

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	<u>Note</u>	<b>As at 30 June 2018</b> RM '000	<b>As at 31 December 2017</b> RM '000
<b>ASSETS</b>			
Property, plant and equipment		22,350	17,615
Intangible asset - computer software		14,038	15,396
Investments	9	915,180	992,686
- Fair value through profit or loss		859,111	125,103
- Held-to-maturity		-	15,393
- Available-for-sale		56,069	85,514
- Loans and receivables		-	766,676
Deferred tax assets		4,359	-
Tax recoverable		21,888	6,779
Reinsurance assets	10	519,953	482,760
Insurance receivables	11	83,885	109,816
Other receivables		92,218	90,351
Cash and cash equivalents		23,950	2,434
<b>Total assets</b>		<b>1,697,821</b>	<b>1,717,837</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	12	1,097,303	998,310
Insurance payables		31,556	46,294
Other payables		63,333	156,618
Deferred tax liabilities		-	2,567
<b>Total liabilities</b>		<b>1,192,192</b>	<b>1,203,789</b>
<b>SHAREHOLDERS' FUND</b>			
Share capital		100,000	100,000
Retained earnings		405,629	413,318
Available-for-sale reserve		-	730
		505,629	514,048
<b>Total liabilities and shareholders' fund</b>		<b>1,697,821</b>	<b>1,717,837</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<u>Note</u>	<b>6 months ended</b>	
		<b><u>30 June 2018</u></b> RM '000	<b><u>30 June 2017</u></b> RM '000
Gross earned premium		363,393	326,131
Premium ceded to reinsurers		(114,662)	(105,223)
<b>Net earned premium</b>		<b>248,731</b>	<b>220,908</b>
Investment income		20,253	18,955
Realised (loss)/gains		(354)	3,754
Fair value (loss)/gains		(9,376)	10,206
Reinsurance commission income		23,881	20,923
Other operating income		926	108
<b>Other income</b>		<b>35,330</b>	<b>53,946</b>
Gross claims paid	12(a)	(195,029)	(147,520)
Claims ceded to reinsurers	12(a)	51,703	50,564
Gross change to claims liabilities	12(a)	(74,108)	(69,251)
Change in claims liabilities ceded to reinsurers	12(a)	46,222	56,866
<b>Net claims</b>		<b>(171,212)</b>	<b>(109,341)</b>
Commission expense		(50,520)	(43,132)
Management expenses		(69,330)	(60,453)
Other operating expenses		-	(197)
<b>Other expenses</b>		<b>(119,850)</b>	<b>(103,782)</b>
(Loss)/Profit before taxation		(7,001)	61,731
Taxation		7,199	(11,985)
<b>Profit for the financial period</b>		<b>198</b>	<b>49,746</b>
Basic earnings per share (sen)		0.20	49.75

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<b>6 months ended</b>	
	<b><u>30 June 2018</u></b>	<b><u>30 June 2017</u></b>
	RM '000	RM '000
<b>Profit for the financial period</b>	198	49,746
<b>Other comprehensive income/(loss):</b>		
Available-for-sale reserve		
- Net gains arising during the financial period	-	2,886
Income tax relating to components of other comprehensive loss	-	(692)
	<hr/>	<hr/>
	-	2,194
	<hr/>	<hr/>
<b>Total comprehensive income for the financial period</b>	<b>198</b>	<b>51,940</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 2017.

