

Company No.

161086	D
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QBE INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the Financial Period from 1 January 2017 to 30 June 2017

Company No.

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QBE 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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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

ASSETS	Note	30.06.2017 RM	31.12.2016 RM
Property, plant and equipment		14,289,660	15,441,180
Investments	11	417,755,199	403,240,596
Fair value through profit and loss		46,108,235	100,973,717
Loans and receivables		371,646,964	302,266,879
Reinsurance assets	12	34,634,552	34,147,518
Insurance receivables		152,354,493	127,698,613
Other receivables		63,233,374	68,468,722
Deferred tax asset		4,344,953	2,654,435
Tax recoverable		-	602,669
Cash and bank balances		7,346,627	210,399
TOTAL ASSETS		693,958,858	652,464,132
LIABILITIES			
Insurance contract liabilities	12	437,189,015	413,403,926
Insurance payables		38,935,826	36,823,715
Tax payable		467,161	-
Other payables		27,891,863	25,139,096
TOTAL LIABILITIES		504,483,865	475,366,737
SHAREHOLDERS' EQUITY			
Share capital		108,000,000	108,000,000
Retained earnings		81,474,993	69,097,395
		189,474,993	177,097,395
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		693,958,858	652,464,132

The accompanying notes are an integral part of these financial statements

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QBE INSURANCE (MALAYSIA) BERHAD

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

	6 months period ended 30.06.2017 RM	6 months period ended 30.06.2016 RM
Gross earned premiums	176,439,873	161,026,581
Premium ceded to reinsurers	<u>(36,611,271)</u>	<u>(50,181,649)</u>
Net earned premiums	139,828,602	110,844,932
Investment income	9,616,758	9,824,203
Loss on disposal of property, plant and equipment	(53,675)	(3,909)
Fair value gain/ (loss) on investments	30,200	(186,920)
Other operating revenue	<u>3,907</u>	<u>177,223</u>
Total revenue	<u>149,425,792</u>	<u>120,655,529</u>
Gross claims paid	(80,034,712)	(53,885,799)
Claims recoveries from reinsurers	9,420,083	3,180,677
Gross change to claims liabilities	(708,970)	(7,350,905)
Change in claims liabilities ceded to reinsurers	988,108	7,915,943
Net claims	<u>(70,335,491)</u>	<u>(50,140,084)</u>
Fee and commission expense	(30,811,300)	(24,833,053)
Management expenses	<u>(31,453,341)</u>	<u>(27,935,305)</u>
Other expenses	<u>(62,264,641)</u>	<u>(52,768,358)</u>
Profit before taxation	16,825,660	17,747,087
Taxation	(4,448,062)	(4,978,350)
Total comprehensive income for the period	<u>12,377,598</u>	<u>12,768,737</u>
EARNINGS PER SHARE (SEN)	5.73	5.91

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QBE INSURANCE (MALAYSIA) BERHAD

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UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	Share Capital RM	Distributable Retained Earnings RM	Total RM
At 1 January 2016	108,000,000	89,018,347	197,018,347
Total comprehensive income for the financial period	-	12,768,737	12,768,737
Dividend paid	-	(44,301,600)	(44,301,600)
At 30 June 2016	<u>108,000,000</u>	<u>57,485,484</u>	<u>165,485,484</u>
At 1 January 2017	108,000,000	69,097,395	177,097,395
Total comprehensive income for the financial period	-	12,377,598	12,377,598
At 30 June 2017	<u>108,000,000</u>	<u>81,474,993</u>	<u>189,474,993</u>

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QBE INSURANCE (MALAYSIA) BERHAD

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UNAUDITED CASH FLOW STATEMENT FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	6 months period ended 30.06.2017 RM	6 months period ended 30.06.2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial period	12,377,598	12,768,737
Adjustments for:		
Depreciation on property, plant and equipment	1,643,244	1,451,950
Loss on disposal of property, plant and equipment	53,675	3,909
Loss/ (Gain) on disposal of investments	324,200	(110,960)
Unrealised (gain)/ loss on investments	(354,400)	297,880
Allowance/ (Writeback) of impairment on insurance receivables	478,470	(164,073)
Interest income	(9,616,758)	(9,822,594)
Rental income	-	(1,609)
Taxation	4,448,062	4,978,350
Profit from operations before changes in operating assets and liabilities	9,354,091	9,401,590
Proceeds from disposal of FVTPL investments	80,216,000	44,650,000
Purchase of FVTPL investments	(25,909,000)	-
Increase in LAR investments	(72,000,000)	(27,000,000)
Increase in premium liabilities	23,577,194	27,486,850
Decrease in claims liabilities	(279,139)	(565,037)
Increase in insurance receivables	(25,134,350)	(39,149,069)
Decrease/ (increase) in other receivables	5,235,348	(327,057)
Increase in insurance payables	2,112,111	13,025,652
Increase in other payables	2,752,767	10,069,222
Income taxes paid	(5,068,750)	(4,757,500)
Interest income received	12,825,355	9,944,793
Rental income received	-	1,609
Net cash generated from operating activities	7,681,627	42,781,053

