



Financial Summary and Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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30 June 2017

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Financial Summary

30 June 2017

Key metrics CBL management monitors are Gross Written Premium, Operating Profit, Underlying Profit after tax and the Combined Ratio of the business:

- Gross Written Premium increased to \$204.5m from \$158.9m in 1H16, an increase of 28.7% for the half year ended 30 June 2017
- The Operating Profit decreased to \$22.4m from \$35.1m in 1H16, a decrease of 36.2% for the half year ended 30 June 2017
- The Underlying Profit after tax increased to \$23.6m from \$23.2m in 1H16, an increase of 1.8% for the half year ended 30 June 2017
- The Combined Ratio of 89.4% for 1H17 compared to 77.0% for 1H16
- The interim dividend for 1H17 is 1.5 cents per share

To ensure readers of the financial statements can compare period-on-period results on a consistent basis management provide the table below which includes the reconciliation between the Reported Profit after tax and the Underlying Profit after tax for 1H17, 1H16 and 2H16.

	1H17 Actual \$m	1H16 Actual \$m	2H16 Actual \$m
Gross Written Premium	204.5	158.9	162.8
Total Revenue	206.2	152.7	180.7
Net claims expense	(76.0)	(44.4)	(42.1)
Operating and acquisition expenses	(107.8)	(73.3)	(97.5)
Operating profit	22.4	35.1	41.2
Reported profit after tax for the period	12.6	18.6	12.1
adjusting items:			
Prior year reserve movements ¹	13.7	(1.1)	(1.3)
Capital raising and business acquisition costs ²	1.2	2.2	4.2
Foreign exchange translation adjustment ³	(4.4)	4.4	5.3
Finance costs ⁴	4.3	0.0	7.8
Tax effect ⁵	(3.8)	(0.9)	(3.3)
Underlying profit after tax for the period	23.6	23.2	24.8
Reported profit after tax - earnings per share (cents) ⁶	5.4	8.4	4.8
Underlying profit after tax - earnings per share (cents) ⁶	10.0	10.5	10.2

- The Reported Profit after tax per share for the 6 months ending 30 June 2017 decreased by 3.0 cents per share to 5.4 cents compared to 1H16 of 8.4 cents, and exceeded the 2H16 by 0.6 cents.
- The Underlying Profit after tax per share for the 6 months ending 30 June 2017 decreased by 0.5 cents per share to 10.0 cents compared to 1H16 of 10.5 cents and was lower than the 2H16 by 0.2 cents.

Financial Summary

30 June 2017

The following adjustments have been made to show Underlying Profit for 6 months ending 30 June 2017, 30 June 2016 and 31 December 2016.

- ¹ Prior year reserve movements. 1H17 is adjusted for the total prior year reserve movement. Historical half year periods have been restated to reflect that period's portion of the prior year reserve movement.
- ² Non-recurring costs relating to acquiring businesses, including SFS, Assetinsure, Affirmative and Allied Risk, and capital raising costs associated with the share placement and share purchase plan.
- ³ Unrealised FX translation adjustment in order to report our FX denominated assets and liabilities into NZD.
- ⁴ Non-recurring costs includes: the initial transaction costs associated with the SFS acquisition facility; costs associated with early repayment of FIIG note including accelerated amortisation of issue costs and repayment premium, and establishment costs; reversal of the discount to present value of the contingent consideration relating to the SFS acquisition.
- ⁵ Tax effect of deductible costs and assessable income of the adjusting items at 28% NZ corporate tax rate.
- ⁶ Earnings per share amount is based upon the outstanding number of shares as at the:

30 June 2017:	235,778,031
31 December 2016:	235,778,031
30 June 2016:	219,677,168

Glossary

AUD or A\$	Australian Dollars
AI	Assetinsure Pty Limited
AI Group	Assetinsure Holdings Pty Limited and its wholly owned subsidiary, AI
APRA	Australian Prudential Regulation Authority
CBL	CBL Corporation Limited, or as the context requires, CBL Corporation Limited and its subsidiaries.
CBL Insurance	CBL Insurance Limited
CBLIE	CBL Insurance Europe DAC
Company	CBL
EIOPA	European Insurance and Occupational Pensions Authority
EISL	European Insurance Services Limited
FCA	Financial Conduct Authority
Foreign exchange translation adjustment	Transactions in foreign currencies are initially recorded in the functional currency at rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to Profit or Loss.
Group	CBL
IFRS	International Financial Reporting Standards
MGA	Managing general agency (an intermediary between brokers or customers and insurers)
NZD or \$	New Zealand Dollar
Operating profit	Profit before finance costs, capital raising costs, business combination costs, amortisation of acquired intangibles, foreign exchange movements, profit from associates, revaluations and tax
Parent	CBL
PFP	Professional Fee Protection Limited
PFP Group	PFP Holdings Pte Limited and its subsidiaries, including PFP
RBNZ	Reserve Bank of New Zealand
SOPL	Statement of profit or loss
SOFP	Statement of financial position

