

**PROGRESSIVE INSURANCE BHD**

197401001891 (19002 - P)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements**

**For The Financial Period From**

**1 January 2020 to 30 June 2020**

197401001891 (19002-P)

**PROGRESSIVE INSURANCE BHD**  
**(Incorporated in Malaysia)**

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**PROGRESSIVE INSURANCE BHD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	Group		Company	
		30.06.2020 RM	31.12.2019 RM	30.06.2020 RM	31.12.2019 RM
<b>ASSETS</b>					
Property and equipment		14,091,678	14,078,248	14,091,678	14,078,248
Right-of-use assets		3,670,418	3,857,092	3,670,418	3,857,092
Investments:		286,635,060	281,971,470	288,187,868	287,627,770
- Available-for-sale ("AFS") financial assets	6 (a)	75,827,176	73,231,366	207,814,867	200,371,782
- Financial assets at fair value through profit or loss ("FVTPL")	6 (b)	210,807,884	208,740,104	80,373,001	87,255,988
Reinsurance assets	7	139,548,007	109,646,647	139,548,007	109,646,647
Loans and other receivables	8	122,469,088	135,052,729	117,734,529	125,438,087
Tax recoverable		2,854,573	1,654,571	2,854,573	1,654,571
Insurance receivables	9	24,288,831	16,192,623	24,288,831	16,192,623
Cash and bank balances		10,066,976	9,666,326	8,908,543	9,437,604
<b>TOTAL ASSETS</b>		<b>603,624,631</b>	<b>572,119,706</b>	<b>599,284,447</b>	<b>567,932,642</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital		100,000,000	100,000,000	100,000,000	100,000,000
Reserves		175,740,824	170,954,396	175,783,622	171,008,821
		275,740,824	270,954,396	275,783,622	271,008,821
Non-controlling interests		4,296,265	4,148,301	-	-
<b>TOTAL EQUITY</b>		<b>280,037,089</b>	<b>275,102,697</b>	<b>275,783,622</b>	<b>271,008,821</b>

**PROGRESSIVE INSURANCE BHD**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020 (CONT'D.)**

	Note	Group		Company	
		30.06.2020 RM	31.12.2019 RM	30.06.2020 RM	31.12.2019 RM
Insurance contract liabilities	10	261,224,603	233,457,082	261,224,603	233,457,082
Deferred tax liabilities		1,001,097	1,001,097	1,001,097	1,001,097
Lease liabilities		4,082,354	4,240,713	4,082,354	4,240,713
Other financial liabilities	11	27,278,707	28,036,541	27,278,707	28,036,541
Insurance payables	12	23,769,162	15,176,685	23,769,162	15,176,685
Other payables		6,231,619	15,104,891	6,144,902	15,011,703
<b>TOTAL LIABILITIES</b>		<u>323,587,542</u>	<u>297,017,009</u>	<u>323,500,825</u>	<u>296,923,821</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>603,624,631</u>	<u>572,119,706</u>	<u>599,284,447</u>	<u>567,932,642</u>

The accompanying notes form an integral part of the financial statements.

**PROGRESSIVE INSURANCE BHD**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INCOME STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

