

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	<u>Note</u>	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
ASSETS			
Property and equipment		54,672	56,248
Intangible assets		4,400	5,138
Investments			
-Available-for-sale financial assets ("AFS")	10	1,204,795	1,078,067
Reinsurance assets	11	242,733	254,725
Insurance receivables		144,383	154,233
Other receivables		66,701	63,328
Deferred tax assets		20,894	19,479
Current tax assets		9,953	5,988
Cash and cash equivalents		232,752	335,625
Total assets		<u><u>1,981,283</u></u>	<u><u>1,972,831</u></u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		627,954	582,952
Available-for-sale fair value reserves		(2,295)	2,184
Equity reserve		8,651	7,703
Total equity		<u><u>734,310</u></u>	<u><u>692,839</u></u>
Insurance contract liabilities	12	1,025,502	1,055,887
Investment contract liabilities		852	675
Insurance payables		77,041	70,078
Other payables		143,578	153,352
Total liabilities		<u><u>1,246,973</u></u>	<u><u>1,279,992</u></u>
Total equity and liabilities		<u><u>1,981,283</u></u>	<u><u>1,972,831</u></u>

The accompanying notes are an integral part of these interim financial statements.

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CHUBB INSURANCE MALAYSIA BERHAD
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**UNAUDITED CONDENSED INCOME STATEMENT
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018**

	<u>30.06.2018</u> RM'000	<u>30.06.2017</u> RM'000
Gross earned premiums	466,170	472,434
Premiums ceded to reinsurers	(106,831)	(113,529)
Net earned premiums	<u>359,339</u>	<u>358,905</u>
Net investment income	27,409	24,693
Realised gains	20	98
Commission income	26,265	29,270
Other operating revenue	485	487
Net income	<u>54,179</u>	<u>54,548</u>
Total revenue	<u>413,518</u>	<u>413,453</u>
Gross claims paid	(238,612)	(201,976)
Claims ceded to reinsurers	65,052	44,938
Gross change to contract liabilities	6,224	(12,578)
Change in contract liabilities ceded to reinsurers	(12,474)	(3,728)
Net claims incurred	<u>(179,810)</u>	<u>(173,344)</u>
Commission expense	(63,374)	(68,694)
Management expenses	(110,331)	(119,209)
Total other expenses	<u>(173,705)</u>	<u>(187,903)</u>
Profit before taxation	60,003	52,206
Taxation	(15,001)	(13,051)
Profit for the financial period	<u><u>45,002</u></u>	<u><u>39,155</u></u>

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CHUBB INSURANCE MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018**

	<u>30.06.2018</u> RM'000	<u>30.06.2017</u> RM'000
Profit for the financial period	45,002	39,155
Other comprehensive income:		
<u>Items that may be subsequently reclassified to income statement:</u>		
Available-for-sale fair value reserves		
Net (losses)/ gains arising during the financial period	(5,805)	5,214
Net realized gains transferred to income statement	(88)	-
	<u>(5,893)</u>	<u>5,214</u>
Tax effects thereon	1,414	(1,252)
	<u>(4,479)</u>	<u>3,962</u>
Total comprehensive income for the financial period	<u><u>40,523</u></u>	<u><u>43,117</u></u>

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CHUBB INSURANCE MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Share capital RM'000	Equity reserve RM'000	Non-distributable Available- for-sale reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2017	100,000	6,040	(2,390)	620,689	724,339
Profit for the financial year	-	-	-	78,563	78,563
Other comprehensive income for the financial year	-	-	4,574	-	4,574
Dividend paid	-	-	-	(116,300)	(116,300)
Share-based long term incentive plan vested	-	1,663	-	-	1,663
Share-based long term incentive plan paid	-	-	-	-	-
	-	1,663	-	-	1,663
At 31 December 2017	<u>100,000</u>	<u>7,703</u>	<u>2,184</u>	<u>582,952</u>	<u>692,839</u>
At 1 January 2018	100,000	7,703	2,184	582,952	692,839
Profit for the financial period	-	-	-	45,002	45,002
Other comprehensive income for the financial period	-	-	(4,479)	-	(4,479)
Dividend paid	-	-	-	-	-
Share-based long term incentive plan vested	-	948	-	-	948
Share-based long term incentive plan paid	-	-	-	-	-
	-	948	-	-	948
At 30 June 2018	<u>100,000</u>	<u>8,651</u>	<u>(2,295)</u>	<u>627,954</u>	<u>734,310</u>

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CHUBB INSURANCE MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018**

