

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 2016 to 30 June 2016

Company No.

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QBE INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
For the financial period from 1 January 2016 to 30 June 2016

Contents	Page
Unaudited Statement of Financial Position	1
Unaudited Statement of Comprehensive Income	2
Unaudited Statement of Changes in Equity	3
Unaudited Cash Flow Statement	4 – 5
Notes to the Unaudited Interim Financial Statements	6 - 11

Company No.

161086	D
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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

ASSETS	Note	30.06.2016 RM	31.12.2015 RM
Property, plant and equipment		15,894,097	16,942,934
Investments	11	370,651,202	388,610,321
Fair value through profit and loss		24,428,644	69,763,925
Loans and receivables		346,222,558	318,846,396
Reinsurance assets	12	39,492,899	28,899,153
Insurance receivables		158,556,606	119,243,464
Other receivables		81,729,847	81,402,790
Deferred tax asset		3,899,336	1,854,593
Tax recoverable		-	1,685,772
Cash and bank balances		1,777,525	3,705,094
TOTAL ASSETS		672,001,512	642,344,121
LIABILITIES			
Insurance contract liabilities	12	407,920,792	370,405,233
Insurance payables		65,624,968	52,599,316
Tax payable		579,821	-
Other payables		32,390,447	22,321,225
TOTAL LIABILITIES		506,516,028	445,325,774
SHAREHOLDERS' EQUITY			
Share capital		108,000,000	108,000,000
Retained earnings		57,485,484	89,018,347
		165,485,484	197,018,347
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		672,001,512	642,344,121

The accompanying notes are an integral part of these financial statements

Company No.

161086	D
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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016

	6 months period ended 30.06.2016 RM	6 months period ended 30.06.2015 RM
Gross earned premiums	161,026,581	147,839,479
Premium ceded to reinsurers	<u>(50,181,649)</u>	<u>(46,025,668)</u>
Net earned premiums	110,844,932	101,813,811
Investment income	9,824,203	8,896,302
Loss on disposal of property, plant and equipment	(3,908)	(13,159)
Fair value (loss) / gain on investments	<u>(186,920)</u>	<u>722,580</u>
Total revenue	<u>120,478,307</u>	<u>111,419,534</u>
Gross claims paid	(53,885,799)	(38,315,661)
Claims recoveries from reinsurers	3,180,677	1,600,835
Gross change to claims liabilities	(7,350,904)	(22,999,097)
Change in claims liabilities ceded to reinsurers	7,915,943	3,652,223
Net claims	<u>(50,140,083)</u>	<u>(56,061,700)</u>
Fee and commission expense	(24,833,055)	(21,953,700)
Management expenses	<u>(27,758,082)</u>	<u>(24,610,860)</u>
Other expenses	<u>(52,591,137)</u>	<u>(46,564,560)</u>
Profit before taxation	17,747,087	8,793,274
Taxation	(4,978,350)	(2,873,412)
Total comprehensive income for the period	<u>12,768,737</u>	<u>5,919,862</u>
EARNINGS PER SHARE (SEN)	5.91	2.74

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Company No.

161086	D
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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 2016

	Share Capital RM	Distributable Retained Earnings RM	Total RM
At 1 January 2015	108,000,000	71,447,820	179,447,820
Total comprehensive income for the financial period	-	5,919,862	5,919,862
At 30 June 2015	<u>108,000,000</u>	<u>77,367,682</u>	<u>185,367,682</u>
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>

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Company No.

161086	D
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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

UNAUDITED CASH FLOW STATEMENT FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016

	6 months period ended 30.06.2016 RM	6 months period ended 30.06.2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial period	12,768,737	5,919,862
Adjustments for:		
Depreciation on property, plant and equipment	1,451,951	812,113
Loss on disposal of property, plant and equipment	3,908	13,159
(Gain) / loss on disposal of investments	(110,960)	21,000
Unrealised loss/ (gain) on investments	297,880	(743,580)
Bad debts written off	-	149,339
Bad debts recovery	(164,073)	-
Interest income	(9,822,594)	(6,948,455)
Rental income	(1,609)	(675)
Dividend income	-	(272,199)
Taxation	4,978,350	2,873,412
Profit from operations before changes in operating assets and liabilities	<u>9,401,590</u>	<u>1,823,976</u>
Proceeds from maturity of FVTPL investments	-	30,375,000
Proceeds from disposal of FVTPL investments	44,650,000	-
Purchase of FVTPL investments	-	(3,982,000)
Increase in LAR investments	(27,000,000)	(29,000,000)
Increase in premium liabilities	27,486,850	29,236,301
Increase in claims liabilities	(565,037)	19,346,874
Increase in insurance receivables	(39,149,069)	(45,571,932)
Increase in other receivables	(327,057)	(8,690,744)
Increase in insurance payables	13,025,652	11,891,687
Increase in other payables	10,069,222	2,563,368
Income taxes paid	(4,757,500)	(2,220,000)
Interest income received	9,944,793	4,877,334
Rental income received	1,609	675
Dividend income received	-	272,199
Net cash generated from operating activities	<u>42,781,053</u>	<u>10,922,738</u>

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Company No.

161086	D
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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

UNAUDITED CASH FLOW STATEMENT FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

	6 months period ended 30.06.2016 RM	6 months period ended 30.06.2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	7,400	31,810
Purchase of property, plant and equipment	<u>(414,422)</u>	<u>(4,634,669)</u>
Net cash used in investing activities	<u>(407,022)</u>	<u>(4,602,859)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	<u>(44,301,600)</u>	<u>-</u>
Net cash used in financing activities	<u>(44,301,600)</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents	(1,927,569)	6,319,878
Cash and cash equivalents at 1 January	<u>3,705,094</u>	<u>7,537,644</u>
Cash and cash equivalents at 30 June	<u>1,777,525</u>	<u>13,857,522</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>1,777,525</u>	<u>13,857,522</u>

The accompanying notes are an integral part of these financial statements

Company No.