	Note	Group		Company	
		30.06.2020 RM	30.06.2019 RM	30.06.2020 RM	30.06.2019 RM
Gross written premiums	10 (ii)	65,180,332	67,716,815	65,180,332	67,716,815
Change in unearned premiums		<u>(992,951)</u>	<u>(335,847)</u>	<u>(992,951)</u>	<u>(335,847)</u>
Gross earned premiums	10 (ii)	<u>64,187,381</u>	<u>67,380,968</u>	<u>64,187,381</u>	<u>67,380,968</u>
Gross written premiums ceded to reinsurers	10 (ii)	(36,243,656)	(36,170,614)	(36,243,656)	(36,170,614)
Change in unearned premiums		<u>2,096,090</u>	<u>(1,930,232)</u>	<u>2,096,090</u>	<u>(1,930,232)</u>
Earned Premiums ceded to reinsurers	10 (ii)	<u>(34,147,566)</u>	<u>(38,100,846)</u>	<u>(34,147,566)</u>	<u>(38,100,846)</u>
<b>Net earned premiums</b>		<u>30,039,815</u>	<u>29,280,122</u>	<u>30,039,815</u>	<u>29,280,122</u>
Investment income, net		6,095,661	6,278,073	5,676,798	5,900,274
Realised gains		3,841,705	5,558,650	3,832,528	5,489,405
Fair value losses and gains		(6,878,062)	7,642,404	(9,201,664)	5,155,958
Commission income		6,844,929	7,195,651	6,844,929	7,195,651
Other operating income		<u>1,568,832</u>	<u>1,669,410</u>	<u>1,568,832</u>	<u>1,669,410</u>
<b>Other income</b>		<u>11,473,065</u>	<u>28,344,188</u>	<u>8,721,423</u>	<u>25,410,698</u>
Gross claims paid		(21,725,542)	(24,249,944)	(21,725,542)	(24,249,944)
Claims ceded to reinsurers		5,907,133	4,815,808	5,907,133	4,815,808
Gross change in contract liabilities		<u>(26,774,570)</u>	<u>(7,621,281)</u>	<u>(26,774,570)</u>	<u>(7,621,281)</u>
Change in contract liabilities ceded to reinsurers		<u>27,805,270</u>	<u>4,913,377</u>	<u>27,805,270</u>	<u>4,913,377</u>
<b>Net claims incurred</b>		<u>(14,787,709)</u>	<u>(22,142,040)</u>	<u>(14,787,709)</u>	<u>(22,142,040)</u>
Commission expenses		(7,992,259)	(8,371,723)	(7,992,259)	(8,371,723)
Management expenses					
- General fund		(13,961,878)	(20,853,909)	(13,743,089)	(20,651,427)
- Shareholders' fund		<u>(174,274)</u>	<u>(284,861)</u>	<u>(174,274)</u>	<u>(284,861)</u>
<b>Other expenses</b>		<u>(22,128,411)</u>	<u>(29,510,493)</u>	<u>(21,909,622)</u>	<u>(29,308,011)</u>

**PROGRESSIVE INSURANCE BHD**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INCOME STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (CONT'D.)**

	Note	Group		Company	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
		RM	RM	RM	RM
<b>Profit before taxation</b>		4,596,760	5,971,777	2,063,907	3,240,769
Taxation		(500,000)	(778,000)	(500,000)	(778,000)
<b>Net profit for the period</b>		<u>4,096,760</u>	<u>5,193,777</u>	<u>1,563,907</u>	<u>2,462,769</u>
<b>Earnings per ordinary share</b> <b>(sen) - basic and diluted</b>		<u>4.1</u>	<u>5.2</u>		
<b>Net profit for the period</b> <b>attributable to:</b>					
Equity holder of the Company		3,947,747	5,037,341		
Non-controlling interests		149,013	156,436		
		<u>4,096,760</u>	<u>5,193,777</u>		

The accompanying notes form an integral part of the financial statements.

**PROGRESSIVE INSURANCE BHD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Net profit for the period</b>	4,096,760	5,193,777	1,563,907	2,462,769
<b>Other comprehensive income</b>				
<u>Items that may be reclassified to</u> <u>income statements in</u> <u>subsequent periods:</u>				
Fair value change on AFS financial assets:				
Gains on fair value changes	838,681	1,725,792	3,210,894	4,354,522
Transferred to profit or loss upon disposal	-	-	-	(113,193)
Deferred tax	-	(245,579)	-	(245,579)
<b>Other comprehensive income for the period, net of tax</b>	<u>838,681</u>	<u>1,480,213</u>	<u>3,210,894</u>	<u>3,995,750</u>
<b>Total comprehensive income for the period</b>	<u>4,935,441</u>	<u>6,673,990</u>	<u>4,774,801</u>	<u>6,458,519</u>
<b>Total comprehensive income for the period attributable to:</b>				
Equity holders of the Company	4,786,428	6,517,554	4,774,801	6,458,519
Non-controlling interests	149,013	156,436	-	-
	<u>4,935,441</u>	<u>6,673,990</u>	<u>4,774,801</u>	<u>6,458,519</u>

The accompanying notes form an integral part of the financial statements.

