

**MSIG Insurance (Malaysia) Bhd**

(Company No. 46983-W)  
(Incorporated in Malaysia)

**Unaudited Interim Financial Statements  
For the Financial Period From  
1 January 2018 to 30 June 2018**

# **MSIG Insurance (Malaysia) Bhd**

(Company No. 46983-W)  
(Incorporated in Malaysia)

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## MSIG Insurance (Malaysia) Bhd

(Company No. 46983-W)  
(Incorporated in Malaysia)

### Unaudited Statement of financial position as at 30 June 2018

|  | Note | 30.06.2018<br>RM'000 | 31.12.2017<br>RM'000 |
|--|------|----------------------|----------------------|
| <b>Assets</b>  |      |                      |                      |
| Plant and equipment                                    |      | 14,344               | 14,307               |
| Investment property                                    |      | 134                  | 137                  |
| Intangible assets                                      |      | 7,059                | 7,872                |
| Goodwill   |      | 1,141,224            | 1,141,224            |
| Available-for-sale financial assets                    | 10   | 1,833,217            | 1,772,987            |
| Deferred tax assets                                    |      | 11,270               | 6,164                |
| Reinsurance assets                                     | 11   | 569,290              | 544,008              |
| Loans and receivables, excluding insurance receivables |      | 880,981              | 1,017,408            |
| Insurance receivables                                  |      | 237,275              | 184,467              |
| Deferred acquisition costs                             |      | 75,272               | 76,830               |
| Cash and cash equivalents                              |      | 269,181              | 118,336              |
| <b>Total assets</b>                                    |      | <b>5,039,247</b>     | <b>4,883,740</b>     |
| <b>Equity and liabilities</b>                          |      |                      |                      |
| Share capital  |      | 1,511,546            | 1,511,546            |
| Reserves   |      | 1,205,254            | 1,213,965            |
| <b>Total equity</b>                                    |      | <b>2,716,800</b>     | <b>2,725,511</b>     |
| Insurance contract liabilities                         | 12   | 2,016,669            | 1,947,184            |
| Other financial liabilities                            |      | 23,673               | 22,092               |
| Insurance payables                                     |      | 146,914              | 113,867              |
| Other payables   |      | 135,191              | 67,325               |
| Tax payable  |      | -                    | 7,761                |
| <b>Total liabilities</b>                               |      | <b>2,322,447</b>     | <b>2,158,229</b>     |
| <b>Total equity and liabilities</b>                    |      | <b>5,039,247</b>     | <b>4,883,740</b>     |

## MSIG Insurance (Malaysia) Bhd

(Company No. 46983-W)  
(Incorporated in Malaysia)

### Unaudited Statement of profit or loss and other comprehensive income for the 6 months period ended 30 June 2018

|  | 6 months<br>period<br>ended<br>30.06.2018<br>RM'000 | 6 months<br>period<br>ended<br>30.06.2017<br>RM'000 |
|--|---|---|
| <b>Operating revenue</b>                           | <u>810,216</u>                                      | <u>809,786</u>                                      |
| Gross written premiums                             | 770,321   | 780,466   |
| Change in unearned premiums provision              | <u>(5,322)</u>                                      | <u>(19,052)</u>                                     |
| Gross earned premiums                              | <u>764,999</u>                                      | <u>761,414</u>                                      |
| Gross written premiums ceded to reinsurers         | (145,213)   | (141,647)   |
| Change in unearned premiums provision              | <u>7,021</u>  | <u>4,787</u>  |
| Premiums ceded to reinsurers                       | <u>(138,192)</u>                                    | <u>(136,860)</u>                                    |
| <b>Net earned premiums</b>                         | <u>626,807</u>                                      | <u>624,554</u>                                      |
| Investment income                                  | 45,217  | 48,372  |
| Realised gains and losses                          | 14,899  | 15,154  |
| Commission income                                  | 21,731  | 21,601  |
| Other operating expenses                           | <u>(547)</u>  | <u>(1,410)</u>                                      |
| <b>Other income</b>                                | <u>81,300</u>                                       | <u>83,717</u>                                       |
| Gross claims paid                                  | (417,790)   | (391,084)   |
| Claims ceded to reinsurers                         | 71,275  | 60,837  |
| Gross change in contract liabilities               | (64,163)  | 11,207  |
| Change in contract liabilities ceded to reinsurers | <u>18,261</u>                                       | <u>(27,865)</u>                                     |
| <b>Net claims incurred</b>                         | <u>(392,417)</u>                                    | <u>(346,905)</u>                                    |
| Commission expense                                 | (89,796)  | (88,008)  |
| Management expenses                                | <u>(111,358)</u>                                    | <u>(108,834)</u>                                    |
| <b>Other expenses</b>                              | <u>(201,154)</u>                                    | <u>(196,842)</u>                                    |
| <b>Profit before tax</b>                           | 114,536   | 164,524   |
| Tax expense  | <u>(19,065)</u>                                     | <u>(35,416)</u>                                     |
| <b>Profit for the period</b>                       | <u>95,471</u>                                       | <u>129,108</u>                                      |