Directors' Declaration

Declaration

The Directors of the CBL Corporation Limited ("Company") and its consolidated group of subsidiaries ("Group") hereby declare that in the Directors' opinion:

- the Group condensed consolidated interim financial statements for the six months ended 30 June 2017 and the notes to those financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of the New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting and International Accounting Standard 34 Interim Financial Reporting;
- the Group condensed consolidated interim financial statements for the six months ended 30 June 2017 and the notes to those financial statements present fairly the financial position at 30 June 2017 and performance of the Group for the six months ended on that date;
- in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Directors dated 24 August 2017 and is signed for and on behalf of the Board of Directors by:



.....
Sir John Wells KNZM, Chairman



.....
Peter Harris, Managing Director

INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF CBL CORPORATION LIMITED

We have reviewed the condensed consolidated interim financial statements of CBL Corporation Limited and its subsidiaries ('the Group') which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information on pages 8 to 23.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of CBL Corporation Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor and the provision of tax advisory services in relation to acquisitions, other matters and tax compliance and information technology consulting we have no relationship with or interest in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2017 and its financial performance and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.



Deloitte Limited
Chartered Accountants
AUCKLAND, NEW ZEALAND

24 August 2017

This review report relates to the unaudited condensed consolidated interim financial statements of CBL Corporation Limited ('the company') for the 6 months ended 30 June 2017 included on CBL Corporation Limited's website. The entity's Board of Directors is responsible for the maintenance and integrity of the company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed consolidated interim financial statements and related review report dated 24 August 2017 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

		30 June 2017	30 June 2016
		Unaudited	Unaudited
	Note	\$'000	\$'000
Gross written premium		204,485	158,916
Movement in gross unearned premium		(29,536)	(11,246)
Gross premiums		174,949	147,670
Premiums ceded		(15,563)	(16,628)
Net premiums	2	159,386	131,042
Other revenue		46,803	21,688
	2	206,189	152,730
Claims expense	5	(105,732)	(59,758)
Reinsurance and other recoveries	5	29,687	15,408
Net claims expense		(76,045)	(44,350)
Acquisition costs		(51,265)	(43,399)
Other operating expenses		(56,438)	(29,832)
Operating profit		22,441	35,149
Finance costs		(7,359)	(2,984)
Capital raising, business combination and amortisation of acquired intangibles		(1,595)	(2,555)
Foreign exchange translation adjustment		4,399	(4,438)
Share of loss from associates		(64)	(43)
Profit before tax		17,822	25,129
Income tax expense		(5,206)	(6,534)
Profit after tax		12,616	18,595
Profit after tax attributable to:			
Shareholders		12,689	18,487
Non-controlling interest		(73)	108
Earnings per share			
Basic and diluted earnings per share (cents)		5.38	8.49

The above statement should be read in conjunction with the accompanying notes to the consolidated interim financial statements.

Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2017

	30 June 2017	30 June 2016
	Unaudited	Unaudited
Note	\$'000	\$'000
Profit after tax	12,616	18,595
Other comprehensive income:		
Items that will be reclassified to profit or loss when specific conditions are met		
Exchange differences on translating foreign controlled entities	4,820	(2,341)
Total comprehensive income for the period	17,436	16,254
Total comprehensive income attributable to:		
Shareholders	17,988	16,151
Non-controlling interest	(552)	103

The above statement should be read in conjunction with the accompanying notes to the consolidated interim financial statements.