**PROGRESSIVE INSURANCE BHD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

Group	←————— Attributable to owners of the Company —————→						Non-controlling interests	Total equity
	←————— Non-distributable —————→			Distributable				
	Share capital RM	Property revaluation reserve RM	AFS reserve RM	Retained earnings RM	Total RM	RM	RM	
<b>At 1 January 2019</b>	100,000,000	6,159,332	752,413	140,400,392	247,312,137	3,906,312	251,218,449	
Total comprehensive income for the period	-	-	1,480,213	5,037,341	6,517,554	156,436	6,673,990	
Dividend paid during the period	-	-	-	(3,520,000)	(3,520,000)	-	(3,520,000)	
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	(21,377)	(21,377)	
<b>At 30 June 2019</b>	<b>100,000,000</b>	<b>6,159,332</b>	<b>2,232,626</b>	<b>141,917,733</b>	<b>250,309,691</b>	<b>4,041,371</b>	<b>254,351,062</b>	
<b>At 1 January 2020</b>	100,000,000	6,159,332	2,524,268	162,270,796	270,954,396	4,148,301	275,102,697	
Total comprehensive income for the period	-	-	838,681	3,947,747	4,786,428	149,013	4,935,441	
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	(1,049)	(1,049)	
<b>At 30 June 2020</b>	<b>100,000,000</b>	<b>6,159,332</b>	<b>3,362,949</b>	<b>166,218,543</b>	<b>275,740,824</b>	<b>4,296,265</b>	<b>280,037,089</b>	

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**PROGRESSIVE INSURANCE BHD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

Company	←————— Attributable to owners of the Company —————→				Total equity
	←————— Non-distributable —————→		—————→ Distributable		
	Share capital RM	Property revaluation reserve RM	AFS reserve RM	Retained earnings RM	RM
<b>At 1 January 2019</b>	100,000,000	6,159,332	2,334,738	138,831,257	247,325,327
Total comprehensive income for the period	-	-	3,995,750	2,462,769	6,458,519
Dividend paid during the period	-	-	-	(3,520,000)	(3,520,000)
<b>At 30 June 2019</b>	<u>100,000,000</u>	<u>6,159,332</u>	<u>6,330,488</u>	<u>137,774,026</u>	<u>250,263,846</u>
<b>At 1 January 2020</b>	100,000,000	6,159,332	7,736,771	157,112,718	271,008,821
Total comprehensive income for the period	-	-	3,210,894	1,563,907	4,774,801
<b>At 30 June 2020</b>	<u>100,000,000</u>	<u>6,159,332</u>	<u>10,947,665</u>	<u>158,676,625</u>	<u>275,783,622</u>

The accompanying notes form an integral part of the financial statements.

**PROGRESSIVE INSURANCE BHD**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

<b>Group</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>
<b>Operating Activities</b>		
Profit before taxation	4,596,760	5,971,777
<u>Adjustments for:</u>		
Interest income	(3,885,675)	(3,910,617)
Dividend income	(978,654)	(1,127,172)
Distribution income	(1,757,129)	(1,670,933)
Realised gains recorded in income statement	(3,841,705)	(5,558,650)
Fair value losses/(gains) recorded in income statement	6,878,062	(7,642,404)
Purchase of AFS financial assets	(1,757,129)	(1,670,933)
Purchase of FVTPL financial assets	(80,602,926)	(66,803,199)
Proceeds from disposal of FVTPL financial assets	75,427,025	78,147,387
Interest received	3,983,329	4,150,466
Dividends received	978,654	1,127,172
Reinvestment of distributions	1,757,129	1,670,933
Interest expense on lease liabilities	99,269	104,175
<u>Non-cash items:</u>		
Depreciation of property and equipment	531,658	554,814
Depreciation of right-of-use assets	186,672	186,672
Net amortisation of premiums	76,712	125,109
Allowance for impairment losses on insurance receivables	250,957	2,182,662
Property and equipment written-off	-	96,518
Gains on disposal of property and equipment	(350)	-
<u>Changes in working capital:</u>		
Increase in reinsurance assets	(29,901,360)	(2,983,145)
Increase in loans and receivables	(1,664,154)	(1,443,289)
Increase in insurance receivables, net of allowance for impairment	(8,347,165)	(1,600,274)
Decrease/(increase) in fixed and call deposits	14,145,193	(14,364,822)
Increase in insurance contract liabilities	27,767,521	7,957,128
Increase/(decrease) in insurance payables	8,592,477	(2,834,252)
(Decrease)/increase in other payables	(9,631,106)	2,245,662
Cash generated from/(used in) operating activities	<u>2,904,065</u>	<u>(7,089,215)</u>
Income tax paid, net	(1,700,002)	(1,637,498)
Net cash generated from/(used in) operating activities	<u>1,204,063</u>	<u>(8,726,713)</u>