**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 2018**

	<b>Issued and fully paid ordinary shares</b>		<b>Distributable</b>	<b>Non - distributable</b>	
	<b>RM1 each</b>				
	<b>No. of shares</b>	<b>Nominal value</b>	<b>Retained earnings</b>	<b>AFS reserve</b>	<b>Total</b>
	'000 units	RM '000	RM '000	RM '000	RM '000
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>
Balance as at 1 January 2017	100,000	100,000	400,055	(1,508)	498,547
Total comprehensive income for the financial period	-	-	49,746	2,194	51,940
Ordinary dividends	-	-	-	-	-
<b>Balance as at 30 June 2017</b>	<b>100,000</b>	<b>100,000</b>	<b>449,801</b>	<b>686</b>	<b>550,487</b>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

**RHB INSURANCE BERHAD (38000-U)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	6 months ended	
	<u>30 June 2018</u>	<u>30 June 2017</u>
	RM '000	RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(7,001)	61,731
Adjustments for investing and financing items and other non - cash items	(7,162)	(29,477)
	<hr/>	<hr/>
Operating profit before changes in working capital	(14,163)	32,254
Net changes in operating assets	62,771	(112,316)
Net changes in operating liabilities	(9,030)	83,290
	<hr/>	<hr/>
Cash generated from operations	39,578	3,228
Tax paid	(12,051)	(10,379)
	<hr/>	<hr/>
Net cash generated from operating activities	27,527	(7,151)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,134)	(5,426)
	<hr/>	<hr/>
Net cash used in investing activities	(6,134)	(5,426)
	<hr/>	<hr/>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	-	-
	<hr/>	<hr/>
Net cash used in financing activities	-	-
	<hr/>	<hr/>
Effect on exchange rate changes on cash and cash equivalents	123	(27)
	<hr/>	<hr/>
Net Increase/(Decrease) In Cash And Cash Equivalents	21,516	(12,604)
Cash And Cash Equivalents At Beginning Of Financial Year	2,434	13,905
	<hr/>	<hr/>
<b>Cash And Cash Equivalents At End Of Financial Period</b>	<b>23,950</b>	<b>1,301</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 2017.

**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 2018**

**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 2017.

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 2017, 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 2018:
- MFRS 9 'Financial Instruments'
  - MFRS 15 'Revenue from Contracts with Customers'
  - Annual Improvements to MFRS 2014-2016 Cycle:
    - \* Amendment to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'
    - \* Amendment to MFRS 128 'Investments in Associates and Joint Ventures'
    - \* Amendment to MFRS 4 'Insurance Contracts'
    - \* IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

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 9 as disclosed in Note 11 (b).

**2. AUDITORS' REPORT**

The auditors' report for the financial year ended 31 December 2017 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 2018.

**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 2018.

**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 2018 (Continued)**

**7. DIVIDENDS PAID**

No dividend was paid during six months ended 30 June 2018.

**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)**  
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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Continued)**

**9. INVESTMENT**

	<b>As at</b>	<b>As at</b>
	<b><u>30 June 2018</u></b>	<b><u>31 December 2017</u></b>
	RM '000	RM '000
Debt securities	15,816	15,393
Equities securities	106,559	108,114
Wholesale unit trust funds and property trust funds	736,736	783,665
Staff loans	63	20
Fixed and call deposits	56,006	85,494
	<u>915,180</u>	<u>992,686</u>

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

Fair value through profit or loss	859,111	125,103
Held-to-maturity	-	15,393
Available-for-sale	-	766,676
Loans and receivables	56,069	85,514
	<u>915,180</u>	<u>992,686</u>

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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Continued)**

9. **INVESTMENT (continued)**

	<b>As at</b>	<b>As at</b>
	<b>30 June 2018</b>	<b>31 December 2017</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	106,559	108,114
- Property trust funds	5,971	16,989
- Debt securities	15,816	-
- Wholesale unit trust funds	730,765	-
	<hr/>	<hr/>
	859,111	125,103
	<hr/> <hr/>	<hr/> <hr/>
<b>b) Held-to-maturity</b>		
<u>At amortised cost</u>		
Unquoted in Malaysia:		
- Debt securities	-	15,393
	<hr/>	<hr/>
	-	15,393
	<hr/> <hr/>	<hr/> <hr/>
<b>c) Loans and receivables</b>		
<u>At amortised cost</u>		
- Loans	63	20
- Fixed and call deposits	56,006	85,494
	<hr/>	<hr/>
	56,069	85,514
	<hr/> <hr/>	<hr/> <hr/>
<b>d) Available-for-sale</b>		
<u>At fair value</u>		
Unquoted in Malaysia:		
- Wholesale unit trust funds	-	766,676
	<hr/>	<hr/>
	-	766,676
	<hr/> <hr/>	<hr/> <hr/>

