

QBE INSURANCE (MALAYSIA) BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Financial Period from 1 January 2023 to 30 June 2023

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 2023

		30.06.2023	31.12.2022
	Note	RM	RM
ASSETS			
Property, plant and equipment		2,153,479	2,204,116
Intangible assets		820,102	392,684
Right-of-use assets		5,802,073	5,451,174
Investments	11	556,065,579	504,088,116
Fair value through profit and loss		10,148,263	10,174,467
Loans and receivables		545,917,316	493,913,649
Reinsurance contracts held that are assets	12	135,584,686	88,667,930
Other receivables		666,717	664,657
Deferred tax asset		2,171,486	1,259,291
Tax recoverable		-	1,181,704
Cash and bank balances		18,729,180	43,807,836
TOTAL ASSETS		721,993,301	647,717,509
LIABILITIES			
Insurance contracts issued that are liabilities	12	462,953,226	396,209,211
Lease liabilities		666,384	272,134
Insurance payables		-	-
Tax payable		2,758,549	3,771,976
Other payables		186,431	266,962
TOTAL LIABILITIES		466,564,591	400,520,283
SHAREHOLDERS' EQUITY			
Share capital		108,000,000	108,000,000
Retained earnings		147,428,710	139,197,226
		255,428,710	247,197,226
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		721,993,301	647,717,509

The accompanying notes are an integral part of these financial statements

QBE INSURANCE (MALAYSIA) BERHADRegistration No. 198701002415 (161086-D)
(Incorporated in Malaysia)**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023**

	6 months period ended 30.06.2023 RM	6 months period ended 30.06.2022 RM
Insurance contract revenue	100,980,796	95,739,238
Insurance service expense	(82,599,556)	(98,355,410)
Reinsurance contract expense	(17,278,569)	(16,847,537)
Reinsurance contract income	1,976,658	25,594,175
Insurance service result	<u>3,079,329</u>	<u>6,130,467</u>
Other income	-	-
Other expense	(584,049)	(649,213)
Insurance operating result	<u>2,495,280</u>	<u>5,481,254</u>
Insurance finance (income) / expense	(4,290,200)	(1,554,720)
Reinsurance finance (income) / expense	1,111,413	290,041
Investment income	10,061,791	4,668,105
Investment expense	(22,340)	(25,488)
(Loss)/gain on disposal of property, plant and equipment	-	578
Unrealised loss on investments	(25,400)	-
Other operating expense	394,105	(181,427)
Profit before taxation	9,724,649	8,678,341
Taxation	(1,493,165)	(2,448,538)
Net profit and total comprehensive income for the year	<u>8,231,484</u>	<u>6,229,803</u>
EARNING PER SHARE (SEN)	3.81	3.53

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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 2023**

	Share Capital	Distributable Retained Earnings	Total
	RM	RM	RM
At 1 January 2022	108,000,000	119,989,139	239,579,513
Total comprehensive income for the financial period	-	6,229,803	6,229,803
At 30 June 2022	<u>108,000,000</u>	<u>137,809,316</u>	<u>245,809,316</u>
At 1 January 2023	108,000,000	139,197,226	247,197,226
Total comprehensive income for the financial period	-	8,231,484	8,231,484
At 30 June 2023	<u>108,000,000</u>	<u>147,428,710</u>	<u>255,428,710</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 2023**

	6 months period ended 30.06.2023 RM	6 months period ended 30.06.2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	8,231,484	6,229,803
Adjustments for :		
Depreciation on property, plant and equipment	1,257,243	722,043
Amortisation of intangible assets	(427,418)	112,089
Depreciation of right-of-use assets	305,195	294,905
Gain on disposal of property, plant & equipment	-	(578)
Fair value loss on investments	25,400	-
Allowance of impairment on insurance receivables	(103,136)	(275,426)
Interest income	(10,046,491)	(4,668,105)
Taxation	1,493,165	2,448,538
Profit from operation before changes in operating assets and liabilities	<u>735,442</u>	<u>4,863,269</u>
Increase in LAR investments	(50,000,000)	(8,700,055)
Increase / (Decrease) in insurance contracts issued that are liabilities	66,847,151	7,155,335
Decrease / (Increase) in reinsurance contracts held that are assets	(46,916,755)	(11,585,523)
Decrease / (Increase) in other receivables	(2,060)	129,480
Increase / (Decrease) in other payables	(80,532)	113,141
Income taxes paid	(2,237,084)	(1,487,502)
Interest income received	8,043,628	4,592,421
Net cash generated from operating activities	<u>(23,610,210)</u>	<u>(4,919,434)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	-	3,203
Purchase of property, plant & equipment	(1,206,603)	289,706
Net cash used in investing activities	<u>(1,206,603)</u>	<u>292,909</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(261,843)	(263,746)
Net cash used in financing activities	<u>(261,843)</u>	<u>(263,746)</u>
Net movement in cash and cash equivalents	(25,078,656)	(4,890,271)
Cash and cash equivalents at 1 January	43,807,836	19,449,327
Cash and cash equivalents at 30 June	<u>18,729,180</u>	<u>14,559,056</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>18,729,180</u></u>	<u><u>14,559,056</u></u>

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 2022.