**PROGRESSIVE INSURANCE BHD**  
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (CONT'D.)**

<b>Group</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>
<b>Investing Activities</b>		
Proceeds from disposal of property and equipment	350	-
Purchase of property and equipment	(545,086)	(212,999)
Net cash used in investing activities	<u>(544,736)</u>	<u>(212,999)</u>
<b>Financing Activities</b>		
Payment of lease liabilities	(257,628)	(257,628)
Dividends paid to shareholders	-	(3,520,000)
Proceeds from cancellation of units in wholesale unit trusts to non-controlling interests	(1,049)	(21,377)
Net cash used in financing activities	<u>(258,677)</u>	<u>(3,799,005)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	400,650	(12,738,717)
<b>Cash and cash equivalents at beginning of year</b>	9,666,326	16,166,682
<b>Cash and cash equivalents at end of year</b>	<u>10,066,976</u>	<u>3,427,965</u>

The accompanying notes form an integral part of the financial statements.

**PROGRESSIVE INSURANCE BHD**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (CONT'D.)**

<b>Company</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>
<b>Operating Activities</b>		
Profit before taxation	2,063,907	3,240,769
<u>Adjustments for:</u>		
Interest income	(915,040)	(906,112)
Dividend income	(978,654)	(1,127,172)
Distribution income	(4,232,190)	(4,172,529)
Realised gains recorded in income statement	(3,832,528)	(5,489,405)
Fair value losses/(gains) recorded in income statement	9,201,664	(5,155,958)
Purchase of AFS financial assets	(4,232,190)	(4,172,529)
Proceeds from disposal of AFS financial assets	-	5,000,000
Purchase of FVTPL financial assets	(71,366,676)	(41,153,099)
Proceeds from disposal of FVTPL financial assets	72,880,525	53,317,907
Interest received	1,017,643	1,168,691
Dividends received	978,654	1,127,172
Reinvestment of distributions	4,232,190	4,172,529
Interest expense on lease liabilities	99,269	104,175
<u>Non-cash items:</u>		
Depreciation of property and equipment	531,658	554,814
Depreciation of right-of-use assets	186,672	186,672
Allowance for impairment losses on insurance receivables	250,957	2,182,662
Property and equipment written-off	-	96,518
Gains on disposal of property and equipment	(350)	-
<u>Changes in working capital:</u>		
Increase in reinsurance assets	(29,901,360)	(2,983,145)
Increase in loans and receivables	(1,664,154)	(1,443,289)
Increase in insurance receivables, net of allowance for impairment	(8,347,165)	(1,600,274)
Decrease/(increase) in fixed and call deposits	9,265,110	(12,184,995)
Increase in insurance contract liabilities	27,767,521	7,957,128
Increase/(decrease) in insurance payables	8,592,477	(2,834,252)
(Decrease)/increase in other payables	(9,624,635)	2,257,744
Cash generated from/(used in) operating activities	<u>1,973,305</u>	<u>(1,855,978)</u>
Income tax paid, net	(1,700,002)	(1,637,498)
Net cash generated from/(used in) operating activities	<u>273,303</u>	<u>(3,493,476)</u>