## MSIG Insurance (Malaysia) Bhd

(Company No. 46983-W)  
(Incorporated in Malaysia)

### Unaudited Statement of profit or loss and other comprehensive income for the 6 months period ended 30 June 2018 (continued)

|  | 6 months<br>period<br>ended<br>30.06.2018<br>RM'000 | 6 months<br>period<br>ended<br>30.06.2017<br>RM'000 |
|--|---|---|
| <b>Other comprehensive income</b>                                      |   |   |
| <b>Items that may be reclassified subsequently to profit or loss</b>   |   |   |
| Net (loss) / gain on fair value of available-for-sale financial assets | (25,304)  | 19,327  |
| Tax effect   | <u>6,073</u>  | <u>(4,638)</u>                                      |
| <b>Other comprehensive (loss) / income for the period, net of tax</b>  | <u>(19,231)</u>                                     | <u>14,689</u>                                       |
| <b>Total comprehensive income for the period</b>                       | <u>76,240</u>                                       | <u>143,797</u>                                      |
| <b>Basic earnings per share (sen)</b>                                  | <u>28.7</u>   | <u>38.8</u>   |

## MSIG Insurance (Malaysia) Bhd

(Company No. 46983-W)  
(Incorporated in Malaysia)

### Unaudited Statement of changes in equity for the 6 months period ended 30 June 2018

|   | <i>/---- Non-distributable ----/</i> |                         | <i>Distributable</i>         |                             |                        |
|---|--------------------------------------|-------------------------|------------------------------|-----------------------------|------------------------|
|   | Share capital<br>RM'000              | Share premium<br>RM'000 | Fair value reserve<br>RM'000 | Retained earnings<br>RM'000 | Total equity<br>RM'000 |
| <b>At 1 January 2018</b>                          | 1,511,546                            | -                       | 15,303                       | 1,198,662                   | 2,725,511              |
| Fair value of available-for-sale financial assets | -                                    | -                       | (19,231)                     | -                           | (19,231)               |
| Total other comprehensive income for the period   | -                                    | -                       | (19,231)                     | -                           | (19,231)               |
| Profit for the period                             | -                                    | -                       | -                            | 95,471                      | 95,471                 |
| Total comprehensive income for the period         | -                                    | -                       | (19,231)                     | 95,471                      | 76,240                 |
| Dividends paid during the period                  | -                                    | -                       | -                            | (84,951)                    | (84,951)               |
| <b>At 30 June 2018</b>                            | <b>1,511,546</b>                     | <b>-</b>                | <b>(3,928)</b>               | <b>1,209,182</b>            | <b>2,716,800</b>       |
| <b>At 1 January 2017</b>                          | 333,143                              | 1,178,403               | (1,696)                      | 1,038,103                   | 2,547,953              |
| Fair value of available-for-sale financial assets | -                                    | -                       | 14,689                       | -                           | 14,689                 |
| Total other comprehensive income for the period   | -                                    | -                       | 14,689                       | -                           | 14,689                 |
| Profit for the period                             | -                                    | -                       | -                            | 129,108                     | 129,108                |
| Total comprehensive income for the period         | -                                    | -                       | 14,689                       | 129,108                     | 143,797                |
| Dividends paid during the period                  | -                                    | -                       | -                            | (83,286)                    | (83,286)               |
| <b>At 30 June 2017</b>                            | <b>333,143</b>                       | <b>1,178,403</b>        | <b>12,993</b>                | <b>1,083,925</b>            | <b>2,608,464</b>       |