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QBE INSURANCE (MALAYSIA) BERHAD

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UNAUDITED CASH FLOW STATEMENT FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

	6 months period ended 30.06.2017 RM	6 months period ended 30.06.2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	50,944	7,400
Purchase of property, plant and equipment	<u>(596,342)</u>	<u>(414,422)</u>
Net cash used in investing activities	<u>(545,398)</u>	<u>(407,022)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	<u>(44,301,600)</u>
Net cash used in financing activities	<u>-</u>	<u>(44,301,600)</u>
Net increase/ (decrease) in cash and cash equivalents	7,136,228	(1,927,569)
Cash and cash equivalents at 1 January	<u>210,399</u>	<u>3,705,094</u>
Cash and cash equivalents at 30 June	<u><u>7,346,627</u></u>	<u><u>1,777,525</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>7,346,627</u></u>	<u><u>1,777,525</u></u>

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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITY

The Company, a public limited liability Company incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

2. SIGNIFICANT ACCOUNT POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements

2.1 BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's audited annual financial statements for the year ended 31 December 2016.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted by the Company's audited financial statements for the financial year ended 31 December 2016, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2016

- Amendment to MFRS 107 'Statement of Cash Flow – Disclosure Initiative' (effective from 1 January 2017)
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017).
- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.
- MFRS 15 'Revenue from Contract with Customers' (effective from 1 January 2018).
- MFRS 16 'Leases' (effective from 1 January 2019).

The initial application of the abovementioned and all other standards, amendments to the published standards and interpretations that are effective for the current financial year are not expected to have any material impacts to the current and prior periods financial statements upon their first adoption.

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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

3. COMMENTS ON SEASONALITY OR CYCLICALITY

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

4. UNUSUAL ITEM AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence in the current interim financial period ended 30 June 2017.

5. CHANGES IN ESTIMATES

There was no material changes in the basis used for accounting estimates for the current interim financial period ended 30 June 2017.

6. ISSUES, REPURCHASES AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company in the current interim financial period ended 30 June 2017.

7. DIVIDEND PAID

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

The Board of Directors recommend a final dividend of RM0.090 per share amounting to RM19,504,518 million in respect of the financial year ended 31 December 2016.

The above recommendation has been approved by Bank Negara Malaysia ("BNM") in Jul 2017. The interim financial statements for the period ended 30 June 2017 do not reflect this final dividend, which will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2016 when the dividend payment is made.

8. CONTINGENT LIABILITIES

In August 2016, the Malaysia Competition Commission ("MyCC") commenced investigation into an alleged infringement of Section 4(2)(a) of the Competition Act 2010 ("CA") by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including QBEM. The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to the trade discount rates for parts on certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by QBEM pursuant to a Members' Circular issued by PIAM, which was Bank Negara Malaysia's ("BNM") directive to PIAM to engage FAWOAM - to resolve the issues of parts trade discounts and labour hourly rate.

In February 2017, QBEM received MyCC's notice of proposed decision ("Proposed Decision") that QBEM and all the other 21 General Insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 General Insurers. QBEM, as one of the members of PIAM, will have a share of RM484,646 on the proposed penalty. The Proposed Decision is not final and QBEM is in the process to take appropriate legal actions together with PIAM and the 21 General Insurers to defend its position that it has not been in infringement of Section 4(2)(a) of the Competition Act 2010.

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QBE INSURANCE (MALAYSIA) BERHAD

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

9. EVENTS SUBSEQUENT TO THE INTERIM PERIOD

Other than the subsequent event disclosed in note 7 and contingent liabilities disclosed in note 8 to the interim financial statement, there were no material events after the interim financial period that have not been disclosed in the financial statements for the interim financial period ended 30 June 2017.

10. EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

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

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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENTS

	30.06.2017 RM	31.12.2016 RM
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	45,933,250	100,210,050
Accrued interest	<u>174,985</u>	<u>763,667</u>
	<u>46,108,235</u>	<u>100,973,717</u>
Loans and receivables ("LAR")	367,000,000	295,000,000
Accrued interest	<u>4,646,964</u>	<u>7,266,879</u>
	<u>371,646,964</u>	<u>302,266,879</u>
Total investments	<u><u>417,755,199</u></u>	<u><u>403,240,596</u></u>

The Company's investments for the current period are all short term investments.