161086	D
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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 1965 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 2015.

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 2015, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2015

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016)
- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016).
- Amendments to MFRS 107 'Statement of Cash Flows - 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.

Company No.

161086	D
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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 period ended 30 June 2016.

5. CHANGES IN ESTIMATES

There was no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2016.

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 period ended 30 June 2016.

7. DIVIDEND PAID

In the current interim period ended 30 June 2016, the Company paid a final single tier of 20.51 sen per share, totalling RM44,301,600 in respect of the financial year ended 31 December 2015 on 27 June 2016.

8. EVENTS AFTER THE INTERIM PERIOD

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

9. EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

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

10. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

Company No.

161086	D
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QBE INSURANCE (MALAYSIA) BERHAD

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENTS

	30.06.2016 RM	31.12.2015 RM
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	24,284,880	69,121,800
Accrued interest	143,764	642,125
	<u>24,428,644</u>	<u>69,763,925</u>
Loans and receivables ("LAR")	341,000,000	314,000,000
Accrued interest	5,222,558	4,846,396
	<u>346,222,558</u>	<u>318,846,396</u>
Total investments	<u><u>370,651,202</u></u>	<u><u>388,610,321</u></u>

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

(a) FVTPL

	30.06.2016 RM	31.12.2015 RM
Fair value		
Malaysian Government Securities	24,284,880	69,121,800
Accrued interest	143,764	642,125
Total investment at FVTPL	<u><u>24,428,644</u></u>	<u><u>69,763,925</u></u>

(b) LAR

	30.06.2016 RM	31.12.2015 RM
Amortised cost		
Deposits with financial institutions	341,000,000	314,000,000
Accrued interest	5,222,558	4,846,396
Total investments at LAR	<u><u>346,222,558</u></u>	<u><u>318,846,396</u></u>

Company No.

161086	D
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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 2015	111,521,067	253,948,985	365,470,052
Purchases/ deposits	3,982,000	583,000,000	586,982,000
Maturities	-	(522,000,000)	(522,000,000)
Disposals	(46,311,000)	-	(46,311,000)
Fair value gains recorded in profit or loss	1,028,300	-	1,028,300
Accrued interest	(456,442)	3,897,411	3,440,969
At 31 December 2015	<u>69,763,925</u>	<u>318,846,396</u>	<u>388,610,321</u>
Purchases/ deposits	-	362,000,000	362,000,000
Maturities	-	(335,000,000)	(335,000,000)
Disposals	(44,650,000)	-	(44,650,000)
Fair value loss recorded in profit or loss	(186,920)	-	(186,920)
Accrued interest	(498,361)	376,162	(122,199)
At 30 June 2016	<u>24,428,644</u>	<u>346,222,558</u>	<u>370,651,202</u>

(d) Fair Values of Financial Instruments

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

	FVTPL RM
30 June 2016	
Level 2 - Valuation techniques - market observable input	<u>24,428,644</u>
31 December 2015	
Level 2 - Valuation techniques - market observable input	<u>69,763,925</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.

Company No.

161086	D
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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 2016			
Claims liabilities	231,247,969	(26,175,195)	205,072,774
Premium liabilities	176,672,823	(13,317,704)	163,355,119
	<u>407,920,792</u>	<u>(39,492,899)</u>	<u>368,427,893</u>
At 31 December 2015			
Claims liabilities	223,897,063	(18,259,252)	205,637,811
Premium liabilities	146,508,170	(10,639,901)	135,868,269
	<u>370,405,233</u>	<u>(28,899,153)</u>	<u>341,506,080</u>

	30.06.2016			31.12.2015		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for outstanding claims	192,289,969	(23,238,195)	169,051,774	176,039,063	(17,716,252)	158,322,811
Provision for incurred but not reported claims ("IBNR")	38,958,000	(2,937,000)	36,021,000	47,858,000	(543,000)	47,315,000
Claims liabilities	<u>231,247,969</u>	<u>(26,175,195)</u>	<u>205,072,774</u>	<u>223,897,063</u>	<u>(18,259,252)</u>	<u>205,637,811</u>
Premium liabilities	<u>176,672,823</u>	<u>(13,317,704)</u>	<u>163,355,119</u>	<u>146,508,170</u>	<u>(10,639,901)</u>	<u>135,868,269</u>
	<u>407,920,792</u>	<u>(39,492,899)</u>	<u>368,427,893</u>	<u>370,405,233</u>	<u>(28,899,153)</u>	<u>341,506,080</u>

13. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	Future minimum lease payments	
	30.06.2016 RM	31.12.2015 RM
Not later than 1 year	59,079	68,130
Later than 1 year and not later than 5 years	62,390	78,107
	<u>121,469</u>	<u>146,237</u>

Company No.

161086	D
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QBE INSURANCE (MALAYSIA) BERHAD

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2016 RM	31.12.2015 RM
Eligible Tier 1 Capital		
Share capital (paid-up)	108,000,000	108,000,000
Reserves, including retained earnings	57,485,484	89,018,347
	<u>165,485,484</u>	<u>197,018,347</u>
Amounts deducted from Capital	(3,899,336)	(1,854,593)
Total Capital Available	<u>161,586,148</u>	<u>195,163,754</u>