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

Malaysian Government Securities	81,076	90,773
Debt securities	547,421	518,899
Call deposits	99,841	150,845
Cash equivalents	3	286
Receivables/payables	2,424	5,873
	<hr/>	<hr/>
	730,765	766,676
	<hr/> <hr/>	<hr/> <hr/>

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**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018 (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 2017	90,266	15,392	43,952	699,332	848,942
Purchases	121,293	-	41,562	64,399	227,254
Maturities	-	-	-	-	-
Disposals	(94,271)	-	-	-	(94,271)
Fair value gains recorded in Income Statement	7,815	-	-	-	7,815
Fair value gains recorded in Other Comprehensive Income	-	-	-	2,945	2,945
Accretion of discounts	-	1	-	-	1
<b>At 31 December 2017</b>	<b>125,103</b>	<b>15,393</b>	<b>85,514</b>	<b>766,676</b>	<b>992,686</b>
Effect from adoption of MFRS 9	782,717	(15,393)	-	(766,676)	648
Purchases	121,104	-	-	-	121,104
Maturities	-	-	-	-	-
Disposals	(160,429)	-	(29,445)	-	(189,874)
Fair value gains recorded in Income Statement	(9,377)	-	-	-	(9,377)
Fair value gains recorded in Other Comprehensive Income	-	-	-	-	-
Amortisation change	(8)	-	-	-	(8)
<b>At 30 June 2018</b>	<b>859,111</b>	<b>-</b>	<b>56,069</b>	<b>-</b>	<b>915,180</b>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018 (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><u>At 30 June 2018</u></b>			
Quoted market price	112,530	-	112,530
Valuation techniques – market observable inputs	746,581	-	746,581
	<u>859,111</u>	<u>-</u>	<u>859,111</u>
<b>Audited</b>			
<b><u>At 31 December 2017</u></b>			
Quoted market price	125,103	-	125,103
Valuation techniques – market observable inputs	-	766,676	766,676
	<u>125,103</u>	<u>766,676</u>	<u>891,779</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><u>At 30 June 2018</u></b>			
Fair value through profit and loss			
- Quoted equities securities	106,559	-	106,559
- Quoted property trust funds	5,971	-	5,971
- Debt securities	-	15,816	15,816
- Wholesale unit trust fund	-	730,765	730,765
	<u>112,530</u>	<u>746,581</u>	<u>859,111</u>
<b>Audited</b>			
<b><u>At 31 December 2017</u></b>			
Fair value through profit and loss			
- Quoted equities securities	108,114	-	108,114
- Quoted property trust funds	16,989	-	16,989
Available-for-sale			
-Wholesale unit trust fund	-	766,676	766,676
	<u>125,103</u>	<u>766,676</u>	<u>891,779</u>

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

**INTERIM FINANCIAL STATEMENTS**  
**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018 (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 2018 (Continued)**

**10. REINSURANCE ASSETS**

	<b>As at</b> <b><u>30 June 2018</u></b> RM '000	<b>As at</b> <b><u>31 December 2017</u></b> RM '000
Claims liabilities	423,907	377,685
Premium liabilities	96,046	105,075
	<hr/>	<hr/>
	519,953	482,760
	<hr/> <hr/>	<hr/> <hr/>

