

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	<u>Note</u>	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
ASSETS			
Property and equipment		57,321	57,430
Intangible assets		5,643	5,574
Investments			
-Available-for-sale financial assets ("AFS")	10	1,095,724	1,054,438
Reinsurance assets	11	242,836	242,249
Insurance receivables		181,801	177,034
Other receivables		67,804	70,154
Deferred tax assets		14,111	15,362
Current tax assets		13,907	17,473
Cash and cash equivalents		338,823	283,052
		<u>2,017,970</u>	<u>1,922,766</u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		659,844	620,689
Available-for-sale fair value reserves		1,572	(2,390)
Equity reserve		6,971	6,040
		<u>768,387</u>	<u>724,339</u>
Total equity		<u>768,387</u>	<u>724,339</u>
Insurance contract liabilities	12	1,029,766	999,266
Investment contract liabilities		929	1,135
Insurance payables		81,213	66,104
Other payables		137,675	131,922
		<u>1,249,583</u>	<u>1,198,427</u>
Total liabilities		<u>1,249,583</u>	<u>1,198,427</u>
Total equity and liabilities		<u>2,017,970</u>	<u>1,922,766</u>

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

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

	<u>30.06.2017</u> RM'000	<u>30.06.2016</u> RM'000
Gross earned premiums	472,434	470,564
Premiums ceded to reinsurers	(113,529)	(121,820)
Net earned premiums	<u>358,905</u>	<u>348,744</u>
Investment income	24,693	23,773
Realised gains	98	657
Commission income	29,270	32,505
Other operating revenue	487	373
Net income	<u>54,548</u>	<u>57,308</u>
Total revenue	<u>413,453</u>	<u>406,052</u>
Gross claims paid	(201,976)	(287,358)
Claims ceded to reinsurers	44,938	138,803
Gross change to contract liabilities	(12,578)	63,770
Change in contract liabilities ceded to reinsurers	(3,728)	(68,951)
Net claims incurred	<u>(173,344)</u>	<u>(153,736)</u>
Commission expense	(68,694)	(70,198)
Management expenses	(119,209)	(108,070)
Total other expenses	<u>(187,903)</u>	<u>(178,268)</u>
Profit before taxation	52,206	74,048
Taxation	(13,051)	(18,512)
Profit for the financial period	<u><u>39,155</u></u>	<u><u>55,536</u></u>

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CHUBB INSURANCE MALAYSIA BERHAD
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017**

	<u>30.06.2017</u> RM'000	<u>30.06.2016</u> RM'000
Profit for the financial period	39,155	55,536
Other comprehensive income:		
<u>Items that may be subsequently reclassified to income statement:</u>		
Available-for-sale fair value reserves		
Net gains arising during the financial period	5,214	11,916
	<u>5,214</u>	<u>11,916</u>
Tax effects thereon	(1,252)	(2,911)
	<u>3,962</u>	<u>9,005</u>
Total comprehensive income for the financial period	<u><u>43,117</u></u>	<u><u>64,541</u></u>

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CHUBB INSURANCE MALAYSIA BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017**

	<u>Share capital</u> RM'000	<u>Equity reserve</u> RM'000	<u>Non-distributable Available-for-sale reserve</u> RM'000	<u>Distributable Retained earnings</u> RM'000	<u>Total equity</u> RM'000
At 1 January 2016	100,000	4,307	(3,866)	524,595	625,036
Profit for the financial year	-	-	-	96,094	96,094
Other comprehensive income for the financial year	-	-	1,476	-	1,476
Share-based long term incentive plan vested	-	1,733	-	-	1,733
Share-based long term incentive plan paid	-	-	-	-	-
	-	1,733	-	-	1,733
At 31 December 2016	<u>100,000</u>	<u>6,040</u>	<u>(2,390)</u>	<u>620,689</u>	<u>724,339</u>
At 1 January 2017	100,000	6,040	(2,390)	620,689	724,339
Profit for the financial period	-	-	-	39,155	39,155
Other comprehensive income for the financial period	-	-	3,962	-	3,962
Share-based long term incentive plan vested	-	931	-	-	931
Share-based long term incentive plan paid	-	-	-	-	-
	-	931	-	-	931
At 30 June 2017	<u>100,000</u>	<u>6,971</u>	<u>1,572</u>	<u>659,844</u>	<u>768,387</u>