	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
OPERATING ACTIVITIES		
Profit before tax	60,003	105,807
Investment income	(27,409)	(53,360)
Realised (gain)/ loss on AFS investments	(88)	5
Realised loss/ (gain) on foreign exchange	68	(978)
Depreciation of property and equipment	2,291	4,614
Amortisation of intangible assets	741	1,410
Loss on disposal of property and equipment	-	27
Property and equipment written off	-	20
Increase in allowance for impairment of doubtful debts	768	1,328
Bad debts written off	27	1,136
Employees share-based long term incentive plan	948	1,663
Changes in working capital:		
Decrease/(increase) in reinsurance assets	11,992	(12,476)
Decrease in insurance receivables	9,055	20,337
(Increase)/decrease in other receivables	(4,014)	7,847
(Decrease)/increase in insurance contract liabilities	(30,385)	56,621
Increase in insurance payables	6,963	3,974
(Decrease)/increase in other payables	(9,843)	22,408
Net increase in AFS investments	(130,323)	(17,079)
Increase/(decrease) in investment contract liabilities	177	(460)
Cash (used in)/ generated from operating activities	(109,029)	142,844
Interest income received	25,839	51,720
Dividend income received	-	82
Income tax paid	(18,965)	(21,320)
Net cash flows (used in)/generated from operating activities	<u>(102,155)</u>	<u>173,326</u>

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	<u>30.06.2017</u> RM'000	<u>31.12.2017</u> RM'000
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	133
Purchase of property and equipment	(715)	(3,612)
Purchase of intangible assets	(3)	(974)
	<hr/>	<hr/>
Net cash flows used in investing activities	(718)	(4,453)
	<hr/>	<hr/>
FINANCING ACTIVITIES		
Dividend paid	-	(116,300)
	<hr/>	<hr/>
Net cash flows used in financing activities	-	(116,300)
	<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents	(102,873)	52,573
Cash and cash equivalents at beginning of the financial year	335,625	283,052
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	232,752	335,625
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Fixed and call deposits:		
-Licensed financial institutions in Malaysia	230,534	321,717
Cash and bank balances	2,218	13,908
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	232,752	335,625
	<hr/> <hr/>	<hr/> <hr/>

CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2018

1 BASIS OF PREPARATION

The condensed interim financial statements of Chubb Insurance Malaysia Berhad (“the Company”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting. The unaudited condensed interim financial statements should be read in conjunction with the Company’s audited annual financial statements for the financial year ended 31 December 2017.

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company’s audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following:

MFRSs, Interpretation and Amendments effective for annual periods beginning on or after 1 January 2018

- a) IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’
- b) MFRS 15 ‘Revenue from Contracts with Customers’
- c) MFRS 9 ‘Financial Instruments’ which replaced MFRS 139 ‘Financial Instruments: Recognition and Measurement’
- d) Amendments to MFRS 4 - Applying MFRS 9 ‘Financial Instruments’ with MFRS 4 ‘Insurance Contracts.’

Management has decided to apply the temporary exemption option from MFRS 9 and will adopt the Standard for its annual period beginning 1 January 2021.

There were no material changes to the Company’s accounting policies other than enhanced disclosures to the financial statements.

All other standards, amendments to published standards and interpretations that are effective for the current financial period are not relevant to the Company.

2 COMMENTS ON SEASONALITY OR CYCLICALITY

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

3 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flow in the current interim financial period ended 30 June 2018.

4 MATERIAL CHANGES IN ESTIMATES

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

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2018 (CONTINUED)

5 DEBT AND EQUITY SECURITIES ISSUED BY THE COMPANY

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities during the current financial period ended 30 June 2018.

6 DIVIDEND

No dividend has been paid by the Company in the current interim financial period ended 30 June 2018.

7 EVENTS SUBSEQUENT TO THE INTERIM FINANCIAL PERIOD

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

8 EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

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

9 CONTINGENT LIABILITIES

At the date of this report, there does not exist any contingent liability of the Company which has arisen since the end of the financial period under review.

