

QBE INSURANCE (MALAYSIA) BERHAD

(Company No. 161086-D)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Financial Period from 1 January 2020 to 30 June 2020

QBE INSURANCE (MALAYSIA) BERHAD

(Company No. 161086-D)

(Incorporated in Malaysia)

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QBE INSURANCE (MALAYSIA) BERHAD

(Company No. 161086-D)

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	30.06.2020 RM	31.12.2019 RM
ASSETS			
Property, plant and equipment		8,117,269	8,212,525
Intangible assets		1,034,113	1,908,980
Right-of-use assets		1,168,899	1,263,563
Investments	11	490,286,518	491,478,690
Fair value through profit and loss		-	-
Loans and receivables		490,286,518	491,478,690
Reinsurance assets	12	70,447,556	60,068,503
Insurance receivables		96,313,001	89,222,371
Other receivables		53,356,974	54,586,821
Deferred tax asset		7,305,464	5,104,987
Tax recoverable		-	-
Cash and bank balances		7,407,004	7,762,651
TOTAL ASSETS		735,436,798	719,609,091
LIABILITIES			
Insurance contract liabilities	12	425,632,943	404,366,060
Insurance payables		28,208,575	34,418,904
Lease Liabilities		1,157,587	1,258,839
Tax payable		3,297,871	1,056,179
Other payables		71,998,395	75,794,029
TOTAL LIABILITIES		530,295,371	516,894,011
SHAREHOLDERS' EQUITY			
Share capital		108,000,000	108,000,000
Retained earnings		97,141,427	94,715,080
		205,141,427	202,715,080
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		735,436,798	719,609,091

The accompanying notes are an integral part of these financial statements

QBE INSURANCE (MALAYSIA) BERHAD

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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020**

	6 months period ended 30.06.2020 RM	6 months period ended 30.06.2019 RM
Gross earned premiums	122,192,978	139,986,760
Premium ceded to reinsurers	(29,773,805)	(28,529,662)
Net earned premiums	<u>92,419,173</u>	<u>111,457,098</u>
Investment income	8,651,321	11,180,506
Loss on disposal of property, plant and equipment	-	(1,674)
Gain on disposal of investment	-	3,500
Unrealised loss on investments	-	(10,010)
Reinsurance commission income	3,804,565	1,384,683
Other operating expense	(8,125)	(25,576)
Total Revenue	<u>104,866,934</u>	<u>123,988,527</u>
Gross claims paid	(57,681,234)	(112,786,208)
Claims recoveries from reinsurers	15,836,444	50,559,365
Gross charge to claims liabilities	(23,153,974)	(29,248,492)
Charge in claims liabilities ceded to reinsurers	9,609,855	12,267,833
Net claims	<u>(55,388,909)</u>	<u>(79,207,502)</u>
Fee and commission expense	(21,554,426)	(22,145,840)
Management expenses	(24,261,535)	(28,731,100)
Other expenses	<u>(45,815,961)</u>	<u>(50,876,940)</u>
Profit/(loss) before taxation	3,662,064	(6,095,915)
Taxation	(1,235,716)	1,124,334
Net profit/(loss) and total comprehensive income/(loss) for the year	<u>2,426,348</u>	<u>(4,971,581)</u>
EARNING/(LOSS) PER SHARE (SEN)	1.12	(2.30)

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QBE INSURANCE (MALAYSIA) BERHAD

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020**

	Share Capital	Distributable Retained Earnings	Total
	RM	RM	RM
At 1 January 2019	108,000,000	91,943,438	199,943,438
Total comprehensive income for the financial period	-	(4,971,581)	(4,971,581)
Dividend paid	-	-	-
At 30 June 2019	<u>108,000,000</u>	<u>86,971,857</u>	<u>194,971,857</u>
At 1 January 2020	108,000,000	94,715,079	202,715,079
Total comprehensive income for the financial period	-	2,426,348	2,426,348
Dividend paid	-	-	-
At 30 June 2020	<u>108,000,000</u>	<u>97,141,427</u>	<u>205,141,427</u>

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QBE INSURANCE (MALAYSIA) BERHAD

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**UNAUDITED CASH FLOW STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020**