Consolidated Statement of Financial Position**As at 30 June 2017**

		30 June 2017 Unaudited \$'000	31 December 2016 Audited \$'000
	Note		
ASSETS			
Cash and cash equivalents	4	444,936	403,894
Other financial assets	8	75,240	67,295
Insurance receivables		158,163	135,702
Other receivables		199,708	214,198
Current tax receivable		7,279	662
Recoveries on outstanding claims	5	117,205	91,671
Deferred reinsurance expense		21,744	15,689
Deferred acquisition costs		52,731	44,833
Deferred tax assets		3,849	3,351
Property, plant and equipment		10,160	8,609
Investments in associates		5,969	3,571
Intangible assets		55,921	59,501
Goodwill		163,237	154,953
TOTAL ASSETS		1,316,142	1,203,929
LIABILITIES			
Other payables		229,611	322,017
Insurance payables		26,248	5,952
Current tax liabilities		3,985	5,728
Unearned premium liability		197,943	166,958
Employee benefits provision		4,665	4,667
Contingent consideration		16,564	15,321
Deferred tax liabilities		22,620	21,466
Outstanding claims liability	5	346,522	272,291
Borrowings	7	162,643	96,909
TOTAL LIABILITIES		1,010,801	911,309
NET ASSETS		305,341	292,620
EQUITY			
Share capital	11	168,602	168,602
Reserves		223	(5,076)
Retained earnings		105,415	97,441
Total equity attributed to shareholders of the parent		274,240	260,967
Non-controlling interest		31,101	31,653
TOTAL EQUITY		305,341	292,620

The consolidated interim financial statements were approved for issue by the Board on 24 August 2017



.....
Sir John Wells KNZM, Chairman



.....
Peter Harris, Managing Director

The above statement should be read in conjunction with the accompanying notes to the consolidated interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

2017 Unaudited

	Note	Share capital \$'000	Retained earnings \$'000	Reserve \$'000	Non controlling interests \$'000	Total equity \$'000
Balance at 1 January 2017		168,602	97,441	(5,076)	31,653	292,620
Comprehensive income						
Profit for the period		-	12,689	-	(73)	12,616
Other comprehensive income						
Currency translation differences		-	-	5,299	(479)	4,820
Total comprehensive income		-	12,689	5,299	(552)	17,436
Transactions with shareholders						
Dividends provided for or paid	10	-	(4,715)	-	-	(4,715)
Total transactions with shareholders		-	(4,715)	-	-	(4,715)
Balance at 30 June 2017		168,602	105,415	223	31,101	305,341

2016 Unaudited

	Note	Share capital \$'000	Retained earnings \$'000	Reserve \$'000	Non controlling interests \$'000	Total equity \$'000
Balance at 1 January 2016		110,070	84,561	(899)	(44)	193,688
Comprehensive income						
Profit for the period		-	18,487	-	108	18,595
Other comprehensive income						
Currency translation differences		-	-	(2,336)	(5)	(2,341)
Total comprehensive income		-	18,487	(2,336)	103	16,254
Transactions with shareholders						
Repurchase of treasury shares	11	(2,673)	-	-	-	(2,673)
Dividends provided for or paid	10	-	(9,788)	-	-	(9,788)
Total transactions with shareholders		(2,673)	(9,788)	-	-	(12,461)
Balance at 30 June 2016		107,397	93,260	(3,235)	59	197,481

The above statement should be read in conjunction with the accompanying notes to the consolidated interim financial statements

Consolidated Statement of Cash Flows**For the six months ended 30 June 2017**

		30 June 2017	30 June 2016
		Unaudited	Unaudited
	Note	\$'000	\$'000
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES:			
Premium received		169,483	126,907
Reinsurance and other recoveries received		5,536	17,710
Claims costs paid		(33,048)	(57,602)
Premium ceded payments		(9,360)	(16,553)
Interest received		1,369	3,099
Finance costs		(3,039)	(2,777)
Movements in security deposits held		(50)	(656)
Income tax paid		(12,677)	(4,649)
Other operating receipts		41,222	29,050
Commission paid		(43,560)	(39,788)
Other operating payments		(51,385)	(35,715)
Net cash flows from operating activities		64,491	19,026
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES:			
Net cash flows on acquisition of subsidiaries and associates, net of cash acquired	6	(72,940)	(1,852)
Outlays for property and equipment		(1,810)	(248)
Payments for intangible assets		(1,628)	(1,243)
Net (payments) / receipts for financial assets		(7,191)	15,579
Movements in loans with non-related parties		-	389
Net cash flows from investing activities		(83,569)	12,625
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES:			
Borrowings transaction costs		(1,711)	-
Net proceeds from borrowings		59,929	-
Dividends paid to equity holders		(4,716)	(9,788)
Repurchase of shares		-	(2,673)
Net cash flows from financing activities		53,502	(12,461)
Net movement in cash held		34,424	19,190
Effects of exchange rates on balances of cash held in foreign currencies		6,619	(8,006)
Cash and cash equivalents at start of period	4	403,893	296,012
Cash and cash equivalents at end of period	4	444,936	307,196

The above statement should be read in conjunction with the accompanying notes to the consolidated interim financial statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1 Summary of significant accounting policies

(a) General information

CBL Corporation Limited (CBL, Parent or Company), incorporated on 18 June 2012, is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and is a company limited by shares, incorporated and domiciled in New Zealand. Its registered office is Level 8, CBL House, 51 Shortland Street, Auckland 1010, New Zealand.