**PROGRESSIVE INSURANCE BHD**  
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2020 (CONT'D.)**

<b>Company</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM</b>	<b>RM</b>
<b>Investing Activities</b>		
Proceeds from disposal of property and equipment	350	-
Purchase of property and equipment	(545,086)	(212,999)
Net cash used in investing activities	<u>(544,736)</u>	<u>(212,999)</u>
<b>Financing Activities</b>		
Payment of lease liabilities	(257,628)	(257,628)
Dividends paid to shareholders	-	(3,520,000)
Net cash used in financing activities	<u>(257,628)</u>	<u>(3,777,628)</u>
<b>Net decrease in cash and cash equivalents</b>	(529,061)	(7,484,103)
<b>Cash and cash equivalents at beginning of year</b>	<u>9,437,604</u>	<u>10,834,229</u>
<b>Cash and cash equivalents at end of year</b>	<u>8,908,543</u>	<u>3,350,126</u>

The accompanying notes form an integral part of the financial statements.

**PROGRESSIVE INSURANCE BHD**  
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the six months ended 30 June 2020 of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting*, International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, the requirements of the Companies Act, 2016, and the Financial Services Act, 2013 in Malaysia.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's and the Company's annual financial statements as at 31 December 2019.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Group's and the Company's annual financial statements for the year ended 31 December 2019. The Group and the Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**2. UNUSUAL ITEM**

The assets, liabilities, equity, net income and cash flows of the Group and of the Company in the interim period ended 30 June 2020 were not substantially affected by any item of a material and unusual nature.

**3. CHANGES IN ESTIMATES**

There were no material changes in the basis used for accounting estimates for the interim period ended 30 June 2020.

**4. DIVIDEND PAID**

No dividend has been declared for the interim period ended 30 June 2020.

**PROGRESSIVE INSURANCE BHD**  
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**5. EVENTS AFTER THE INTERIM PERIOD**

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

**6. INVESTMENTS**

**(a) AFS Financial Assets**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Corporate debt securities	1	1	1	1
Wholesale unit trust funds	75,827,175	73,231,365	207,814,866	200,371,781
<b>Total (a)</b>	<b>75,827,176</b>	<b>73,231,366</b>	<b>207,814,867</b>	<b>200,371,782</b>

**(b) Financial Assets at FVTPL**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Held for trading:</u>				
Malaysian Government Securities	2,775,470	531,558	-	-
Corporate debt securities	127,659,413	120,952,558	-	-
Real estate investment trusts (REITs)	1,576,829	2,499,097	1,576,829	2,499,097
Equity securities	78,796,172	84,756,891	78,796,172	84,756,891
<b>Total (b)</b>	<b>210,807,884</b>	<b>208,740,104</b>	<b>80,373,001</b>	<b>87,255,988</b>
<b>Total investments (a) + (b)</b>	<b>286,635,060</b>	<b>281,971,470</b>	<b>288,187,868</b>	<b>287,627,770</b>

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**7. REINSURANCE ASSETS**

	Note	Group/Company	
		30.06.2020 RM	31.12.2019 RM
Reinsurance of insurance contracts			
Claim liabilities	13 (i)	106,132,187	78,326,917
Premium liabilities	13 (ii)	33,415,820	31,319,730
		<u>139,548,007</u>	<u>109,646,647</u>

**8. LOANS AND OTHER RECEIVABLES**

	Group		Company	
	30.06.2020 RM	31.12.2019 RM	30.06.2020 RM	31.12.2019 RM
<u>Other receivables:</u>				
Other receivables and deposits	1,279,599	1,209,846	1,279,599	1,209,846
Prepayments	340,017	34,454	340,017	34,454
Income due and accrued	603,885	706,487	603,885	706,487
Share of net assets held by Malaysian Motor Insurance Pool ("MMIP")	48,668,284	48,366,416	48,668,284	48,366,416
Amounts receivable from sale of shares/matured bonds	1,309,498	322,528	1,309,498	322,528
	<u>52,201,283</u>	<u>50,639,731</u>	<u>52,201,283</u>	<u>50,639,731</u>
<u>Fixed and call deposits with:</u>				
Licensed banks in Malaysia	36,267,805	50,412,998	31,533,246	40,798,356
Other financial institutions	34,000,000	34,000,000	34,000,000	34,000,000
	<u>70,267,805</u>	<u>84,412,998</u>	<u>65,533,246</u>	<u>74,798,356</u>
<b>Total loans and other receivables</b>	<u>122,469,088</u>	<u>135,052,729</u>	<u>117,734,529</u>	<u>125,438,087</u>