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 2022.

The Company had applied MFRS 17 “Insurance Contracts” and MFRS 9 “Financial Instruments” for the first time on 1 January 2023. It is a comprehensive new accounting standard for insurance and reinsurance contracts covering recognition, measurement, presentation and disclosure, and is expected to have a material impact on the Company’s financial statements in the period of initial application.

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 2023.

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 2023.

QBE INSURANCE (MALAYSIA) BERHAD

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 2023.

7. DIVIDEND PAID

No dividend has been paid by the Company in the current interim financial period ended 30 June 2023.

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 2022, 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 2022.

On 13 September 2021, the Inland Revenue Board ("IRB") issued a notification to the Company of its tax audit findings for year of assessment ("YA") 2015 to 2018, where the tax audit was still ongoing as at 31 December 2021.

On 28 April 2022, the Company 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 filed a Judicial Review ("JR") and submitted the affidavits to the High Court. The Company also obtained an interim stay order on the same day until the next hearing on 9 August 2022. The hearing was further extended until 21 March 2023 together with the interim stay order.

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

The Company has obtained legal advice from its tax solicitors. Based on the legal advice, the Company is of the view that it has strong grounds to defend its position. Notwithstanding the above, the Company has made an accrual of RM2.2 million in the financial statements as at 31 December 2022 based on an assessment of the likely tax liability payable in accordance with MFRS 137 Provision, Contingent Liabilities and Contingent Assets.

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

	30.06.2023	31.12.2022
	RM	RM
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	10,007,600	10,033,000
Accrued interest	140,663	141,467
	<u>10,148,263</u>	<u>10,174,467</u>
Loan and receivables ("LAR")	539,000,000	489,000,000
Accrued interest	6,917,316	4,913,649
	<u>545,917,316</u>	<u>493,913,649</u>
Total investments	<u>556,065,579</u>	<u>504,088,116</u>

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

(a) FVTPL

	30.06.2023	31.12.2022
	RM	RM
Fair value		
Malaysian Government Securities	10,007,600	10,033,000
Accrued interest	140,663	141,467
Total investment at FVTPL	<u>10,148,263</u>	<u>10,174,467</u>

(b) LAR

	30.06.2023	31.12.2022
	RM	RM
Amortised cost		
Deposits with financial institutions	539,000,000	489,000,000
Accrued interest	6,917,316	4,913,649
Total investments at LAR	<u>545,917,316</u>	<u>493,913,649</u>

The carrying value of investments in LAR as at 30 June 2023 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 RM	LAR RM	Total RM
At 1 January 2022	-	488,199,944	488,199,944
Purchases/ deposits	10,055,000	842,000,000	852,055,000
Maturities	-	(836,299,945)	(836,299,945)
Unrealised loss recorded in profit or loss	(22,000)		(22,000)
Movement in accrued interest	141,467	13,650	155,117
At 31 December 2022	<u>10,174,467</u>	<u>493,913,649</u>	<u>504,088,116</u>
Purchases/ deposits	-	469,000,000	469,000,000
Maturities	-	(419,000,000)	(419,000,000)
Unrealised loss recorded in profit or loss	(25,400)		(25,400)
Movement in accrued interest	(804)	2,003,667	2,002,863
At 30 June 2023	<u>10,148,263</u>	<u>545,917,316</u>	<u>556,065,579</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)**12. INSURANCE CONTRACTS ISSUED THAT ARE LIABILITIES / REINSURANCE CONTRACTS HELD THAT ARE ASSETS**

	Insurance contracts issued that are liabilities RM	Reinsurance contracts held that are assets RM	Net RM
At 30 June 2023			
Liabilities / (Assets) for remaining coverage - Non Loss Component	48,905,741	(10,793,901)	38,111,840
Liabilities / (Assets) for remaining coverage - Loss Component	5,746,276	(1,048,408)	4,697,869
Liabilities / (Assets) for Incurred Claims	408,301,209	(123,742,377)	284,558,832
	<u>462,953,226</u>	<u>(135,584,686)</u>	<u>327,368,541</u>
At 31 December 2022			
For remaining coverage - Non Loss Component	1,603,994	2,289,581	3,893,575
For remaining coverage - Loss Component	3,037,392	(557,071)	2,480,321
For Incurred Claims	391,567,825	(90,400,440)	301,167,385
	<u>396,209,211</u>	<u>(88,667,930)</u>	<u>307,541,281</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:

	30.06.2023	30.06.2022
	RM	RM
Related companies		
Reinsurance premium ceded	(23,870,991)	(22,588,593)
Reinsurance commission earned	751,219	709,896
Reinsurance claims recoveries	607,842	3,713,178

14. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2023	31.12.2022
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	108,000,000	108,000,000
Reserves, including retained earnings	147,428,710	139,197,226
	<u>255,428,710</u>	<u>247,197,226</u>
Adjustments from MFRS 17 to RBC	(9,310,499)	(14,649,823)
Total Capital Available	<u>246,118,212</u>	<u>232,547,403</u>