

QBE INSURANCE (MALAYSIA) BERHAD

Registration No. 198701002415 (161086-D)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Financial Period from 1 January 2022 to 30 June 2022

QBE INSURANCE (MALAYSIA) BERHAD

Registration No. 198701002415 (161086-D)

(Incorporated in Malaysia)

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QBE INSURANCE (MALAYSIA) BERHAD

Registration No. 198701002415 (161086-D)

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		30.06.2022	31.12.2021
	Note	RM	RM
ASSETS			
Property, plant and equipment		2,228,336	3,242,709
Intangible assets		621,744	733,834
Right-of-use assets		5,706,920	5,909,188
Investments	11	496,975,683	488,199,944
Loans and receivables		496,975,683	488,199,944
Reinsurance assets	12	75,067,592	73,419,312
Insurance receivables		58,662,602	70,128,830
Other receivables		49,898,728	49,341,638
Deferred tax asset		4,202,668	3,695,380
Tax recoverable		-	1,181,704
Cash and bank balances		14,559,056	19,449,327
TOTAL ASSETS		707,923,329	715,301,866
LIABILITIES			
Insurance contract liabilities	12	428,038,365	417,934,061
Lease liabilities		493,205	664,313
Insurance payables		4,448,017	23,676,632
Tax payable		2,117,738	1,393,789
Other payables		37,222,179	43,643,932
TOTAL LIABILITIES		472,319,504	487,312,727
SHAREHOLDERS' EQUITY			
Share capital		108,000,000	108,000,000
Retained earnings		127,603,825	119,989,139
		235,603,825	227,989,139
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		707,923,329	715,301,866

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 2022**

	6 months period ended 30.06.2022 RM	6 months period ended 30.06.2021 RM
Gross earned premiums	100,788,529	112,898,614
Premium ceded to reinsurers	(17,025,845)	(23,053,473)
Net earned premiums	<u>83,762,684</u>	<u>89,845,141</u>
Investment income	4,668,105	3,753,219
Gain on disposal of property, plant and equipment	578	23,745
Reinsurance commission income	1,151,383	2,578,963
Other operating expense	(181,427)	(6,050)
Total Revenue	<u>89,401,323</u>	<u>96,195,018</u>
Gross claims paid	(57,480,840)	(49,346,084)
Claims recoveries from reinsurers	22,547,649	10,030,766
Gross charge to claims liabilities	(9,155,250)	33,086,315
Charge in claims liabilities ceded to reinsurers	3,075,365	(45,445,824)
Net claims	<u>(41,013,076)</u>	<u>(51,674,827)</u>
Fee and commission expense	(15,788,902)	(18,590,233)
Management expenses	(22,098,790)	(24,355,014)
Other expenses	<u>(37,887,692)</u>	<u>(42,945,247)</u>
Profit before taxation	10,500,555	1,574,944
Taxation	(2,885,869)	(927,457)
Net profit and total comprehensive income for the year	<u><u>7,614,686</u></u>	<u><u>647,487</u></u>
EARNING PER SHARE (SEN)	3.53	0.30

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QBE INSURANCE (MALAYSIA) BERHADRegistration No. 198701002415 (161086-D)
(Incorporated in Malaysia)**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022**

	Share Capital	Distributable Retained Earnings	Total
	RM	RM	RM
At 1 January 2021	108,000,000	110,392,578	218,392,578
Total comprehensive income for the financial period	-	647,487	647,487
At 30 June 2021	<u>108,000,000</u>	<u>111,040,065</u>	<u>219,040,065</u>
At 1 January 2022	108,000,000	119,989,139	227,989,139
Total comprehensive income for the financial period	-	7,614,686	7,614,686
At 30 June 2022	<u>108,000,000</u>	<u>127,603,825</u>	<u>235,603,825</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 2022**

	6 months period ended 30.06.2022 RM	6 months period ended 30.06.2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	7,614,686	647,487
Adjustments for :		
Depreciation on property, plant and equipment	722,043	661,584
Amortisation of intangible assets	112,089	291,618
Depreciation of right-of-use assets	294,905	382,445
Gain on disposal of property, plant & equipment	(578)	(19,270)
Allowance of impairment on insurance receivables	(275,426)	1,164,991
Interest income	(4,668,105)	(3,753,219)
Taxation	2,885,869	927,457
Profit from operation before changes in operating assets and liabilities	6,685,483	303,093
Increase in LAR investments	(8,700,055)	(10,000,000)
Increase / (Decrease) in premium liabilities	2,376,138	(424,486)
Increase in claims liabilities	6,079,885	12,359,509
Decrease / (Increase) in insurance receivables	11,741,654	(2,938,278)
(Increase) / Decrease in other receivables	(557,090)	1,377,435
Decrease in insurance payables	(19,228,615)	(532,197)
Decrease in other payables	(6,421,753)	(4,465,014)
Income taxes paid	(1,487,502)	(1,938,865)
Interest income received	4,592,421	5,468,983
Net cash generated from operating activities	(4,919,434)	(789,820)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	3,203	252,841
Purchase of property, plant & equipment	289,706	(369,349)
Net cash used in investing activities	292,909	(116,508)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(263,746)	(384,128)
Net cash used in financing activities	(263,746)	(384,128)
Net movement in cash and cash equivalents	(4,890,271)	(1,290,456)
Cash and cash equivalents at 1 January	19,449,327	15,360,705
Cash and cash equivalents at 30 June	14,559,056	14,070,249
Cash and cash equivalents comprise:		
Cash and bank balances	14,559,056	14,070,249

The accompanying notes are an integral part of these financial statements

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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 2021.