These condensed consolidated interim financial statements of CBL Corporation Limited and its subsidiaries (Group) for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 24 August 2017.

The principal operating activities of the Group include:

- Underwriting of general insurance through CBL Insurance Limited (CBL Insurance). CBL Insurance is a New Zealand domiciled non-life insurer, regulated by the Reserve Bank of New Zealand (RBNZ), specialising in writing niche building and construction related credit and financial surety insurance, bonding, and reinsurance globally.
- Underwriting of general insurance through Assetinsure Pty Limited (AI). AI is an Australian domiciled non-life insurer, regulated by the Australian Prudential Regulation Authority (APRA), specialising in surety, financial risk, credit enhancement and risk.
- Underwriting of general insurance through CBL Insurance Europe DAC (CBLIE). CBLIE is an Ireland based non-life insurance company, regulated by the Central Bank of Ireland. CBLIE specialises in niche construction related credit and financial surety insurance, professional indemnity, property and travel bonding throughout the European Union.
- Provision of insurance services as an agent through European Insurance Services Limited (EISL). EISL is a United Kingdom (UK) domiciled managing general agency (MGA) regulated by the Financial Conduct Authority (FCA), specialising in arranging builders warranty, liability insurance and other related products.
- Provision of speciality insurance services as an agent through Profession Fee Protection Limited (PFP). PFP is a leading provider of tax investigation fee protection insurance. PFP is a UK domiciled MGA and is regulated by the FCA.
- Provision of insurance services as an agent through Securities and Financial Solutions Europe S.A (SFS). SFS is a Luxembourg based MGA regulated by the Commissariat Aux Assurances (CAA), specialising in arranging builders warranty, liability insurance and other related products, operating throughout France and the French dominions. References to SFS include IMS Expert Europe (IMS), SFS's claims management operation.

(b) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with NZ Generally Accepted Accounting Practice and comply with NZ IAS 34 Interim Financial Reporting and comply with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2016, which were prepared in accordance with International Financial Reporting Standards, and New Zealand Equivalents to International Financial Reporting Standards.

The condensed consolidated interim financial statements for the six months ended 30 June 2017, as well as the comparative for the six months ended 30 June 2016, are unaudited. The presentation currency used for the preparation of this report is New Zealand dollars. All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

(c) Accounting policies

The principal accounting policies adopted in the preparation of these interim financial statements are those applicable to a Tier 1 For-Profit Entity and are consistent with those of the Group audited annual financial statements for the year ended 31 December 2016.

The application of new or amended accounting standards as of 1 January 2017 has not had a material impact on the financial statements.

2 Segmental reporting

Unaudited 30 June 2017	CBL Ins. \$'000	AI \$'000	CBLIE \$'000	EISL \$'000	PFP \$'000	SFS \$'000	CBL \$'000	ISR* \$'000	Other \$'000	Total \$'000
Gross written premium										
Policyholders	8,699	13,694	96,804	-	-	-	-	(517)	-	118,680
Reinsurers	145,526	8	-	-	-	-	-	(59,729)	-	85,805
Gross written premium	154,225	13,702	96,804	-	-	-	-	(60,246)	-	204,485
Movement in gross unearned premium provision	(19,781)	3,831	(43,826)	-	-	-	-	30,240	-	(29,536)
Total gross premium earned	134,444	17,533	52,978	-	-	-	-	(30,006)	-	174,949
Ceded premium										
Written premium ceded	(12,336)	(6,765)	(61,671)	-	-	-	-	60,246	-	(20,526)
Movement in unearned ceded premium provision	7,298	(1,928)	29,833	-	-	-	-	(30,240)	-	4,963
Total earned premium ceded	(5,038)	(8,693)	(31,838)	-	-	-	-	30,006	-	(15,563)
Total net earned premium	129,406	8,840	21,140	-	-	-	-	-	-	159,386
Other revenue	1,483	8,133	2,948	6,894	4,605	41,177	2,819	(21,486)	230	46,803
Total revenue	130,889	16,973	24,088	6,894	4,605	41,177	2,819	(21,486)	230	206,189
Net claims expense	(66,854)	(4,536)	(4,655)	-	-	-	-	-	-	(76,045)
Acquisition costs	(41,151)	(2,367)	(11,062)	-	-	-	-	-	3,315	(51,265)
Underwriting and operating expenses	(12,801)	(8,118)	(932)	(6,098)	(3,151)	(39,446)	(1,110)	-	15,218	(56,438)
Operating profit	10,083	1,952	7,439	796	1,454	1,731	1,709	-	18,763	22,441
Share of loss from associates	-	-	-	-	-	-	(64)	-	-	(64)
Earnings before interest, tax, depreciation and amortisation	10,323	2,037	7,382	843	1,489	1,987	(1,742)	-	4,508	26,827
Interest expense	-	-	-	-	(17)	(1,984)	(5,141)	-	(217)	(7,359)
Depreciation and amortisation	(240)	(84)	-	(72)	(36)	(626)	-	-	(588)	(1,646)
Profit/(loss) before tax	10,083	1,953	7,382	771	1,436	(623)	(6,883)	-	3,703	17,822
Income tax (expense)/credit	(2,842)	(487)	(1,547)	(152)	-	(26)	2,479	-	(2,631)	(5,206)
Profit/(loss) after tax	7,241	1,466	5,835	619	1,436	(649)	(4,404)	-	1,072	12,616
Segment assets	643,580	134,343	146,016	10,544	6,009	379,474	298,284	-	(302,108)	1,316,142
Segment liabilities	480,670	85,820	112,845	8,438	3,356	272,799	128,428	-	(81,555)	1,010,801

