

**RHB INSURANCE BERHAD**  
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

**RHB INSURANCE BERHAD** (38000-U)  
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

<u>CONTENTS</u>	<u>PAGE</u>
UNAUDITED STATEMENT OF FINANCIAL POSITION	1
UNAUDITED INCOME STATEMENT	2
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME	3
UNAUDITED STATEMENT OF CHANGES IN EQUITY	4
UNAUDITED STATEMENT OF CASH FLOW	5
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS	6 - 19

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	<u>Note</u>	<b>As at 30 June 2019</b> RM '000	<b>As at 31 December 2018</b> RM '000
<b>ASSETS</b>			
Property, plant and equipment		20,384	22,222
Right of use		4,703	-
Intangible asset - computer software		16,437	15,672
Investments	9	1,067,840	986,931
- Fair value through profit or loss		966,290	892,244
- Loans and receivables		101,550	94,687
Deferred tax assets		-	-
Tax recoverable		11,786	13,390
Reinsurance assets	10	480,273	511,236
Insurance receivables	11	81,404	87,865
Other receivables		66,821	109,704
Cash and cash equivalents		8,717	30,635
<b>Total assets</b>		<b>1,758,365</b>	<b>1,777,655</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	12	1,081,677	1,094,114
Insurance payables		27,854	44,306
Other payables		65,410	65,378
Lease liabilities		4,211	-
Deferred tax liabilities		3,402	197
<b>Total liabilities</b>		<b>1,182,554</b>	<b>1,203,995</b>
<b>SHAREHOLDERS' FUND</b>			
Share capital		100,000	100,000
Retained earnings		475,811	473,660
Available-for-sale reserve		-	-
		575,811	573,660
<b>Total liabilities and shareholders' fund</b>		<b>1,758,365</b>	<b>1,777,655</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<u>Note</u>	<b>6 months ended</b>	
		<b><u>30 June 2019</u></b> RM '000	<b><u>30 June 2018</u></b> RM '000
Gross earned premium		366,139	363,393
Premium ceded to reinsurers		(109,420)	(114,662)
<b>Net earned premium</b>		<u>256,719</u>	<u>248,731</u>
Investment income		23,068	20,253
Realised (loss)/gains		1,695	(354)
Fair value (loss)/gains		7,922	(9,376)
Reinsurance commission income		22,303	23,881
Other operating income		1,227	926
<b>Other income</b>		<u>56,215</u>	<u>35,330</u>
Gross claims paid	12(a)	(203,601)	(195,029)
Claims ceded to reinsurers	12(a)	88,464	51,703
Gross change to claims liabilities	12(a)	(1,646)	(74,108)
Change in claims liabilities ceded to reinsurers	12(a)	(18,305)	46,222
<b>Net claims</b>		<u>(135,088)</u>	<u>(171,212)</u>
Commission expense		(45,594)	(50,520)
Management expenses		(67,254)	(69,330)
Other operating expenses		-	-
<b>Other expenses</b>		<u>(112,848)</u>	<u>(119,850)</u>
(Loss)/Profit before taxation		64,998	(7,001)
Taxation		(12,778)	7,199
<b>Profit for the financial period</b>		<u>52,220</u>	<u>198</u>
Basic earnings per share (sen)		<u>52.22</u>	<u>0.20</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>6 months ended</b>	