	6 months period ended 30.06.2020 RM	6 months period ended 30.06.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	2,426,348	(4,971,581)
Adjustments for :		
Depreciation on property, plant and equipment	589,205	482,290
Amortisation of intangible assets	874,867	1,157,967
Depreciation of right-of-use assets	523,823	552,062
Loss on disposal of property, plant & equipment	-	1,674
Loss on disposal of investments	-	(3,500)
Unrealised loss on investments	-	10,010
Allowance of impairment on insurance receivables	282,927	112,056
Interest income	(8,651,321)	(11,180,506)
Taxation	1,235,716	(1,124,334)
Profit from operation before changes in operating assets and liabilities	(2,718,435)	(14,963,862)
Proceeds from maturity of FVTPL investments	-	7,000,000
(Decrease)/Increase in LAR investments	(1,000,000)	3,000,000
Decrease in premium liabilities	(2,656,289)	(5,230,903)
Increase in claims liabilities	13,544,119	16,980,658
Increase in insurance receivables	(7,373,557)	(4,773,129)
Increase in other receivables	1,229,847	1,057,517
Decrease in insurance payables	(6,210,329)	(12,303,245)
Decrease in other payables	(3,795,634)	(6,521,568)
Income taxes paid	(1,194,500)	(2,107,290)
Interest income received	10,843,493	13,143,352
Net cash generated from operating activities	668,715	(4,718,470)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	-	-
Purchase of property, plant & equipment	(493,949)	(261,616)
Net cash used in investing activities	(493,949)	(261,616)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(530,413)	(551,594)
Net cash used in financing activities	(530,413)	(551,594)
Net movement in cash and cash equivalents	(355,647)	(5,531,680)
Cash and cash equivalents at 1 January	7,762,651	8,637,281
Cash and cash equivalents at 30 June	7,407,004	3,105,601
Cash and cash equivalents comprise:		
Cash and bank balances	7,407,004	3,105,601

The accompanying notes are an integral part of these financial statements

QBE INSURANCE (MALAYSIA) BERHAD

(Company No. 161086-D)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITY

The Company, a public limited liability Company incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The unaudited interim financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, "Interim Financial Reporting" which do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2019.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework ("the RBC Framework") as at the date of the statement of financial position.

The preparation of interim financial statements in conformity with MFRS 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 interim financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted by the Company's audited financial statements for the financial year ended 31 December 2019.

3. COMMENTS ON SEASONALITY OR CYCLICALITY

The business operations of the Company were not significantly affected by seasonality or cyclical factors for the period under review.

4. UNUSUAL ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence in the current interim financial period ended 30 June 2020.

5. CHANGES IN ESTIMATES

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

6. ISSUES, REPURCHASES AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company in the current interim financial period ended 30 June 2020.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)**7. DIVIDEND PAID**

No dividend has been paid by the Company in the current interim financial period ended 30 June 2020.

8. CONTINGENT LIABILITIES

In February 2017, the Company received MyCC's notice of proposed decision ("Proposed Decision") that the Company and all the other 21 General Insurers members of PIAM have alleged infringement in the agreement between Persatuan Insurans Am Malaysia ("PIAM") and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") in relation to the trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM approved repairers scheme workshops. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 General Insurers. The Company, as one of the members of PIAM, will have a share of RM484,646 on the proposed penalty. The Competition Committee (new Chairman was appointed) decided to review this case. A new oral representation from all relevant insurers (represented by counsels) were completed in May and June 2019. The Proposed Decision is not final as at 31 December 2020.

9. EVENTS SUBSEQUENT TO THE INTERIM PERIOD

Other than the contingent liabilities disclosed in note 8 to the interim financial statement, there were no material events after the interim financial period that have not been disclosed in the financial statements for the interim financial period ended 30 June 2020.

10. EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

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

QBE INSURANCE (MALAYSIA) BERHAD

(Company No. 161086-D)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)**11. INVESTMENTS**

	30.06.2020	31.12.2019
	RM	RM
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	-	-
Accrued interest	-	-
	<u>-</u>	<u>-</u>
Loan and receivables ("LAR")	484,000,000	483,000,000
Accrued interest	6,286,518	8,478,690
	<u>490,286,518</u>	<u>491,478,690</u>
Total investments	<u>490,286,518</u>	<u>491,478,690</u>

The Company's investments for the current period are all short term investments.