## MSIG Insurance (Malaysia) Bhd

(Company No. 46983-W)  
(Incorporated in Malaysia)

### Unaudited Statement of cash flow for the 6 months period ended 30 June 2018

|   | 6 months<br>period<br>ended<br>30.06.2018<br>RM'000 | 6 months<br>period<br>ended<br>30.06.2017<br>RM'000 |
|---|---|---|
| <b>Cash flows from operating activities</b>                   |   |   |
| Profit before tax   | 114,536   | 164,524   |
| Adjustments for:  |   |   |
| Depreciation of plant and equipment                           | 3,892   | 3,810   |
| Depreciation of investment property                           | 3   | 2   |
| Investment income   | (17,138)  | (48,372)  |
| Realised gains recorded in profit or loss                     | (14,899)  | (15,154)  |
| Purchase of available-for-sale financial assets               | (417,025)   | (711,389)   |
| Proceeds from disposal of available-for-sale financial assets | 336,932   | 597,008   |
| Retirement gratuities charged                                 | 323   | 212   |
| Unrealised foreign exchange gain                              | (10)  | (17)  |
| Operating profit/(loss) before changes in working capital     | 6,614   | (9,376)   |
| Change in reinsurance assets                                  | (25,282)  | 23,078  |
| Change in insurance receivables                               | (52,808)  | (36,881)  |
| Change in deferred acquisition costs                          | 1,558   | (2,166)   |
| Change in loans and receivables                               | 100,945   | 78,464  |
| Change in insurance contract liabilities                      | 69,485  | 7,845   |
| Change in other financial liabilities                         | 1,589   | 1,411   |
| Change in insurance payables                                  | 33,050  | 18,406  |
| Change in other payables                                      | 67,542  | (15,566)  |
| Cash generated from operating activities                      | 202,693   | 65,215  |
| Dividend income received                                      | 31,231  | 9,670   |
| Interest income received                                      | 30,421  | 42,390  |
| Income tax paid   | (25,859)  | (28,033)  |
| <b>Net cash flows from operating activities</b>               | <u>238,486</u>                                      | <u>89,242</u>                                       |
| <b>Cash flows from investing activities</b>                   |   |   |
| Proceeds from disposal of plant and equipment                 | 459   | 432   |
| Purchase of intangible assets                                 | (263)   | -   |
| Purchase of plant and equipment                               | (2,886)   | (1,082)   |
| <b>Net cash flows used in investing activities</b>            | <u>(2,690)</u>                                      | <u>(650)</u>  |

## MSIG Insurance (Malaysia) Bhd

(Company No. 46983-W)  
(Incorporated in Malaysia)

### Unaudited Statement of cash flow for the 6 months period ended 30 June 2018 (continued)

|  | 6 months<br>period<br>ended<br>30.06.2018<br>RM'000 | 6 months<br>period<br>ended<br>30.06.2017<br>RM'000 |
|--|---|---|
| <b>Cash flows from financing activities</b>        |   |   |
| Dividend paid                                      | (84,951)  | (83,286)  |
| Repayment of finance lease                         | -   | (9)   |
| <b>Net cash flows used in financing activities</b> | <u>(84,951)</u>                                     | <u>(83,295)</u>                                     |
| Net increase in cash and cash equivalents          | 150,845   | 5,297   |
| Cash and cash equivalents at beginning of period   | <u>118,336</u>                                      | <u>173,614</u>                                      |
| Cash and cash equivalents at end of period         | <u>269,181</u>                                      | <u>178,911</u>                                      |



# MSIG Insurance (Malaysia) Bhd

(Company No. 46983-W)  
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## Notes to the financial statements

The immediate holding company is MSIG Holdings (Asia) Pte. Ltd., a company incorporated in Singapore. The penultimate and ultimate holding companies are Mitsui Sumitomo Insurance Co., Ltd and MS&AD Insurance Group Holdings, Inc., respectively. Both companies were incorporated in Japan.