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**9. INSURANCE RECEIVABLES**

	<b>Group/Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>
Due premiums including agents/brokers and co-insurers balances	25,655,849	17,348,400
Due from reinsurers and cedants	3,367,966	3,328,251
	<u>29,023,815</u>	<u>20,676,651</u>
Less: Allowance for impairment	(4,734,984)	(4,484,028)
	<u>24,288,831</u>	<u>16,192,623</u>

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**10. INSURANCE CONTRACT LIABILITIES**

Group/Company	← 30.06.2020 →			← 31.12.2019 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	139,438,439	(86,084,644)	53,353,795	119,072,664	(63,665,561)	55,407,103
Provision for incurred but not reported claims ("IBNR")	38,553,323	(9,679,709)	28,873,614	35,054,677	(6,996,737)	28,057,940
Claims handling expenses	2,890,496	-	2,890,496	2,794,056	-	2,794,056
Provision of risk margin for adverse deviations ("PRAD")	15,636,047	(10,367,834)	5,268,213	12,822,338	(7,664,619)	5,157,719
Claim liabilities (i)	196,518,305	(106,132,187)	90,386,118	169,743,735	(78,326,917)	91,416,818
Premiums liabilities (ii)	64,706,298	(33,415,820)	31,290,478	63,713,347	(31,319,730)	32,393,617
	<u>261,224,603</u>	<u>(139,548,007)</u>	<u>121,676,596</u>	<u>233,457,082</u>	<u>(109,646,647)</u>	<u>123,810,435</u>

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**10. INSURANCE CONTRACT LIABILITIES (CONT'D.)**

Group/Company	← 30.06.2020 →			← 31.12.2019 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
<b>(i) Claims Liabilities</b>						
<b>At 1 January</b>	169,743,735	(78,326,917)	91,416,818	136,208,761	(43,509,359)	92,699,402
Claims incurred in the current accident year	84,368,115	(34,611,953)	49,756,162	131,748,732	(56,003,928)	75,744,804
Movements in claims incurred in prior accident years	(35,868,003)	899,550	(34,968,453)	(52,229,854)	10,967,800	(41,262,054)
Claims paid during the year	(21,725,542)	5,907,133	(15,818,409)	(45,983,904)	10,218,570	(35,765,334)
<b>At 30 June</b>	<b>196,518,305</b>	<b>(106,132,187)</b>	<b>90,386,118</b>	<b>169,743,735</b>	<b>(78,326,917)</b>	<b>91,416,818</b>
<b>(ii) Premium Liabilities</b>						
<b>At 1 January</b>	63,713,347	(31,319,730)	32,393,617	65,647,971	(29,111,329)	36,536,642
Premiums written in the year	65,180,332	(36,243,656)	28,936,676	131,622,669	(75,407,300)	56,215,369
Premiums earned during the year	(64,187,381)	34,147,566	(30,039,815)	(133,557,293)	73,198,899	(60,358,394)
<b>At 30 June</b>	<b>64,706,298</b>	<b>(33,415,820)</b>	<b>31,290,478</b>	<b>63,713,347</b>	<b>(31,319,730)</b>	<b>32,393,617</b>

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**11. OTHER FINANCIAL LIABILITIES**

	<b>Group/Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>
Cash collateral deposits received from policyholders	26,087,252	26,881,427
Interest on cash collateral deposits received from policyholders	1,191,455	1,155,114
	<u>27,278,707</u>	<u>28,036,541</u>

**12. INSURANCE PAYABLES**

	<b>Group/Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>
Due to reinsurers and cedants	22,055,690	14,496,705
Due to agents/brokers and co-insurers balances	1,713,472	679,980
	<u>23,769,162</u>	<u>15,176,685</u>

**13. RELATED PARTY DISCLOSURES**

For the purpose of these financial statements, related parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

<u>Name</u>	<u>Relationship</u>
State Government of Sabah	Shareholder
Sabah Development Bank Berhad	Other related company

The transactions between the Group and the Company and its related parties were based on normal commercial terms and conditions and made on terms equivalent to those that prevail in arm's length transactions.