**11. INSURANCE RECEIVABLES**

	<b>As at</b> <b><u>30 June 2018</u></b> RM '000	<b>As at</b> <b><u>31 December 2017</u></b> RM '000
<b>a) Carrying value of Insurance Receivables</b>		
Due premiums including agents, brokers and co-insurers balances	93,422	106,695
Due from reinsurers and cedants	11,834	11,781
	<hr/>	<hr/>
	105,256	118,476
Allowance for doubtful debts	(21,371)	(8,660)
	<hr/>	<hr/>
	83,885	109,816
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INTERIM FINANCIAL STATEMENTS  
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Continued)

11. INSURANCE RECEIVABLES (continued)

**b) Change in Accounting Policies**

Effective 1 January 2018, the Company have adopted MFRS 9 'Financial Instruments', which is the comprehensive standard to replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

As permitted by MFRS 9, the Company are not restating comparatives on initial application of MFRS 9.

The adoption of MFRS 9 has resulted in the following changes to the accounting policies of the Company:

**(a) Financial assets**

the Company classify its financial assets as subsequently measured at either amortised cost or fair value depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

The following summarises the key changes:

- (i) The financial instruments available for sale ('AFS') and held to maturity ('HTM') categories were removed;
- (ii) A new asset category measured at fair value through other comprehensive income ('FVOCI') was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. A significant portion of the AFS debt instruments of the Company held through its wholesale unit trust funds did not pass the 'solely payment for principal and interest' ('SPPI') test and will be classified to FVTPL; and
- (iii) A new asset category for non-traded equity investments measured at FVOCI was introduced. The company currently does not have any AFS equity instruments to be classified in this category.

**(b) Financial liabilities**

Classification of financial liabilities remained unchanged for the Company. Financial liabilities continue to be measured at either amortised cost or FVTPL.

There will be no impact on the Group's and the Bank's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company do not have any such liabilities.

**(c) Changes to impairment of financial assets**

The MFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology model under MFRS 139. Key changes in the accounting policy for impairment of financial assets of the Company are listed below.

The Company apply a three-stage approach to measuring expected credit losses ('ECL') on debt instruments accounted for at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:



INTERIM FINANCIAL STATEMENTS  
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (Continued)

11. INSURANCE RECEIVABLES (continued)

b) Change in Accounting Policies (continued)

(c) Changes to impairment of financial assets (continued)

(i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under MFRS 139, the existing methodology for individual impairment of the Company remain unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying

At each reporting date, the Company assess whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Company use its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expect to receive.

The Company consider its historical loss experience and adjust this for current observable data. In addition, the Company use reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

In the case of the new asset category for debt instruments measured at FVOCI, the measurement of ECL is based on the three-stage approach as all other financial assets. the Company recognise the provision charge in profit and loss, with the corresponding amount recognised in other comprehensive income, with no reduction in the carrying amount of the asset in the balance sheet.

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**11. INSURANCE RECEIVABLES (continued)**

**b) Change in Accounting Policies (continued)**

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Company upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:

Company	MFRS 139	MFRS 9	MFRS 139	← Reclassification →		Carrying	MFRS 9	MFRS 9
	measurement category	measurement category	carrying amount at 31 December 2017	Fair value through profit and loss	Fair value through other comprehensive income	amount post reclassification	remeasurement including expected credit loss	carrying amount at 1 January 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short-term funds	Loans and receivables	Amortised costs	2,434			2,434		2,434
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised costs	85,514			85,514		85,514
Financial assets at FVTPL	FVTPL	FVTPL	125,103	782,716		907,819		907,819
Financial assets at FVOCI:								
- Debts instrument	Financial investments AFS	FVOCI	766,676	(766,676)		-		-
- Debts instrument	Financial investments HTM	FVOCI	15,393	(15,393)		-		-
Reinsurance assets	Loans and receivables	Amortised costs	482,760			482,760		482,760
Other assets	Loans and receivables	Amortised costs	200,166			200,166	(11,985)	188,181
Tax recoverable	NA	NA	6,779			6,779		6,779
Deferred tax assets	NA	NA				-	2,876	2,876
Property, plant and equipment	NA	NA	17,615			17,615		17,615
Intangible assets	NA	NA	15,396			15,396		15,396
<b>TOTAL ASSETS</b>			<b>1,717,836</b>	<b>647</b>	<b>-</b>	<b>1,718,483</b>	<b>(9,109)</b>	<b>1,709,374</b>