*ISR: Intersegment revenue

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

2 Segmental reporting continued

Unaudited 30 June 2016	CBL Ins. \$'000	AI \$'000	CBLIE \$'000	EISL \$'000	PFP \$'000	SFS \$'000	CBL \$'000	ISR* \$'000	Other \$'000	Total \$'000
Gross written premium										
Policyholders	5,797	23,263	11,128	-	-	-	-	-	-	40,188
Reinsurers	114,409	6,185	-	-	-	-	-	(1,866)	-	118,728
Gross written premium	120,206	29,448	11,128	-	-	-	-	(1,866)	-	158,916
Movement in gross unearned premium provision	(5,387)	(1,630)	(5,625)	-	-	-	-	1,396	-	(11,246)
Total gross premium earned	114,819	27,818	5,503	-	-	-	-	(470)	-	147,670
Ceded premium										
Written premium ceded	(2,342)	(16,182)	(1,420)	-	-	-	-	1,866	-	(18,078)
Movement in unearned ceded premium provision	609	1,860	377	-	-	-	-	(1,396)	-	1,450
Total earned premium ceded	(1,733)	(14,322)	(1,043)	-	-	-	-	470	-	(16,628)
Total net earned premium	113,086	13,496	4,460	-	-	-	-	-	-	131,042
Other revenue	1,288	7,920	12	7,361	5,033	-	11,485	(13,022)	1,611	21,688
Total revenue	114,374	21,416	4,472	7,361	5,033	-	1,485	(13,022)	1,611	152,730
Net claims expense	(37,459)	(5,999)	(733)	-	-	-	-	-	(159)	(44,350)
Acquisition costs	(38,340)	(3,667)	(1,392)	-	-	-	-	-	-	(43,399)
Underwriting and operating expenses	(10,415)	(8,449)	(786)	(6,011)	(3,735)	-	(287)	-	(149)	(29,832)
Operating profit	28,160	3,301	1,561	1,350	1,298	-	11,198	-	1,303	35,149
Share of loss from associate	-	-	-	-	-	-	(43)	-	-	(43)
Earnings before interest, tax, depreciation and amortisation	28,287	3,859	1,576	1,315	1,353	-	10,887	-	(15,594)	31,683
Interest expense	-	-	-	-	-	-	(2,777)	-	(207)	(2,984)
Depreciation and amortisation	(128)	(545)	-	(68)	(54)	-	-	-	(2,775)	(3,570)
Profit/(loss) before tax	28,159	3,314	1,576	1,247	1,299	-	8,110	-	(18,576)	25,129
Income tax (expense)/credit	(7,932)	(933)	(197)	(248)	50	-	189	-	2,537	(6,534)
Profit/(loss) after tax	20,227	2,381	1,379	999	1,349	-	8,299	-	(16,039)	18,595
Segment assets	485,005	153,052	24,533	9,325	5,129	-	189,759	-	(120,547)	746,256
Segment liabilities	349,611	106,717	12,797	7,671	4,391	-	56,517	-	11,071	548,775

*ISR: Intersegment revenue

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

3 Solvency Requirements

(a) CBL Insurance

CBL Insurance is required to comply with the Solvency Standard for Non-life Insurance Business (the solvency standard) issued by the RBNZ.

As at 30 June 2017 the actual solvency capital exceeds the minimum requirements by \$53.6 million as shown below (31 December 2016: \$71.9 million).