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**13. RELATED PARTY DISCLOSURES (CONT'D.)**

- (a) The Group and the Company had the following significant transactions and balances with related parties during and at the end of the period ended 30 June 2020:

	<b>Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>
<u>Wholesale unit trust funds:</u>		
Distribution income	2,475,061	5,037,358
	<u>                    </u>	<u>                    </u>
	<b>Group/Company</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>
<u>Significant shareholders:</u>		
Transactions:		
Interest income	-	213,164
	<u>                    </u>	<u>                    </u>
<u>Related Companies:</u>		
Transactions:		
Gross premium	8,289,405	9,883,326
Gross claims paid	(366,586)	(1,514,406)
Comission expenses	(297,302)	(529,794)
	<u>                    </u>	<u>                    </u>

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**14. FAIR VALUE ESTIMATION**

As at 30 June 2020, the fair value of the Group's and of the Company's financial assets at FVTPL and AFS financial assets, property and equipment are as follows:

<b>Group</b>	<b>Carrying Value RM</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>Property and equipment:</b>					
Freehold office lots	7,189,000	-	-	7,189,000	7,189,000
Long-term leasehold office lots	4,904,900	-	-	4,904,900	4,904,900
	<u>12,093,900</u>	<u>-</u>	<u>-</u>	<u>12,093,900</u>	<u>12,093,900</u>
<b>AFS financial assets:</b>					
Corporate debt securities	1	-	1	-	1
Wholesale unit trust funds	75,827,175	75,827,175	-	-	75,827,175
	<u>75,827,176</u>	<u>75,827,175</u>	<u>1</u>	<u>-</u>	<u>75,827,176</u>
<b>Financial assets at FVTPL:</b>					
Malaysian Government Securities	2,775,470	-	2,775,470	-	2,775,470
Corporate debt securities	127,659,413	-	127,659,413	-	127,659,413
REITs	1,576,829	1,576,829	-	-	1,576,829
Equity securities	78,796,172	78,796,172	-	-	78,796,172
	<u>210,807,884</u>	<u>80,373,001</u>	<u>130,434,883</u>	<u>-</u>	<u>210,807,884</u>

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**14. FAIR VALUE ESTIMATION (CONT'D.)**

As at 30 June 2020, the fair value of the Group's and of the Company's financial assets at FVTPL and AFS financial assets, property and equipment are as follows: (Cont'd.)

<b>Company</b>	<b>Carrying Value RM</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>Property and equipment:</b>					
Freehold office lots	7,189,000	-	-	7,189,000	7,189,000
Long-term leasehold office lots	4,904,900	-	-	4,904,900	4,904,900
	<u>12,093,900</u>	<u>-</u>	<u>-</u>	<u>12,093,900</u>	<u>12,093,900</u>
<b>AFS financial assets:</b>					
Corporate debt securities	1	-	1	-	1
Wholesale unit trust funds	207,814,866	207,814,866	-	-	207,814,866
	<u>207,814,867</u>	<u>207,814,866</u>	<u>1</u>	<u>-</u>	<u>207,814,867</u>
<b>Financial assets at FVTPL:</b>					
REITs	1,576,829	1,576,829	-	-	1,576,829
Equity securities	78,796,172	78,796,172	-	-	78,796,172
	<u>80,373,001</u>	<u>80,373,001</u>	<u>-</u>	<u>-</u>	<u>80,373,001</u>

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**14. FAIR VALUE ESTIMATION (CONT'D.)**

As at 31 December 2019, the fair value of the Group's and of the Company's financial assets at FVTPL and AFS financial assets, property and equipment are as follows:

<b>Group</b>	<b>Carrying Value RM</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>Property and equipment:</b>					
Freehold office lots	7,268,000	-	-	7,268,000	7,268,000
Long-term leasehold office lots	4,958,800	-	-	4,958,800	4,958,800
	<u>12,226,800</u>	<u>-</u>	<u>-</u>	<u>12,226,800</u>	<u>12,226,800</u>
<b>AFS financial assets:</b>					
Corporate debt securities	1	-	1	-	1
Wholesale unit trust funds	73,231,365	73,231,365	-	-	73,231,365
	<u>73,231,366</u>	<u>73,231,365</u>	<u>1</u>	<u>-</u>	<u>73,231,366</u>
<b>Financial assets at FVTPL:</b>					
Malaysian Government Securities	531,558	-	531,558	-	531,558
Corporate debt securities	120,952,558	-	120,952,558	-	120,952,558
REITs	2,499,097	2,499,097	-	-	2,499,097
Equity securities	84,756,891	84,756,891	-	-	84,756,891
	<u>208,740,104</u>	<u>87,255,988</u>	<u>121,484,116</u>	<u>-</u>	<u>208,740,104</u>

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**14. FAIR VALUE ESTIMATION (CONT'D.)**

As at 31 December 2019, the fair value of the Group's and of the Company's financial assets at FVTPL and AFS financial assets, property and equipment are as follows: (Cont'd.)

<b>Company</b>	<b>Carrying Value RM</b>	<b>Level 1 RM</b>	<b>Level 2 RM</b>	<b>Level 3 RM</b>	<b>Total RM</b>
<b>Property and equipment:</b>					
Freehold office lots	7,268,000	-	-	7,268,000	7,268,000
Long-term leasehold office lots	4,958,800	-	-	4,958,800	4,958,800
	<u>12,226,800</u>	<u>-</u>	<u>-</u>	<u>12,226,800</u>	<u>12,226,800</u>
<b>AFS financial assets:</b>					
Corporate debt securities	1	-	1	-	1
Wholesale unit trust funds	200,371,781	200,371,781	-	-	200,371,781
	<u>200,371,782</u>	<u>200,371,781</u>	<u>1</u>	<u>-</u>	<u>200,371,782</u>
<b>Financial assets at FVTPL:</b>					
REITs	2,499,097	2,499,097	-	-	2,499,097
Equity securities	84,756,891	84,756,891	-	-	84,756,891
	<u>87,255,988</u>	<u>87,255,988</u>	<u>-</u>	<u>-</u>	<u>87,255,988</u>

For investments in unit trust funds consisting of Real Estate Investment Trust ("REIT"), fair value is determined by reference to published net asset values, while the fair values of equity securities are obtained from Bursa Malaysia. The fair value of wholesale unit trust funds, REITs and equity securities are regarded as Level 1 as the fair values are derived from prices quoted in an active market.

The fair values of Malaysian Government Securities and corporate debt securities are obtained from Bond Pricing Agency Malaysia ("BPAM"). These financial instruments are regarded as Level 2 as the significant inputs are observable.

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**14. FAIR VALUE ESTIMATION (CONT'D.)**

For property and equipment, the fair value is obtained from valuations performed by external valuers using the comparison method and are regarded as Level 3 as the significant inputs are not observable.

There were no changes in classification of assets under Level 1 and Level 2 of the fair value hierarchy.

The following financial assets and liabilities are not carried at fair values, but their carrying values approximate fair values as they are short term in nature or the impact of discounting is not material:

- Loans and receivables (that are classified as financial instruments)
- Insurance receivables
- Cash and bank balances
- Other financial liabilities
- Insurance payables
- Other payables (that are classified as financial instruments)

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**15. REGULATORY CAPITAL REQUIREMENTS**

The Company is required to comply with the mandatory capital requirements prescribed in the RBC Framework issued by BNM. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at 30 June 2020 and 31 December 2019, the Company has a capital adequacy ratio in excess of the minimum requirement.

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

	<b>30.06.2020</b>	<b>31.12.2019</b>
	<b>RM</b>	<b>RM</b>
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings	<u>158,676,625</u>	<u>157,112,718</u>
	<u>258,676,625</u>	<u>257,112,718</u>
<b>Tier 2 Capital</b>		
Eligible reserves	<u>17,106,997</u>	<u>13,896,103</u>
	<u>17,106,997</u>	<u>13,896,103</u>
<b>Deduction</b>		
Amount deducted from capital	<u>(2,714,196)</u>	<u>(252,053)</u>
	<u>(2,714,196)</u>	<u>(252,053)</u>
<b>Total capital available</b>	<u>273,069,426</u>	<u>270,756,768</u>