

**QBE INSURANCE (MALAYSIA) BERHAD**

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

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

**For the Financial Period from 1 January 2018 to 30 June 2018**

# **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 2018**

		<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>Note</b>	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>			
Property, plant and equipment		13,600,984	15,239,136
Investments	11	514,084,512	421,886,568
Fair value through profit and loss		7,083,680	46,445,835
Loans and receivables		507,000,832	375,440,733
Reinsurance assets	12	140,753,352	144,471,705
Insurance receivables		141,002,713	136,388,855
Other receivables		65,408,534	66,492,236
Deferred tax asset		5,008,975	2,816,798
Tax recoverable		2,932,754	1,003,050
Cash and bank balances		10,054,070	267,604
<b>TOTAL ASSETS</b>		<b>892,845,894</b>	<b>788,565,952</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	12	557,203,304	554,210,783
Insurance payables		39,348,914	30,219,276
Other payables		116,208,231	25,812,032
<b>TOTAL LIABILITIES</b>		<b>712,760,449</b>	<b>610,242,091</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		108,000,000	108,000,000
Retained earnings		72,085,445	70,323,861
		<b>180,085,445</b>	<b>178,323,861</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>892,845,894</b>	<b>788,565,952</b>

The accompanying notes are an integral part of these financial statements

**QBE INSURANCE (MALAYSIA) BERHAD**

(Company No. 161086-D)  
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2018**

	<b>6 months period ended 30.06.2018 RM</b>	<b>6 months period ended 30.06.2017 RM</b>
Gross earned premiums	173,904,658	176,439,873
Premium ceded to reinsurers	(60,677,294)	(36,617,271)
<b>Net earned premiums</b>	<u>113,227,364</u>	<u>139,822,602</u>
Investment income	9,126,375	9,616,758
Loss on disposal of property, plant and equipment	(898)	(53,675)
Gain / (Loss) on disposal of investment	364,100	(324,200)
Unrealised (loss) / gain on investments	(336,580)	354,400
Reinsurance commission income	13,092,431	4,544,994
Other operating (expense) / revenue	(10,559)	3,907
<b>Total Revenue</b>	<u>135,462,233</u>	<u>153,964,786</u>
Gross claims paid	(178,756,140)	(80,034,712)
Claims recoveries from reinsurers	108,530,676	9,420,083
Gross charge to claims liabilities	86,852,984	(708,970)
Charge in claims liabilities ceded to reinsurers	(91,238,886)	988,108
<b>Net claims</b>	<u>(74,611,366)</u>	<u>(70,335,491)</u>
Fee and commission expense	(28,206,761)	(35,356,294)
Management expenses	(30,148,152)	(31,453,341)
<b>Other expenses</b>	<u>(58,354,913)</u>	<u>(62,264,641)</u>
<b>Profit before taxation</b>	2,495,954	16,825,660
Taxation	(734,370)	(4,448,062)
<b>Net profit and total comprehensive income for the year</b>	<u>1,761,584</u>	<u>12,377,598</u>
EARNING PER SHARE (SEN)	0.82	5.73

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**QBE INSURANCE (MALAYSIA) BERHAD**

(Company No. 161086-D)

(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2018**

	<b>Share Capital</b>	<b>Distributable Retained Earnings</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At 1 January 2017</b>	108,000,000	69,097,395	177,097,395
Total comprehensive income for the financial period	-	12,377,598	12,377,598
Dividend paid	-	-	-
<b>At 30 June 2017</b>	<u>108,000,000</u>	<u>81,474,993</u>	<u>189,474,993</u>
<b>At 1 January 2018</b>	108,000,000	70,323,861	178,323,861
Total comprehensive income for the financial period	-	1,761,584	1,761,584
Dividend paid	-	-	-
<b>At 30 June 2018</b>	<u>108,000,000</u>	<u>72,085,445</u>	<u>180,085,445</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 2018**