(a) FVTPL

	30.06.2020	31.12.2019
	RM	RM
Fair value		
Malaysian Government Securities	-	-
Accrued interest	-	-
Total investment at FVTPL	<u>-</u>	<u>-</u>

(b) LAR

	30.06.2020	31.12.2019
	RM	RM
Amortised cost		
Deposits with financial institutions	484,000,000	483,000,000
Accrued interest	6,286,518	8,478,690
Total investments at LAR	<u>490,286,518</u>	<u>491,478,690</u>

The carrying value of investments in LAR as at 30 June 2020 approximates their fair value.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)**11. INVESTMENTS (CONTINUED)****(c) Carrying Values of Financial Instruments**

	FVTPL	LAR	Total
	RM	RM	RM
At 1 January 2019	7,072,656	490,563,489	497,636,145
Purchases/ deposits	-	959,000,000	959,000,000
Maturities	(6,996,500)	(957,000,000)	(963,996,500)
Disposals	-	-	-
Unrealised loss recorded in profit or loss	(10,010)	-	(10,010)
Movement in accrued interest	(66,146)	(1,084,799)	(1,150,945)
At 31 December 2019	<u>-</u>	<u>491,478,690</u>	<u>491,478,690</u>
Purchases/ deposits	-	398,000,000	398,000,000
Maturities	-	(397,000,000)	(397,000,000)
Disposals	-	-	-
Unrealised loss recorded in profit or loss	-	-	-
Movement in accrued interest	-	(2,192,172)	(2,192,172)
At 30 June 2020	<u>-</u>	<u>490,286,518</u>	<u>490,286,518</u>

(d) Fair Values of Financial Instruments

The following table shows financial instruments recorded at fair value analysed as follows:

	FVTPL
	RM
30th June 2020	
Level 2- Valuation techniques - market observable input	<u>-</u>
31st December 2019	
Level 2- Valuation techniques - market observable input	<u>-</u>

Financial instruments, which are under Level 2 of the fair value hierarchy are 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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
At 30 June 2020			
Claims liabilities	323,289,012	(64,467,784)	258,821,228
Premium liabilities	102,343,931	(5,979,772)	96,364,159
	<u>425,632,943</u>	<u>(70,447,556)</u>	<u>355,185,387</u>
At 31 December 2019			
Claims liabilities	300,135,039	(54,857,930)	245,277,109
Premium liabilities	104,231,021	(5,210,573)	99,020,448
	<u>404,366,060</u>	<u>(60,068,503)</u>	<u>344,297,557</u>
	Gross RM	Reinsurance RM	Net RM
At 30 June 2020			
Provision for outstanding claims	257,689,754	(64,465,479)	193,224,275
Provision for incurred but not reported claims ("IBNR")	65,599,258	(2,305)	65,596,953
Claims liabilities (i)	<u>323,289,012</u>	<u>(64,467,784)</u>	<u>258,821,228</u>
Premium liabilities (ii)	102,343,931	(5,979,772)	96,364,159
	<u>425,632,943</u>	<u>(70,447,556)</u>	<u>355,185,387</u>
At 31 December 2019			
Provision for outstanding claims	252,726,216	(60,938,853)	191,787,363
Provision for incurred but not reported claims ("IBNR")	47,408,823	6,080,923	53,489,746
Claims liabilities (i)	<u>300,135,039</u>	<u>(54,857,930)</u>	<u>245,277,109</u>
Premium liabilities (ii)	104,231,021	(5,210,573)	99,020,448
	<u>404,366,060</u>	<u>(60,068,503)</u>	<u>344,297,557</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)**13. SIGNIFICANT RELATED PARTY TRANSACTIONS**

The significant related party transactions of the Company are as follows:

	30.06.2020	30.06.2019
	RM	RM
Related companies		
Reinsurance premium ceded	(38,202,196)	(24,012,139)
Reinsurance commission earned	2,146,047	624,831
Reinsurance claims recoveries	9,387,341	48,944,739

14. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2020	31.12.2019
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	108,000,000	108,000,000
Reserves, including retained earnings	97,141,427	94,715,080
	<hr/>	<hr/>
	205,141,427	202,715,080
Amounts deducted from Capital	(7,305,464)	(5,104,987)
	<hr/>	<hr/>
Total Capital Available	197,835,963	197,610,093