	Unaudited 30 June 2017 \$'000	Audited 31 December 2016 \$'000
Actual solvency capital	160,440	153,086
Minimum solvency capital	106,843	81,173
Solvency margin	53,598	71,913
Solvency ratio	150.2%	188.6%

(b) AI

AI is required to maintain a minimum level of capital to meet policyholder obligations in accordance with APRA regulations (the prudential capital requirement).

As at 30 June 2017 the total capital base of AI exceeds the total prudential capital requirement by A\$33.0 million as shown below (31 December 2016: A\$28.1 million).

	Unaudited 30 June 2017 A\$'000	Audited 31 December 2016 A\$'000
Total capital base	46,130	42,849
Prudential capital requirement	13,110	14,732
Solvency margin	33,020	28,117
Solvency ratio	351.9%	290.9%

(c) CBLIE

CBLIE is required to maintain minimum capital as calculated under the European Solvency II Directive; its Solvency Capital Requirement ("SCR") is risk-based, calculated using the Solvency II Standard Formula.

	Unaudited 30 June 2017 €'000	Audited 31 December 2016 €'000
Actual solvency capital	22,598	14,968
Minimum solvency capital	12,103	9,556
Solvency margin	10,495	5,412
Solvency ratio	186.7%	156.6%

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

4 Cash flow information

Composition of cash

	Unaudited 30 June 2017 \$'000	Audited 31 December 2016 \$'000
Cash at bank and in hand	405,870	366,109
Cash equivalents held in trust as reinsurance security	39,066	37,785
Total cash and cash equivalents	444,936	403,894
Cash and cash equivalents held in CBL's non-insurance entities	(73,050)	(90,687)
Total cash and cash equivalents backing insurance liabilities	371,886	313,207

Cash equivalents held in trust as reinsurance security comprises bank deposits held in trust on CBL Insurance's behalf, for the purpose of settling ongoing and potential future claims obligations that CBL Insurance may have under quota share reinsurance arrangements. These funds earn interest for the Group, and the funds are available to be withdrawn.

5 Claims

(a) Net claims expense in the SOPL

Current period claims relate to claim events that occurred in the current financial period. Prior period claims relate to a reassessment of the claim events that occurred in all previous periods.

	Current period \$'000	Prior period \$'000	2017 Total \$'000	Current periods \$'000	Prior periods \$'000	2016 Total \$'000
Unaudited						
Gross claims	76,865	28,867	105,732	64,627	(4,869)	59,758
Reinsurance and other recoveries	(14,553)	(15,134)	(29,687)	(17,488)	2,080	(15,408)
Net claims expense	62,312	13,733	76,045	47,139	(2,789)	44,350

The prior period movements are due to a combination of strengthening to and releases from prior period claims reserves. This is as a result of the actuarial reassessment of these reserves based upon further claims development information. The \$13.7 million net claims expense prior year strengthening is largely related to the French builders liability products with ten year notification periods.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

5 Claims (continued)

(b) Outstanding claims liability recognised in the SOFP

(i) Composition of outstanding claims liability

	Unaudited 30 June 2017 \$'000	Audited 31 December 2016 \$'000
Gross central estimate - undiscounted	301,251	247,296
Claims handling costs	3,531	9,180
Risk margin	47,078	38,696
	351,860	295,172
Discount to present value	(5,338)	(22,881)
Outstanding claims liability - discounted	346,522	272,291

The outstanding claims liability includes \$255.4 million (31 December 2016: \$184.6 million) that is expected to be settled more than 12 months from the reporting date arising from claims (including future claims) expected to be reported during the future claims reporting periods.

The reduction in claims handling costs reflects a change in estimate from calculating based on a market average of 5% of reserves to a more explicit analysis indicating claims handling costs are closer to 1% of reserves, reflecting that a significant amount of these costs are borne by third party administrators and already included in the claims reserves.

The reduction in the discount to present value reflects a change in the estimated discount rate for the Euro denominated claims reserves. Previously the discount was based on 10-year European government bond yields. The new estimate is based on a yield curve that includes negative interest rates for durations of up-to 4 years, as issued by EIOPA.