	<b><u>30 June 2019</u></b>	<b><u>30 June 2018</u></b>
	RM '000	RM '000
<b>Profit for the financial period</b>	52,220	198
<b>Other comprehensive income/(loss):</b>		
Available-for-sale reserve		
- Net gains arising during the financial period	-	-
Income tax relating to components of other comprehensive loss	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<b>Total comprehensive income for the financial period</b>	<u>52,220</u>	<u>198</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>Issued and fully paid ordinary shares</b>		<b>Distributable</b>	<b>Non - distributable</b>	
	<b><u>No. of shares</u></b> '000 units	<b><u>Nominal value</u></b> RM '000		<b><u>Retained earnings</u></b> RM '000	<b><u>AFS reserve</u></b> RM '000
Balance as at 1 January 2019	100,000	100,000	473,660	-	573,660
MFRS 16 day 1 Adjustment	-	-	(70)	-	(70)
Total comprehensive income for the financial period	-	-	52,220	-	52,220
Ordinary dividends	-	-	(50,000)	-	(50,000)
<b>Balance as at 30 June 2019</b>	<b>100,000</b>	<b>100,000</b>	<b>475,810</b>	<b>-</b>	<b>575,810</b>
Balance as at 1 January 2018	100,000	100,000	405,431	-	505,431
Total comprehensive income for the financial period	-	-	198	-	198
Ordinary dividends	-	-	-	-	-
<b>Balance as at 30 June 2018</b>	<b>100,000</b>	<b>100,000</b>	<b>405,629</b>	<b>-</b>	<b>505,629</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>6 months ended</b>	
	<b><u>30 June 2019</u></b>	<b><u>30 June 2018</u></b>
	RM '000	RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	66,561	(7,001)
Adjustments for investing and financing items and other non - cash items	(26,736)	(7,162)
	<hr/>	<hr/>
Operating profit before changes in working capital	39,825	(14,163)
Net changes in operating assets	28,698	62,771
Net changes in operating liabilities	(19,990)	(9,030)
Lease liabilities	(4,697)	-
	<hr/>	<hr/>
Cash generated from operations	43,836	39,578
Tax paid	(5,586)	(12,051)
	<hr/>	<hr/>
Net cash generated from operating activities	38,250	27,527
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,624)	(6,134)
Right of use	(7,873)	-
Proceeds from sale of property, plant and equipment	23	-
	<hr/>	<hr/>
Net cash used in investing activities	(10,474)	(6,134)
	<hr/>	<hr/>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(50,000)	-
	<hr/>	<hr/>
Net cash used in financing activities	(50,000)	-
	<hr/>	<hr/>
Effect on exchange rate changes on cash and cash equivalents	306	123
	<hr/>	<hr/>
Net Increase/(Decrease) In Cash And Cash Equivalents	(21,918)	21,516
Cash And Cash Equivalents At Beginning Of Financial Year	30,635	2,434
	<hr/>	<hr/>
<b>Cash And Cash Equivalents At End Of Financial Period</b>	<b>8,717</b>	<b>23,950</b>
	<hr/> <hr/>	<hr/> <hr/>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**1. BASIS OF PREPARATION**

The interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB') and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following:

- (a) Accounting standards, annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2019:
- MFRS 16 'Leases'
  - Annual Improvements to MFRS 2015-2017 Cycle:
    - \* Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
  - IC Interpretation 23 'Uncertainty over Income Tax Treatments'

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Company other than the effects and change in accounting policy arising from the adoption of MFRS 16 as disclosed in Note 18.

**2. AUDITORS' REPORT**

The auditors' report for the financial year ended 31 December 2018 was not subject to any qualification.

**3. SEASONAL OR CYCLICAL FACTORS**

The business operations of the Company have not been affected by any material seasonal or cyclical factors.

**4. EXCEPTIONAL OR UNUSUAL ITEMS**

There were no exceptional or unusual items for the six months ended 30 June 2019.

**5. CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the six months ended 30 June 2019.

**6. CHANGES IN DEBT AND EQUITY SECURITIES**

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period under review.



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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**7. DIVIDENDS PAID**

During the six months ended 30 June 2019, the Company has paid a final single-tier dividend of 50% in respect of the financial year ended 31 December 2018, amounting to RM50,000,000 on 24 April 2019.

**8. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

The Company does not have any contingent assets or contingent liabilities that may significantly render the financial results reported misleading or inappropriate.

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**9. INVESTMENT**

	<b>As at</b>	<b>As at</b>
	<b><u>30 June 2019</u></b>	<b><u>31 December 2018</u></b>
	RM '000	RM '000
Debt securities	15,419	15,646
Equities securities	-	91,386
Wholesale unit trust funds and property trust funds	950,871	785,212
Staff loans	44	18
Fixed and call deposits	101,506	94,669
	<u>1,067,840</u>	<u>986,931</u>
	<u><u>1,067,840</u></u>	<u><u>986,931</u></u>

The Company's investments are summarised by categories as follows:

Fair value through profit or loss	966,290	892,244
Loans and receivables	101,550	94,687
	<u>1,067,840</u>	<u>986,931</u>
	<u><u>1,067,840</u></u>	<u><u>986,931</u></u>

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

9. **INVESTMENT (continued)**

	<b>As at</b>	<b>As at</b>
	<b><u>30 June 2019</u></b>	<b><u>31 December 2018</u></b>
	RM '000	RM '000
<b>a) Fair value through profit or loss</b>		
<u>At fair value</u>		
Quoted in Malaysia:		
Fair value through profit or loss		
- Equities securities	-	91,386
- Property trust funds	-	7,002
- Debt securities	15,419	15,646
- Wholesale unit trust funds	950,871	778,210
	966,290	892,244
	966,290	892,244
<b>b) Loans and receivables</b>		
<u>At amortised cost</u>		
- Loans	44	18
- Fixed and call deposits	101,506	94,669
	101,550	94,687
	101,550	94,687

The underlying assets for the wholesale unit trust fund are as follows:

Malaysian Government Securities	177,068	151,599
Debt securities	589,911	541,569
Call deposits	204,411	67,350
Cash equivalents	8	10,292
Receivables/payables	(20,527)	7,400
	950,871	778,210
	950,871	778,210

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(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

9. **INVESTMENT (Continued)**

e) **Carrying value of financial instruments**

	<b>Fair value through profit or loss</b>	<b>Held-to- maturity</b>	<b>Loans and receivables</b>	<b>Available- for-sale</b>	<b>Total</b>
	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 January 2018	125,103	15,393	85,514	766,676	992,686
Effect from adoption of MFRS 9	782,716	(15,393)	-	(766,676)	647
Purchases	199,038	-	9,173	-	208,211
Maturities	-	-	-	-	-
Disposals	(209,554)	-	-	-	(209,554)
Fair value gains recorded in Income Statement	(5,055)	-	-	-	(5,055)
Fair value gains recorded in Other Comprehensive Income	-	-	-	-	-
Amortisation change	(4)	-	-	-	(4)
<b>At 31 December 2018</b>	<b>892,244</b>	<b>-</b>	<b>94,687</b>	<b>-</b>	<b>986,931</b>
Effect from adoption of MFRS 9	-	-	-	-	-
Purchases	162,684	-	-	-	162,684
Maturities	-	-	-	-	-
Disposals	(96,558)	-	6,862	-	(89,696)
Fair value gains recorded in Income Statement	7,922	-	-	-	7,922
Fair value gains recorded in Other Comprehensive Income	-	-	-	-	-
Amortisation change	(2)	-	-	-	(2)
<b>At 30 June 2019</b>	<b>966,290</b>	<b>-</b>	<b>101,549</b>	<b>-</b>	<b>1,067,839</b>

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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

9. **INVESTMENT (Continued)**

**f) Fair value investments**

	<b>Fair value through profit or loss</b>	<b>Available- for-sale</b>	<b>Total</b>
	RM '000	RM '000	RM '000
<b>Unaudited</b>			
<b>At 30 June 2019</b>			
Quoted market price	-	-	-
Valuation techniques – market observable inputs	966,290	-	966,290
	<u>966,290</u>	<u>-</u>	<u>966,290</u>
<b>Audited</b>			
<b>At 31 December 2018</b>			
Quoted market price	98,388	-	98,388
Valuation techniques – market observable inputs	793,856	-	793,856
	<u>892,244</u>	<u>-</u>	<u>892,244</u>

