457,010,447)	(345,767,131)	(345,767,131)
Insurance service result		45,185,682	45,185,682	26,706,442	26,706,442
Net investment income	18	23,031,048	17,989,077	15,428,630	14,626,453
Interest income from financial assets measured at amortised cost		8,526,976	7,706,118	15,067,544	15,096,581
Net fair value gains	19	12,206,105	16,264,793	4,284,172	4,118,676
Total net investment income		43,764,129	41,959,988	34,780,346	33,841,710
Finance expenses for insurance contracts issued	20	(26,077,425)	(26,077,425)	(20,053,433)	(20,053,433)
Finance income for reinsurance contracts held	20	14,866,677	14,866,677	10,965,765	10,965,765
Net insurance financial expenses		(11,210,748)	(11,210,748)	(9,087,668)	(9,087,668)
Net investment income and insurance financial expenses		32,553,381	30,749,240	25,692,678	24,754,042
Other operating income		3,255,560	3,255,560	3,368,801	3,368,801
Other operating expenses	21	(22,875,011)	(21,131,561)	(19,719,585)	(18,835,730)
Finance costs		(2,184,984)	(2,184,984)	(2,197,500)	(2,197,500)
Total other income and expenses		(21,804,435)	(20,060,985)	(18,548,284)	(17,664,429)
Profit before taxation		55,934,628	55,873,937	33,850,836	33,796,055
Taxation	22	(9,984,288)	(9,984,288)	(5,466,764)	(5,466,764)
Net profit for the financial year		45,950,340	45,889,649	28,384,072	28,329,291

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025**

Note	2025		2024	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Other comprehensive income:				
<u>Items maybe subsequently reclassified to profit or loss</u>				
Revaluation reserve				
- Surplus arising during the financial year	4,731,102	4,731,102	-	-
Total comprehensive income for the financial year	50,681,442	50,620,751	28,384,072	28,329,291
Net profit for the financial year attributable to:				
Owner of the Company	45,368,321	45,889,649	28,367,476	28,329,291
Unitholders	582,019	-	16,596	-
	45,950,340	45,889,649	28,384,072	28,329,291
Total comprehensive income attributable:				
- Owner of the Company	50,099,423	50,620,751	28,367,476	28,329,291
- Unitholders	582,019	-	16,596	-
	50,681,442	50,620,751	28,384,072	28,329,291
Basic earnings per share attributable to owner of the Company (sen) basic				
23	20.6	20.9	12.9	12.9

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025		2024	
		Group RM	Company RM	Group RM	Company RM
ASSETS					
Property and equipment	3	64,959,726	64,959,726	42,171,451	42,171,451
Investment properties	4	600,000	600,000	19,690,000	19,690,000
Intangible assets	5	41,117,984	41,117,984	46,606,858	46,606,858
Investments:					
Fair value through profit or loss financial assets	6	800,487,086	805,564,080	678,247,664	704,557,451
Amortised cost	6	95,351,219	95,351,219	184,231,679	184,231,679
Insurance contract assets	8	3,523,203	3,523,203	-	-
Reinsurance contract assets	8	525,311,163	525,311,163	596,110,863	596,110,863
Right-of-use assets	9	1,984,979	1,984,979	2,795,756	2,795,756
Loans	10	204,574	204,574	229,202	229,202
Tax recoverable		3,369,107	3,369,107	6,099,903	6,099,903
Other receivables	11	47,194,017	47,194,017	46,538,988	46,538,988
Cash and cash equivalents		145,576,404	114,603,690	116,260,237	89,407,924
Total assets		1,729,679,462	1,703,783,742	1,738,982,601	1,738,440,075
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	219,875,038	219,875,038	219,875,038	219,875,038
Capital reserve		1,703,625	1,703,625	1,703,625	1,703,625
Revaluation reserve		9,914,408	9,914,408	5,183,306	5,183,306
Retained profits		337,363,831	337,867,821	291,995,510	291,978,172
Total equity		568,856,902	569,360,892	518,757,479	518,740,141
Liabilities					
Insurance contract liabilities	8	1,030,322,549	1,030,322,549	1,114,467,744	1,114,467,744
Reinsurance contract liabilities	8	6,835,756	6,835,756	11,324,935	11,324,935
Subordinated loans	15	42,071,749	42,071,749	39,971,749	39,971,749
Third party interest in consolidated fund		20,660,658	-	-	-
Deferred tax liabilities	14	14,739,433	14,739,433	11,596,447	11,596,447
Lease liabilities	16	2,044,684	2,044,684	2,858,109	2,858,109
Other payables	17	44,147,731	38,408,679	40,006,138	39,480,950
Total liabilities		1,160,822,560	1,134,422,850	1,220,225,122	1,219,699,934
Total equity and liabilities		1,729,679,462	1,703,783,742	1,738,982,601	1,738,440,075

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	<u>Attributable to owners of the Company</u>				<u>Total equity</u> RM
	<u>Share capital</u> RM	<u>Capital reserve</u> RM	<u>Revaluation reserve</u> RM	<u>Retained earnings</u> RM	
<u>Group</u>					
At 1 January 2024	219,875,038	1,703,625	5,183,306	263,628,034	490,390,003
Total comprehensive income for the financial year	-	-	-	28,367,476	28,367,476
At 31 December 2024	<u>219,875,038</u>	<u>1,703,625</u>	<u>5,183,306</u>	<u>291,995,510</u>	<u>518,757,479</u>
At 1 January 2025	219,875,038	1,703,625	5,183,306	291,995,510	518,757,479
Total comprehensive income for the financial year	-	-	4,731,102	45,368,321	50,099,423
At 31 December 2025	<u>219,875,038</u>	<u>1,703,625</u>	<u>9,914,408</u>	<u>337,363,831</u>	<u>568,856,902</u>

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)
STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	<u>Non-distributable</u>			<u>Distributable</u>	<u>Total equity</u> RM
	<u>Share capital</u> RM	<u>Capital reserve</u> RM	<u>Revaluation reserve</u> RM	<u>Retained earnings</u> RM	
<u>Company</u>					
At 1 January 2024	219,875,038	1,703,625	5,183,306	263,648,881	490,410,850
Total comprehensive income for the financial year	-	-	-	28,329,291	28,329,291
At 31 December 2024	<u>219,875,038</u>	<u>1,703,625</u>	<u>5,183,306</u>	<u>291,978,172</u>	<u>518,740,141</u>
At 1 January 2025	219,875,038	1,703,625	5,183,306	291,978,172	518,740,141
Total comprehensive income for the financial year	-	-	4,731,102	45,889,649	50,620,751
At 31 December 2025	<u>219,875,038</u>	<u>1,703,625</u>	<u>9,914,408</u>	<u>337,867,821</u>	<u>569,360,892</u>

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	2025		2024	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	55,934,628	55,873,937	33,850,836	33,796,055
Adjustments for:				
Depreciation of property and equipment	2,056,438	2,056,438	2,152,768	2,152,768
Property and equipment written-off	848	848	1,878	1,878
Finance cost on subordinated loans	2,100,000	2,100,000	2,100,000	2,100,000
Finance cost on lease liabilities	84,984	84,984	97,500	97,500
Change in fair value of FVTPL financial assets	(12,196,105)	(16,254,793)	(4,284,172)	(4,118,676)
Foreign currency losses on investments	2,487,990	2,487,990	508,765	508,765
Fair value gain on investment properties	(10,000)	(10,000)	-	-
Amortisation of intangible assets	709,726	709,726	704,384	704,384
Depreciation of right-of-use assets	1,714,000	1,714,000	1,894,396	1,894,396
Realised gains on FVTPL financial assets	(2,559,427)	(1,247,934)	(43,908)	(14,685)
Investment income	(34,860,113)	(30,308,777)	(34,210,616)	(33,466,699)
Impairment of intangible assets	5,160,607	5,160,607	-	-
	20,623,576	22,367,026	2,771,831	3,655,686
Changes in working capital:				
Purchase of investments	(613,937,544)	(334,653,957)	(686,648,426)	(467,547,859)
Proceeds from disposal/ maturity of investments	591,643,480	334,906,094	570,903,900	343,098,009
Decrease in loans and receivables	24,628	24,628	41,059	41,059
Decrease/(increase) in reinsurance contracts	66,310,521	66,310,521	(63,518,485)	(63,518,483)
(Decrease)/increase in insurance contracts	(87,668,398)	(87,668,398)	67,392,006	67,392,008
Increase in other receivables	(655,028)	(655,028)	(1,770,840)	(1,770,840)

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	2025		2024	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Increase/(decrease) in other payables	3,559,574	(1,072,273)	12,085,529	12,088,072
Net decrease in working capital	(20,099,191)	(441,387)	(98,743,426)	(106,562,348)
Investment income received	36,062,756	32,945,209	35,140,495	34,209,194
Interest paid on lease liabilities	(84,984)	(84,984)	(97,500)	(97,500)
Income tax paid	(4,429,101)	(4,429,101)	-	-
Income tax refunded	318,595	318,595	-	-
Distribution to unitholders	582,019	-	16,596	-
Net cash generated from/(used in) from operating activities	12,350,094	28,308,332	(63,683,835)	(72,450,654)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(910,459)	(910,459)	(610,082)	(610,082)
Purchase of intangible assets	(137,701)	(137,701)	(34,047)	(34,047)
Work-in progress of intangible assets	(243,758)	(243,758)	(357,220)	(357,220)
Work-in progress of property and equipment	(104,000)	(104,000)	-	-
Net cash used in investing activities	(1,395,918)	(1,395,918)	(1,001,349)	(1,001,349)
CASH FLOWS FROM FINANCING ACTIVITY				
Repayment of lease liabilities	(1,716,648)	(1,716,648)	(1,886,458)	(1,886,458)
Third party interest in consolidated fund	20,078,639	-	-	-
Net cash generated from/(used in) from financing activities	18,361,991	(1,716,648)	(1,886,458)	(1,886,458)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	29,316,167	25,195,766	(66,571,642)	(75,338,461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	116,260,237	89,407,924	182,831,879	164,746,385
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>145,576,404</u>	<u>114,603,690</u>	<u>116,260,237</u>	<u>89,407,924</u>

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	2025		2024	
	Group RM	Company RM	Group RM	Company RM
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions	103,262,277	72,499,463	95,771,705	68,959,050
Cash and cash equivalents	42,314,127	42,104,227	20,488,532	20,448,874
	145,576,404	114,603,690	116,260,237	89,407,924

Reconciliation of liabilities arising from financing activities

	2025		2024	
	Principal RM	Interest payable RM	Principal RM	Interest payable RM
<u>Group and Company</u>				
Subordinated loans				
At 1 January	30,000,000	9,971,749	30,000,000	7,871,749
Interest charge	-	2,100,000	-	2,100,000
At 31 December	30,000,000	12,071,749	30,000,000	9,971,749

	2025 RM	2024 RM
<u>Group and Company</u>		
Lease liabilities		
At 1 January	2,858,109	3,614,783
Cash flows	(1,801,632)	(1,983,958)
Interest charge	84,984	97,500
Lease additions	903,223	1,120,884
Change in consideration	-	8,900
At 31 December	2,044,684	2,858,109

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

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025

1. CORPORATE INFORMATION

The principal activity of the Company consists of the underwriting of general insurance business. There has been no significant change in the nature of the principal activity of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 40-1, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur, 50470 Kuala Lumpur.

The Company is a subsidiary of Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77. The ultimate holding company is Fairfax Financial Holdings Limited, a company incorporated in Canada.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2026.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in this summary of material accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statements of financial position and the reported amounts of revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.3 to the financial statements.

- (a) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company that are effective on or after 1 January 2026.
- Amendments to MFRS 9 and MFRS 7 - *Classification and Measurement of Financial Instruments*
 - Amendment that are part of Annual Improvement:
 - i) Amendments to MFRS 1, *First Time Adoption of Malaysia Financial Reporting Standards*
 - ii) Amendments to MFRS 7, *Financial Instruments : Disclosure*
 - iii) Amendments to MFRS 9, *Financial Instruments*
 - iv) Amendments to MFRS 10, *Consolidated Financial Statements*
 - v) Amendments to MFRS 107, *Statement of Cash Flows*
 - Amendments to MFRS 9 and MFRS 7 - *Financial Instruments : Disclosure Contracts referencing Nature-Dependent Electricity*

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (b) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company that are effective on or after 1 January 2027.
- MFRS 18, *Presentation and Disclosure in Financial Statements*
 - Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates - Translation to a Hyperinflationary Presentation Currency*
- (c) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Group and the Company but not yet effective.
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sales of Assets between an Investors and its Associates or Joint Venture*

The Group and the Company are currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

2.2 Summary of material accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in profit or loss. Acquisition related costs are expensed as incurred.

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary which is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in profit or loss attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

(ii) Change in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost with change in carrying amount recognised in statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit and loss.

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) *MFRS 17 Insurance Contracts*

The standard requires entities to measure insurance contracts using current estimates of fulfilment cash flows ("FCF"), which include all future cash flows associated with insurance contracts, under one of three measurement models, of which the Group and the Company principally use the Premium Allocation Approach ("PAA").

The nature and effects of the key changes in the Group's and the Company's accounting policies are summarised below:

(i) Definition and classification

(a) Insurance contracts

Insurance contracts are those contracts that have significant insurance risk at the inception of the contract. Insurance risk arises when the Group and the Company agree to compensate a policyholder if a specified uncertain future event adversely affects the policyholder, with the possibility of paying, including variability in the timing of payments, significantly more in a scenario where the insured event occurs than when it does not occur. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group and the Company use judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group and the Company have the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. Contracts not meeting the definition of an insurance contract are classified as investment contracts, derivative contracts or service contracts, as appropriate. Insurance contracts include both direct and assumed (reinsurance) insurance contracts issued by the Group and the Company.

(b) Reinsurance contract assets held

Ceded reinsurance contracts do not relieve the Group and the Company of their liability associated with underlying insurance contracts. Reinsurance contract assets held are presented separately on the Group's and the Company's statements of financial position to indicate the extent of credit risk and the obligations of the Group and the Company to their policyholders.

(c) Unit of account and recognition

Insurance contracts and reinsurance contract assets held are required to be aggregated into portfolios of insurance contracts, based on underlying risk and the management of those risks, then further aggregated into groups based on the underlying expected profitability and date of issuance, with groups not containing contracts issued more than one year apart.

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(i) Definition and classification (continued)

(c) Unit of account and recognition (continued)

Insurance contracts are recognised from the earliest of; the beginning of the insurance contract's coverage period; (i) when payment from the policyholder becomes due or, if there is no contractual due date, when it is received and (ii) when a contract is onerous.

Reinsurance contract assets held that provide proportionate reinsurance coverage are recognised from the later of; (i) the beginning of the reinsurance contract's coverage period and (ii) when underlying insurance contracts are initially recognised.

Other reinsurance contract assets held are recognised at the beginning of the coverage period for the reinsurance contract unless the Group and the Company recognise the onerous insurance contracts on an earlier date which are reinsured and the related reinsurance contract was entered into prior to the onerous contract being recognised, in which case the reinsurance contract assets held are recognised at the date the onerous groups of underlying insurance contracts are recognised.

When insurance and reinsurance contract assets held are recognised, they are added to an existing group of contracts where possible. If the insurance contract cannot be added to an existing group based on the criteria set out above, a new group is formed. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

For insurance contracts acquired with incurred claims and remaining coverage, the Group and the Company are considered to have issued a new, separate insurance contract with two coverages: coverage for claims events that have yet to occur and coverage for the development of claims events that have already occurred. For acquired contracts in their settlement period which are fully earned, the Group and the Company are considered to have issued an adverse development cover for the acquired claim liability. These types of insurance contracts are accounted for as if they were entered into at the date of acquisition or transfer.

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(i) Definition and classification (continued)

(d) Contract boundary

The contract boundary determines the cash flows that are included in the measurement of a group of insurance contracts and reinsurance contract assets held. For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group and the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services including insurance coverage. For reinsurance contract assets held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group and the Company are compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

(ii) Measurement

(a) Contracts measured under the Premium Allocation Approach

The Group and the Company use the Premium Allocation Approach ("PAA") for measuring all insurance and reinsurance contract assets held which are eligible for the simplified methodology. Insurance and reinsurance contract assets held are eligible when the coverage period of each contract in the group is one year or less or the company reasonably expects that the resulting measurement of the Liability for Remaining Coverage ("LRC") would not differ materially from that of applying the General Measurement Model ("GMM"). When comparing the different possible measurements, the Group and the Company consider the impact of different release patterns of the LRC to the Group's and the Company's profit and loss, the impact of discounting and financial risks, and whether significant variability in the cash flows exists.

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(ii) Measurement (continued)

(a) Contracts measured under the Premium Allocation Approach (continued)

Insurance contracts

- Initial measurement

On initial recognition of each group of insurance contracts, the carrying amount of the LRC is measured as the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group, adjusted for any amounts previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows). The Group and the Company defer and amortise insurance acquisition cash flows for all groups of contracts. Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the Liability for Incurred Claims ("LIC").