For the purpose of this paragraph, contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2018 (CONTINUED)

10 INVESTMENTS

	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
Malaysian Government Securities and guaranteed loans	741,798	680,214
Debt securities	462,622	397,478
Equity securities	375	375
	<u>1,204,795</u>	<u>1,078,067</u>

AFS	<u>1,204,795</u>	<u>1,078,067</u>
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The following instruments mature after 12 months:

Malaysian Government Securities and guaranteed loans	691,241	624,510
Debt securities	412,186	367,216
	<u>1,103,427</u>	<u>991,726</u>

(a) AFS	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
<u>Fair Value</u>		
Unquoted equity securities	375	375
Unquoted debt securities	462,622	397,478
Malaysian Government Securities and guaranteed loans	741,798	680,214
	<u>1,204,795</u>	<u>1,078,067</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS – 30 JUNE 2018 (CONTINUED)

10 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

AFS

	RM'000
At 1 January 2017	1,054,438
Purchases	177,079
Maturities	(150,000)
Disposals	(10,000)
Fair value gains recorded in:	
Other comprehensive income	6,014
Net change in interest receivables	576
Amortisation of premium	(40)
	<hr/>
At 31 December 2017	1,078,067
Purchases	230,408
Maturities	(50,000)
Disposals	(50,085)
Fair value gains recorded in:	
Other comprehensive income	(5,805)
Net change in interest receivables	1,390
Accretion of discount	820
	<hr/>
At 30 June 2018	<u>1,204,795</u>

CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2018 (CONTINUED)

10 INVESTMENTS (CONTINUED)

(c) Estimation of fair values

Fair value hierarchy

Included in the quoted market price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis (Level 1).

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes (Level 2).

Financial instruments that are valued not based on observable market data are categorised as Level 3.

Fair value investments

	<u>30.06.2018</u>	<u>31.12.2017</u>
	RM'000	RM'000
Valuation techniques		
- market observable inputs (Level 2)	1,204,420	1,077,692
- unobservable inputs (Level 3)	375	375
	<u>1,204,795</u>	<u>1,078,067</u>

There are no investments that are valued based on Level 1 category.

11 REINSURANCE ASSETS

	<u>30.06.2018</u>	<u>31.12.2017</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	214,285	226,759
Premium liabilities	28,448	27,966
	<u>242,733</u>	<u>254,725</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2018 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES

	30.06.2018			31.12.2017		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General insurance	1,025,502	(242,733)	782,769	1,055,887	(254,725)	801,162
Provision for claims reported	415,180	(112,325)	302,855	452,125	(150,620)	301,505
Provision for incurred but not reported claims ("IBNR")	258,474	(101,960)	156,514	227,752	(76,139)	151,613
Claims liabilities	673,654	(214,285)	459,369	679,877	(226,759)	453,118
Premium liabilities	351,848	(28,448)	323,400	376,010	(27,966)	348,044
	<u>1,025,502</u>	<u>(242,733)</u>	<u>782,769</u>	<u>1,055,887</u>	<u>(254,725)</u>	<u>801,162</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2018 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) CLAIMS LIABILITIES

	30.06.2018			31.12.2017		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	679,877	(226,759)	453,118	631,156	(214,544)	416,612
Increase in claims incurred/recoveries anticipated over the financial period/year	249,305	(64,455)	184,850	566,651	(159,134)	407,517
Changes in key assumptions	(16,916)	11,877	(5,039)	(105,358)	58,227	(47,131)
Claims paid during the financial year	(238,612)	65,052	(173,560)	(412,572)	88,692	(323,880)
At 30 June/31 December	<u>673,654</u>	<u>(214,285)</u>	<u>459,369</u>	<u>679,877</u>	<u>(226,759)</u>	<u>453,118</u>

(ii) PREMIUM LIABILITIES

At 1 January	376,010	(27,966)	348,044	368,110	(27,705)	340,405
Premiums written during the financial year	442,008	(107,313)	334,695	952,125	(215,447)	736,678
Premiums earned during the financial year	(466,170)	106,831	(359,339)	(944,225)	215,186	(729,039)
At 30 June/31 December	<u>351,848</u>	<u>(28,448)</u>	<u>323,400</u>	<u>376,010</u>	<u>(27,966)</u>	<u>348,044</u>

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2018 (CONTINUED)

13 OPERATING LEASE COMMITMENTS

The Company as lessee

The Company leases premises from various parties under non-cancellable operating leases. The leases typically run for a period of 2 to 3 years with the option to renew the leases after the expiry date.

The future minimum lease payments payable under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
Within one year	917	1,670
Later than one year but not later than 3 years	1,999	1,246
	<u>2,916</u>	<u>2,916</u>

14 CAPITAL STRUCTURE

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

	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	100,000	100,000
Retained earnings	627,954	582,952
	<u>727,954</u>	<u>682,952</u>
<u>Tier 2 Capital</u>		
Available-for-sale fair value reserve	(2,295)	2,184
Equity reserve	8,651	7,703
Amount deducted from capital	(25,294)	(24,617)
	<u>709,016</u>	<u>668,222</u>