**g) Fair value measurements**

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- (iii) Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	RM '000	RM '000	RM '000
<b>Unaudited</b>			
<b>At 30 June 2019</b>			
Fair value through profit and loss			
- Quoted equities securities	-	-	-
- Debt securities	-	15,419	15,419
- Wholesale unit trust fund	-	950,871	950,871
	<u>-</u>	<u>966,290</u>	<u>966,290</u>
<b>Audited</b>			
<b>At 31 December 2018</b>			
Fair value through profit and loss			
- Quoted equities securities	91,386	-	91,386
- Quoted property trust funds	7,002	-	7,002
- Debt securities	-	15,646	15,646
- Wholesale unit trust fund	-	778,210	778,210
	<u>98,388</u>	<u>793,856</u>	<u>892,244</u>

There were no transfers between levels 1 and 2 during the year.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**9. INVESTMENT (Continued)**

**g) Fair value measurements (Continued)**

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last quoted bid prices at the end of the reporting period. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Bursa Malaysia equity investments classified as trading securities.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**10. REINSURANCE ASSETS**

	<b>As at</b> <b><u>30 June 2019</u></b> RM '000	<b>As at</b> <b><u>31 December 2018</u></b> RM '000
Claims liabilities	393,576	411,881
Premium liabilities	86,697	99,355
	<hr/> 480,273 <hr/>	<hr/> 511,236 <hr/>

**11. INSURANCE RECEIVABLES**

	<b>As at</b> <b><u>30 June 2019</u></b> RM '000	<b>As at</b> <b><u>31 December 2018</u></b> RM '000
Due premiums including agents, brokers and co-insurers balances	88,594	89,708
Due from reinsurers and cedants	9,554	13,129
	<hr/> 98,148 <hr/>	<hr/> 102,837 <hr/>
Allowance for doubtful debts	(16,744)	(14,972)
	<hr/> 81,404 <hr/>	<hr/> 87,865 <hr/>

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**12. INSURANCE CONTRACT LIABILITIES**

	<u>Gross</u> RM '000	<u>Reinsurance</u> RM '000	<u>Net</u> RM '000
<b><u>As at</u></b>			
<b><u>30 June 2019</u></b>			
Claims reported	512,087	(309,940)	202,147
Incurred but not reported claims ("IBNR")	241,490	(83,636)	157,854
	<hr/>	<hr/>	<hr/>
Claims liabilities (note(a))	753,577	(393,576)	360,001
Premium liabilities (note(b))	328,100	(86,697)	241,403
	<hr/>	<hr/>	<hr/>
	1,081,677	(480,273)	601,404
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>As at</u></b>			
<b><u>31 December 2018</u></b>			
Claims reported	496,257	(305,833)	190,424
Incurred but not reported claims ("IBNR")	255,674	(106,048)	149,626
	<hr/>	<hr/>	<hr/>
Claims liabilities (note(a))	751,931	(411,881)	340,050
Premium liabilities (note(b))	342,183	(99,355)	242,828
	<hr/>	<hr/>	<hr/>
	1,094,114	(511,236)	582,878
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**12. INSURANCE CONTRACT LIABILITIES (Continued)**

**(a) Claims liabilities**

	<u>Gross</u> RM '000	<u>Reinsurance</u> RM '000	<u>Net</u> RM '000
<b>As at</b>			
<b><u>30 June 2019</u></b>			
Balance as at 1 January 2018	751,931	(411,881)	340,050
Claims incurred in current accident year			
- Paid	44,049	(10,270)	33,779
- Case reserves	191,562	(99,705)	91,857
- IBNR	173,414	(44,928)	128,486
Claims incurred in prior accident year			
- Paid	159,552	(78,194)	81,358
- Case reserves	(385,600)	185,584	(200,016)
- IBNR	(181,331)	65,818	(115,513)
<b>Balance as at 30 June 2019</b>	<b>753,577</b>	<b>(393,576)</b>	<b>360,001</b>
<b>As at</b>			
<b><u>31 December 2018</u></b>			
Balance as at 1 January 2017	692,187	(377,685)	314,502
Claims incurred in current accident year			
- Paid	185,154	(43,426)	141,728
- Case reserves	278,313	(122,538)	155,775
- IBNR	276,882	(93,486)	183,396
Claims incurred in prior accident year			
- Paid	213,850	(78,843)	135,007
- Case reserves	(663,068)	230,121	(432,947)
- IBNR	(231,387)	73,976	(157,411)
<b>Balance as at 31 December 2018</b>	<b>751,931</b>	<b>(411,881)</b>	<b>340,050</b>