If there are indications that a group of insurance contracts is onerous, then the Group and the Company recognise a loss in insurance service expense in the Group's and the Company's profit and loss and increases the LRC if the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the LRC. This excess is recognised as a loss component within the LRC, which is reported in insurance contract liabilities in the statements of financial position.

- Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the LIC. On subsequent measurement, the carrying amount of the LRC is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

The LIC includes the fulfilment cash flows for losses on claims and expenses that have not yet been paid, including claims that have been Incurred But Not Reported ("IBNR"). It reflects both a risk adjustment for non-financial risk and the time value of money as most of the company's insurance contracts issued and measured under the PAA typically have a settlement period of over one year.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(ii) Measurement (continued)

(a) Contracts measured under the Premium Allocation Approach (continued)

- Subsequent measurement (continued)

In each reporting period, the Group and the Company remeasure the loss component using the same calculation as on initial recognition and reflects any changes by adjusting the loss component as required until the loss component is reduced to zero, with such adjustments recognised in insurance service expenses. If a loss component did not exist on initial recognition but there are indications that a group of contracts is onerous on subsequent measurement, then the company establishes the loss component using the same methodology as on initial recognition.

Reinsurance contract assets held

- Initial measurement

On initial recognition of each group of reinsurance contracts, the carrying amount of the Asset for Remaining Coverage ("ARC") is measured as the premiums paid (i.e. premiums ceded) on initial recognition, adjusted for ceding commissions that are not contingent on claims and any amounts previously recognised for cash flows related to the group. The Group and the Company do not recognise any insurance acquisition cash flows for reinsurance contract assets held. For contracts measured under the PAA, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the Asset for Incurred Claims ("AIC").

When there is an onerous group of underlying contracts, a loss-recovery component is created for the group of reinsurance contract assets held which adjusts the ARC and determines the amounts that are subsequently presented in the statements of comprehensive income within net reinsurance result as reversals of recoveries of losses and removed from the cost of reinsurance.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(ii) Measurement (continued)

(a) Contracts measured under the Premium Allocation Approach (continued)

Reinsurance contract assets held (continued)

- Subsequent measurement

The carrying amount of a group of reinsurance contract assets held at each reporting date is the sum of the ARC and the AIC. On subsequent measurement, the carrying amount of the ARC is increased by any premiums paid and reduced by the amount recognised as cost of reinsurance for services received.

For contracts measured under the PAA, the asset for incurred claims is measured consistent with the asset for incurred claims under the GMM and reflects a risk adjustment for non-financial risk and the time value of money as most of the Group's and the Company's reinsurance contract assets held and measured under the PAA typically have a settlement period of over one year.

If a loss-recovery component exists, it is adjusted on subsequent measurement to reflect changes in the loss component of the onerous group of underlying contracts to the extent that it impacts reinsured cash flows, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the company expects to recover from the reinsurance contract assets held.

(b) Derecognition and contract modification

An insurance contract is derecognised when it is:

- A group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of: or
- The contract is modified and additional criteria discussed below are met.

When an insurance contract is modified as a result of an agreement with the counterparties or due to a change in regulations, the Group and the Company treat changes in cash flows caused by the modification as changes in estimates of the future cash flows, unless the conditions for the derecognition of the original contract are met. The Group and the Company derecognise the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(ii) Measurement (continued)

(b) Derecognition and contract modification (continued)

a. If the modified terms had been included at contract inception and the Group and the Company would have concluded that the modified contract:

- is not within the scope of MFRS 17
- results in different separable components
- results in a different contract boundary
- belongs to a different group of contracts

b. The original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised as a result of modification and it is within the scope of MFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and contract aggregation requirements.

When an insurance contract is derecognised, any net difference between the derecognised part of the LRC of the original contract and any other cash flows will be charged immediately to profit or loss to remove related rights and obligations.

(iii) Presentation and disclosure

Under MFRS 17, portfolio of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statements of financial position. All rights and obligations arising from a portfolio of contracts are presented on a net basis; therefore, balances such as insurance receivables and payables are no longer be presented separately. Any assets or liabilities for cash flows arising before the recognition of the related group of contracts are presented in the same line item as the related portfolios of contracts.

Amounts recognised in the Group's and the Company's statements of comprehensive income for insurance contracts are disaggregated into (i) an insurance service result, comprised of insurance revenue and insurance service expenses ("net insurance result"), (ii) cost of reinsurance and recoveries of insurance service expense ("net reinsurance result"), and (iii) net finance income or expenses from insurance contracts.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(iii) Presentation and disclosure (continued)

Changes in the risk adjustment for non-financial risk are not disaggregated between the insurance service result and net finance income or expenses from insurance contracts. All changes in the risk adjustment for non-financial risk are included in the insurance service result in profit or loss.

Under MFRS 17, amounts recognised in profit and loss and OCI are disaggregated into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

(a) Insurance revenue

For contracts measured under the PAA, the Group and the Company recognise insurance revenue based on the expected premium receipts and the passage of time over the coverage period of a group of contracts unless the release of risk differs significantly from the passage of time, in which case insurance revenue is recognised based on the release of risk.

(b) Insurance service expense

Insurance service expenses arising from insurance contracts are recognised in the Group's and the Company's profit and loss as they are incurred and include losses on claims, other insurance service expenses, amortisation of insurance acquisition costs, losses and reversals of losses on onerous contracts and impairment losses and reversals of those impairment losses on insurance acquisition cash flow assets.

(c) Net reinsurance result

Net reinsurance result comprises the cost of reinsurance less recoveries of insurance service expenses from reinsurers. The cost of reinsurance is recognised in the Group's and the Company's profit and loss as services are received from the reinsurer over the coverage period. Recoveries of insurance service expenses from reinsurers are recognised in the Group's and the Company's profit and loss as claims and other insurance service expenses are recovered, including any changes in expectations for these amounts, and recoveries and reversals of recoveries of the loss-recovery component. The establishment of the loss-recovery component and subsequent increases or decreases in the loss-recovery component related to future service are presented in net reinsurance result.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(b) MFRS 17 *Insurance Contracts* (continued)

(iii) Presentation and disclosure (continued)

(d) Net finance income or expense from insurance contracts and reinsurance contract assets held

Net finance income or expense from insurance contracts and reinsurance contract assets held as presented in the Group's and the Company's profit and loss are comprised of changes in the carrying amounts of insurance and reinsurance contracts arising from the effects of the time value of money. The sources of the insurance finance income and expense arise from the effects of discounting the fulfilment cash flows within the AIC and LIC at current rates.

(c) Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 9 *Financial Instruments*. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(d) Property and equipment

All items of property and equipment are initially recorded at cost. 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 period in which they are incurred.

The revaluation model method provides more relevant information regarding the financial position and financial performance of the Company. Freehold building is subsequently shown at revalued amount, based on periodic valuation of at least once in every 4 years by external independent professional valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable for operating in the manner intended by management.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(g) to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(d) Property and equipment (continued)

Depreciation is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Freehold building	42 years
Office renovation	33 ¹ / ₃ %
Motor vehicles	20%
Furniture, fixtures and fittings	10%
Office equipment	10%
Computer equipment	20% - 50%

A depreciation rate of 50% is applied to computer notebooks on loan to agents of the Company.

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Surpluses arising from revaluation are credited to revaluation reserve via the other comprehensive income. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to profit or loss during the financial period in which they incur.

(e) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both are classified as investment properties.

Investment properties are initially measured at cost, including related transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss for the period in which they arise.

The revaluation model method provides more relevant information regarding the financial position and financial performance of the Company. 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 reviewed yearly and a formal valuation by an independent professional valuer is carried out once in every four years or earlier if the carrying values of the investment properties are materially different from the fair values.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(e) Investment properties (continued)

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal is recognised in profit or loss in the financial year in which it arises.

(f) Intangible assets

Intangible assets of the Group and the Company consist of computer software, acquired licence and goodwill.

Computer software

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(g) to the financial statements.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

The computer software is amortised on a straight-line basis over the estimated economic useful life of 5 to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Acquired licence

Acquired licence is shown at a historical cost. The licence has a finite useful life and is carried at cost less accumulated amortisation and accumulated losses. Licence is amortised on a declining balance method. The declining balance method allocates a greater amount of amortisation in the earlier years of an intangible asset's life than in the later years.

Acquired computer software licence is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, which includes import duties and non-refundable purchase taxes. This cost is amortised over their estimated useful lives of 7 years.

Goodwill

Goodwill arising on acquisition of general insurance business represents the excess of the cost of acquisition of the general insurance business over the fair value of the identifiable net assets recognised at the date of acquisition. Goodwill on acquisition of general insurance business is included in the statements of financial position as intangible assets. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(f) Intangible assets (continued)

Goodwill (continued)

Goodwill on acquisition of general insurance business is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment loss on goodwill on acquisition of general insurance business is recognised immediately as an expenses and is not subsequently reversed as set out in Note 2.2(g) on the accounting policy for impairment for non-financial assets.

Goodwill is allocated to cash-generating unit ("CGU") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group and the Company allocate goodwill to the combined general insurance business as a whole, which has been identified as a CGU.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. The Group and the Company also assess goodwill that is subject to 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 asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(h) Investments and other financial assets

i. Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(h) Investments and other financial assets (continued)

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred substantially all the risks and rewards of ownership.

iii. Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

There are two measurement categories into which the Group and the Company classify its debt instruments:

a. Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. The gain or loss arising on derecognition is recognised directly in profit or loss and presented in realised gains/(losses) whereas foreign exchange gains and losses are presented in other operating revenue. Impairment losses are presented as separate line item in profit or loss.

b. FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented in fair value gains/(losses) whereas foreign exchange gains and losses are presented in other operating revenue.

Equity instruments

Equity instruments are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuers' net assets.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(h) Investments and other financial assets (continued)

iii. Measurement (continued)

Equity instruments (continued)

The Group and the Company subsequently measure all equity instruments at FVTPL. Dividend will be recognised in profit or loss as investment income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss.

iv. Reclassification

Reclassification of financial assets is required when, and only when, the Group and the Company change their business model for managing the assets. In such cases, the Group and the Company are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instruments that have been designated as at FVOCI even when there is a change in business model. Such designations are irrevocable.

(i) Fair value of financial instruments

All financial instruments are recognised initially at the transacted price, which is the best indicator of fair value. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market such as unquoted securities, fair value is determined based on quotes from independent brokers.

(j) Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") under MFRS 9 for all financial assets held at amortised cost and LRC - Expected premium receipts net of insurance acquisition cash flow. The Group and the Company assess on a forward looking basis the ECL associated with their financial assets carried at amortised cost and LRC - Expected premium receipts net of insurance acquisition cash flow. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(j) Impairment (continued)

The impairment loss in financial assets held at amortised cost and LRC - Expected premium receipts net of insurance acquisition cash flow is recognised in profit or loss, while the carrying amount is reduced using an allowance account.

For impairment reversal, the extent of reversal should not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach for other receivables

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 months ECL if credit risk on other receivables has not increased significantly since initial recognition. For all other receivables, a loss allowance at an amount equal to lifetime ECL is required.

Definition of default and credit-impaired financial assets

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.

Write-off

The Group and the Company write off financial assets, in whole or in part, when they have exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in gains recognised in profit and loss.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(k) Derecognition of financial assets

Financial assets are derecognised when the Group's and the Company's contractual rights to the cash flows from the financial assets expires or when the Group and the Company transfer the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(m) Equity instruments

Ordinary shares are classified as equity on the statements of financial position.

Dividends on ordinary shares are recognised and reflected in the statements of changes in equity when they are approved by the Group's and the Company's shareholders. Interim dividends are deducted from equity when they are paid.

(n) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and bank balances and fixed and call deposits with financial institutions with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

(o) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Recognition method

The particular recognition method adopted for financial instruments recognised on the statements of financial position is disclosed in the individual accounting policy note associated with each item.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(o) Financial instruments (continued)

Fair value estimation

The Group's and the Company's basis of estimation of fair values for financial instruments is as follow:

- the fair values of Malaysian Government Securities and Government investment issues are based on the indicative market prices;
- the fair values of unquoted corporate debt securities are based on the indicative market yield obtained from dealers and brokers;
- the fair values of quoted equity securities are based on quoted prices;
- the fair values of the unit trust funds are based on the fair value of the underlying assets of the fund; and
- the carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

When measuring the fair value of an asset or a liability, the Group and the Company use 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 Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(p) Borrowings (continued)

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(q) Leases in which the Group and the Company are 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 Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate 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 Group and the Company are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group and the Company consider 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 Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are 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 (refer to (iv) below).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(q) Leases in which the Group and the Company are lessee (continued)

(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.

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 Group and the Company are 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 remeasurement of the lease liabilities.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.2(g) Impairment of non-financial assets.

(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 Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and 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 Group and 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(q) Leases in which the Group and the Company are lessee (continued)

(iii) Lease liabilities (continued)

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.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

(iv) Reassessment of lease liabilities

A reassessment of the lease liability takes place if the cash flows change based on the original terms and conditions, for example:

- (a) A change in lease term due to the Group and the Company exercise an option (purchase / termination / extension) in a different way than the entity had previously determined was reasonably certain;
- (b) A change in lease term due to an event occurs that contractually obliged / prohibits the Group and the Company from exercise the option;
- (c) A change in the amounts expected to be payable under a residual value guarantee; or
- (d) A change in future lease payments resulting from a change in an index or rate used to determine those payments.

(v) Short-term leases asset

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment are recognised on a straight-line basis as an expense in profit or loss.

(r) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(r) Other revenue recognition (continued)

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Gross dividend/distribution income from unit trust funds

Gross dividend/distribution income from unit trust funds is recognised on a declared basis when the shareholder's/ unitholders' right to receive payment is established.

(iv) Net realised gain/loss on investment

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to profit and loss.

(s) Income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group and the Company operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted at the end of the reporting period. Deferred tax is recognised as an income or an expense and included in profit or loss for the period. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(s) Income tax (continued)

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company. 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.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into a separate entity and will have no legal or constructive obligation. The Group and the Company make statutory and voluntary contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Employee share ownership plan

Employee share ownership plan ("ESOP") is a long term investment plan for the employees within the Fairfax group to invest in the shares of Fairfax Financial Holdings Ltd through the employees' salary deduction. The Group and the Company make contributions to the plan and such contributions are recognised as an expense in profit or loss as incurred.

(u) Foreign currencies

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency and presentation currency of the Group and the Company.

THE PACIFIC INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of material accounting policies (continued)

(u) Foreign currencies (continued)

Foreign currency transactions are translated into RM using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss and presented within other operating revenue.

(v) Other financial liabilities and insurance payables

Other liabilities and payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

2.3 Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and the Company's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements made in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, management is of the opinion that there are no instances of judgement which are expected to have a significant financial impact on the amounts and balances recognised in the financial statements.

(b) Key sources of estimation uncertainty and assumptions

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

(i) Valuation of insurance contract liabilities

For insurance contracts, estimates have to be made for the expected ultimate cost of claims reported at the end of the reporting period, including expected claims IBNR reserves.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(i) Valuation of insurance contract liabilities (continued)

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the claim liabilities. The ultimate cost of claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(ii) Impairment of goodwill

The Group and the Company assess the impairment of goodwill on an annual basis in accordance with its accounting policy in Note 2.2(g) to the financial statements. The recoverable amount of the goodwill has been determined based on the value of expected future new business, taking into account of expected future expense overruns. The key assumptions used in the assessment are disclosed in Note 5 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(iii) Discount rates

Cash flows are discounted using the risk-free yield curves provided by the Group for financial year 2025 is 2.93% for 1-year, 3.33% for 3-years and 3.67% for 5-years. The forward rates are sourced from a professional service provider. A 50% illiquidity premium adjustment on top of the risk-free yield curve is considered to be sufficient given the relatively liquid nature of insurance payout on policy cancellation or insurance claims.

(iv) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group and the Company require for bearing uncertainty with respect to both the amount and the timing of cash flows that arise from non-financial risk from the insurance contracts and reinsurance contract assets held. The risk adjustment reflects the Group's and the Company's estimates of uncertainty, diversification benefits and expected favourable and unfavourable outcomes. For reinsurance contract assets held, the risk adjustment for non-financial risk represents the amount of risk being transferred to the reinsurer. The Company generally uses the same method as employed within the Risk Based Capital standard for Malaysia targeting a 75% confidence level. Amongst the main methods used are the Mack, Bootstrap and Stochastic Chain Ladder methods.

(v) Expenses

Where estimates of expenses-related are determined at the portfolio level, they are allocated to group of contracts on a systematic basis, such as activity-based costing method. The Group and the Company have determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature.

Acquisition cash flows are estimated based on a percentage of premium written at group of contracts level during a specific period, based on periodic studies. Same basis will be applied to compute LRC acquisition cost.

Claims settlement-related expenses are allocated based on claims cost and time allocated.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(vi) Loss component

A loss component is established by the Group and the Company for the LRC for such onerous group depicting the losses recognised.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised.