### 1. Basis of preparation

#### Statement of compliance

The interim financial statements of MSIG Insurance (Malaysia) Bhd (“the Company”) are unaudited and have been prepared in accordance with MFRS 134, *Interim Financial Reporting* and with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2017.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in 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 (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

The initial application of the aforesaid applicable standards, amendments and interpretations did not have any material financial impacts to the current and prior period financial statements upon their first adoption.

## **2. Comments on seasonality or cyclicity**

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

## **3. Unusual items**

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 period ended 30 June 2018.

## **4. Changes in estimates**

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

## **5. Debt and equity securities**

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities by the Company in the current interim period ended 30 June 2018.

## **6. Dividend**

The final ordinary dividend recommended by Directors in respect of the financial year ended 31 December 2017 is 25.5 sen per ordinary share amounting to RM84,951,000. These dividends will be paid on 4 July 2018.

## **7. Events after the interim period**

There were no material events after the interim period that has not been reflected in the financial statements for the interim period.

## **8. Effect of changes in the composition of the Company**

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

## **9. Changes in contingent liabilities or contingent assets**

Company does not have any contingent assets and no material changes in contingent liabilities since the last annual balance sheet date.

## 10. Available-for-sale (“AFS”) financial assets

|                                   | Note   | 30.06.2018<br>RM'000 | 31.12.2017<br>RM'000 |
|-----------------------------------|--------|----------------------|----------------------|
| <b>At fair value</b>              |        |                      |                      |
| Equity securities in corporations |        |                      |                      |
| Quoted in Malaysia                |        | 192,516              | 225,192              |
| Unquoted in Malaysia              |        | 602                  | 602                  |
| Unit Trusts                       |        | 570,784              | 501,735              |
| Controlled Structured Entities    | 10 (a) | 925,480              | 926,023              |
| Government Investment Issues      |        | 45,069               | 25,256               |
| Corporate debt securities:        |        |                      |                      |
| Unquoted in Malaysia              |        | 98,766               | 94,179               |
| <b>Total AFS financial assets</b> |        | <b>1,833,217</b>     | <b>1,772,987</b>     |

### Estimation of fair value

The fair value of quoted equity securities and unit trusts are their quoted closing bid prices at the end of reporting period.

The fair value of the unquoted equity securities in corporations is determined to approximate the carrying amounts as these are immaterial in the context of the financial statements.

The fair value for Malaysian Government Securities and Government Investment Issues are their indicative mid market prices quoted by bond pricing agencies at the end of the reporting period.

The estimated fair value of unquoted corporate debt securities is based on the indicative mid market prices obtained from a bond pricing agency.

### Carrying value of AFS financial assets

|  | AFS<br>RM'000    |
|--|------------------|
| At 1 January 2017                                      | 1,342,506        |
| Addition   | 1,812,074        |
| Disposal   | (1,401,390)      |
| Fair value gain recorded in other comprehensive income | 22,367           |
| Amortisation   | (847)            |
| Provision for impairment loss                          | (1,723)          |
| At 31 December 2017/1 January 2018                     | 1,772,987        |
| Additions  | 417,025          |
| Disposals  | (322,458)        |
| Fair value loss recorded in other comprehensive income | (25,304)         |
| Amortisation   | (103)            |
| Provision for impairment loss                          | (8,930)          |
| At 30 June 2018  | <u>1,833,217</u> |

## 10. Available-for-sale (“AFS”) financial assets (continued)

### 10 (a) Controlled structured entities

The Company has determined that its investment in unit trust funds amounting to RM925,479,712 (31.12.2017: RM926,023,031) are in essence investment in structured entities (“investee funds”). The Company invests in certain investee funds whose objectives range from achieving short to long-term fixed income. The investee funds are managed by AmFunds Management Berhad, Affin Hwang Asset Management Berhad and CIMB-Principal Asset Management Berhad which 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 Company holds almost 100% of all the investee funds disclosed below, which are all established in Malaysia. The Company 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. Accordingly, the Company has control over these investee funds.