(a) FVTPL

	30.06.2017 RM	31.12.2016 RM
Fair value		
Malaysian Government Securities	45,933,250	100,210,050
Accrued interest	<u>174,985</u>	<u>763,667</u>
Total investment at FVTPL	<u><u>46,108,235</u></u>	<u><u>100,973,717</u></u>

(b) LAR

	30.06.2017 RM	31.12.2016 RM
Amortised cost		
Deposits with financial institutions	367,000,000	295,000,000
Accrued interest	<u>4,646,964</u>	<u>7,266,879</u>
Total investments at LAR	<u><u>371,646,964</u></u>	<u><u>302,266,879</u></u>

QBE INSURANCE (MALAYSIA) BERHAD

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENTS (CONTINUED)

(c) Carrying Values of Financial Instruments

	FVTPL RM	LAR RM	Total RM
At 1 January 2016	69,763,925	318,846,396	388,610,321
Purchases/ deposits	100,532,700	574,000,000	674,532,700
Maturities	-	(593,000,000)	(593,000,000)
Disposals	(69,134,800)	-	(69,134,800)
Fair value loss recorded in profit or loss	(309,650)	-	(309,650)
Accrued interest	121,542	2,420,483	2,542,025
At 31 December 2016	100,973,717	302,266,879	403,240,596
Purchases/ deposits	25,909,000	320,000,000	345,909,000
Maturities	-	(248,000,000)	(248,000,000)
Disposals	(80,216,000)	-	(80,216,000)
Fair value loss recorded in profit or loss	30,200	-	30,200
Accrued interest	(588,682)	(2,619,915)	(3,208,597)
At 30 June 2017	46,108,235	371,646,964	417,755,199

(d) Fair Values of Financial Instruments

The following table shows financial instruments recorded at fair value analysed as follows:

	FVTPL RM
30 June 2017	
Level 2 - Valuation techniques - market observable input	<u>46,108,235</u>
31 December 2016	
Level 2 - Valuation techniques - market observable input	<u>100,973,717</u>

Financial instruments, which are under Level 2 of the fair value hierarchy are 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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
At 30 June 2017			
Claims liabilities	241,690,005	(21,614,613)	220,075,392
Premium liabilities	195,499,010	(13,019,939)	182,479,071
	<u>437,189,015</u>	<u>(34,634,552)</u>	<u>402,554,463</u>
At 31 December 2016			
Claims liabilities	240,981,035	(20,626,504)	220,354,531
Premium liabilities	172,422,891	(13,521,014)	158,901,877
	<u>413,403,926</u>	<u>(34,147,518)</u>	<u>379,256,408</u>

	30.06.2017			31.12.2016		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for outstanding claims	196,266,530	(16,184,725)	180,081,805	195,069,143	(18,106,199)	176,962,944
Provision for incurred but not reported claims ("IBNR")	45,423,475	(5,429,888)	39,993,587	45,911,892	(2,520,305)	43,391,587
Claims liabilities	<u>241,690,005</u>	<u>(21,614,613)</u>	<u>220,075,392</u>	<u>240,981,035</u>	<u>(20,626,504)</u>	<u>220,354,531</u>
Premium liabilities	<u>195,499,010</u>	<u>(13,019,939)</u>	<u>182,479,071</u>	<u>172,422,891</u>	<u>(13,521,014)</u>	<u>158,901,877</u>
	<u>437,189,015</u>	<u>(34,634,552)</u>	<u>402,554,463</u>	<u>413,403,926</u>	<u>(34,147,518)</u>	<u>379,256,408</u>

13. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Future minimum lease payments	
	30.06.2017 RM	31.12.2016 RM
Not later than 1 year	58,540	54,517
Later than 1 year and not later than 5 years	94,135	47,450
	<u>152,675</u>	<u>101,967</u>

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QBE INSURANCE (MALAYSIA) BERHAD

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2017 RM	31.12.2016 RM
Eligible Tier 1 Capital		
Share capital (paid-up)	108,000,000	108,000,000
Reserves, including retained earnings	81,474,993	69,097,395
	<u>189,474,993</u>	<u>177,097,395</u>
Amounts deducted from Capital	(4,344,953)	(2,654,435)
Total Capital Available	<u><u>185,130,040</u></u>	<u><u>174,442,960</u></u>