The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage that the Group and the Company expect to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

Loss recovery component will subsequently be reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group and the Company expect to recover from the group of reinsurance contracts held.

The Group and the Company apply judgement in assessing the onerous groups' profitability and the remeasurement of loss component. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

3. PROPERTY AND EQUIPMENT

	<u>Office renovations</u> RM	<u>Motor vehicles</u> RM	<u>Furniture, fixtures, office equipment and computers</u> RM	<u>Freehold building</u> RM	<u>Work-in- Progress</u> RM	<u>Total</u> RM
<u>Group/Company</u>						
<u>2025</u>						
<u>Cost</u>						
At 1 January 2025	1,342,161	907,170	8,411,105	42,300,000	-	52,960,436
Additions	-	-	910,459	-	104,000	1,014,459
Disposals	-	-	(90,745)	-	-	(90,745)
Write-offs	-	-	(33,262)	-	-	(33,262)
Reclassification from investment properties (Note 4)	-	-	-	19,100,000	-	19,100,000
Revaluation Surplus	-	-	-	4,731,102	-	4,731,102
At 31 December 2025	<u>1,342,161</u>	<u>907,170</u>	<u>9,197,557</u>	<u>66,131,102</u>	<u>104,000</u>	<u>77,681,990</u>
<u>Accumulated depreciation</u>						
At 1 January 2025	1,317,714	590,121	7,049,260	1,831,890	-	10,788,985
Charge for the financial year	14,192	74,599	968,434	999,213	-	2,056,438
Disposals	-	-	(90,745)	-	-	(90,745)
Write-offs	-	-	(32,414)	-	-	(32,414)
At 31 December 2025	<u>1,331,906</u>	<u>664,720</u>	<u>7,894,535</u>	<u>2,831,103</u>	<u>-</u>	<u>12,722,264</u>
Net book value at 31 December 2025	<u>10,255</u>	<u>242,450</u>	<u>1,303,022</u>	<u>63,299,999</u>	<u>104,000</u>	<u>64,959,726</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

3. PROPERTY AND EQUIPMENT (CONTINUED)

	<u>Office renovations</u> RM	<u>Motor vehicles</u> RM	<u>Furniture, fixtures, office equipment and computers</u> RM	<u>Freehold building</u> RM	<u>Total</u> RM
<u>Group/Company</u>					
<u>2024</u>					
<u>Cost</u>					
At 1 January 2024	1,342,161	534,174	9,051,270	42,300,000	53,227,605
Additions	-	372,996	237,086	-	610,082
Disposals	-	-	(77,355)	-	(77,355)
Write-offs	-	-	(799,896)	-	(799,896)
At 31 December 2024	<u>1,342,161</u>	<u>907,170</u>	<u>8,411,105</u>	<u>42,300,000</u>	<u>52,960,436</u>
<u>Accumulated depreciation</u>					
At 1 January 2024	1,276,848	495,097	6,906,968	832,677	9,511,590
Charge for the financial year	40,866	95,024	1,017,665	999,213	2,152,768
Disposals	-	-	(77,355)	-	(77,355)
Write-offs	-	-	(798,018)	-	(798,018)
At 31 December 2024	<u>1,317,714</u>	<u>590,121</u>	<u>7,049,260</u>	<u>1,831,890</u>	<u>10,788,985</u>
Net book value at 31 December 2024	<u>24,447</u>	<u>317,049</u>	<u>1,361,845</u>	<u>40,468,110</u>	<u>42,171,451</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

4. INVESTMENT PROPERTIES

<u>Group/Company</u>	<u>2025</u> <u>RM</u>	<u>2024</u> <u>RM</u>
<u>Cost</u>		
At 1 January	19,690,000	19,690,000
Reclassification to property and equipment (Note 3)	(19,100,000)	-
Fair value gain during the financial year (Note 19)	10,000	-
As 31 December	<u>600,000</u>	<u>19,690,000</u>
Net book value at 31 December	<u>600,000</u>	<u>19,690,000</u>
Fair value	<u>600,000</u>	<u>19,690,000</u>

The fair value of the property is estimated at RM600,000 based on valuation performed by an independent professionally qualified valuer. The fair value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of investment properties is categorised at Level 3 of the fair value hierarchy. Fair value of the investment properties is measured in whole by reference to inputs other than the quoted price included within Level 1 that are observable for the investment properties, either directly or indirectly. The investment properties are valued using the Comparison Method.

The Level 3 unobservable input used in the valuation of land and building is the price per square foot ("psf") which is adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/decrease if the price per square foot were higher or lower and the historical sales transaction value were higher or lower. The price range for the comparable properties in the same building ranging from RM1,400 to RM1,500 per square foot.

There were no transfers between Level 1, 2 and 3 fair value measurements during the financial year.

During the financial year, a property was transferred from investment properties to property and equipment (Note 3), as the property building was no longer leased to the third parties.

As at 31 December 2025, one commercial investment property held by the Company is leased to third parties. Rental income from the property is included in Note 18 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

5. INTANGIBLE ASSETS

<u>Group/Company</u>	<u>Goodwill</u> RM	<u>Computer software and licence</u> RM	<u>Work-in- Progress</u> RM	<u>Total</u> RM
<u>2025</u>				
<u>Cost</u>				
At 1 January 2025	40,103,501	11,348,332	357,220	51,809,053
Additions	-	137,701	243,758	381,459
Impairment (Note 21)	-	(5,160,607)	-	(5,160,607)
At 31 December 2025	<u>40,103,501</u>	<u>6,325,426</u>	<u>600,978</u>	<u>47,029,905</u>
<u>Accumulated amortisation</u>				
At 1 January 2025	-	5,202,195	-	5,202,195
Charge for the financial year (Note 21)	-	709,726	-	709,726
At 31 December 2025	<u>-</u>	<u>5,911,921</u>	<u>-</u>	<u>5,911,921</u>
Net book value at 31 December 2025	<u>40,103,501</u>	<u>413,505</u>	<u>600,978</u>	<u>41,117,984</u>
<u>Group/Company</u>				
<u>2024</u>				
<u>Cost</u>				
At 1 January 2024	40,103,501	11,645,028	-	51,748,529
Additions	-	34,047	357,220	391,267
Write-offs	-	(330,743)	-	(330,743)
At 31 December 2024	<u>40,103,501</u>	<u>11,348,332</u>	<u>357,220</u>	<u>51,809,053</u>
<u>Accumulated amortisation</u>				
At 1 January 2024	-	4,828,554	-	4,828,554
Charge for the financial year (Note 21)	-	704,384	-	704,384
Write-offs	-	(330,743)	-	(330,743)
At 31 December 2024	<u>-</u>	<u>5,202,195</u>	<u>-</u>	<u>5,202,195</u>
Net book value at 31 December 2024	<u>40,103,501</u>	<u>6,146,137</u>	<u>357,220</u>	<u>46,606,858</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

5. INTANGIBLE ASSETS (CONTINUED)

- (a) The Company tests goodwill on acquisition of general insurance business for impairment annually in accordance with its accounting policy as stated in Note 2.2(f). More regular reviews will be performed if events indicate that this is necessary. This was not the case in the current financial year.
- (b) Goodwill is allocated to cash-generating units ("CGU"), being the combined general business as a whole, for the purpose of impairment testing.
- (i) The growth is projected based on expected future new business at a growth rate ranging from 4% to 7% p.a (2024: ranging from 5% to 9% p.a.).
- (ii) Retention ratio are projected ranging from 36.5% to 39.8% (2024: 36.3% to 38%).
- (iii) Management expense ratio are projected ranging from 27.6% to 32.5% (2024: 28.1% to 31.8%).
- (iv) Loss ratio are projected based on the management's expectation of claims experience ranging from 57.5% to 66.6% (2024: ranging from 65% to 66.1%).
- (v) Pre tax discount rate at 11.5% (2024: 11.5%).
- (vi) Other assumption used include commission ratio and investment return.

At 31 December 2025, the recoverable amount exceeds the carrying value of goodwill.

A reasonably possible change in any key assumption is not expected to cause the recoverable amount of the CGU to fall below its carrying amount.

6. INVESTMENTS

	2025		2024	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Malaysian Government Securities	13,236,416	-	48,821,465	-
Government Investment Issues	197,529,024	-	97,025,198	-
Corporate bonds	376,767,969	-	212,342,372	-
Unit trusts	180,627,167	773,237,570	280,943,573	665,442,395
Equity securities	32,326,510	32,326,510	39,115,056	39,115,056
Deposits with licensed financial institutions	95,351,219	95,351,219	184,231,679	184,231,679
	<u>895,838,305</u>	<u>900,915,299</u>	<u>862,479,343</u>	<u>888,789,130</u>

The financial investments are summarised by categories as follows:

FVTPL financial assets	800,487,086	805,564,080	678,247,664	704,557,451
Amortised cost ("AC")	95,351,219	95,351,219	184,231,679	184,231,679
	<u>895,838,305</u>	<u>900,915,299</u>	<u>862,479,343</u>	<u>888,789,130</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

6. INVESTMENTS (CONTINUED)

	<u>2025</u>		<u>2024</u>	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
The following investments mature after 12 months:				
FVTPL financial assets	480,586,277	-	225,716,760	-
(a) FVTPL financial assets				
<u>At fair value:</u>				
Malaysian Government Securities	13,236,416	-	48,821,465	-
Government Investment Issues	197,529,024	-	97,025,198	-
Unit trusts:				
- Quoted in Malaysia	180,627,167	180,627,167	280,943,573	280,943,572
- Unquoted in Malaysia	-	592,610,403	-	384,498,823
Corporate bonds	376,767,969	-	212,342,372	-
Equity securities:				
- Quoted in Malaysia	11,692,400	11,692,400	6,186,000	6,186,000
- Quoted outside Malaysia	20,634,110	20,634,110	32,929,056	32,929,056
	<u>800,487,086</u>	<u>805,564,080</u>	<u>678,247,664</u>	<u>704,557,451</u>
(b) AC				
<u>At amortised cost:</u>				
Deposits with commercial banks	<u>95,351,219</u>	<u>95,351,219</u>	<u>184,231,679</u>	<u>184,231,679</u>

Deposits with commercial banks have interest rates which range from 2.00% to 3.52% (2024: 2.50% to 3.70%) per annum with average maturity period of 283 days (2024: 335 days).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

6. INVESTMENTS (CONTINUED)

(c) Carrying values of financial investments

	<u>FVTPL</u> RM	<u>AC</u> RM	<u>Total</u> RM
<u>2025</u>			
<u>Group</u>			
At 1 January 2025	678,247,664	184,231,679	862,479,343
Purchases	485,950,512	127,987,032	613,937,544
Maturities	(105,629,723)	(214,231,061)	(319,860,784)
Disposals	(269,223,269)	-	(269,223,269)
Fair value losses recorded in profit or loss (Note 18)	12,196,105	-	12,196,105
Currency translations differences (Note 18)	(2,487,990)	-	(2,487,990)
Movement in accrued interest	2,096,191	(2,636,431)	(540,240)
Amortisation of premiums	(662,404)	-	(662,404)
At 31 December 2025	<u>800,487,086</u>	<u>95,351,219</u>	<u>895,838,305</u>
<u>2024</u>			
<u>Group</u>			
At 1 January 2024	447,856,553	295,988,827	743,845,380
Purchases	454,822,032	231,826,394	686,648,426
Maturities	(26,101,447)	(342,841,046)	(368,942,493)
Disposals	(201,917,499)	-	(201,917,499)
Fair value losses recorded in profit or loss (Note 18)	4,284,172	-	4,284,172
Currency translations differences (Note 18)	(508,765)	-	(508,765)
Movement in accrued interest	571,637	(742,496)	(170,859)
Amortisation of premiums	(759,019)	-	(759,019)
At 31 December 2024	<u>678,247,664</u>	<u>184,231,679</u>	<u>862,479,343</u>
<u>2025</u>			
<u>Company</u>			
At 1 January 2025	704,557,451	184,231,679	888,789,130
Purchases	206,666,925	127,987,032	334,653,957
Maturities	(100,129,723)	(214,231,061)	(314,360,784)
Disposals	(19,297,376)	-	(19,297,376)
Fair value losses recorded in profit or loss (Note 18)	16,254,793	-	16,254,793
Currency translations differences (Note 18)	(2,487,990)	-	(2,487,990)
Movement in accrued interest	-	(2,636,431)	(2,636,431)
At 31 December 2025	<u>805,564,080</u>	<u>95,351,219</u>	<u>900,915,299</u>

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6. INVESTMENTS (CONTINUED)

(c) Carrying values of financial investments (continued)

	<u>FVTPL</u> RM	<u>AC</u> RM	<u>Total</u> RM
<u>2024</u>			
<u>Company</u>			
At 1 January 2024	465,468,353	295,988,827	761,457,180
Purchases	235,721,465	231,826,394	467,547,859
Maturities	-	(342,841,046)	(342,841,046)
Disposals	(242,278)	-	(242,278)
Fair value losses recorded in profit or loss (Note 18)	4,118,676	-	4,118,676
Currency translations differences (Note 18)	(508,765)	-	(508,765)
Movement in accrued interest	-	(742,496)	(742,496)
At 31 December 2024	<u>704,557,451</u>	<u>184,231,679</u>	<u>888,789,130</u>

(d) Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different basis of fair values and valuation methods as follows:

	<u>Level 1</u> RM	<u>Level 2</u> RM
<u>Group</u>		
<u>2025</u>		
<u>Recurring fair value measurements</u>		
FVTPL		
- Malaysian Government Securities	-	13,236,416
- Government Investment Issues	-	197,529,024
- Corporate bonds	-	376,767,969
- Unit trusts	180,627,167	-
- Equity securities	32,326,510	-
	<u>212,953,677</u>	<u>587,533,409</u>

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6. INVESTMENTS (CONTINUED)

(d) Fair values of financial investments (continued)

	<u>Level 1</u> RM	<u>Level 2</u> RM
<u>2024</u>		
<u>Recurring fair value measurements</u>		
FVTPL		
- Malaysian Government Securities	-	48,821,465
- Government Investment Issues	-	97,025,198
- Corporate bonds	-	212,342,372
- Unit trusts	280,943,573	-
- Equity securities	39,115,056	-
	<u>320,058,629</u>	<u>358,189,035</u>
<u>Company</u>		
<u>2025</u>		
<u>Recurring fair value measurements</u>		
FVTPL		
- Unit trusts	180,627,167	592,610,403
- Equity securities	32,326,510	-
	<u>212,953,677</u>	<u>592,610,403</u>
<u>2024</u>		
<u>Recurring fair value measurements</u>		
FVTPL		
- Unit trusts	280,943,573	384,498,822
- Equity securities	39,115,056	-
	<u>320,058,629</u>	<u>384,498,822</u>

Included in the quoted market 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 1).

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes (Level 2).

Financial instruments that are valued not based on observable market data are categorised as Level 3. There are no financial instruments categorised as Level 3.

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6. INVESTMENTS (CONTINUED)

(d) Fair values of financial investments (continued)

There were no transfers between level 1 and 2 during the financial year.

7. STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM592,610,403 (2024: RM384,498,823) as disclosed in Note 6 to the financial statements as investment in structured entities ("investee funds"). The Company invests in the investee funds whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The investee funds are managed by approved asset management companies and apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund's net assets.

The investee funds are classified as fair value through profit or loss and the changes in the fair value of financial assets at FVTPL are recognised in gains/(losses) in profit or loss as applicable. The Company's exposure to investments in the investee funds is disclosed below.

	<u>2025</u> RM	<u>2024</u> RM
Number of wholesale unit trust fund	5	3
Average net asset value per unit of wholesale unit trust funds:		
Opus Enhanced Income Fund	0.9991	0.9959
AHAM Wholesale Fund 1	0.3457	0.3454
Opus Low Risk Asset Fund 2	1.0236	1.0164
Eastspring Investments Wholesale Sukuk Fund	1.0637	-
RHB Institutional Bond Fund	1.0371	-
Fair value of underlying assets:		
Corporate bonds	362,953,969	209,810,147
Malaysian Government Securities	13,197,625	48,283,659
Government Investment Securities	185,912,860	95,935,434
Deposits with licensed financial institutions	29,126,524	26,713,080
Receivables	5,750,562	3,847,316
Cash equivalents	202,254	39,595
Other payables	(4,533,391)	(130,409)
	<u>592,610,403</u>	<u>384,498,822</u>
Total realised gain for the financial year	<u>1,311,493</u>	<u>29,223</u>

As the Company has control over these investee funds which are considered wholly owned structured entities, these structured entities are consolidated in the Group's financial statements. The underlying assets of these structured entities have been duly consolidated as shown in Note 6 to the financial statements.

The investee funds for Opus Enhanced Income Fund and Opus Low Risk Asset Fund 2 are audited by Crowe Malaysia PLT, AHAM Wholesale Fund, Eastspring Investments Wholesale Sukuk Fund and RHB Institutional Bond Fund are audited by PricewaterhouseCoopers PLT and Opus Low Risk Asset Fund 2 are audited by Crowe Malaysia PLT.