Details of the Company’s investment in controlled structured entities are as follows:

| Name of unit trust fund                    | Principal activities   | % of ownership interest held by the Company |            |
|--|--|---|------------|
|  |  | 30.06.2018                                  | 31.12.2017 |
| AmCash Premium                             | Investment in government bonds and deposits                          | 100.00%                                     | 100.00%    |
| AmBond Select 1                            | Investment in government bonds and deposits                          | 100.00%                                     | 100.00%    |
| AmBond Select 2                            | Investment in corporate bonds and deposits                           | 100.00%                                     | 100.00%    |
| Affin Hwang Wholesale Government Bond Fund | Investment in government bonds and deposits                          | 99.97%                                      | 99.99%     |
| Affin Hwang Wholesale Corporate Bond Fund  | Investment in corporate bonds and deposits                           | 99.95%                                      | 99.98%     |
| Affin Hwang World Series-Asian Bond Fund   | Investment in collective investment scheme, deposits and derivatives | 99.90%                                      | 99.99%     |
| CIMB-Principal Institutional Bond Fund 4   | Investment in corporate bonds and deposits                           | 100.00%                                     | 100.00%    |

## 10. Available-for-sale (“AFS”) financial assets (continued)

### 10 (a) Controlled structured entities (continued)

These investee funds are classified as available-for-sale investments and the change in fair value of each investee fund is included in the statement of other comprehensive income of the Company.

The significant components of the Company’s holdings in the investee funds are disclosed below:

|   | AmCash<br>Premium<br>RM’000 | AmBond<br>Select 1<br>RM’000 | AmBond<br>Select 2<br>RM’000 | Affin Hwang<br>Wholesale<br>Government<br>Bond Fund<br>RM’000 | Affin Hwang<br>Wholesale<br>Corporate Bond<br>Fund<br>RM’000 | Affin Hwang<br>World Series-<br>Asian Bond<br>Fund<br>RM’000 | CIMB-<br>Principal<br>Institutional<br>Bond Fund 4<br>RM’000 |
|---|-----------------------------|------------------------------|------------------------------|---|--|--|--|
| Fair value of<br>underlying net assets: |                             |                              |                              |   |  |  |  |
| <b>30.06.2018</b>                       |                             |                              |                              |   |  |  |  |
| Government bonds                        | -                           | 151,110                      | -                            | 163,117   | -  | -  | -  |
| Corporate bonds                         | -                           | -                            | 123,848                      | -   | 69,558   | 20,214   | 120,588  |
| Money market<br>deposits                | 196,065                     | 23,811                       | 3,009                        | 16,504  | 11,398   | -  | 12,794   |
| Cash and cash<br>equivalents            | 1                           | 141                          | 5,017                        | 24  | 36   | 346  | 20   |
|   | <u>196,066</u>              | <u>175,062</u>               | <u>131,874</u>               | <u>179,645</u>  | <u>80,992</u>  | <u>20,560</u>  | <u>133,402</u>   |
| <b>31.12.2017</b>                       |                             |                              |                              |   |  |  |  |
| Government bonds                        | 98,580                      | 122,005                      | -                            | 159,679   | -  | -  | -  |
| Corporate bonds                         | -                           | -                            | 112,270                      | -   | 73,651   | 21,917   | 120,736  |
| Money market<br>deposits                | 100,038                     | 29,070                       | 14,854                       | 20,738  | 7,680  | -  | 13,411   |
| Cash and cash<br>equivalents            | 1                           | 25,025                       | 6                            | 39  | 25   | 13   | 20   |
|   | <u>198,619</u>              | <u>176,100</u>               | <u>127,130</u>               | <u>180,456</u>  | <u>81,356</u>  | <u>21,930</u>  | <u>134,167</u>   |

## 10. Available-for-sale (“AFS”) financial assets (continued)

### 10 (a) Controlled structured entities (continued)

The Company’s exposure to investments in the investee funds is disclosed below (continued):

|   | AmCash<br>Premium<br>RM’000 | AmBond<br>Select 1<br>RM’000 | AmBond<br>Select 2<br>RM’000 | Affin Hwang<br>Wholesale<br>Government<br>Bond Fund<br>RM’000 | Affin Hwang<br>Wholesale<br>Corporate<br>Bond Fund<br>RM’000 | Affin Hwang<br>World Series-<br>Asian Bond<br>Fund<br>RM’000 | CIMB-<br>Principal<br>Institutional<br>Bond Fund 4<br>RM’000 |
|---|-----------------------------|------------------------------|------------------------------|---|--|--|--|
| <b>30.06.2018</b>   |                             |                              |                              |   |  |  |  |
| Total fair value gain<br>/(loss) recognised for<br>the financial year | -                           | (965)                        | (322)                        | 933   | 695  | (1,711)  | 545  |
| <b>31.12.2017</b>   |                             |                              |                              |   |  |  |  |
| Total fair value gain<br>/(loss) recognised for<br>the financial year | 200                         | 133                          | 35                           | 1,796   | 1,148  | (269)  | 1,675  |

