

Company No.

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CHUBB INSURANCE MALAYSIA BERHAD
(formerly known as ACE Jerneh Insurance Berhad)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016

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CHUBB INSURANCE MALAYSIA BERHAD
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UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016

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CHUBB INSURANCE MALAYSIA BERHAD
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UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	<u>Note</u>	<u>30.06.2016</u> RM'000	<u>31.12.2015</u> RM'000
ASSETS			
Property and equipment		58,898	60,541
Intangible assets		5,971	6,217
Investments			
-Available-for-sale financial assets ("AFS")	11	1,023,009	938,688
Reinsurance assets	12	305,970	371,456
Insurance receivables		225,716	169,321
Other receivables		78,403	79,513
Deferred tax assets		8,611	11,523
Current tax assets		24,013	13,080
Cash and cash equivalents		224,503	240,451
Total assets		<u><u>1,955,094</u></u>	<u><u>1,890,790</u></u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		580,131	524,595
Available-for-sale fair value reserves		5,139	(3,866)
Equity reserve		5,173	4,307
Total equity		<u><u>690,443</u></u>	<u><u>625,036</u></u>
Insurance contract liabilities	13	1,058,545	1,076,844
Investment contract liabilities		1,297	1,048
Insurance payables		84,067	84,265
Other payables		120,742	103,597
Total liabilities		<u><u>1,264,651</u></u>	<u><u>1,265,754</u></u>
Total equity and liabilities		<u><u>1,955,094</u></u>	<u><u>1,890,790</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 INCOME STATEMENT
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2016

	<u>30.06.2016</u>	<u>30.06.2015</u>
	RM'000	RM'000
Gross earned premiums	470,564	438,614
Premiums ceded to reinsurers	(121,820)	(116,428)
Net earned premiums	<u>348,744</u>	<u>322,186</u>
Investment income	23,773	24,946
Realised gains/(losses)	657	(219)
Commission income	32,505	32,955
Other operating revenue	373	373
Net income	<u>57,308</u>	<u>58,055</u>
Total revenue	<u>406,052</u>	<u>380,241</u>
Gross claims paid	(287,358)	(156,838)
Claims ceded to reinsurers	138,803	46,828
Gross change to contract liabilities	63,770	46,125
Change in contract liabilities ceded to reinsurers	(68,951)	(45,769)
Net claims incurred	<u>(153,736)</u>	<u>(109,654)</u>
Commission expense	(70,198)	(63,677)
Management expenses	(108,070)	(94,842)
Total other expenses	<u>(178,268)</u>	<u>(158,519)</u>
Profit before taxation	74,048	112,068
Taxation	(18,512)	(29,138)
Profit for the financial period	<u>55,536</u>	<u>82,930</u>
Earnings per share (sen)		
Basic	<u>55.54</u>	<u>82.93</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 2016**

	<u>30.06.2016</u> RM'000	<u>30.06.2015</u> RM'000
Profit for the financial period	55,536	82,930
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	11,916	7,553
	<u>11,916</u>	<u>7,553</u>
Tax effects thereon	(2,911)	(1,888)
	<u>9,005</u>	<u>5,665</u>
Total comprehensive income for the financial period	<u><u>64,541</u></u>	<u><u>88,595</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 2016**

	<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 2015	100,000	2,715	(3,787)	692,125	791,053
Profit for the financial year	-	-	-	122,470	122,470
Other comprehensive income for the financial year	-	-	(79)	-	(79)
Dividend paid	-	-	-	(290,000)	(290,000)
Share-based long term incentive plan vested	-	1,592	-	-	1,592
Share-based long term incentive plan paid	-	-	-	-	-
	-	1,592	-	-	1,592
At 31 December 2015	<u>100,000</u>	<u>4,307</u>	<u>(3,866)</u>	<u>524,595</u>	<u>625,036</u>
At 1 January 2016	100,000	4,307	(3,866)	524,595	625,036
Profit for the financial period	-	-	-	55,536	55,536
Other comprehensive income for the financial period	-	-	9,005	-	9,005
Share-based long term incentive plan vested	-	866	-	-	866
Share-based long term incentive plan paid	-	-	-	-	-
	-	866	-	-	866
At 30 June 2016	<u>100,000</u>	<u>5,173</u>	<u>5,139</u>	<u>580,131</u>	<u>690,443</u>