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8. INSURANCE AND REINSURANCE CONTRACTS

Analysis by remaining coverage and incurred claims:

	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		<u>Total</u> RM
	<u>Loss</u> <u>component</u> RM	<u>Excluding</u> <u>loss</u> <u>component</u> RM	<u>Estimates of</u> <u>the present</u> <u>value of future</u> <u>cash flows</u> RM	<u>Risk</u> <u>adjustment</u> RM	
2025					
<u>Group/Company</u>					
Insurance contract liabilities as at 1 January	3,818,042	287,096,667	768,282,937	55,270,098	1,114,467,744
Insurance contract assets as at 1 January	-	-	-	-	-
	<u>3,818,042</u>	<u>287,096,667</u>	<u>768,282,937</u>	<u>55,270,098</u>	<u>1,114,467,744</u>
Insurance revenue	-	(938,323,059)	-	-	(938,323,059)
Insurance service expenses					
Incurred claims and other insurance service expenses	1,695,290	-	455,376,737	25,185,250	482,257,277
Amortisation of insurance acquisition cash flows	-	138,790,752	-	-	138,790,752
Changes to liabilities for incurred claims	-	-	(158,485,091)	(25,015,562)	(183,500,653)
Losses and reversal of losses on onerous contracts	(1,420,446)	-	-	-	(1,420,446)
	<u>274,844</u>	<u>138,790,752</u>	<u>296,891,646</u>	<u>169,688</u>	<u>436,126,930</u>
Insurance service result	274,844	(799,532,307)	296,891,646	169,688	(502,196,129)
Finance expenses from insurance contracts issued	1,118,505	-	24,958,920	-	26,077,425
Total changes in the statements of comprehensive income	<u>1,393,349</u>	<u>(799,532,307)</u>	<u>321,850,566</u>	<u>169,688</u>	<u>(476,118,704)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

8. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis by remaining coverage and incurred claims (continued):

	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		<u>Total</u> RM
	<u>Loss component</u> RM	<u>Excluding loss component</u> RM	<u>Estimates of the present value of future cash flows</u> RM	<u>Risk adjustment</u> RM	
2025					
<u>Group/Company</u>					
Investment components	-	1,077,767	-	-	1,077,767
Cash flows					
Premium received	-	919,262,592	-	-	919,262,592
Claims and other insurance service expenses paid, including investment components	-	-	(388,563,308)	-	(388,563,308)
Insurance acquisition cash flows	-	(143,326,745)	-	-	(143,326,745)
Total cash flows	-	775,935,847	(388,563,308)	-	387,372,539
Insurance contract liabilities as at 31 December 2025	5,211,391	264,577,974	701,570,195	55,439,786	1,026,799,346
Insurance contract liabilities as at 31 December 2025	5,211,391	268,101,177	701,570,195	55,439,786	1,030,322,549
Insurance contract assets as at 31 December 2025	-	(3,523,203)	-	-	(3,523,203)
	5,211,391	264,577,974	701,570,195	55,439,786	1,026,799,346

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8. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis by remaining coverage and incurred claims (continued):

	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		<u>Total</u> RM
	<u>Loss</u> <u>component</u> RM	<u>Excluding</u> <u>loss</u> <u>component</u> RM	<u>Estimates of</u> <u>the present</u> <u>value of future</u> <u>cash flows</u> RM	<u>Risk</u> <u>adjustment</u> RM	
2024					
<u>Group/Company</u>					
Insurance contract liabilities as at 1 January	2,006,222	271,049,934	732,095,745	51,435,974	1,056,587,875
Insurance contract assets as at 1 January	-	(9,512,141)	-	-	(9,512,141)
	<u>2,006,222</u>	<u>261,537,793</u>	<u>732,095,745</u>	<u>51,435,974</u>	<u>1,047,075,734</u>
Insurance revenue	-	(928,455,788)	-	-	(928,455,788)
Insurance service expenses					
Incurred claims and other insurance service expenses	(5,075,328)	-	526,167,160	28,197,469	549,289,301
Amortisation of insurance acquisition cash flows	-	133,471,036	-	-	133,471,036
Changes to liabilities for incurred claims	-	-	(107,766,344)	(24,363,345)	(132,129,689)
Losses and reversal of losses on onerous contracts	5,351,567	-	-	-	5,351,567
	<u>276,239</u>	<u>133,471,036</u>	<u>418,400,816</u>	<u>3,834,124</u>	<u>555,982,215</u>
Insurance service result	276,239	(794,984,752)	418,400,816	3,834,124	(372,473,573)
Finance expenses from insurance contracts issued	1,535,581	-	18,517,852	-	20,053,433
Total changes in the statements of comprehensive income	<u>1,811,820</u>	<u>(794,984,752)</u>	<u>436,918,668</u>	<u>3,834,124</u>	<u>(352,420,140)</u>

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8. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis by remaining coverage and incurred claims (continued):

	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		<u>Total</u> RM
	<u>Loss</u> <u>component</u> RM	<u>Excluding</u> <u>loss</u> <u>component</u> RM	<u>Estimates of</u> <u>the present</u> <u>value of future</u> <u>cash flows</u> RM	<u>Risk</u> <u>adjustment</u> RM	
2024					
<u>Group/Company</u>					
Investment components	-	3,824,031	-	-	3,824,031
Cash flows					
Premium received	-	952,170,783	-	-	952,170,783
Claims and other insurance service expenses paid, including investment components	-	-	(400,731,476)	-	(400,731,476)
Insurance acquisition cash flows	-	(135,451,188)	-	-	(135,451,188)
Total cash flows	-	816,719,595	(400,731,476)	-	415,988,119
Insurance contract liabilities as at 31 December 2024	3,818,042	287,096,667	768,282,937	55,270,098	1,114,467,744
Insurance contract liabilities as at 31 December 2024	3,818,042	287,096,667	768,282,937	55,270,098	1,114,467,744
Insurance contract assets as at 31 December 2024	-	-	-	-	-
	3,818,042	287,096,667	768,282,937	55,270,098	1,114,467,744

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8. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis by remaining coverage and incurred claims (continued):

	<u>Assets for remaining coverage</u>		<u>Amounts recoverable on incurred claims</u>		<u>Total</u> RM
	<u>Loss component</u> RM	<u>Excluding loss component</u> RM	<u>Estimates of the present value of future cash flows</u> RM	<u>Risk adjustment</u> RM	
2025					
<u>Group/Company</u>					
Reinsurance contract assets as at 1 January	1,935,092	102,120,763	464,147,362	27,907,646	596,110,863
Reinsurance contract liabilities as at 1 January	-	(11,293,943)	(30,992)	-	(11,324,935)
	<u>1,935,092</u>	<u>90,826,820</u>	<u>464,116,370</u>	<u>27,907,646</u>	<u>584,785,928</u>
Allocation of reinsurance premiums	-	(503,373,791)	-	-	(503,373,791)
Amounts recoverable from reinsurers					
Amount recoverable for incurred claims and other expenses	2,687,843	-	176,737,850	11,580,421	191,006,114
Changes to amounts recoverable for incurred claims	-	-	(132,613,301)	(12,231,080)	(144,844,381)
Loss-recovery on onerous underlying contracts and adjustments	(1,203,294)	-	-	-	(1,203,294)
Effect of changes in non-performance risk of reinsurers	-	-	1,404,905	-	1,404,905
	<u>1,484,549</u>	<u>-</u>	<u>45,529,454</u>	<u>(650,659)</u>	<u>46,363,344</u>

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8. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis by remaining coverage and incurred claims (continued):

	<u>Assets for remaining coverage</u>		<u>Amounts recoverable on incurred claims</u>		<u>Total</u> RM
	<u>Loss component</u> RM	<u>Excluding loss component</u> RM	<u>Estimates of the present value of future cash flows</u> RM	<u>Risk adjustment</u> RM	
2025					
<u>Group/Company</u>					
Net income or expense from reinsurance contracts held	1,484,549	(503,373,791)	45,529,454	(650,659)	(457,010,447)
Finance income for reinsurance contracts held	554,984	-	14,311,693	-	14,866,677
Total changes in the statements of comprehensive income	2,039,533	(503,373,791)	59,841,147	(650,659)	(442,143,770)
Cash flows:					
Premiums paid, net of ceding commission	-	490,727,629	-	-	490,727,629
Claims recovered	-	-	(114,894,380)	-	(114,894,380)
Total cash flows	-	490,727,629	(114,894,380)	-	375,833,249
Net reinsurance contract liabilities as at 31 December 2025	3,974,625	78,180,658	409,063,137	27,256,987	518,475,407
Reinsurance contract assets as at 31 December 2025	3,974,625	84,986,983	409,092,568	27,256,987	525,311,163
Reinsurance contract liabilities as at 31 December 2025	-	(6,806,325)	(29,431)	-	(6,835,756)
	3,974,625	78,180,658	409,063,137	27,256,987	518,475,407

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8. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis by remaining coverage and incurred claims (continued):

	<u>Assets for remaining coverage</u>		<u>Amounts recoverable on incurred claims</u>		<u>Total</u> RM
	<u>Loss component</u> RM	<u>Excluding loss component</u> RM	<u>Estimates of the present value of future cash flows</u> RM	<u>Risk adjustment</u> RM	
2024					
<u>Group/Company</u>					
Reinsurance contract assets as at 1 January	1,552,280	90,336,337	436,757,329	22,077,103	550,723,049
Reinsurance contract liabilities as at 1 January	0	(29,421,522)	(34,088)	-	(29,455,610)
	<u>1,552,280</u>	<u>60,914,815</u>	<u>436,723,241</u>	<u>22,077,103</u>	<u>521,267,439</u>
Allocation of reinsurance premiums	-	(501,643,707)	-	-	(501,643,707)
Amounts recoverable from reinsurers					
Amount recoverable for incurred claims and other expenses	(3,576,416)	-	235,999,217	14,311,311	246,734,112
Changes to amounts recoverable for incurred claims	-	-	(86,246,217)	(8,480,768)	(94,726,985)
Loss-recovery on onerous underlying contracts and adjustments	3,682,304	-	-	-	3,682,304
Effect of changes in non-performance risk of reinsurers	-	-	187,145	-	187,145
	<u>105,888</u>	<u>-</u>	<u>149,940,145</u>	<u>5,830,543</u>	<u>155,876,576</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

8. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

Analysis by remaining coverage and incurred claims (continued):

	<u>Assets for remaining coverage</u>		<u>Amounts recoverable on incurred claims</u>		<u>Total</u> RM
	<u>Loss component</u> RM	<u>Excluding loss component</u> RM	<u>Estimates of the present value of future cash flows</u> RM	<u>Risk adjustment</u> RM	
2024					
<u>Group/Company</u>					
Net income or expense from reinsurance contracts held	105,888	(501,643,707)	149,940,145	5,830,543	(345,767,131)
Finance income for reinsurance contracts held	276,924	-	10,688,841	-	10,965,765
Total changes in the statements of comprehensive income	382,812	(501,643,707)	160,628,986	5,830,543	(334,801,366)
Cash flows:					
Premiums paid, net of ceding commission	-	531,555,712	-	-	531,555,712
Claims recovered	-	-	(133,235,857)	-	(133,235,857)
Total cash flows	-	531,555,712	(133,235,857)	-	398,319,855
Net reinsurance contract liabilities					
as at 31 December 2024	1,935,092	90,826,820	464,116,370	27,907,646	584,785,928
Reinsurance contract assets as at 31 December 2024	1,935,092	102,120,763	464,147,362	27,907,646	596,110,863
Reinsurance contract liabilities as at 31 December 2024	-	(11,293,943)	(30,992)	-	(11,324,935)
	1,935,092	90,826,820	464,116,370	27,907,646	584,785,928

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9. RIGHT-OF-USE ASSETS

	<u>Properties</u>	<u>Equipment</u>	<u>Total</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>
<u>Group/Company</u>			
<u>Cost</u>			
At 1 January 2025	2,349,553	3,785,422	6,134,975
Additions	903,223	-	903,223
Derecognition of expired leases	(916,050)	(776,725)	(1,692,775)
At 31 December 2025	<u>2,336,726</u>	<u>3,008,697</u>	<u>5,345,423</u>
<u>Accumulated depreciation</u>			
At 1 January 2025	1,318,485	2,020,734	3,339,219
Depreciation for the financial year	984,661	729,339	1,714,000
Derecognition of expired leases	(916,050)	(776,725)	(1,692,775)
At 31 December 2025	<u>1,387,096</u>	<u>1,973,348</u>	<u>3,360,444</u>
Net book value at 31 December 2025	<u>949,630</u>	<u>1,035,349</u>	<u>1,984,979</u>
<u>Group/Company</u>			
<u>Cost</u>			
At 1 January 2024	2,071,181	3,941,676	6,012,857
Additions	1,066,794	54,090	1,120,884
Change in consideration	(2,005)	10,907	8,902
Derecognition of expired leases	(786,417)	(221,251)	(1,007,668)
At 31 December 2024	<u>2,349,553</u>	<u>3,785,422</u>	<u>6,134,975</u>
<u>Accumulated depreciation</u>			
At 1 January 2024	1,132,607	1,319,884	2,452,491
Depreciation for the financial year	972,295	922,101	1,894,396
Derecognition of expired leases	(786,417)	(221,251)	(1,007,668)
At 31 December 2024	<u>1,318,485</u>	<u>2,020,734</u>	<u>3,339,219</u>
Net book value at 31 December 2024	<u>1,031,068</u>	<u>1,764,688</u>	<u>2,795,756</u>

The leases typically run for a period of 1 to 3 years (2024: 1 to 3 years), but may have extension options. Total cash outflow for leases amounted to RM1,801,932 (2024: RM1,983,911).

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10. LOANS

<u>Group/Company</u>	<u>2025</u> RM	<u>2024</u> RM
Staff loans:		
Secured	180,510	222,555
Unsecured	24,064	6,647
	<u>204,574</u>	<u>229,202</u>
Receivable after 12 months	<u>150,592</u>	<u>184,009</u>

The weighted average effective interest rate for staff loans as at 31 December 2025 was 3.73% (2024: 3.95%) per annum.

11. OTHER RECEIVABLES

	<u>2025</u>		<u>2024</u>	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Other receivables, deposits and prepayments	11,478,931	11,478,931	10,501,003	10,501,003
Malaysian Motor Insurance Pool ("MMIP")				
- Cash call made	459,477	459,477	3,859,477	3,859,477
- Other assets held in MMIP	35,180,609	35,180,609	32,109,508	32,109,508
Income due and accrued	75,000	75,000	69,000	69,000
	<u>47,194,017</u>	<u>47,194,017</u>	<u>46,538,988</u>	<u>46,538,988</u>
Receivable within 12 months	<u>47,194,017</u>	<u>47,194,017</u>	<u>46,538,988</u>	<u>46,538,988</u>

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

MMIP as at 31 December 2025 is a net receivable of RM24,744,106 (2024: RM24,016,592) after setting-off the amount payable from MMIP against the Company's share of claims and premium liabilities amounting to RM10,420,944 (2024: RM12,096,156).

Financial assets

There is no netting off of the gross amount of recognised financial assets against the gross amount of financial liabilities in the statements of financial position.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received.

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12. SHARE CAPITAL

	<u>Number of ordinary shares</u>		<u>Amount</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	Unit	Unit	RM	RM
<u>Group/Company</u>				
Issued and paid up:				
At beginning and end of financial year	<u>219,875,038</u>	<u>219,875,038</u>	<u>219,875,038</u>	<u>219,875,038</u>

13. RESERVES

The Company may distribute single-tier tax exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend. Pursuant to the Risk-Based Capital 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 dividends would impair its Capital Adequacy Ratio position to below its internal target.