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2017

	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	52,206	129,522
Investment income	(24,693)	(50,409)
Realised gain on AFS investments	-	(15)
Realised gain on foreign exchange	(98)	(294)
Depreciation of property and equipment	2,174	4,336
Amortisation of intangible assets	659	1,244
Loss on disposal of property and equipment	-	8
Property and equipment written off	-	11
Increase in allowance for impairment of doubtful debts	60	2,599
Bad debts written off	221	275
Employees share-based long term incentive plan	931	1,733
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(587)	129,207
Increase in insurance receivables	(5,048)	(10,587)
Decrease in other receivables	1,586	12,315
Increase/(decrease) in insurance contract liabilities	30,500	(77,578)
Increase/(decrease) in insurance payables	15,109	(18,161)
Increase in other payables	5,851	28,619
Net increase in AFS investments	(35,529)	(111,852)
(Decrease)/increase in investment contract liabilities	(206)	87
Cash generated from operating activities	43,136	41,060
Interest income received	24,914	45,480
Dividend income received	-	99
Income tax paid	(9,486)	(42,193)
Net cash flows generated from operating activities	<u>58,564</u>	<u>44,446</u>

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

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CHUBB INSURANCE MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS FINANCIAL YEAR ENDED 30 JUNE 2017 (CONTINUED)

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	54
Purchase of property and equipment	(2,065)	(1,298)
Purchase of intangible assets	(728)	(601)
	<hr/>	<hr/>
Net cash flows used in investing activities	(2,793)	(1,845)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	55,771	42,601
Cash and cash equivalents at beginning of the financial year	283,052	240,451
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	338,823	283,052
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Fixed and call deposits:		
-Licensed financial institutions in Malaysia	337,084	275,131
Cash and bank balances	1,739	7,921
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	338,823	283,052
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The accompanying notes form an integral part of these financial statements.

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2017

1 **BASIS OF PREPARATION**

The financial statements of Chubb Insurance Malaysia Berhad (“the Company”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards, and the requirements of the Companies Act, 2016 in Malaysia and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2016.

a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are effective.

The relevant new accounting standards, amendments and improvements to published standards and interpretations to existing accounting standards that are effective and applicable for the Company’s financial year beginning on or after 1 January 2017 are as follows:

- i) Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative”
- ii) Amendments to MFRS 112 “Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses”

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.

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have significant effect on the financial statements of the company, except the following set out below:

- (i) Effective from financial year beginning on or after 1 January 2018
 - MFRS 9 “Financial Instruments”
 - MFRS 15 “ Revenue from Contracts with Customer”
 - Amendments to MFRS 2 “Classification and Measurement of Share-based Payment Transactions”
 - IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”
 - Amendments to MFRS 4 “Applying MFRS 9 “Financial Instruments” with MFRS 4 “Insurance Contracts””
- (ii) Effective from financial year beginning on or after 1 January 2019
 - MFRS 16 “Leases”

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2017 (CONTINUED)

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

MFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. However, MFRS 9 allows a temporary exemption that permits insurers to continue applying the current MFRS 139 until the adoption of MFRS 17 which would be effective for annual periods beginning on or after 1 January 2021. The Company has opted to adopt the temporary exemption option for this Standard.

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 2017.

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 2017.

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 2017.

6 DIVIDEND

No dividend has been paid by the Company in the current interim financial period ended 30 June 2017.

On 17 August 2017, Bank Negara Malaysia (“BNM”) has approved an interim dividend of RM1.16 per share amounting to RM116.3 million in respect of the current financial period upon receiving the recommendation from the Board of Directors.

The interim financial statements for the period ended 30 June 2017 do not reflect this interim dividend, which will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2017 when the dividend payment is made.