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11. **INSURANCE RECEIVABLES (continued)**

**b) Change in Accounting Policies (continued)**

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Company upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows (continued):

Group	MFRS 139	MFRS 9	MFRS 139	← Reclassification →		MFRS 9	MFRS 9	
	measurement category	measurement category	carrying amount at 31 December 2017	Fair value through profit and loss	Fair value through other comprehensive income	Carrying amount post reclassification	remeasurement including expected credit loss	carrying amount at 1 January 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES</b>								
General insurance contract liabilities	Amortised costs	Amortised costs	998,310			998,310		998,310
Other liabilities and provisions	Amortised costs	Amortised costs	202,912			202,912		202,912
Deferred tax liabilities	NA	NA	2,567	155		2,722		2,722
<b>TOTAL LIABILITIES</b>			<b>1,203,789</b>	<b>155</b>	<b>-</b>	<b>1,203,944</b>	<b>-</b>	<b>1,203,944</b>
<b>EQUITY</b>								
Share capital			100,000			100,000		100,000
Reserves			414,048	492		414,540	(9,109)	405,431
<b>Equity attributable to Shareholders</b>			<b>514,048</b>	<b>492</b>	<b>-</b>	<b>514,540</b>	<b>(9,109)</b>	<b>505,431</b>
NCI			-	-		-	-	-
<b>TOTAL EQUITY</b>			<b>514,048</b>	<b>492</b>	<b>-</b>	<b>514,540</b>	<b>(9,109)</b>	<b>505,431</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>1,717,837</b>	<b>647</b>	<b>-</b>	<b>1,718,484</b>	<b>(9,109)</b>	<b>1,709,375</b>

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**11. INSURANCE RECEIVABLES (continued)**

**b) Change in Accounting Policies (Continued)**

The following table shows the effects of the reclassification of financial assets and financial liabilities from MFRS 139 categories into the amortised cost category under MFRS 9 as at 31 December 2017 and 1 January 2018:

	<b>RM'000</b>
<b>AFS Reserve</b>	
Closing balance under MFRS 139 as at 31 December 2017	730
Reclassification of investment securities (debt) from AFS to amortised cost	<u>(730)</u>
Opening balance under MFRS 9 as at 1 January 2018	<u><u>-</u></u>

	<b>RM'000</b>
<b>Retained earnings</b>	
Closing balance under MFRS 139 as at 31 December 2017	413,318
Reclassification under MFRS 9	
Recognition of ECL under MFRS 9	(11,985)
Effect of taxation	2,721
Effect of reclassification of financial investment AFS to FVTPL	730
Effect of reclassification of financial investment at amortised costs to FVTPL	<u>647</u>
Closing balance under MFRS 9 as at 1 January 2018	<u><u>405,431</u></u>

The following table reconciles the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018:

	<b>MFRS 139 Allowance as at 31 December 2017</b>	<b>Reclassification</b>	<b>Adjustment</b>	<b>MFRS 9 Allowance as at 1 January 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	2,434			2,434
Deposits and placements with banks and other financial institutions	85,514			85,514
Financial assets at FVTPL	125,103	782,069	647	907,819
Financial assets at FVOCI	766,676	(766,676)		-
Financial assets at amortised costs	15,393	(15,393)		-
Other debtors	682,926		(11,985)	670,941
	<u>1,678,046</u>	<u>-</u>	<u>(11,338)</u>	<u>1,666,708</u>