14. DEFERRED TAX LIABILITIES

	<u>2025</u>	<u>2024</u>
	RM	RM
<u>Group/Company</u>		
At 1 January	11,596,447	10,030,834
Recognised in profit or loss	3,142,986	1,565,613
At 31 December	<u>14,739,433</u>	<u>11,596,447</u>

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14. DEFERRED TAX LIABILITIES (CONTINUED)

	<u>Fair value changes on investments</u> RM	<u>Reinsurance contract assets</u> RM	<u>Receivables</u> RM	<u>Others</u> RM	<u>Total</u> RM
<u>2025</u>					
<u>Deferred tax assets</u>					
At 1 January 2025	511,868	18,096,748	869,380	2,065,698	21,543,694
Recognised in profit or loss	(3,417,999)	(6,061,735)	(16,436)	1,140,782	(8,355,388)
At 31 December 2025 (before offsetting)	<u>(2,906,131)</u>	<u>12,035,013</u>	<u>852,944</u>	<u>3,206,480</u>	<u>13,188,306</u>
Offsetting					(13,188,306)
Net deferred tax assets (after offsetting)					<u>-</u>
			<u>Insurance contract liabilities</u> RM	<u>Property, equipment and intangible assets</u> RM	<u>Total</u> RM
<u>2025</u>					
<u>Deferred tax liabilities</u>					
At 1 January 2025			31,029,741	2,110,400	33,140,141
Recognised in profit or loss			(3,360,637)	(1,851,765)	(5,212,402)
At 31 December 2025 (before offsetting)			<u>27,669,104</u>	<u>258,635</u>	<u>27,927,739</u>
Offsetting					(13,188,306)
Net deferred tax liabilities (after offsetting)					<u>14,739,433</u>

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14. DEFERRED TAX LIABILITIES (CONTINUED)

	<u>Fair value changes on investments</u> RM	<u>Reinsurance contract assets</u> RM	<u>Receivables</u> RM	<u>Others</u> RM	<u>Total</u> RM
<u>2024</u>					
<u>Deferred tax assets</u>					
At 1 January 2024	1,530,217	14,263,284	862,213	1,266,963	17,922,677
Recognised in profit or loss	(1,018,349)	3,833,464	7,167	798,735	3,621,017
At 31 December 2024 (before offsetting)	<u>511,868</u>	<u>18,096,748</u>	<u>869,380</u>	<u>2,065,698</u>	<u>21,543,694</u>
Offsetting					(21,543,694)
Net deferred tax assets (after offsetting)					<u>-</u>
			<u>Insurance contract liabilities</u> RM	<u>Property, equipment and intangible assets</u> RM	<u>Total</u> RM
<u>2024</u>					
<u>Deferred tax liabilities</u>					
At 1 January 2024			25,963,975	1,989,536	27,953,511
Recognised in profit or loss			5,065,766	120,864	5,186,630
At 31 December 2024 (before offsetting)			<u>31,029,741</u>	<u>2,110,400</u>	<u>33,140,141</u>
Offsetting					(21,543,694)
Net deferred tax liabilities (after offsetting)					<u>11,596,447</u>

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14. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

	<u>2025</u> RM	<u>2024</u> RM
Current	27,927,739	33,140,141
Non-current	(13,188,306)	(21,543,694)

15. SUBORDINATED LOANS

	<u>2025</u> RM	<u>2024</u> RM
<u>Group/Company</u>		
Subordinated loans	30,000,000	24,337,504
Add: Loan modification with interest conversion to principal	-	5,662,496
Principal	30,000,000	30,000,000
Add: Accrued interest	12,071,749	9,971,749
Payable after 12 months	42,071,749	39,971,749

The fair value of the subordinated loans as at 31 December 2025 and 31 December 2024 amounted to RM30,000,000. The fair value is estimated based on discounted cash flow model for the remaining term of maturity and is within level 2 of the fair value hierarchy.

16. LEASE LIABILITIES

	<u>2025</u> RM	<u>2024</u> RM
<u>Group/Company</u>		
Current lease liabilities	1,322,403	1,429,027
Non-current lease liabilities	722,281	1,429,082
	2,044,684	2,858,109

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17. OTHER PAYABLES

	2025		2024	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Accrual for bonus (including EPF for bonus)	10,613,460	10,613,460	7,909,607	7,909,607
Service tax payable	7,164,390	7,164,390	5,361,738	5,361,738
Amount due from related companies	3,760,000	3,760,000	3,772,634	3,772,634
Other payables and accrued liabilities *	22,609,881	16,870,829	22,962,159	22,436,971
Payable within 12 months	<u>44,147,731</u>	<u>38,408,679</u>	<u>40,006,138</u>	<u>39,480,950</u>

The carrying amounts disclosed above approximate fair values at the reporting date.

* There are no material balances in other payables and accrued liabilities.

Financial liabilities

There is no netting off of gross amount of recognised financial liabilities against the gross amount of financial assets in the statements of financial position.

18. NET INVESTMENT INCOME

	2025		2024	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Investment income				
Rental income from operating lease: Investment properties	239,538	239,538	1,236,826	1,236,826
Financial assets at FVTPL				
Interest income - debt securities	18,769,716	-	12,637,962	-
Dividend income				
- controlled structured entities	-	15,039,238	-	11,865,008
- unit trusts	6,868,953	6,868,953	4,799,758	4,799,758
Dividend income – equity securities	454,930	454,930	468,526	468,526
	<u>26,333,137</u>	<u>22,602,659</u>	<u>19,143,072</u>	<u>18,370,118</u>
Investment expenses				
Foreign exchange losses on investments	(2,487,990)	(2,487,990)	(508,765)	(508,765)
Investment advisory fees	(3,036,362)	(3,036,362)	(2,989,855)	(2,989,855)
Fund managers' fee	(84,842)	(84,842)	(2,668)	(2,668)
Others	(251,514)	(251,514)	(255,218)	(255,218)
Net investment income	<u>20,472,429</u>	<u>16,741,951</u>	<u>15,386,566</u>	<u>14,613,612</u>

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18. NET INVESTMENT INCOME (CONTINUED)

	2025		2024	
	Group RM	Company RM	Group RM	Company RM
Financial assets at FVTPL				
Realised gains/(losses):				
Equity securities	258,924	258,924	14,685	14,685
Corporate bonds	69,281	-	(125,456)	-
Malaysian Government Securities	293,456	-	156,210	-
Government Investment Issues	948,756	-	(1,531)	-
Unit trusts	989,010	989,010	-	-
	<u>2,559,427</u>	<u>1,247,934</u>	<u>43,908</u>	<u>14,685</u>
<u>Property and equipment</u>				
Realised losses	(808)	(808)	(1,844)	(1,844)
	<u>(808)</u>	<u>(808)</u>	<u>(1,844)</u>	<u>(1,844)</u>
Net realised gains	<u>2,558,619</u>	<u>1,247,126</u>	<u>42,064</u>	<u>12,841</u>
Total net investment income	<u><u>23,031,048</u></u>	<u><u>17,989,077</u></u>	<u><u>15,428,630</u></u>	<u><u>14,626,453</u></u>

19. NET FAIR VALUE GAINS

	2025		2024	
	Group RM	Company RM	Group RM	Company RM
Fair value gains financial assets at FVTPL (Note 6)	12,196,105	16,254,793	4,284,172	4,118,676
Fair value gains on investment property (Note 4)	10,000	10,000	-	-
Net fair value gain	<u><u>12,206,105</u></u>	<u><u>16,264,793</u></u>	<u><u>4,284,172</u></u>	<u><u>4,118,676</u></u>

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20. INSURANCE FINANCE INCOME AND EXPENSES

<u>Group/Company</u>	2025	2024
	RM	RM
Finance expenses from insurance contracts issued		
Interest accreted	(20,862,810)	(19,556,079)
Effect of changes in interest rates and other financial assumptions	(5,214,615)	(497,354)
Finance expenses from insurance contracts issued	<u>(26,077,425)</u>	<u>(20,053,433)</u>
Finance income from reinsurance contracts held		
Interest accreted	11,941,142	10,831,966
Effect of changes in interest rates and other financial assumptions	2,925,535	133,799
Finance income from reinsurance contracts held	<u>14,866,677</u>	<u>10,965,765</u>
Net insurance finance expenses	<u>(11,210,748)</u>	<u>(9,087,668)</u>

21. OTHER OPERATING EXPENSES

<u>Group</u>		Expenses	Other direct	Other	Total
<u>2025</u>	Notes	attributable to	attributable	operating	RM
		insurance	expenses	expenses	
		acquisition	RM	RM	RM
		cash flows*			
		RM			
Employee benefits expenses	21(a)	36,762,445	22,645,137	13,881,871	73,289,453
Directors' remuneration	21(b)	-	-	548,828	548,828
Auditors' remuneration					
- Statutory audit		-	-	688,070	688,070
- Audit related services		-	-	1,200	1,200
Other professional fees		-	1,484,953	720,784	2,205,737
Agents' profit commission		-	2,290,785	-	2,290,785
Depreciation of property and equipment	3	-	1,458,296	598,142	2,056,438
Amortisation of intangible assets	5	-	-	709,726	709,726
Depreciation of ROU assets	9	-	1,714,000	-	1,714,000
Computer maintenance and IT expenses		-	8,987,409	-	8,987,409
Management fees to holding company		-	-	1,791,366	1,791,366
Establishment cost		45,067	1,506,442	549,318	2,100,827
Transactional charges		5,168,812	3,472,908	59	8,641,779
Impairment of intangible assets		-	5,160,607	-	5,160,607
Other expenses		1,284,887	4,958,044	3,385,647	9,628,578
Claims expenses		-	244,503	-	244,503
Commissions		100,065,534	-	-	100,065,534
		<u>143,326,745</u>	<u>53,923,084</u>	<u>22,875,011</u>	<u>220,124,840</u>

* Expenses attributable to insurance acquisition cash flows excluded capitalisation and amortisation of insurance acquisition.

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21. OTHER OPERATING EXPENSES (CONTINUED)

<u>Group</u> <u>2024</u>	Note	Expenses attributable to insurance acquisition cash flows* RM	Other direct attributable expenses RM	Other operating expenses RM	Total RM
Employee benefits expenses	21(a)	32,909,403	20,186,942	12,541,222	65,637,567
Directors' remuneration	21(b)	-	-	515,298	515,298
Auditors' remuneration					
- Statutory audit		-	-	673,114	673,114
- Audit related services		-	-	1,100	1,100
Other professional fees		-	648,473	580,113	1,228,586
Agents' profit commission		-	2,835,043	-	2,835,043
Depreciation of property and equipment	3	-	1,521,225	631,543	2,152,768
Amortisation of intangible assets	5	-	-	704,384	704,384
Depreciation of ROU assets	9	-	1,894,396	-	1,894,396
Computer maintenance and IT expenses		-	11,896,460	-	11,896,460
Management fees to holding company		-	-	2,110,265	2,110,265
Establishment cost		49,631	1,347,278	555,320	1,952,229
Transactional charges		7,583,884	3,438,229	68	11,022,181
Other expenses		1,446,168	5,719,158	1,407,158	8,572,484
Claims expenses		-	263,546	-	263,546
Commissions		93,462,102	-	-	93,462,102
		<u>135,451,188</u>	<u>49,750,750</u>	<u>19,719,585</u>	<u>204,921,523</u>
<u>Company</u> <u>2025</u>					
Employee benefits expenses	21(a)	36,762,445	22,645,137	13,881,871	73,289,453
Directors' remuneration	21(b)	-	-	548,828	548,828
Auditors' remuneration					
- Statutory audit		-	-	655,700	655,700
- Audit related services		-	-	1,200	1,200
Other professional fees		-	1,484,953	720,784	2,205,737
Agents' profit commission		-	2,290,785	-	2,290,785
Depreciation of property and equipment	3	-	1,458,296	598,142	2,056,438
Amortisation of intangible assets	5	-	-	709,726	709,726
Depreciation of ROU assets	9	-	1,714,000	-	1,714,000
Computer maintenance and IT expenses		-	8,987,409	-	8,987,409
Management fees to holding company		-	-	1,791,366	1,791,366
Establishment cost		45,067	1,506,442	549,318	2,100,827
Transactional charges		5,168,812	3,472,908	59	8,641,779
Impairment of intangible assets		-	5,160,607	-	5,160,607
Other expenses		1,284,887	4,958,044	1,674,567	7,917,498
Claims expenses		-	244,503	-	244,503
Commissions		100,065,534	-	-	100,065,534
		<u>143,326,745</u>	<u>53,923,084</u>	<u>21,131,561</u>	<u>218,381,390</u>

* Expenses attributable to insurance acquisition cash flows excluded capitalisation and amortisation of insurance acquisition.

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21. OTHER OPERATING EXPENSES (CONTINUED)

<u>Company</u> <u>2024</u>	Note	Expenses attributable to insurance acquisition cash flows* RM	Other direct attributable expenses RM	Other operating expenses RM	Total RM
Employee benefits expenses	21(a)	32,909,403	20,186,942	12,541,222	65,637,567
Directors' remuneration	21(b)	-	-	515,298	515,298
Auditors' remuneration					
- Statutory audit		-	-	649,300	649,300
- Audit related services		-	-	1,100	1,100
Other professional fees		-	648,473	580,113	1,228,586
Agents' profit commission		-	2,835,043	-	2,835,043
Depreciation of property and equipment	3	-	1,521,225	631,543	2,152,768
Amortisation of intangible assets	5	-	-	704,384	704,384
Depreciation of ROU assets	9	-	1,894,396	-	1,894,396
Computer maintenance and IT expenses		-	11,896,460	-	11,896,460
Management fees to holding company		-	-	2,110,265	2,110,265
Establishment cost		49,631	1,347,278	555,320	1,952,229
Transactional charges		7,583,884	3,438,229	68	11,022,181
Other expenses		1,446,168	5,719,158	547,117	7,712,443
Claims expenses		-	263,546	-	263,546
Commissions		93,462,102	-	-	93,462,102
		<u>135,451,188</u>	<u>49,750,750</u>	<u>18,835,730</u>	<u>204,037,668</u>

* Expenses attributable to insurance acquisition cash flows excluded capitalisation and amortisation of insurance acquisition.

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21. OTHER OPERATING EXPENSES (CONTINUED)

	2025		2024	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
(a) Employee benefits expenses				
Wages and salaries	58,947,142	58,947,142	52,883,981	52,883,981
Social security contributions	945,971	945,971	792,309	792,309
Contributions to defined contribution plan, EPF	8,519,905	8,519,905	8,032,864	8,032,864
Employee share ownership plan ("ESOP")	376,186	376,186	229,483	229,483
Staff insurance	2,621,782	2,621,782	1,978,304	1,978,304
Other benefits	1,878,467	1,878,467	1,720,626	1,720,626
	<u>73,289,453</u>	<u>73,289,453</u>	<u>65,637,567</u>	<u>65,637,567</u>

(b) Directors' remuneration

The details of remuneration received and receivable by Directors of the Company during the financial year are as follows:

	<u>2025</u> RM	<u>2024</u> RM
<u>Group/Company</u>		
<u>Total Directors' remuneration</u>		
Athappan Gobinath Arvind *	-	-
Dato' Khalid bin Abdol Rahman	50,993	151,200
Ajit Nair	-	131,348
Dato' Chan Choy Lin	157,600	158,200
Dr. Letchumanan a/l Amaippen	128,100	60,599
Simon Philip Guy Lee	66,768	13,951
Lim Kian Wei	70,094	-
Datuk Shaharuddin bin Md Som	72,132	-
Norchahya binti Ahmad	3,141	-
	<u>548,828</u>	<u>515,298</u>

(*) There is no Directors' remuneration to Mr Gobi as a Director of the Company. He receives compensation and other benefits in his capacity to support the Appointed Representative's function which is included in Note 21(a) wages and salaries.

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22. TAXATION

<u>Group/Company</u>	<u>2025</u> RM	<u>2024</u> RM
Income tax:		
Malaysian income tax	6,444,390	3,742,297
Under provision of income tax in prior year	396,912	158,854
	<u>6,841,302</u>	<u>3,901,151</u>
Deferred tax relating to origination and reversal of temporary differences (Note 14)	3,142,986	1,565,613
Tax expense for the financial year	<u>9,984,288</u>	<u>5,466,764</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% on the estimated assessable profit for the financial year.

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

<u>Group</u>	<u>2025</u> RM	<u>2024</u> RM
Profit before taxation	<u>55,934,628</u>	<u>33,850,836</u>
Taxation at Malaysian statutory income tax rate of 24%	13,424,311	8,124,201
Expenses not deductible for tax purposes	2,461,888	1,621,474
Income not subject to tax	(5,886,915)	(4,437,766)
Under provision of income tax in prior year	396,912	158,855
Temporary differences previously not recognised	(411,908)	-
Tax expense for the financial year	<u>9,984,288</u>	<u>5,466,764</u>
 <u>Company</u>		
Profit before taxation	<u>55,873,937</u>	<u>33,796,055</u>
Taxation at Malaysian statutory income tax rate of 24%	13,409,746	8,111,054
Expenses not deductible for tax purposes	2,476,453	1,634,621
Income not subject to tax	(5,886,915)	(4,437,766)
Under provision of income tax in prior year	396,912	158,855
Temporary differences previously not recognised	(411,908)	-
Tax expense for the financial year	<u>9,984,288</u>	<u>5,466,764</u>

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23. BASIC EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the profit after taxation for the financial year over the number of shares in issue during the financial year of 219,875,038 (2024: 219,875,038).

	<u>2025</u>	<u>2024</u>
<u>Group</u>		
Profit attributable to shareholders (RM)	45,368,321	28,367,476
Weighted average number of shares in issue	219,875,038	219,875,038
Basic earnings per ordinary share (sen)	<u>20.6</u>	<u>12.9</u>
 <u>Company</u>		
Profit attributable to shareholders (RM)	45,889,649	28,329,291
Weighted average number of shares in issue	219,875,038	219,875,038
Basic earnings per ordinary share (sen)	<u>20.9</u>	<u>12.9</u>

24. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

As at 31 December 2025, the Directors do not recommend any dividend to be paid for the financial year.