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2017 (CONTINUED)

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 INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2017 (CONTINUED)

10 INVESTMENTS

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
Malaysian Government Securities and guaranteed loans	632,542	583,466
Debt securities	462,807	470,597
Equity securities	375	375
	<u>1,095,724</u>	<u>1,054,438</u>
AFS	<u>1,095,724</u>	<u>1,054,438</u>
The following instruments mature after 12 months:		
Malaysian Government Securities and guaranteed loans	551,611	523,044
Debt securities	397,193	410,163
	<u>948,804</u>	<u>933,207</u>
(a) AFS	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
<u>Fair Value</u>		
Unquoted equity securities	375	375
Unquoted debt securities	462,807	470,597
Malaysian Government Securities and guaranteed loans	632,542	583,466
	<u>1,095,724</u>	<u>1,054,438</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2017 (CONTINUED)

10 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

AFS

	RM'000
At 1 January 2016	938,688
Purchases	246,852
Maturities	(130,000)
Disposals	(5,000)
Fair value gains recorded in:	
Other comprehensive income	2,024
Net change in interest receivables	1,555
Accretion of discount	319
	<hr/>
At 31 December 2016	1,054,438
Purchases	70,529
Maturities	(35,000)
Disposals	-
Fair value gains recorded in:	
Other comprehensive income	5,214
Net change in interest receivables	542
Accretion of discount	1
	<hr/>
At 30 June 2017	<u><u>1,095,724</u></u>

CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2017 (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>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Valuation techniques		
- market observable inputs (Level 2)	1,095,349	1,054,063
- unobservable inputs (Level 3)	375	375
	<u>1,095,724</u>	<u>1,054,438</u>

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

11 REINSURANCE ASSETS

	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	210,816	214,544
Premium liabilities	32,020	27,705
	<u>242,836</u>	<u>242,249</u>

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2017 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES

	30.06.2017			31.12.2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
General insurance	1,029,766	(242,836)	786,930	999,266	(242,249)	757,017
Provision for claims reported	422,096	(140,398)	281,698	423,857	(147,965)	275,892
Provision for incurred but not reported claims ("IBNR")	221,638	(70,418)	151,220	207,299	(66,579)	140,720
Claims liabilities	643,734	(210,816)	432,918	631,156	(214,544)	416,612
Premium liabilities	386,032	(32,020)	354,012	368,110	(27,705)	340,405
	1,029,766	(242,836)	786,930	999,266	(242,249)	757,017

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2017 (CONTINUED)

12 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

(i) **CLAIMS LIABILITIES**

	30.06.2017			31.12.2016		
	<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	631,156	(214,544)	416,612	732,268	(338,008)	394,260
Increase in claims incurred/recoveries anticipated over the financial period/year	299,574	(87,997)	211,577	526,684	(137,620)	389,064
Changes in key assumptions	(85,020)	46,787	(38,233)	(127,856)	69,826	(58,030)
Claims paid during the financial period/year	(201,976)	44,938	(157,038)	(499,940)	191,258	(308,682)
At 30 June/31 December	<u>643,734</u>	<u>(210,816)</u>	<u>432,918</u>	<u>631,156</u>	<u>(214,544)</u>	<u>416,612</u>

(ii) **PREMIUM LIABILITIES**

At 1 January	368,110	(27,705)	340,405	344,576	(33,448)	311,128
Premiums written during the financial period/year	490,356	(117,844)	372,512	958,368	(227,083)	731,285
Premiums earned during the financial period/year	(472,434)	113,529	(358,905)	(934,834)	232,826	(702,008)
At 30 June/31 December	<u>386,032</u>	<u>(32,020)</u>	<u>354,012</u>	<u>368,110</u>	<u>(27,705)</u>	<u>340,405</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
– 30 JUNE 2017 (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>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
Within one year	1,330	1,388
Later than one year but not later than 3 years	1,207	1,156
	<u>2,537</u>	<u>2,544</u>

14 CAPITAL STRUCTURE

The capital structure of the Company as at 30 June 2017, as prescribed under the RBC Framework is provided below:

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	100,000	100,000
Retained earnings	659,844	620,689
	<u>759,844</u>	<u>720,689</u>
<u>Tier 2 Capital</u>		
Available-for-sale fair value reserve	1,572	(2,390)
Equity reserve	6,971	6,040
Amount deducted from capital	(19,754)	(20,936)
	<u>748,633</u>	<u>703,403</u>