(ii) Reconciliation of movements in discounted outstanding claims liability

	30 June 2017 Unaudited			31 December 2016 Audited		
	Gross \$'000	Recoveries \$'000	Net \$'000	Gross \$'000	Recoveries \$'000	Net \$'000
Balance as at 1 January	272,291	(91,671)	180,620	275,550	(104,925)	170,625
Change in prior period claims reserve	28,867	(15,134)	13,733	(19,809)	13,984	(5,825)
Current period claims incurred	76,865	(14,553)	62,312	126,540	(34,356)	92,184
Claims paid during the period	(37,991)	6,725	(31,266)	(92,095)	28,266	(63,829)
Foreign exchange adjustment	6,490	(2,572)	3,918	(16,671)	4,113	(12,558)
Acquisitions through business combinations	-	-	-	(1,224)	1,247	23
Closing balance	346,522	(117,205)	229,317	272,291	(91,671)	180,620

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

6 Material acquisitions and disposals

- SFS acquisition:

As reported in the CBL 2016 Annual Report the fair values of the assets and liabilities acquired in acquisition of the SFS Group on 6 October 2016 were provisional and pending final valuations. As at 30 June 2017 revised information has been received relating to the valuation of the SFS assets and liabilities as at the acquisition date. The impact of this reassessment is:

- a reduction in the fair value of acquired identified intangible assets of €1.9 million, with a corresponding increase in goodwill; and
- a reassessment of the expected first contingent consideration payment, due September 2017, from €5.7 million down to €5.2 million, representing an expected a 91% achievement of the first earn-out target. This reduces the expected contingent consideration payment by €0.5 million, and reduction is released through the SOPL by the equivalent amount.

As at 30 June 2017 the fair values of the assets and liabilities acquired in acquisition of the SFS Group are still provisional and pending final valuations. At 30 June 2017 there are a number of SFS records and data-capture systems still under review, including reconciliations to data historically provided to CBL by SFS in accordance with the historic MGA-reinsurer relationship. A material reconciliation under review is the policy level reconciliation between the insurer receivable and insurer payable balances, and at 30 June 2017 that reconciliation is incomplete. On completion of the final valuations and reconciliations the balances for the acquisition may be revised, which could, but won't necessarily, result in material favourable or unfavourable impacts to goodwill or the SOPL.

Cash flows for the six months ended 30 June 2017 include €47.3 million of cash paid on 5 January 2017 in connection with the closing of the SFS acquisition.

- Allied Risk Holdings (Allied Risk) acquisition:

On 30 June 2017 the Group acquired, for a price of €1.4 million a 40% shareholding in Allied Risk, a leading independent insurance management services provider in Dublin. Allied Risk provides consulting and management services in respect of licence application, formation and ongoing management operation of insurance and reinsurance companies for both life and non-life programs.

The consideration consists of cash consideration of €1.2 million and contingent consideration linked to future earnings targets of €0.2 million.

The investment in Allied Risk is as follows:

	Unaudited 30 June 2017 \$'000
Share of associate's financial position	
Assets	1,701
Liabilities	(1,218)
Net assets (CBL's 40% share)	483
Carrying value of investment in associate	2,150

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

7 Borrowings

	Unaudited 30 June 2017 \$'000	Audited 31 December 2016 \$'000
ANZ bank loan – NZD	49,695	64,241
ANZ bank loan – EUR	78,046	-
Vendor loan note	24,133	22,700
Fixed interest loan	8,042	7,634
Other bank loans	2,727	2,334
Total	162,643	96,909

ANZ bank loans:

- ANZ bank loan – NZD: \$65.0 million was drawn down on 31 October 2016 to facilitate early repayment of the FIIG Note. Initial transaction costs of \$1.7 million were capitalised and are amortised over the term of the loan. The loan interest resets periodically. The rate during the period to 30 June 2017 was 4.3% (31 December 2016 was 4.4%). The loan was scheduled to be repaid in instalments of \$5.0 million on each repayment date of 31 March 2017, 30 April 2017, 31 May 2017. The remaining \$50.0 million was extended to 30 November 2017 and an extension fee of \$0.3 million will be capitalised and amortised over the term of the extension loan period. The 30 June 2017 closing balance of \$49.7 million does not include accrued interest (2016: \$0.9 million), as interest was fully settled up to 30 June 2017.
- ANZ bank loan – EUR: €50.0 million was drawn down on 5 January 2017 to facilitate settlement of the SFS acquisition. Initial transaction costs of €1.1 million were capitalised and are amortised over the term of the loan. The loan interest resets periodically. The rate during the period to 30 June 2017 was 2.5%. The loan was scheduled to be repaid on 30 June 2017, the loan period was extended to 30 November 2017. The 30 June 2017 closing balance of €50.0 million does not include accrued interest as interest was fully settled up to 30 June 2017.
- The loan facilities are guaranteed by: CBL, LBC Holdings UK Limited, LBC Holdings Europe Limited, LBC Holdings New Zealand Limited, Intercede 2408 Limited and EISL.