25. CAPITAL COMMITMENTS

	<u>2025</u>	<u>2024</u>
<u>Group/Company</u>	<u>RM</u>	<u>RM</u>
Approved and contracted for:		
Office equipment	26,162	-
Computers	177,469	136,160
Intangible assets	20,755	21,738
Furniture and fittings	23,954	17,598
	<u>248,340</u>	<u>175,496</u>

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26. SIGNIFICANT RELATED PARTY DISCLOSURES

- (a) The Company is a subsidiary of Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77. The ultimate holding company is Fairfax Financial Holdings Limited ("FFHL"), a company incorporated in Canada.
- (b) In addition to related party disclosures detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with their related parties:

<u>Significant transactions</u>	<u>2025</u>	<u>2024</u>
<u>Group/Company</u>	<u>RM</u>	<u>RM</u>
Corporate shareholder:		
- Koperasi MCIS Berhad		
<u>Expense</u>		
Rental of premise	242,465	223,814
Parking	24,560	19,320
Other expenses	2,698	6,231
Fellow subsidiaries within FFHL Group:		
<u>Income</u>		
Claim recovery		
- Wentworth Insurance Company Limited (Labuan)	22,830,841	10,649,102
- Allied World Assurance Company, Ltd. (Labuan)	1,688,708	484,994
- Newline Asia Services Pte. Ltd.	10,409	-
- CRC Reinsurance Limited (Barbados)	4,726	46,325
- Singapore Reinsurance Corporation Limited	30,690,934	38,726,229
- Newline Malaysia Limited	473,104	23,819
- Falcon Insurance Company (Hong Kong) Ltd	47	57,835
- Brit Syndicate Limited (Lloyd'S Syndicate)	34,227	-
- Allied World Managing Agency Limited (Lloyd'S Syndicate)	12,792	-
	<u>55,745,788</u>	<u>49,988,304</u>
Commission income		
- CRC Reinsurance Limited (Barbados)	30	285
- Wentworth Insurance Company Limited (Labuan)	26,067,356	44,804,386
- Allied World Assurance Company, Ltd. (Labuan)	720,144	1,057,065
- Newline Malaysia Limited	705,174	410,365
- Newline Asia Services Pte. Ltd.	834	3,023
- Falcon Insurance Company (Hong Kong) Limited	25,133	-
- Singapore Reinsurance Corporation Limited	8,254,810	4,217,959
- Gulf Insurance Group K.S.C	2,190	2,390
- Brit Syndicate Limited (Lloyd'S Syndicate)	9,995	7,723
- Allied World Managing Agency Limited (Lloyd'S Syndicate)	6,714	9,724
	<u>35,792,380</u>	<u>50,512,920</u>

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26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (b) In addition to related party disclosures detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with their related parties (continued):

<u>Significant transactions</u>	<u>2025</u>	<u>2024</u>
	RM	RM
<u>Group/Company (continued)</u>		
Fellow subsidiaries within FFHL Group: (continued)		
<u>Expense</u>		
Reinsurance premium ceded		
- CRC Reinsurance Limited (Barbados)	4	1,141
- Wentworth Insurance Company Limited (Labuan)	112,760,083	282,358,770
- Allied World Assurance Company, Ltd. (Labuan)	7,776,289	6,025,141
- Newline Malaysia Limited	3,817,786	2,924,637
- Newline Asia Services Pte. Ltd.	2,355	12,972
- Falcon Insurance Company (Hong Kong) Limited	172,484	-
- Singapore Reinsurance Corporation Limited	42,686,654	29,110,116
- Gulf Insurance Group K.S.C	5,912	6,453
- Brit Syndicate Limited (Lloyd'S Syndicate)	77,309	35,840
- Allied World Managing Agency Limited (Lloyd'S Syndicate)	35,586	43,349
	<u>167,334,462</u>	<u>320,518,419</u>
Interest expense on premium withheld		
- Wentworth Insurance Company Limited (Labuan)	-	36,338
Investment management fees		
- Hamblin Watsa Investment Counsel Ltd.	3,036,362	2,989,855
Management fees		
- Fairfax Asia Limited	1,791,366	2,110,265
Finance cost		
- Fairfax Asia Limited	2,100,000	2,100,000
Information Technology maintenance service		
- FFH Management Services Ltd.	564,190	493,213
Professional service - MFRS 17		
- Fairfax Financial Holdings Limited	580,868	525,376
Subscription fee		
- Falcon Insurance Company (Hong Kong) Limited	16,257	18,556
Consultancy fee		
- QuessGlobal (Malaysia) Sdn. Bhd.	-	(38,632)

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26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (b) In addition to related party disclosures detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with their related parties (continued):

<u>Significant transactions</u>	<u>2025</u>	<u>2024</u>
	RM	RM
<u>Group/Company (continued)</u>		
<u>Payables/(Receivables)</u>		
Other balances due to/(due from)		
- CRC Reinsurance Limited (Barbados)	(17,890)	(16,222)
- Wentworth Insurance Company Limited (Labuan)	4,092,026	1,202,768
- Fairfax Asia Limited	45,643,410	43,620,857
- Allied World Assurance Company, Ltd. (Labuan)	1,911,893	77,353
- Newline Malaysia Limited	527,098	1,147,092
- Fairfax Financial Holdings Limited	1,147,152	583,005
- Koperasi MCIS Berhad	(93,072)	(93,072)
- Singapore Reinsurance Corporation Limited	(7,912,387)	(9,061,022)
	<u>45,298,230</u>	<u>37,460,759</u>

- (c) Compensation of key management personnel

The remuneration of CEO and other members of key management during the financial year was as follows:

	<u>2025</u>	<u>2024</u>
	RM	RM
Short-term employee benefits	4,941,133	4,910,480
Defined contribution plan	462,465	554,673
	<u>5,403,598</u>	<u>5,465,153</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly. The key management personnel of the Group and the Company includes the Chief Executive Officer, Senior Executive Vice President and other personnel with corporate ranking General Manager and above.

The details of remuneration received and receivable by the CEO during the financial year are as follows:

	<u>2025</u>	<u>2024</u>
	RM	RM
<u>Group/Company</u>		
Salary and other emoluments	664,212	685,693
Bonus	71,102	93,227
Contribution to defined contribution plan	117,660	80,724
Estimated money value of benefits-in-kind	177,597	134,656
	<u>1,030,571</u>	<u>994,300</u>

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26. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (c) Compensation of key management personnel (continued)

TPIB has an Appointed Representative who is responsible for business and day-to-day management of the Company in executing strategic goals set by the Board.

27. RISK MANAGEMENT FRAMEWORK

- (a) Risk management framework

The Group and Company's Risk Management Framework ("RMF") sets out a framework of principles on risk management to guide the Board and senior management in performing their risk oversight function, and sets forth the principles and guidelines of the Group and Company's risk management strategy.

The RMF is designed to:

- Provide the Board and senior management reasonable assurance that the Group and Company's business objectives will be achieved by aligning risk appetite and strategy, proactively responding to risks, reducing operational surprises and losses, and identifying and managing cross-enterprise risks.
- Improve deployment of capital.
- Enhance corporate governance and successfully respond to a changing business environment.
- Assist management in implementing a sound and risk-based internal control system and provide the risk reporting tools to be used to identify significant control lapses/ weaknesses and monitor corrective action.
- Guide staff in understanding the risk assessment methodology and strengthen their risk awareness and capability to identify, manage and control business risks.

The RMF has the following core components:

1. A governance structure that sets the oversights and the roles and responsibilities of risk
2. A risk appetite statement which sets out the type and amount of risk the Group and the Company are able and willing to accept;
3. A series of policies and guidelines to support the implementation of the RMF;
4. A risk taxonomy that are aligned with the risk categories in the BNM Internal Capital Adequacy Assessment Process (ICAAP);
5. A risk management system that is used to identify, measure, mitigate, monitor and report the risks in accordance with the risk appetite statement; and
6. A risk culture which encourages all employees to engage actively in risk management.

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27. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Regulatory framework

Insurers have to comply with the Financial Services Act, 2013 and circulars and guidelines issued by BNM, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the policyholders and shareholders.

(c) Capital management

The Group and Company's capital management policy is to deliver sustainable returns to shareholders, maintain a strong capital position with optimum buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth. The RBC Framework and Guidelines on ICAAP for the insurance industry came into effect on 1 January 2009 and 1 September 2012 respectively. Under these requirements, the Company has to maintain a capital adequacy ratio (CAR) that commensurate with its risk profile. The minimum Statutory Target Capital Level requirement under the Risk-Based Capital Framework for insurers is 130%. Throughout the financial year, the Company maintained a CAR higher than the minimum requirement set by the Authority.

(d) Anti-Money Laundering Anti-Terrorism Financing and Proceeds of Unlawful Activities (AMLATFPUA)

Following the Anti-Money Laundering Anti-Terrorism Financing and Proceeds of Unlawful Activities (AMLATFPUA) (Amendment of First Schedule) Order 2014, whereby general insurers are no longer defined as Reporting Institutions under the AMLATFPUA Act 2001 with effect from 5 November 2014, and the BNM Policy Document on AML, CFT and TFS for FIs reissued by BNM on 5 February 2024, the scope of AML/CFT risk monitoring under the AMLATFPUA Act 2001 for general insurers had been significantly scaled down. Based on the development, the Company has in place a CFT/CPF and TFS Policy (Version 13.0) and a SOP on Ultimate Beneficial Owner Identification and Verification (Version 4.0) in accordance with the relevant BNM policy document and the AMLATFPUA Act 2001 to mitigate the risk of the Company from being used as a channel for financing of terrorism. Towards this end, the Company is leveraging on IT program to facilitate the screening of the Company's customers name against the database of specified individuals and entities published in the relevant United Nations Security Council Resolutions (UNSCRs) and Ministry of Home Affairs Orders, and also conducting beneficial owner (BO) screenings prior to onboarding of customers that engage in businesses that are susceptible to higher risk of terrorism financing and prior to payouts.

28. INSURANCE RISK

In designing and pricing the general insurance products, the Company makes several assumptions about the number of claims and the average cost per claim in order to calculate the premiums to be charged. The insurance risk of LRC and LIC consists of premium and reserve risks. The risk that the premium charged for insurance contracts may not be sufficient to cover the actual costs of claims and expense is defined as premium risk. Reserve risks represent the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an inappropriate basis for the calculation of reserves. The Company also assesses, each year, the expected level of claims that must be reserved based on events that have already occurred but which claims are yet to be reported or claim settlements remain outstanding (reserve risk). In setting these assumptions, the Company considers the impact and trend of large insurance claims (large loss risk) as well as the potential exposure to claims arising from natural catastrophe events (natural catastrophe risk). In all the above instances, the risk to the Company arises from the possibility that the actual outcome may differ from the assumptions.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

28. INSURANCE RISK (CONTINUED)

Hence, the primary risk is the variability of the claim events, which may differ from the assumptions made during the acceptance of the business and also during the assessment of the expected level of claims after an event occurs.

The variability of the claim events can be reduced through writing a more diversified portfolio of insurance contracts and through the use of proper reinsurance arrangements. In addition, selection of risks, appropriate implementation of underwriting strategy and guidelines, effective claims management and adequate control systems aid to ensure a robust insurance risk management.

The objective of the Company is to control and manage insurance risk, thereby reducing the volatility of operating profits, has been achieved the following measures:

- The Company's underwriting approach is governed by an underwriting policy and guidelines which establish a control framework for risk acceptance and referrals, underwriting capacity and authority limits granted to the various operations.
- The Company's claims philosophy which provides a framework for claims management, regular claims review and claims handling procedures with the goal of minimising the uncertainty of claims development and inflationary costs, as well as mitigating dubious or fraudulent claims, whilst ensuring fair claims settlement.
- Reinsurance is utilised to limit the Company's exposure to large claims and catastrophes by placing risk at reinsurers that provide high security.

The key assumptions made when setting the premiums and valuation of technical provisions are that the Company's future claims development will follow patterns similar to past claims development experience. This includes assumptions in respect of the possibility and magnitude of future claims development, and the expenses involved in handling them. Additional qualitative judgments are made to assess the extent to which past trends may not continue in the future, for example, isolated occurrence of large or catastrophic (eg floods) claims as well as internal factors such as change in portfolio mix, policy conditions and claims handling procedures.

Estimation of the Company's insurance contract liabilities are affected by future events, which can be unpredictable. Hence, the assumptions made may well vary from actual experience. In order for the management to understand the impact of these assumptions differences, a Stress Testing exercise is performed annually to test the solvency of the company under various scenarios, simulating changes in major parameters such as new business volume, claims experience, expenses and investment environment, according to regulatory guidelines. This will help to inform the management about the key areas with significant impact to the business and so that the Company is managed more effectively.

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28. INSURANCE RISK (CONTINUED)

The table below sets out the concentration of the general insurance risk based on the LIC as at the end of the reporting period. The portfolios are aggregated for internal monitoring purposes as below:

<u>Group/Company</u>	<u>2025</u>			<u>2024</u>		
	<u>Gross</u> <u>RM</u>	<u>Reinsurance</u> <u>RM</u>	<u>Net</u> <u>RM</u>	<u>Gross</u> <u>RM</u>	<u>Reinsurance</u> <u>RM</u>	<u>Net</u> <u>RM</u>
<u>Claim liabilities</u>						
Motor	251,605,263	(19,307,317)	232,297,946	308,678,565	(55,345,055)	253,333,510
Fire	156,997,875	(156,575,646)	422,229	165,327,250	(162,022,672)	3,304,578
Marine, Aviation and Transit	127,569,489	(108,885,569)	18,683,920	96,188,050	(81,629,841)	14,558,209
Medical and Health	16,319,159	(417,473)	15,901,686	15,989,856	(662,646)	15,327,210
Miscellaneous	204,518,195	(151,134,119)	53,384,076	237,369,314	(192,363,802)	45,005,512
	<u>757,009,981</u>	<u>(436,320,124)</u>	<u>320,689,857</u>	<u>823,553,035</u>	<u>(492,024,016)</u>	<u>331,529,019</u>

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's and the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates discounting if any, delays in settlement and changes in foreign currency rates.

Sensitivities

Analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and the Company's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

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28. INSURANCE RISK (CONTINUED)

Sensitivities (continued)

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities for incurred claims, profit after tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, 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.

<u>Group/Company</u>	<u>Change in assumptions</u>	Impact on gross liabilities for incurred claims RM	Impact on net liabilities for incurred claims RM	Impact on profit after tax RM	Impact on equity RM
<u>2025</u>					
Average claim cost	+10%	75,498,828	34,786,344	(26,437,622)	(26,437,622)
Average number of claims	+10%	12,231,723	5,745,055	(4,366,241)	(4,366,241)
<u>2024</u>					
Average claim cost	+10%	81,886,853	36,254,309	(27,553,275)	(27,553,275)
Average number of claims	+10%	14,736,469	6,088,562	(4,627,307)	(4,627,307)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Group and the Company give consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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28. INSURANCE RISK (CONTINUED)

Gross liabilities for incurred claims as at 31 December 2025:

Accident year	Prior to 2020 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM	2025 RM
<u>Group/Company</u>							
At end of accident year		356,139,876	332,133,295	398,338,626	523,821,481	497,200,190	414,341,544
One year later		268,273,060	362,540,786	330,293,341	440,111,700	407,016,119	
Two years later		271,095,925	387,280,598	318,312,214	415,246,117		
Three years later		264,377,960	384,309,953	306,057,117			
Four years later		261,471,882	379,760,285				
Five years later		260,660,669					
Current estimate of cumulative claims incurred		<u>260,660,669</u>	<u>379,760,285</u>	<u>306,057,117</u>	<u>415,246,117</u>	<u>407,016,119</u>	<u>414,341,544</u>
At end of accident year		(86,780,437)	(70,667,864)	(97,374,246)	(129,472,255)	(109,253,538)	(100,726,577)
One year later		(150,405,299)	(179,245,638)	(187,552,807)	(260,492,199)	(214,461,968)	
Two years later		(203,570,044)	(278,314,408)	(226,173,266)	(340,188,986)		
Three years later		(230,737,243)	(328,492,844)	(253,665,704)			
Four years later		(238,419,302)	(340,570,742)				
Five years later		(248,213,167)					
Cumulative payments to-date		<u>(248,213,167)</u>	<u>(340,570,742)</u>	<u>(253,665,704)</u>	<u>(340,188,986)</u>	<u>(214,461,968)</u>	<u>(100,726,577)</u>

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28. INSURANCE RISK (CONTINUED)

Gross liabilities for incurred claims as at 31 December 2025 (continued):

Accident year	Prior to 2020 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM	2025 RM	Total RM
<u>Group/Company</u>								
Gross general insurance outstanding liabilities (direct and facultative)	29,561,613	12,447,502	39,189,543	52,391,413	75,057,131	192,554,151	313,614,967	714,816,320
Gross general insurance outstanding liabilities (treaty inward)								7,475,572
Best estimate of claim liabilities								722,291,892
Claims handling expenses								14,993,553
Risk adjustment ("RA") at 75% confidence Level (before discounting)								58,482,578
Effect of discounting for FCF & RA								(38,758,042)
Gross general insurance contract liabilities per statements of financial position								757,009,981