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016

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, 1965 in Malaysia and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2015.

a) Standards, amendments to published standards and interpretations that are effective

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2016:

- (i) Amendments to MFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”
- (ii) Amendments to MFRS 116 and MFRS 138 “Clarification of Acceptable Methods of Depreciation and Amortisation”
- (iii) Amendments to MFRS 10 and MFRS 128 “Sale or Contribution of Assets between Investor and its Associates or Joint Venture”
- (iv) Amendments to MFRS 127 “Equity Method in Separate Financial Statements”
- (v) Annual Improvements to MFRSs 2012 – 2014 Cycle (Amendments to MFRS 5 “Non-current Assets Held for sale and Discontinued Operations”, MFRS 7 “Financial Instruments: Disclosures”, MFRS 119 “Employee Benefits”, MFRS 134 “Interim Financial Reporting”)
- (vi) Amendments to MFRS 10, 12 and 128 “Investment Entities – Applying the Consolidation Exception”
- (vii) Amendments to MFRS 101 “Presentation of Financial Statements – Disclosure Initiative”

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 year 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

- (i) Effective from financial year beginning on or after 1 January 2017
 - Amendments to MFRS 107 “Statement of Cash Flows – Disclosure Initiative”
 - Amendments to MFRS 112 “Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses”
- (ii) Effective from financial year beginning on or after 1 January 2018
 - MFRS 9 “Financial Instruments”
 - MFRS 15 “ Revenue from Contracts with Customer”
- (iii) 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 2016 (CONTINUED)

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

None of the standards listed above were expected to have a significant effect on the financial statements of the Company upon initial application, except for MFRS 9. The Company has yet to assess the full impact of MFRS 9 on the Company's accounting policies. The Company will also consider the impact of the remaining phases of MFRS 9 when issued by the MASB.

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 2016.

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 2016.

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 interim financial period ended 30 June 2016.

6 DIVIDEND

No dividend has been paid by the Company in the current interim financial period ended 30 June 2016.

7 SIGNIFICANT EVENT DURING THE CURRENT INTERIM FINANCIAL PERIOD

In June 2016, ACE Jerneh Insurance Berhad (ACE Jerneh) changed its name to Chubb Insurance Malaysia Berhad. The move reflects its ties to parent company Chubb Limited, formerly known as ACE Limited, which was rebranded following the completion of its acquisition of Chubb Corporation in January 2016.

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016 (CONTINUED)

8 EVENTS SUBSEQUENT TO THE CURRENT 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 year to date.

9 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.

10 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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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016 (CONTINUED)

11 INVESTMENTS

	<u>30.06.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000
Malaysian Government Securities and guaranteed loans	615,356	518,821
Debt securities	407,278	419,492
Equity securities	375	375
	<u>1,023,009</u>	<u>938,688</u>
AFS	<u>1,023,009</u>	<u>938,688</u>

The following instruments mature after 12 months:

Malaysian Government Securities and guaranteed loans	554,892	422,978
Debt securities	402,255	399,252
	<u>957,147</u>	<u>822,230</u>

(a) AFS	<u>30.06.2016</u>	<u>31.12.2015</u>
<u>Fair Value</u>	RM'000	RM'000
Unquoted equity securities	375	375
Unquoted debt securities	407,278	419,492
Malaysian Government Securities and guaranteed loans	615,356	518,821
	<u>1,023,009</u>	<u>938,688</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016 (CONTINUED)