The Company’s maximum exposure to loss from its interests in the investee funds is equal to the carrying amounts shown above.

## 11. Reinsurance assets

|                                    | <b>30.06.2018</b> | <b>31.12.2017</b> |
|------------------------------------|-------------------|-------------------|
|                                    | <b>RM'000</b>     | <b>RM'000</b>     |
| Reinsurance of insurance contracts |                   |                   |
| Claims liabilities                 | 442,819           | 424,558           |
| Premium liabilities                | 126,471           | 119,450           |
|                                    | <u>569,290</u>    | <u>544,008</u>    |

## 12. Insurance contract liabilities

The general insurance contract liabilities and its movements are further analysed as follows:

|  | <b>Note</b> | <b>30.06.2018</b> |                    |                  | <b>31.12.2017</b> |                    |                  |
|--|-------------|-------------------|--------------------|------------------|-------------------|--------------------|------------------|
|  |             | <b>Gross</b>      | <b>Reinsurance</b> | <b>Net</b>       | <b>Gross</b>      | <b>Reinsurance</b> | <b>Net</b>       |
|  |             | <b>RM'000</b>     | <b>RM'000</b>      | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>      | <b>RM'000</b>    |
| Provision for claims reported by policyholders |             | 1,141,884         | (418,114)          | 723,770          | 1,070,831         | (397,233)          | 673,598          |
| Provision for IBNR                             |             | 80,073            | (24,705)           | 55,368           | 86,963            | (27,325)           | 59,638           |
| Provision for outstanding claims               | 12.1        | 1,221,957         | (442,819)          | 779,138          | 1,157,794         | (424,558)          | 733,236          |
| Provision for unearned premiums                | 12.2        | 794,712           | (126,471)          | 668,241          | 789,390           | (119,450)          | 669,940          |
|  |             | <u>2,016,669</u>  | <u>(569,290)</u>   | <u>1,447,379</u> | <u>1,947,184</u>  | <u>(544,008)</u>   | <u>1,403,176</u> |

## 12. Insurance contract liabilities (continued)

### 12.1 Provision for outstanding claims

|  | 30.06.2018       |                       |                | 31.12.2017       |                       |                |
|--|------------------|-----------------------|----------------|------------------|-----------------------|----------------|
|  | Gross<br>RM'000  | Reinsurance<br>RM'000 | Net<br>RM'000  | Gross<br>RM'000  | Reinsurance<br>RM'000 | Net<br>RM'000  |
| At 1 January   | 1,157,794        | (424,558)             | 733,236        | 1,058,647        | (313,991)             | 744,656        |
| Claims incurred in the current accident year                   | 589,728          | (187,003)             | 402,725        | 1,041,781        | (270,322)             | 771,459        |
| Adjustment to claims incurred in prior accident years          | (149,810)        | 134,693               | (15,117)       | (126,380)        | 45,567                | (80,813)       |
| Adjustment to claims incurred in the ex-HLA run-off portfolio  | 36,004           | (36,815)              | (811)          | (1,089)          | 201                   | (888)          |
| Movement in PRAD of claims liabilities at 75% confidence level | 3,968            | (941)                 | 3,027          | 17,572           | (11,774)              | 5,798          |
| Movement in claims handling expenses                           | 2,063            | -                     | 2,063          | (853)            | -                     | (853)          |
| Claims paid during the period                                  | (417,790)        | 71,275                | (346,515)      | (831,884)        | 126,165               | (705,719)      |
| Movement in reinsurance default provision                      | -                | 530                   | 530            | -                | (404)                 | (404)          |
| At 30 June / 31 December                                       | <u>1,221,957</u> | <u>(442,819)</u>      | <u>779,138</u> | <u>1,157,794</u> | <u>(424,558)</u>      | <u>733,236</u> |