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

28. INSURANCE RISK (CONTINUED)

Net liabilities for incurred claims as at 31 December 2025:

Accident year	Prior to 2020 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM	2025 RM
<u>Group/Company</u>							
At end of accident year		153,062,052	183,954,615	241,016,301	284,279,103	246,069,978	230,640,238
One year later		136,504,358	161,484,101	233,285,867	276,070,114	238,677,286	
Two years later		135,151,093	160,991,244	228,972,552	266,330,657		
Three years later		134,867,259	157,875,499	224,485,983			
Four years later		135,352,840	157,963,345				
Five years later		135,431,774					
Current estimate of cumulative claims incurred		135,431,774	157,963,345	224,485,983	266,330,657	238,677,286	230,640,238
At end of accident year		(59,422,634)	(61,552,928)	(111,707,341)	(125,595,238)	(108,951,311)	(99,901,872)
One year later		(93,345,413)	(124,528,388)	(159,341,010)	(187,058,579)	(166,609,643)	
Two years later		(118,938,531)	(129,284,843)	(186,328,742)	(228,989,085)		
Three years later		(124,384,352)	(142,497,008)	(202,117,038)			
Four years later		(127,452,006)	(147,584,730)				
Five years later		(129,777,482)					
Cumulative payments to-date		(129,777,482)	(147,584,730)	(202,117,038)	(228,989,085)	(166,609,643)	(99,901,872)

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28. INSURANCE RISK (CONTINUED)

Net liabilities for incurred claims as at 31 December 2025 (continued):

Accident year	Prior to 2020 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM	2025 RM	Total RM
<u>Group/Company</u>								
Net general insurance outstanding liabilities (direct and facultative)	2,165,370	5,654,292	10,378,615	22,368,945	37,341,572	72,067,643	130,738,366	280,714,803
Net general insurance outstanding liabilities (treaty inward)								7,673,058
Best estimate of claim liabilities								288,387,861
Claims handling expenses								14,993,552
Risk adjustment at 75% confidence Level (before discounting)								29,512,955
Effect of non-performance risk of reinsurers								1,048,056
Effect of discounting for FCF & RA								(13,252,567)
Net general insurance contract liabilities per statements of financial position								<u>320,689,857</u>

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28. INSURANCE RISK (CONTINUED)

Gross liabilities for incurred claims as at 31 December 2024:

Accident year	Prior to 2019 RM	2019 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM
<u>Group/Company</u>							
At end of accident year		435,946,140	356,139,876	332,133,295	398,338,626	523,821,481	497,200,190
One year later		387,058,133	268,273,060	362,540,786	330,293,341	440,111,700	
Two years later		388,549,075	271,095,925	387,280,598	318,312,214		
Three years later		399,728,409	264,377,960	384,309,953			
Four years later		391,710,675	261,471,882				
Five years later		391,647,181					
Current estimate of cumulative claims incurred		<u>391,647,181</u>	<u>261,471,882</u>	<u>384,309,953</u>	<u>318,312,214</u>	<u>440,111,700</u>	<u>497,200,190</u>
At end of accident year		(111,114,310)	(86,780,437)	(70,667,864)	(97,374,246)	(129,472,255)	(109,253,538)
One year later		(247,877,304)	(150,405,299)	(179,245,638)	(187,552,807)	(260,492,199)	
Two years later		(294,686,007)	(203,570,044)	(278,314,408)	(226,173,266)		
Three years later		(327,193,063)	(230,737,243)	(328,492,844)			
Four years later		(346,307,281)	(238,419,302)				
Five years later		(350,636,880)					
Cumulative payments to-date		<u>(350,636,880)</u>	<u>(238,419,302)</u>	<u>(328,492,844)</u>	<u>(226,173,266)</u>	<u>(260,492,199)</u>	<u>(109,253,538)</u>

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28. INSURANCE RISK (CONTINUED)

Gross liabilities for incurred claims as at 31 December 2024 (continued):

Accident year	Prior to 2019 RM	2019 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM	Total RM
<u>Group/Company</u>								
Gross general insurance outstanding liabilities (direct and facultative)	13,021,038	41,010,301	23,052,580	55,817,109	92,138,948	179,619,501	387,946,652	792,606,129
Gross general insurance outstanding liabilities (treaty inward)								7,979,787
Best estimate of claim liabilities								800,585,916
Claims handling expenses								14,755,212
Risk adjustment at 75% confidence Level (before discounting)								58,683,439
Effect of discounting for FCF & RA								(50,471,532)
Gross general insurance contract liabilities per statements of financial position								<u>823,553,035</u>

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28. INSURANCE RISK (CONTINUED)

Net liabilities for incurred claims as at 31 December 2024:

Accident year	Prior to 2019 RM	2019 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM
<u>Group/Company</u>							
At end of accident year		172,774,434	153,062,052	183,954,615	241,016,301	284,279,103	246,069,978
One year later		166,591,291	136,504,358	161,484,101	233,285,867	276,070,114	
Two years later		166,033,362	135,151,093	160,991,244	228,972,552		
Three years later		165,442,768	134,867,259	157,875,499			
Four years later		164,611,522	135,352,840				
Five years later		164,040,523					
Current estimate of cumulative claims incurred		<u>164,040,523</u>	<u>135,352,840</u>	<u>157,875,499</u>	<u>228,972,552</u>	<u>276,070,114</u>	<u>246,069,978</u>
At end of accident year		(71,167,728)	(59,422,634)	(61,552,928)	(111,707,341)	(125,595,238)	(108,951,311)
One year later		(132,596,559)	(93,345,413)	(124,528,388)	(159,341,010)	(187,058,579)	
Two years later		(151,866,647)	(118,938,531)	(129,284,843)	(186,328,742)		
Three years later		(163,553,337)	(124,384,352)	(142,497,008)			
Four years later		(160,879,913)	(127,452,006)				
Five years later		(161,375,319)					
Cumulative payments to-date		<u>(161,375,319)</u>	<u>(127,452,006)</u>	<u>(142,497,008)</u>	<u>(186,328,742)</u>	<u>(187,058,579)</u>	<u>(108,951,311)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

28. INSURANCE RISK (CONTINUED)

Net liabilities for incurred claims as at 31 December 2024 (continued):

Accident year	Prior to 2019 RM	2019 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM	Total RM
<u>Group/Company</u>								
Net general insurance outstanding liabilities (direct and facultative)	4,494,842	2,665,204	7,900,834	15,378,491	42,643,810	89,011,535	137,118,667	299,213,383
Net general insurance outstanding liabilities (treaty inward)								7,812,447
Best estimate of claim liabilities								307,025,830
Claims handling expenses								14,755,211
Risk adjustment at 75% confidence Level (before discounting)								28,994,151
Effect of non-performance risk of reinsurers								2,006,565
Effect of discounting for FCF & RA								(21,252,738)
Net general insurance contract liabilities per statements of financial position								331,529,019

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29. FINANCIAL RISKS

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The major classes of financial assets of the Group and the Company are deposits with financial institutions, FVTPL financial investments, insurance contract assets and reinsurance contract assets.

Credit risk arises when the Group's and the Company's cash assets are placed in interest-bearing instruments, mainly fixed and call deposits and repurchase agreements with licensed financial institutions. The Group and the Company manage this credit risk by spreading their deposits with a large group of financial institutions.

Trade receivables are monitored regularly and the Group and the Company adopt various control measures such as 60 days Premium Warranty and Cash Before Cover to minimise this credit risk.

Credit exposure

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statements of financial position.

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the credit ratings of counterparties obtained from Rating Agency of Malaysia ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), A.M. Best Company ("A.M. Best"), Standard & Poor's ("S&P") and Fitch Solution. AAA is the highest possible rating.

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29. FINANCIAL RISKS (CONTINUED)

	<u>Government</u> <u>Guaranteed</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>Total</u>
2025	RM	RM	RM	RM	RM	RM	RM
<u>Group</u>							
Amortised cost:							
Fixed and call deposits	-	84,458,580	10,892,639	-	-	-	95,351,219
Loans	-	-	-	-	-	204,574	204,574
FVTPL financial investments:							
Malaysian Government Securities	13,236,416	-	-	-	-	-	13,236,416
Government Investment Issues	197,529,024	-	-	-	-	-	197,529,024
Corporate bonds	311,362,450	6,081,871	49,610,463	7,173,215	-	2,539,970	376,767,969
Unit trusts	-	-	-	-	-	180,627,167	180,627,167
Equity securities	-	-	-	-	-	32,326,510	32,326,510
Insurance contract assets	-	-	-	-	-	3,523,203	3,523,203
Reinsurance contract assets	-	3,156,579	77,504,438	406,728,329	-	37,921,817	525,311,163
Cash and cash equivalents	-	42,055,649	72,746,840	-	30,762,814	11,101	145,576,404
	<u>522,127,890</u>	<u>135,752,679</u>	<u>210,754,380</u>	<u>413,901,544</u>	<u>30,762,814</u>	<u>257,154,342</u>	<u>1,570,453,649</u>
<u>Company</u>							
Amortised cost:							
Fixed and call deposits	-	84,458,580	10,892,639	-	-	-	95,351,219
Loan	-	-	-	-	-	204,574	204,574
FVTPL financial investments:							
Unit trusts	-	-	-	-	-	773,237,570	773,237,570
Equity securities	-	-	-	-	-	32,326,510	32,326,510
Insurance contract assets	-	-	-	-	-	3,523,203	3,523,203
Reinsurance contract assets	-	3,156,579	77,504,438	406,728,329	-	37,921,817	525,311,163
Cash and cash equivalents	-	41,892,740	72,699,849	-	-	11,101	114,603,690
	<u>-</u>	<u>129,507,899</u>	<u>161,096,926</u>	<u>406,728,329</u>	<u>-</u>	<u>847,224,775</u>	<u>1,544,557,929</u>

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29. FINANCIAL RISKS (CONTINUED)

Credit exposure by credit rating (continued)

	Government Guaranteed	AAA	AA	A	BBB	Not rated	Total
	RM	RM	RM	RM	RM	RM	RM
2024 <u>Group</u>							
Amortised cost:							
Fixed and call deposits	-	107,375,248	-	76,856,431	-	-	184,231,679
Loan	-	-	-	-	-	229,202	229,202
FVTPL financial investments:							
Malaysian Government Securities	48,821,465	-	-	-	-	-	48,821,465
Government Investment Issues	97,025,198	-	-	-	-	-	97,025,198
Corporate bonds	148,507,739	7,722,691	49,046,346	4,571,377	-	2,494,219	212,342,372
Unit trusts	-	-	-	-	-	280,943,573	280,943,573
Equity securities	-	-	-	-	-	39,115,056	39,115,056
Reinsurance contract assets	-	2,195,204	12,979,501	544,768,493	255,178	35,912,487	596,110,863
Cash and cash equivalents	-	20,225,775	69,210,707	-	26,812,655	11,100	116,260,237
	<u>294,354,402</u>	<u>137,518,918</u>	<u>131,236,554</u>	<u>626,196,301</u>	<u>27,067,833</u>	<u>358,705,637</u>	<u>1,575,079,645</u>

Company

Amortised cost:							
Fixed and call deposits	-	107,375,248	-	76,856,431	-	-	184,231,679
Loan	-	-	-	-	-	229,202	229,202
FVTPL financial investments							
Unit trusts	-	-	-	-	-	665,442,395	665,442,395
Equity securities	-	-	-	-	-	39,115,056	39,115,056
Reinsurance contract assets	-	2,195,204	12,979,501	544,768,493	255,178	35,912,487	596,110,863
Cash and cash equivalents	-	20,207,648	69,189,176	-	-	11,100	89,407,924
	<u>-</u>	<u>129,778,100</u>	<u>82,168,677</u>	<u>621,624,924</u>	<u>255,178</u>	<u>740,710,240</u>	<u>1,574,537,119</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

29. FINANCIAL RISKS (CONTINUED)

Credit exposure

To manage the credit risks of insurance receivables, the Group and the Company have established credit policies that govern credit approval, review and monitoring processes and impairment assessment processes. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also monthly management reports showing the ageing analysis of balance overdue, and the management will monitor the ageing analysis on a regular basis.

The following table summarises the credit quality of financial assets and reinsurance assets at the date of the statement of financial position.

2025	Neither past due nor impaired RM	Past due and impaired RM	Total RM
<u>Group</u>			
Amortised cost:			
Fixed and call deposits	95,351,219	-	95,351,219
Loan	204,574	-	204,574
FVTPL financial investments:			
Malaysian Government Securities	13,236,416	-	13,236,416
Government Investment Issues	197,529,024	-	197,529,024
Corporate bonds	376,767,969	-	376,767,969
Unit trusts	180,627,167	-	180,627,167
Equity securities	32,326,510	-	32,326,510
Insurance contract assets	2,819,601	703,602	3,523,203
Reinsurance contract assets	524,916,384	394,779	525,311,163
Cash and cash equivalents	145,576,404	-	145,576,404
	<u>1,569,355,268</u>	<u>1,098,381</u>	<u>1,570,453,649</u>

2025	Neither past due nor impaired RM	Past due and impaired RM	Total RM
<u>Company</u>			
Amortised cost:			
Fixed and call deposits	95,351,219	-	95,351,219
Loan	204,574	-	204,574
FVTPL financial investments:			
Unit trusts	773,237,570	-	773,237,570
Equity securities	32,326,510	-	32,326,510
Insurance contract assets	2,819,601	703,602	3,523,203
Reinsurance contract assets	524,916,384	394,779	525,311,163
Cash and cash equivalents	114,603,690	-	114,603,690
	<u>1,543,459,548</u>	<u>1,098,381</u>	<u>1,544,557,929</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

29. FINANCIAL RISKS (CONTINUED)

Credit exposure (continued)

2024	Neither past due nor impaired RM	Past due and impaired RM	Total RM
<u>Group</u>			
Amortised cost:			
Fixed and call deposits	184,231,679	-	184,231,679
Loan	229,202	-	229,202
FVTPL financial investments:			
Malaysian Government Securities	48,821,465	-	48,821,465
Government Investment Issues	97,025,198	-	97,025,198
Corporate bonds	212,342,372	-	212,342,372
Unit trusts	280,943,573	-	280,943,573
Equity securities	39,115,056	-	39,115,056
Reinsurance contract assets	595,312,288	798,575	596,110,863
Cash and cash equivalents	116,260,237	-	116,260,237
	<u>1,574,281,070</u>	<u>798,575</u>	<u>1,575,079,645</u>

2024	Neither past due nor impaired RM	Past due and impaired RM	Total RM
<u>Company</u>			
Amortised cost:			
Fixed and call deposits	184,231,679	-	184,231,679
Loan	229,202	-	229,202
FVTPL financial investments:			
Unit trusts	665,442,395	-	665,442,395
Equity securities	39,115,056	-	39,115,056
Insurance contract assets			-
Reinsurance contract assets	595,312,288	798,575	596,110,863
Cash and cash equivalents	89,407,924	-	89,407,924
	<u>1,573,738,544</u>	<u>798,575</u>	<u>1,574,537,119</u>

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29. FINANCIAL RISKS (CONTINUED)

Maturity profiles

The following table summarises the maturity profile of the financial assets and financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable.

For liabilities and assets for incurred claims maturity profiles are determined based on estimated timing of net cash outflows from the recognised claims liabilities.

Liabilities and assets for remaining coverage have been excluded from the analysis as there are no contractual obligations with those balances.