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 2021.

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 2022.

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 2022.

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 2022.

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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 2022.

8. EVENTS SUBSEQUENT TO THE INTERIM PERIOD

Effective from 1 April 2022, in transitioning to the endemic phase of Covid-19, Malaysia's national borders have been reopened after two years of Covid-19 pandemic-related closures. This has a positive impact on the Malaysian economy.

While the results of the Company for the year have remained resilient, the Company has been taking necessary and thoughtful steps to strengthen its business resilience and adjust its operating models in managing the business. The Company will continue to monitor the situation and remains vigilant and cautious in managing operating costs, business growth and risk profile of the Company's portfolio.

9. 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.

10. CONTINGENT LIABILITY

As disclosed in the audited financial statement on 31 December 2021, the Inland Revenue Board ("IRB") had issued a notification to the Company of its audit findings for year of assessment ("YA") 2015 to 2018, where the tax audit is still on going as at 31 December 2021.

On 28 April 2022, the Company has received a formal tax assessment ("Form JA") from the IRB of its audit findings for YA 2015 to 2018, amounting to RM26.6 million.

On 19 May 2022, the Company has filed a Judicial Review ("JR") and submitted the affidavits to the High Court. The Company has also obtained an interim stay order on the same day until the next hearing on 9 August 2022.

On 20 May 2022, the Company has also filed a Notice of Appeal ("Form Q") to the Special Commission of Income Tax ("SCIT").

The Company has sought and obtained legal advice from its tax solicitors. Based on the legal advice, the Company is of view that it has a strong ground to defend its position, and hence no provision is required in the financial statements as at the reporting date.

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

	30.06.2022	31.12.2021
	RM	RM
The Company's investments are summarised as follows:		
Loan and receivables ("LAR")	492,000,000	483,299,945
Accrued interest	4,975,683	4,899,999
	<u>496,975,683</u>	<u>488,199,944</u>
Total investments	<u>496,975,683</u>	<u>488,199,944</u>

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

(a) LAR

	30.06.2022	31.12.2021
	RM	RM
Amortised cost		
Deposits with financial institutions	492,000,000	483,299,945
Accrued interest	4,975,683	4,899,999
Total investments at LAR	<u>496,975,683</u>	<u>488,199,944</u>

The carrying value of investments in LAR as at 30 June 2022 approximates their fair value.

(b) Carrying Values of Financial Instruments

	LAR	Total
	RM	RM
At 1 January 2021	477,647,273	477,647,273
Purchases/ deposits	612,899,945	612,899,945
Maturities	(600,600,000)	(600,600,000)
Movement in accrued interest	(1,747,274)	(1,747,274)
At 31 December 2021	<u>488,199,944</u>	<u>488,199,944</u>
Purchases/ deposits	271,000,000	271,000,000
Maturities	(262,299,945)	(262,299,945)
Movement in accrued interest	75,684	75,684
At 30 June 2022	<u>496,975,683</u>	<u>496,975,683</u>

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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 2022			
Claims liabilities	349,841,977	(71,084,351)	278,757,626
Premium liabilities	78,196,388	(3,983,241)	74,213,147
	<u>428,038,365</u>	<u>(75,067,592)</u>	<u>352,970,773</u>
At 31 December 2021			
Claims liabilities	340,686,727	(68,008,986)	272,677,741
Premium liabilities	77,247,335	(5,410,327)	71,837,008
	<u>417,934,062</u>	<u>(73,419,313)</u>	<u>344,514,749</u>
	Gross RM	Reinsurance RM	Net RM
At 30 June 2022			
Provision for outstanding claims	242,966,037	(52,145,883)	190,820,154
Provision for incurred but not reported claims ("IBNR")	106,875,940	(18,938,468)	87,937,472
Claims liabilities (i)	<u>349,841,977</u>	<u>(71,084,351)</u>	<u>278,757,626</u>
Premium liabilities (ii)	78,196,388	(3,983,241)	74,213,147
	<u>428,038,365</u>	<u>(75,067,592)</u>	<u>352,970,773</u>
At 31 December 2021			
Provision for outstanding claims	243,618,592	(56,294,170)	187,324,422
Provision for incurred but not reported claims ("IBNR")	97,068,135	(11,714,816)	85,353,319
Claims liabilities (i)	<u>340,686,727</u>	<u>(68,008,986)</u>	<u>272,677,741</u>
Premium liabilities (ii)	77,247,335	(5,410,327)	71,837,008
	<u>417,934,062</u>	<u>(73,419,313)</u>	<u>344,514,749</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:

	30.06.2022	30.06.2021
	RM	RM
Related companies		
Reinsurance premium ceded	(12,422,030)	(28,172,557)
Reinsurance commission earned	709,896	1,300,710
Reinsurance claims recoveries	3,713,178	4,824,655

14. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the company as at 30 June 2022, as prescribed under the RBC Framework is as below:

	30.06.2022	31.12.2021
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	108,000,000	108,000,000
Reserves, including retained earnings	127,603,825	119,989,139
	<u>235,603,825</u>	<u>227,989,139</u>
Amounts deducted from Capital	(4,202,668)	(3,695,380)
Total Capital Available	<u>231,401,157</u>	<u>224,293,759</u>