	<b>6 months period ended 30.06.2018 RM</b>	<b>6 months period ended 30.06.2017 RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial period	1,761,584	12,377,598
Adjustments for :		
Depreciation on property, plant and equipment	1,800,156	1,643,244
Loss on disposal of property, plant & equipment	898	53,675
(Gain) / Loss on disposal of investments	(364,100)	324,200
Unrealised loss / (gain) on investments	336,580	(354,400)
Allowance of impairment on insurance receivables	382,251	478,470
Interest income	(9,126,375)	(9,616,758)
Taxation	734,370	4,448,062
<b>Profit from operation before changes in operating assets and liabilities</b>	<b>(4,474,636)</b>	<b>9,354,091</b>
Proceeds from disposal of FVTPL investments	39,269,100	80,216,000
Purchase of FVTPL investments	-	(25,909,000)
Increase in LAR investments	(131,000,000)	(72,000,000)
Increase in premium liabilities	2,324,972	23,577,194
Increase / (Decrease) in claims liabilities	4,385,902	(279,139)
Increase in insurance receivables	(4,996,110)	(25,134,350)
Decrease in other receivables	1,083,702	5,235,348
Increase in insurance payables	9,129,638	2,112,111
Increase in other payables	90,396,199	2,752,767
Income taxes paid	(4,856,250)	(5,068,750)
Interest income received	8,686,851	12,825,355
<b>Net cash generated from operating activities</b>	<b>9,949,368</b>	<b>7,681,627</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant & equipment	900	50,944
Purchase of property, plant & equipment	(163,802)	(596,342)
<b>Net cash used in investing activities</b>	<b>(162,902)</b>	<b>(545,398)</b>
Net movement in cash and cash equivalents	9,786,466	7,136,229
Cash and cash equivalents at 1 January	267,604	210,399
Cash and cash equivalents at 30 June	10,054,070	7,346,628
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	10,054,070	7,346,627

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 2017.

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 2017, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 ‘Financial Instruments: Recognition and Measurement’.
- MFRS 16 ‘Leases’ (effective from 1 January 2019) supersedes MFRS 117 ‘Leases’ and the related interpretations.
- MFRS17 ‘Insurance Contracts’ (effective from 1 January 2021)
- IC Interpretation 23 ‘Uncertainty over Income Tax Treatments’ (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

The initial application of the abovementioned and all other standards, amendments to the published standards and interpretations that are effective for the current financial year are not expected to have any material impacts to the current and prior periods financial statements upon their first adoption.

## **QBE INSURANCE (MALAYSIA) BERHAD**

(Company No. 161086-D)

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### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

#### **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 2018.

#### **5. CHANGES IN ESTIMATES**

There was no material changes in the basis used for accounting estimates for the current interim financial period ended 30 June 2018.

#### **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 2018.

#### **7. DIVIDEND PAID**

No dividend has been paid by the Company in the current interim financial period ended 30 June 2018.

#### **8. CONTINGENT LIABILITIES**

In August 2016, the Malaysia Competition Commission (“MyCC”) commenced investigation into an alleged infringement of Section 4(2)(a) of the Competition Act 2010 (“CA”) by Persatuan Insurans Am Malaysia (“PIAM”) and all 22 general insurers including QBEM. The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners’ Association Of Malaysia (“FAWOAM”) in relation to the trade discount rates for parts on certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by QBEM pursuant to a Members’ Circular issued by PIAM, which was Bank Negara Malaysia’s (“BNM”) directive to PIAM to engage FAWOAM - to resolve the issues of parts trade discounts and labour hourly rate.

In February 2017, QBEM received MyCC’s notice of proposed decision (“Proposed Decision”) that QBEM and all the other 21 General Insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 General Insurers. QBEM, as one of the members of PIAM, will have a share of RM484,646 on the proposed penalty. The Proposed Decision is not final and QBEM is in the process to take appropriate legal actions together with PIAM and the 21 General Insurers to defend its position that it has not been in infringement of Section 4(2)(a) of the Competition Act 2010.

#### **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 2018.

#### **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**

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

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	7,018,620	46,260,200
Accrued interest	65,060	185,635
	<u>7,083,680</u>	<u>46,445,835</u>
Loan and receivables ("LAR")	499,000,000	368,000,000
Accrued interest	8,000,832	7,440,733
	<u>507,000,832</u>	<u>375,440,733</u>
Total investments	<u>514,084,512</u>	<u>421,886,568</u>

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

**(a) FVTPL**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Fair value</b>		
Malaysian Government Securities	7,018,620	46,260,200
Accrued interest	65,060	185,635
Total investment at FVTPL	<u>7,083,680</u>	<u>46,445,835</u>

**(b) LAR**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Amortised cost</b>		
Deposits with financial institutions	499,000,000	368,000,000
Accrued interest	8,000,832	7,440,733
Total investments at LAR	<u>507,000,832</u>	<u>375,440,733</u>

The carrying value of investments in LAR as at 30 June 2018 (30 June 2017) approximates their fair value.