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29. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	No maturity date RM	Total RM
2025							
<u>Group</u>							
Financial investments:							
Amortised cost	95,351,219	97,316,374	-	-	-	-	97,316,374
FVTPL	800,487,086	107,958,460	221,779,695	171,365,850	154,227,477	212,953,675	868,285,157
Reinsurance contract assets	436,349,555	163,637,760	167,007,771	40,430,140	36,439,797	-	407,515,468
Other receivables							
- staff loans	204,574	53,982	62,786	43,769	44,037	-	204,574
- deposits and prepayments	11,478,931	11,478,931	-	-	-	-	11,478,931
- MMIP cash call and other assets held	35,640,086	-	-	-	-	35,640,086	35,640,086
- income due and accrued	75,000	75,000	-	-	-	-	75,000
Cash and cash equivalents	145,576,404	103,795,128	-	-	-	42,314,126	146,109,254
Total financial assets	1,525,162,855	484,315,635	388,850,252	211,839,759	190,711,311	290,907,887	1,566,624,844

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29. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	No maturity date RM	Total RM
2025							
<u>Company</u>							
Financial investments:							
Amortised cost	95,351,219	97,316,374	-	-	-	-	97,316,374
FVTPL	805,564,080	-	-	-	-	805,564,080	805,564,080
Reinsurance contract assets	436,349,555	163,637,760	167,007,771	40,430,140	36,439,797	-	407,515,468
Other receivables							
- staff loans	204,574	53,982	62,786	43,769	44,037	-	204,574
- deposits and prepayments	11,478,931	11,478,931	-	-	-	-	11,478,931
- MMIP cash call and other assets held	35,640,086	-	-	-	-	35,640,086	35,640,086
- income due and accrued	75,000	75,000	-	-	-	-	75,000
Cash and cash equivalents	114,603,690	72,562,610	-	-	-	42,104,228	114,666,838
Total financial assets	1,499,267,135	345,124,657	167,070,557	40,473,909	36,483,834	883,308,394	1,472,461,351

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29. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	No maturity date RM	Total RM
2025							
<u>Group/Company</u>							
Insurance contract liabilities	757,009,981	361,916,990	231,249,466	115,409,021	39,623,624	-	748,199,101
Reinsurance contract liabilities	6,835,756	6,835,756	-	-	-	-	6,835,756
Subordinated loans	42,071,749	-	-	-	42,071,749	-	42,071,749
Other payables	38,408,679	38,408,679	-	-	-	-	38,408,679
Lease liabilities	2,044,684	1,322,403	722,281	-	-	-	2,044,684
Total financial liabilities	<u>846,370,849</u>	<u>408,483,828</u>	<u>231,971,747</u>	<u>115,409,021</u>	<u>81,695,373</u>	<u>-</u>	<u>837,559,969</u>

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29. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	No maturity date RM	Total RM
2024							
<u>Group</u>							
Financial investments:							
Amortised cost	184,231,679	186,996,524	-	-	-	-	186,996,524
FVTPL	678,247,664	15,653,300	203,999,500	111,168,595	70,768,000	320,058,628	721,648,023
Reinsurance contract assets	492,055,008	202,494,059	186,734,485	44,874,880	23,577,605	-	457,681,029
Other receivables							
- staff loans	229,202	45,193	67,146	51,461	65,402	-	229,202
- deposits and prepayments	10,501,003	10,501,003	-	-	-	-	10,501,003
- MMIP cash call and other assets held	35,968,985	-	-	-	-	35,968,985	35,968,985
- income due and accrued	69,000	69,000	-	-	-	-	69,000
Cash and cash equivalents	116,260,237	96,474,096	-	-	-	20,488,532	116,962,628
Total financial assets	<u>1,517,562,778</u>	<u>512,233,175</u>	<u>390,801,131</u>	<u>156,094,936</u>	<u>94,411,007</u>	<u>376,516,145</u>	<u>1,530,056,394</u>

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29. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	No maturity date RM	Total RM
2024							
<u>Company</u>							
Financial investments:							
Amortised cost	184,231,679	186,996,524	-	-	-	-	186,996,524
FVTPL	704,557,451	-	-	-	-	704,557,451	704,557,451
Reinsurance contract assets	492,055,008	202,494,059	186,734,485	44,874,880	23,577,605	-	457,681,029
Other receivables							
- staff loans	229,202	45,193	67,146	51,461	65,402	-	229,202
- deposits and prepayments	10,501,003	10,501,003	-	-	-	-	10,501,003
- MMIP cash call and other assets held	35,968,985	-	-	-	-	35,968,985	35,968,985
- income due and accrued	69,000	69,000	-	-	-	-	69,000
Cash and cash equivalents	89,407,924	69,006,277	-	-	-	20,448,874	89,455,151
Total financial assets	1,517,020,252	469,112,056	186,801,631	44,926,341	23,643,007	760,975,310	1,485,458,345

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THE PACIFIC INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

29. FINANCIAL RISKS (CONTINUED)

Maturity profiles (continued)

	Carrying value RM	Up to a year RM	1 - 3 years RM	3 - 5 years RM	5 - 15 years RM	No maturity date RM	Total RM
2024							
<u>Group/Company</u>							
Insurance contract liabilities	823,553,035	367,893,440	325,981,675	81,980,302	37,987,975	-	813,843,392
Reinsurance contract liabilities	11,324,935	11,324,935	-	-	-	-	11,324,935
Subordinated loans	39,971,749	-	-	-	39,971,749	-	39,971,749
Other payables	39,480,950	39,480,950	-	-	-	-	39,480,950
Lease liabilities	2,858,109	1,429,027	1,429,082	-	-	-	2,858,109
Total financial liabilities	917,188,778	420,128,352	327,410,757	81,980,302	77,959,724	-	907,479,135

THE PACIFIC INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

29. FINANCIAL RISKS (CONTINUED)

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest rates).

The Group's and the Company's investments in equities and unit trusts are subject to fluctuation in market prices of quoted securities while investments in unit trusts are subject to fluctuation in the net asset value of the unit trust funds. The Group's and the Company's investments in unit trusts are managed by licensed asset management companies. The Group and the Company have given clear investment guidelines and performance benchmarks to the asset management companies under the fund management agreements in order to manage the market risk. The unit trusts held by the Group and the Company are invested with unit trust funds governed by the unit trust guidelines and regulations stipulated by the Securities Commission. The Group and the Company monitor the performance of the investments against the relevant performance benchmarks established by the Group and the Company.

The analysis below is performed for reasonably possible price movements in the unit trust funds and trading securities of the Group and the Company. The impact on equity represents the changes in fair value of financial assets.

	2025			2024		
	<u>Changes in variables</u> RM	<u>Impact on profit before tax</u> RM	<u>Impact on equity*</u> RM	<u>Changes in variables</u> RM	<u>Impact on profit before tax</u> RM	<u>Impact on equity*</u> RM
<u>Group</u>						
<u>Market value</u>						
FVTPL:						
Equities	+5%	1,616,325	1,228,407	+5%	1,955,753	1,486,372
Equities	-5%	(1,616,325)	(1,228,407)	-5%	(1,955,753)	(1,486,372)
Unit trusts	+5%	9,031,358	6,863,832	+5%	14,047,179	10,675,856
Unit trusts	-5%	(9,031,358)	(6,863,832)	-5%	(14,047,179)	(10,675,856)
<u>Company</u>						
<u>Market value</u>						
FVTPL:						
Equities	+5%	1,616,325	1,228,407	+5%	1,955,753	1,486,372
Equities	-5%	(1,616,325)	(1,228,407)	-5%	(1,955,753)	(1,486,372)
Unit trusts	+5%	38,661,878	29,383,028	+5%	33,272,120	25,286,811
Unit trusts	-5%	(38,661,878)	(29,383,028)	-5%	(33,272,120)	(25,286,811)

* Impact on equity reflects adjustments for tax, where applicable.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

29. FINANCIAL RISKS (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's and the Company's primary interest rate risk relate to interest-bearing assets. The interest-bearing assets are made up primarily of fixed and call deposits with licensed financial institutions, Malaysian Government Securities and bonds issued by corporations in Malaysia. Floating rate/yield instruments expose the Group and the Company to cash flow interest/profit risk, whereas fixed rate/yield instruments expose the Group and the Company to fair value interest/profit risk.

The Group and the Company manage the interest rate risk of its deposits with licensed financial institutions by maintaining a prudent mix of short and longer term deposits and actively reviewing its portfolio of deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the deposits and fixed income securities of the Group and the Company:

	Impact on profit before tax RM	Impact on equity* RM
<u>Group</u>		
Change in interest rates:		
<u>2025</u>		
+50 basis points	(5,495,902)	(4,176,886)
- 50 basis points	5,650,614	4,294,467
<u>2024</u>		
+50 basis points	(2,912,119)	(2,213,210)
- 50 basis points	3,027,874	2,301,184
<u>Company</u>		
Change in interest rates:		
<u>2025</u>		
+50 basis points	1,076,229	817,934
- 50 basis points	(1,076,229)	(817,934)
<u>2024</u>		
+50 basis points	2,067,226	1,571,092
- 50 basis points	(2,067,226)	(1,571,092)

* Impact on equity reflects adjustments for tax, where applicable.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

30. REGULATORY CAPITAL REQUIREMENTS

The Company's capital management policy is designed to protect its policyholders, and to optimise the efficient and effective use of resources to maximise the return on equity.

The Company is required to comply with the regulatory capital requirement as prescribed in the Risk Based Capital ("RBC") Framework issued by Bank Negara Malaysia. As at 31 December 2025, the Company has a capital adequacy ratio in excess of the regulatory requirement of 130%.

The capital structure of the Company as at 31 December 2025 and 2024, as prescribed under the RBC Framework, is based on the RBC framework and Insurance Companies Statistical System ("ICSS") guidance notes issued by BNM. The financial information to derive the Total Capital Available as at 31 December 2025 and 2024 is in accordance with the statistical returns, comprising ICSS and RBC reporting forms for the financial year 2025 and 2024 respectively.

	<u>2025</u> RM	<u>2024</u> RM
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	219,875,038	219,875,038
Reserves, including retained earnings *	288,891,950	251,555,780
	<u>508,766,988</u>	<u>471,430,818</u>
<u>Tier 2 Capital</u>		
Revaluation reserves	9,914,408	5,183,306
Subordinated term debts	30,000,000	30,000,000
	<u>39,914,408</u>	<u>35,183,306</u>
<u>Deductions</u>		
Goodwill & other intangible assets	(41,117,984)	(46,606,858)
Deferred tax assets *	(1,254,104)	(1,695,992)
	<u>(42,372,088)</u>	<u>(48,302,850)</u>
Total Capital Available	<u>506,309,308</u>	<u>458,311,274</u>

* These are based on statistical returns for financial year 2025 and 2024, including the estimation of insurance contract liabilities based on the valuation methods specified in Part D of the RBC Framework in accordance with the provisions of the FSA 2013 and the accounting policies prescribed in the notes to the statistical returns. The accounting policies prescribed in the notes to the statistical returns are the accounting policies adopted in the audited financial statements of the Company for the financial year ended 31 December 2025 prepared in accordance with the MFRS, as modified by the BNM pursuant to Section 65 of the FSA 2013.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

31. CONTINGENT LIABILITY

In August 2016, Malaysia Competition Commission ("MyCC") had commenced investigation under Section 15(1) of the Competition Act 2010 ("the Act") against the General Insurance Association of Malaysia ("PIAM") and its 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes. On 22 February 2017, MyCC issued a Proposed Decision to all 22 member companies, proposing to impose collective penalty of RM213.5 million on the general insurance industry. As an 'industry collective action', the Company together with PIAM, submitted written representation and made oral representation to MyCC on 25 April 2017 and 29 January 2018 respectively to defend the allegation.

The hearing session which was set for 19 - 21 February 2019 concluded and as the dates set were not sufficient for all the insurers to submit their arguments, further hearing dates were set for May and June 2019. Due to the changes of Chairman of MyCC and new members being added to MyCC, the new Chairman decided that there would be a re-hearing of the case.

On 25 September 2020, the Company's solicitors received the final decision ("Decision") that parties had infringed the prohibition under Section 4 of the Act and had imposed on each of the 22 general insurers financial penalties for the said infringement.

In view of the impact of COVID-19 pandemic, MyCC granted a reduction of 25% of the financial penalty imposed on the 22 general insurers. The financial penalty imposed on the Company, taking into account the 25% reduction, amounts to RM1,643,583.

The Company had on 14 October 2020 filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") against the Decision, pursuant to Section 51 of the Act ("Appeal"). On 27 October 2020, the Company had also filed a Stay Application with the CAT pursuant to Section 53 of the Act for the grant of a stay of the Decision in respect of the financial penalty imposed on the Company.

CAT in a letter dated 20 January 2021 informed all parties that the initial case management date for the Appeal and hearing of the Stay Application fixed for 27 January 2021 was rescheduled to 18 February 2021. Due to the extension of the Movement Control Order ("MCO"), the hearing for the Stay Application and case management for the Appeal were further rescheduled for online hearing on 25 of February 2021 and online case management on 26 February 2021, respectively. The CAT started hearing oral submissions for the Stay Application on 25 February 2021. The hearing was then continued on 26 February 2021, 5 March 2021 and 12 March 2021. The CAT fixed 23 March 2021 for the decision on the Stay Application.

On 23 March 2021, CAT unanimously allowed the Stay Application and ordered that the cease and desist order as well as the financial penalty imposed be stayed pending the disposal of the appeal, with no order as to costs. Subsequently, in the case management on 30 April 2021, the CAT fixed the hearing of the appeals by BNM on 2 July 2021 and by PIAM and insurers on 12 November 2021, 15 November 2021, 16 November 2021 and 26 November 2021. Due to the MCO, the hearing of the appeal by BNM on 2 July 2021 was rescheduled and CAT heard the submissions of BNM counsel on 15 October 2021 and 29 October 2021.

In respect of the appeal by PIAM and insurers, CAT read and heard the opening written and oral submissions by the relevant counsels, including the Company's, on 12 November 2021, 15 November 2021, 16 November 2021, 19 November 2021 and 26 November 2021. CAT fixed 17 March 2022 and 21 March 2022 for the hearing of reply submissions from counsel for MyCC and the hearing of rebuttal submissions from counsels for PIAM and insurers on 24 March 2022, 6 April 2022, 7 April 2022 and 21 April 2022.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2025 (CONTINUED)

31. CONTINGENT LIABILITY (CONTINUED)

Having completed the hearing from counsel for MyCC and counsels for PIAM and insurers, the CAT reserved its decision.

On 2 February 2022, the CAT unanimously allowed the appeals filed by PIAM and the insurers and the MyCC's entire final decision dated 14 September 2020 was set aside. However, the Company was informed by its counsels on 6 September 2022 that the MyCC had filed an ex-parte application to the High Court for leave to commence judicial review proceedings against the CAT's decision. In view thereof, the Company has instructed its counsels to seek leave from the court to intervene in MyCC ex-parte application and be heard as putative respondents to argue against the granting of leave to MyCC. The hearing date of the MyCC ex parte leave application was rescheduled from 10 January 2023 to 8 May 2023.

On 8 May 2023, the High Court (i) gave further direction on (a) the filing of parties' affidavits and affidavits in reply, and (b) exchanges of parties' written submissions in chief and written submissions in reply, as the case may be; and (ii) set various dates for (a) the filings to commence on/before 22 May 2023 and (b) the exchanges to complete on/before 01 September 2023. The HC also set further case management on 16 May 2023 before the Deputy Registrar to set a hearing date for MyCC's leave application.

The High Court fixed the hearing of MyCC's leave application on 30 November 2023.

On 30 November 2023, the HC heard detailed submissions of the parties in relation to MyCC's leave application and the learned judge reserved his decision till 16 January 2024. On 16 January 2024, the learned HC judge dismissed MyCC's Leave Application with costs of RM10,000.00 per Putative Respondent, including TPIB.

Dissatisfied with the HC decision, the MyCC, on 15 February 2024, filed a Notice of Appeal to the Court of Appeal (COA). The COA fixed the first case management for MyCC's appeal on 15 May 2024.

Following the case management on 15 May 2024, the COA fixed a case management on 8 May 2025 to monitor preparation for the hearing of MyCC's appeal fixed for a physical hearing before the COA on 22 May 2025. The hearing fixed on 22 May 2025 was vacated by the COA and the COA thereafter fixed the hearing of MyCC's appeal on 30 April 2026.

The Company believes that the criteria to disclose the above as a contingent liability is met. Saved as disclosed above, the Company does not have any other contingent assets and liabilities since 31 December 2025.

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

We, Datuk Shaharuddin bin Md Som and Norchahya Binti Ahmad, being two of the Directors of The Pacific Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 26 to 127 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2025 and of the financial performance and the cash flows of the Group and the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2026.



DATUK SHAHARUDDIN BIN MD SOM
DIRECTOR



NORCHAHYA BINTI AHMAD
DIRECTOR

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

I, Chang Siow Mei, being the Officer primarily responsible for the financial management of The Pacific Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 26 to 127 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.



CHANG SIOW MEI

Subscribed and solemnly declared by the abovenamed Chang Siow Mei at Kuala Lumpur in Wilayah Persekutuan on 26 March 2026, before me



NO. 58A, JALAN BUKIT RAJA¹²⁸
MAN SEPUTEH,
58000 KUALA LUMPUR



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD**
(Incorporated in Malaysia)
Registration No. 198201011878 (91603-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of The Pacific Insurance Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2025, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2025 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 26 to 127.

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 opinion.

Independence and other ethical responsibilities

We are independent of the Group and 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 Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), as applicable to audits of financial statements of public interest entities 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, but does not include the financial statements of the Group and of the Company and our auditors’ report thereon.

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



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD (CONTINUED)**
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In connection with our audit of the financial statements of the Group and 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 Group and 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.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and 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 Group or 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 Group and 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.

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:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and 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.
- (b) 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 Group's and of the Company's internal control.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 198201011878 (91603-K)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 Group's or 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 Group and 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 Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PACIFIC INSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 198201011878 (91603-K)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

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.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Chan Suet Lye

CHAN SUET LYE
03603/10/2027 J
Chartered Accountant

Kuala Lumpur
26 March 2026