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**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 2018</u></b>			
Claims reported	502,974	(310,554)	192,420
Incurred but not reported claims ("IBNR")	263,321	(113,353)	149,968
	<hr/>	<hr/>	<hr/>
Claims liabilities (note(a))	766,295	(423,907)	342,388
Premium liabilities (note(b))	331,008	(96,046)	234,962
	<hr/>	<hr/>	<hr/>
	1,097,303	(519,953)	577,350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>As at</u></b>			
<b><u>31 December 2017</u></b>			
Claims reported	481,109	(291,147)	189,962
Incurred but not reported claims ("IBNR")	211,078	(86,538)	124,540
	<hr/>	<hr/>	<hr/>
Claims liabilities (note(a))	692,187	(377,685)	314,502
Premium liabilities (note(b))	306,123	(105,075)	201,048
	<hr/>	<hr/>	<hr/>
	998,310	(482,760)	515,550
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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**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 2018</u></b>			
Balance as at 1 January 2018	692,187	(377,685)	314,502
Claims incurred in current accident year			
- Paid	56,607	(13,942)	42,665
- Case reserves	143,001	(49,029)	93,972
- IBNR	201,096	(69,305)	131,791
Claims incurred in prior accident year			
- Paid	138,422	(37,761)	100,661
- Case reserves	(316,165)	81,325	(234,840)
- IBNR	(148,853)	42,490	(106,363)
<b>Balance as at 30 June 2018</b>	<b>766,295</b>	<b>(423,907)</b>	<b>342,388</b>
<b>As at</b>			
<b><u>31 December 2017</u></b>			
Balance as at 1 January 2017	589,192	(287,815)	301,377
Claims incurred in current accident year			
- Paid	155,796	(50,365)	105,431
- Case reserves	191,634	(112,334)	79,300
- IBNR	123,880	(52,178)	71,702
Claims incurred in prior accident year			
- Paid	163,569	(58,107)	105,462
- Case reserves	(427,920)	139,757	(288,163)
- IBNR	(103,964)	43,357	(60,607)
<b>Balance as at 31 December 2017</b>	<b>692,187</b>	<b>(377,685)</b>	<b>314,502</b>

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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 2018</u></b>			
Balance as at 1 January 2018	306,123	(105,075)	201,048
Premium written for the financial period	388,278	(105,633)	282,645
Premium earned during the financial period	(363,393)	114,662	(248,731)
	<hr/>	<hr/>	<hr/>
<b>Balance as at 30 June 2018</b>	<b>331,008</b>	<b>(96,046)</b>	<b>234,962</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>As at</b>			
<b><u>31 December 2017</u></b>			
Balance as at 1 January 2017	283,717	(91,185)	192,532
Premium written for the financial period	690,897	(230,900)	459,997
Premium earned during the financial period	(668,491)	217,010	(451,481)
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2017</b>	<b>306,123</b>	<b>(105,075)</b>	<b>201,048</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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**13. CAPITAL COMMITMENTS**

	<b>As at</b> <b><u>30 June 2018</u></b> RM '000	<b>As at</b> <b><u>31 December 2017</u></b> RM '000
Capital expenditure on property, plant and equipment:		
Authorised and contracted for	6,737	668
Authorised but not contracted for	20,223	24,120
	<u>26,960</u>	<u>24,788</u>

**14. REGULATORY CAPITAL REQUIREMENTS**

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

	<b>As at</b> <b><u>30 June 2018</u></b> RM '000	<b>As at</b> <b><u>31 December 2017</u></b> RM '000
<b><u>Eligible Tier 1 Capital</u></b>		
Share capital (paid-up)	100,000	100,000
Retained earnings	405,629	413,318
	<u>505,629</u>	<u>513,318</u>
<b><u>Tier 2 Capital</u></b>		
Available-for-sale reserve	-	730
<b><u>Deductions</u></b>		
Amount deducted from Capital	(4,359)	-
	<u>501,270</u>	<u>514,048</u>
<b>Total Capital Available</b>	<u>501,270</u>	<u>514,048</u>

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

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



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**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 2018.