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**12. INSURANCE CONTRACT LIABILITIES (Continued)**

**(b) Premium liabilities**

	<u>Gross</u> RM '000	<u>Reinsurance</u> RM '000	<u>Net</u> RM '000
<b>As at</b>			
<b><u>30 June 2019</u></b>			
Balance as at 1 January 2018	342,183	(99,355)	242,828
Premium written for the financial period	352,056	(96,762)	255,294
Premium earned during the financial period	(366,139)	109,420	(256,719)
<b>Balance as at 30 June 2019</b>	<b>328,100</b>	<b>(86,697)</b>	<b>241,403</b>
<b>As at</b>			
<b><u>31 December 2018</u></b>			
Balance as at 1 January 2017	306,123	(105,075)	201,048
Premium written for the financial period	786,647	(238,177)	548,470
Premium earned during the financial period	(750,587)	243,897	(506,690)
<b>Balance as at 31 December 2018</b>	<b>342,183</b>	<b>(99,355)</b>	<b>242,828</b>

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**13. CAPITAL COMMITMENTS**

	<b>As at</b> <b><u>30 June 2019</u></b>	<b>As at</b> <b><u>31 December 2018</u></b>
	RM '000	RM '000
Capital expenditure on property, plant and equipment:		
Authorised and contracted for	3,245	321
Authorised but not contracted for	17,195	15,813
	20,440	16,134
	20,440	16,134

**14. REGULATORY CAPITAL REQUIREMENTS**

The capital structure of the Company as at 30 June 2019, as prescribed under the RBC Framework is provided below:

	<b>As at</b> <b><u>30 June 2019</u></b>	<b>As at</b> <b><u>31 December 2018</u></b>
	RM '000	RM '000
<b><u>Eligible Tier 1 Capital</u></b>		
Share capital (paid-up)	100,000	100,000
Retained earnings	475,811	473,660
	575,811	573,660
	575,811	573,660
<b><u>Tier 2 Capital</u></b>		
Available-for-sale reserve	-	-
<b><u>Deductions</u></b>		
Amount deducted from Capital	(3,402)	-
	572,409	573,660
	572,409	573,660

**15. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**16. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There are no material events subsequent to the balance sheet date that have not been reflected in financial statements.

**17. CHANGES IN THE COMPOSITION OF THE COMPANY**

There are no significant changes in the composition of the Company for the six months ended 30 June 2019.

**RHB INSURANCE BERHAD (38000-U)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 (Continued)**

**18. CHANGE IN ACCOUNTING POLICY**

**Adoption of MFRS 16 "Leases"**

The Company has adopted MFRS 16 'Leases' issued by MASB with its mandatory adoption date of 1 January 2019. MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations. As permitted by MFRS 16, the Company has adopted the simplified transitional approach and will not restate comparative amounts for the year prior to first adoption.

Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Company was at 4.05%.

Summarised below are the effects upon adoption of MFRS 16 as at 1 January 2019:

	<b>As previously reported</b>	<b>Effect of full adoption of MFRS 16</b>	<b>As restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deferred tax liabilities	197	(22)	175
Rights of use assets	-	7,873	7,873
Lease liabilities	-	5,506	5,506
Reserves	473,660	(70)	473,590

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	<b>RM'000</b>
Operating lease commitments as at 31 December 2018	5,759
Discounted using the incremental borrowing rate	(253)
Finance lease liabilities recognised under MFRS 117	<u>5,506</u>
Short term lease recognised on a straight-line basis as expenses	-
Low-value leases recognised on a straight-line basis as expenses	-
Contracts reassessed as service agreements	-
Adjustments as a result of different treatment of extension and	-
Adjustments relating to changes in the rate affecting variable payments	-
Lease liability recognised as at 1 January 2019	<u><u>5,506</u></u>

The recognised right-of-use assets relate to the following types of assets:

Properties - Office	<u>7,873</u>
	<u><u>7,873</u></u>