### 12.2 Provision for unearned premiums

|                          | 30.06.2018      |                       |                | 31.12.2017      |                       |                |
|--------------------------|-----------------|-----------------------|----------------|-----------------|-----------------------|----------------|
|                          | Gross<br>RM'000 | Reinsurance<br>RM'000 | Net<br>RM'000  | Gross<br>RM'000 | Reinsurance<br>RM'000 | Net<br>RM'000  |
| At 1 January             | 789,390         | (119,450)             | 669,940        | 790,102         | (126,753)             | 663,349        |
| Premiums written         | 770,321         | (145,213)             | 625,108        | 1,536,673       | (288,134)             | 1,248,539      |
| Premiums earned          | (764,999)       | 138,192               | (626,807)      | (1,537,385)     | 295,437               | (1,241,948)    |
| At 30 June / 31 December | <u>794,712</u>  | <u>(126,471)</u>      | <u>668,241</u> | <u>789,390</u>  | <u>(119,450)</u>      | <u>669,940</u> |



### 13. Earnings per share

#### *Basic earnings per share*

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM95,471,000 (30.06.2017: RM129,108,000 ) and the weighted average number of ordinary shares outstanding during the period of 333,143,000 (30.06.2017: 333,143,000).

### 14. Operating leases

#### Leases as lessee

The future minimum lease payments under the non-cancellable operating lease are as follows:

|                            | <b>30.06.2018</b> | <b>31.12.2017</b> |
|----------------------------|-------------------|-------------------|
|                            | <b>RM'000</b>     | <b>RM'000</b>     |
| Less than one year         | 10,693            | 10,454            |
| Between one and five years | 10,404            | 13,709            |
|                            | <u>21,097</u>     | <u>24,163</u>     |

The company lease office premises under operating lease, the leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every 3 years to reflect market rentals. None of the leases includes contingent rentals.

### 15. Capital expenditure commitments

|                                   | <b>30.06.2018</b> | <b>31.12.2017</b> |
|-----------------------------------|-------------------|-------------------|
|                                   | <b>RM'000</b>     | <b>RM'000</b>     |
| <b>Plant and equipment</b>        |                   |                   |
| Authorised but not contracted for | -                 | -                 |
| Contracted but not provided for   | 228               | 228               |
|                                   | <u>228</u>        | <u>228</u>        |

## 16. Significant related party transactions

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

|                              | <b>6 months<br/>period<br/>ended<br/>30.06.2018<br/>RM'000</b> | <b>6 months<br/>period<br/>ended<br/>30.06.2017<br/>RM'000</b> |
|------------------------------|--|--|
| <b>Related companies</b>     |  |  |
| Premium ceded                | 3,993  | 1,512  |
| Commission received          | (838)  | (2,328)  |
| Claims recoveries            | (4,451)  | (6,838)  |
| Interest income              | (3,074)  | (5,443)  |
| Service Fee                  | 1,449  | 1,297  |
| IT Project Cost              | 1,175  | 1,051  |
| Bank merchant fees           | 1,337  | 1,430  |
| Claims settling fee received | (282)  | (336)  |

## 17. Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a minimum Capital Adequacy Ratio of 130%. As at period end, the Company has a Capital Adequacy Ratio in excess of the minimum requirement.

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

|  | <b>30.06.2018<br/>RM'000</b> | <b>31.12.2017<br/>RM'000</b> |
|--|------------------------------|------------------------------|
| <b>Eligible Tier 1 Capital</b>         |                              |                              |
| Share capital                          | 1,511,546                    | 1,511,546                    |
| Reserves, excluding fair value reserve | <u>1,209,182</u>             | <u>1,198,662</u>             |
|  | <u>2,720,728</u>             | <u>2,710,208</u>             |
| <b>Tier 2 Capital</b>                  |                              |                              |
| Eligible reserves – Fair value reserve | <u>(3,928)</u>               | <u>15,303</u>                |
| Amount deducted from capital           | <u>(1,159,553)</u>           | <u>(1,155,260)</u>           |
| Total capital available                | <u><u>1,557,247</u></u>      | <u><u>1,570,251</u></u>      |