Vendor loan note:

- The vendor loan note of €15.0 million is vendor financing connected to the acquisition of the SFS Group. The loan bears interest of 6.0% and is due to be repaid on 5 January 2020. The vendor loan note can be repaid early in full or in part, subject to certain conditions.

Fixed interest loan:

- The fixed interest loan from Alpha Insurance A/S. The balance as at 30 June 2017 is \$8.0 million (31 December 2016: \$7.6 million). On 21 December 2012 Alpha Insurance A/S lent 37.5 million Danish Krone to Intercede 2408 Limited. For the period to 30 September 2016 the loan was subject to a fixed interest rate of 6.0%. From 1 October 2016 the loan is subject to a fixed interest rate of 5.0%. The loan is unsecured and is scheduled to be redeemed on 1 November 2020.

The Group has complied with all the loan covenants in place throughout the reporting period.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

8 Other financial assets

	Unaudited 30 June 2017 \$'000	Audited 31 December 2016 \$'000
Government and fixed interest securities	46,633	51,540
Listed shares	19,930	7,613
Unlisted investments	8,677	8,142
Total other financial assets	75,240	67,295
Other financial assets held in CBL's non-insurance entities	(10,122)	(8,229)
Total other financial assets back insurance liabilities	65,118	59,066

Fair value hierarchy

The investments carried at fair value have been classified under three levels of the IFRS fair value hierarchy as follows:

	Unaudited 30 June 2017 \$'000	Audited 31 December 2016 \$'000
Level 1	21,375	9,232
Level 2	45,497	49,921
Level 3	8,368	8,142
Total other financial assets	75,240	67,295

There were no transfers between levels in the current or prior period.

Maturity analysis

	Unaudited 30 June 2017 \$'000	Audited 31 December 2016 \$'000
Equity investments	28,607	15,755
Floating interest rate (at call)	-	87
Within 1 year or less	45,567	51,453
Within 3 to 5 years	1,066	-
Total	75,240	67,295

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

9 Related party disclosures

(a) Related party balances

Related party receivable and payable balances at the end of the reporting periods were as follows:

Nature of relationship	Related party	Type of transaction	Closing balance	
			Unaudited	Audited
			30 June 2017	31 December 2016
			\$'000	\$'000
Key management personnel				
Carden Mulholland	Deposit Power Pty Limited (Australia)	Premium receivable	947	738
Carden Mulholland	Deposit Power Pty Limited (Australia)	Commission	(474)	(304)
Carden Mulholland	Deposit Power Pty Limited (Australia)	Advances	140	166
Alistair Hutchison	Federal Pacific Limited	Net insurance debtor	5	(1)

(b) Related party transactions

The impacts of transactions with related parties on the financial statements were as follows:

Nature of relationship	Related party	Type of transaction	Revenue/ (expense)	
			6 months to 30 June	
			Unaudited	Unaudited
			2017	2016
			\$'000	\$'000
Key management personnel				
Carden Mulholland	Deposit Power Pty Limited (Australia)	Insurance - Premium	5,156	4,513
Carden Mulholland	Deposit Power Pty Limited (Australia)	Insurance - Costs	(2,443)	(1,915)
Alistair Hutchison	Federal Pacific Group Limited	Fees	(57)	(50)

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

10 Dividends

Period	Cents per share	Total amount \$'000	Payment date	Tax rate for imputations	Percentage imputed
Special 2015 dividend	1.8	3,915	22 April 2016	28%	100%
Final 2015 dividend	2.7	5,874	22 April 2016	28%	100%
Interim 2016 dividend	3.0	7,074	4 November 2016	28%	100%
Final 2016 dividend	2.0	4,715	31 March 2017	28%	100%

All dividends in the above table were fully imputed.

11 Share capital

On 27 October 2016 CBL issued 0.9 million new shares at \$3.45 per share to existing shareholders under a share purchase plan.

On 5 October 2016 and 6 October 2016 CBL issued 15.2 million new shares at \$3.45 per share under a private placement to institutional investors.

Treasury shares: on 14 January 2016 CBL acquired 2.2 million CBL shares for A\$1.17 per share from a selling shareholder of the AI Group. The shares were reissued on 6 October 2016 at \$3.45 per share as part of the private placement with institutional investors.

12 Events after the end of the reporting period

The following transaction occurred after the reporting date and did not relate to conditions existing at the reporting date. No account has been taken of this in the financial statements for the current reporting period ended 30 June 2017.

Interim dividend:

On 24 August 2017, the Board declared a dividend for the first half of the 2017 financial year of 1.5 cents per share and is 100% imputed.

Corporate Directory

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