11 INVESTMENTS (CONTINUED)

(b) Carrying values of financial instruments

AFS

	RM'000
At 1 January 2015	1,124,051
Purchases	190,762
Maturities	(145,000)
Disposals	(228,820)
Fair value losses recorded in:	
Other comprehensive income	(843)
Net change in interest receivables	(1,690)
Accretion of discount	228
At 31 December 2015	<u>938,688</u>
Purchases	146,068
Maturities	(75,000)
Disposals	-
Fair value gains recorded in:	
Other comprehensive income	11,916
Net change in interest receivables	1,119
Accretion of discount	218
At 30 June 2016	<u><u>1,023,009</u></u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016 (CONTINUED)

11 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>30.06.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000
Valuation techniques		
- market observable inputs (Level 2)	1,022,634	938,313
- unobservable inputs (Level 3)	375	375
	<u>1,023,009</u>	<u>938,688</u>

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

12 REINSURANCE ASSETS

	<u>30.06.2016</u>	<u>31.12.2015</u>
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	269,057	338,008
Premium liabilities	36,913	33,448
	<u>305,970</u>	<u>371,456</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016 (CONTINUED)

13 **INSURANCE CONTRACT LIABILITIES**

	<u>30.06.2016</u>			<u>31.12.2015</u>		
	<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	1,058,545	(305,970)	752,575	1,076,844	(371,456)	705,388
Provision for claims reported	450,667	(190,604)	260,063	485,006	(229,740)	255,266
Provision for incurred but not reported claims ("IBNR")	217,831	(78,453)	139,378	247,262	(108,268)	138,994
Claims liabilities	668,498	(269,057)	399,441	732,268	(338,008)	394,260
Premium liabilities	390,047	(36,913)	353,134	344,576	(33,448)	311,128
	<u>1,058,545</u>	<u>(305,970)</u>	<u>752,575</u>	<u>1,076,844</u>	<u>(371,456)</u>	<u>705,388</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016 (CONTINUED)

13 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

(i) **CLAIMS LIABILITIES**

	30.06.2016			31.12.2015		
	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January	732,268	(338,008)	394,260	634,278	(287,874)	346,404
Increase in claims incurred/recoveries anticipated over the financial year	333,675	(117,867)	215,808	511,149	(179,196)	331,953
Changes in key assumptions	(110,087)	48,015	(62,072)	(81,006)	32,641	(48,365)
Claims paid during the financial period/year	(287,358)	138,803	(148,555)	(332,153)	96,421	(235,732)
At 30 June/31 December	<u>668,498</u>	<u>(269,057)</u>	<u>399,441</u>	<u>732,268</u>	<u>(338,008)</u>	<u>394,260</u>

(ii) **PREMIUM LIABILITIES**

At 1 January	344,576	(33,448)	311,128	314,610	(32,976)	281,634
Premiums written during the financial period/year	516,035	(125,285)	390,750	905,613	(227,582)	678,031
Premiums earned during the financial period/year	(470,564)	121,820	(348,744)	(875,647)	227,110	(648,537)
At 30 June/31 December	<u>390,047</u>	<u>(36,913)</u>	<u>353,134</u>	<u>344,576</u>	<u>(33,448)</u>	<u>311,128</u>

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CHUBB INSURANCE MALAYSIA BERHAD
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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 30 JUNE 2016 (CONTINUED)

14 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 4 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>30.06.2016</u> RM'000	<u>31.12.2015</u> RM'000
Within one year	1,520	1,627
Later than one year but not later than 4 years	1,478	1,730
	<u>2,998</u>	<u>3,357</u>

15 CAPITAL STRUCTURE

The capital structure of the Company as at 30 June 2016, as prescribed under the RBC Framework is provided below:

	<u>30.06.2016</u> RM'000	<u>31.12.2015</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	100,000	100,000
Retained earnings	580,131	524,595
	<u>680,131</u>	<u>624,595</u>
<u>Tier 2 Capital</u>		
Available-for-sale fair value reserve	5,139	(3,866)
Equity reserve	5,173	4,307
Amount deducted from capital	(14,582)	(17,740)
	<u>675,861</u>	<u>607,296</u>
Total capital available	<u>675,861</u>	<u>607,296</u>