**QBE INSURANCE (MALAYSIA) BERHAD**

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

	<b>FVTPL</b>	<b>LAR</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>At 1 January 2017</b>	100,973,717	302,266,879	403,240,596
Purchases/ deposits	25,909,000	509,500,000	535,409,000
Maturities	-	(436,500,000)	(436,500,000)
Disposals	(80,540,200)	-	(80,540,200)
Unrealised loss recorded in profit or loss	681,350	-	681,350
Movement in accrued interest	(578,032)	173,854	(404,178)
<b>At 31 December 2017</b>	<u>46,445,835</u>	<u>375,440,733</u>	<u>421,886,568</u>
Purchases/ deposits	-	361,000,000	361,000,000
Maturities	-	(230,000,000)	(230,000,000)
Disposals	(38,905,000)	-	(38,905,000)
Unrealised loss recorded in profit or loss	(336,580)	-	(336,580)
Movement in accrued interest	(120,575)	560,099	439,524
<b>At 30 June 2018</b>	<u><u>7,083,680</u></u>	<u><u>507,000,832</u></u>	<u><u>514,084,512</u></u>

**(d) Fair Values of Financial Instruments**

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

	<b>FVTPL</b>
	<b>RM</b>
30th June 2018	
Level 2- Valuation techniques - market observable input	<u>7,083,680</u>
31st December 2017	
Level 2- Valuation techniques - market observable input	<u>46,445,835</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.

**QBE INSURANCE (MALAYSIA) BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)****12. INSURANCE CONTRACT LIABILITIES**

	<b>Gross RM</b>	<b>Reinsurance RM</b>	<b>Net RM</b>
<b>At 30 June 2018</b>			
Claims liabilities	378,891,469	(132,291,150)	246,600,319
Premium liabilities	178,311,835	(8,462,202)	169,849,633
	<u>557,203,304</u>	<u>(140,753,352)</u>	<u>416,449,952</u>
<b>At 31 December 2017</b>			
Claims liabilities	377,927,823	(135,713,406)	242,214,417
Premium liabilities	176,282,960	(8,758,299)	167,524,661
	<u>554,210,783</u>	<u>(144,471,705)</u>	<u>409,739,078</u>
	<b>Gross RM</b>	<b>Reinsurance RM</b>	<b>Net RM</b>
<b>At 30 June 2018</b>			
Provision for outstanding claims	324,174,371	(126,140,429)	198,033,942
Provision for incurred but not reported claims ("IBNR")	54,717,098	(6,150,721)	48,566,377
Claims liabilities (i)	378,891,469	(132,291,150)	246,600,319
Premium liabilities (ii)	178,311,835	(8,462,202)	169,849,633
	<u>557,203,304</u>	<u>(140,753,352)</u>	<u>416,449,952</u>
<b>At 31 December 2017</b>			
Provision for outstanding claims	324,369,684	(131,090,494)	193,279,190
Provision for incurred but not reported claims ("IBNR")	53,558,139	(4,622,912)	48,935,227
Claims liabilities (i)	377,927,823	(135,713,406)	242,214,417
Premium liabilities (ii)	176,282,960	(8,758,299)	167,524,661
	<u>554,210,783</u>	<u>(144,471,705)</u>	<u>409,739,078</u>

**QBE INSURANCE (MALAYSIA) BERHAD**

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)****13. NON-CANCELLABLE OPERATING LEASE COMMITMENTS**

	Future minimum lease payments	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	45,648	51,660
Later than 1 year and not later than 5 years	50,867	70,685
	<u>96,515</u>	<u>122,345</u>

**14. SIGNIFICANT RELATED PARTY TRANSACTIONS**

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

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Related companies</b>		
Reinsurance premium ceded	(54,708,302)	(28,805,251)
Reinsurance commission earned	12,142,162	2,916,353
Reinsurance claims recoveries	18,659,594	4,855,182

**15. REGULATORY CAPITAL REQUIREMENTS**

The capital structure of the company as at 30 June 2018, as prescribed under the RBC Framework is as below:

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM</b>	<b>RM</b>
Eligible Tier 1 Capital		
Share capital (paid-up)	108,000,000	108,000,000
Reserves, including retained earnings	72,085,445	70,323,861
	<u>180,085,445</u>	<u>178,323,861</u>
Amounts deducted from Capital	(5,008,975)	(2,816,798)
Total Capital Available	<u>175,076,470</u>	<u>175,507,063</u>