

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2015 TO 30 JUNE 2015

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia) - 795492-W

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AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30.06.2015	31.12.2014
		RM	RM
Assets			
Property and equipment		4,769,807	5,517,653
Intangible assets		715,567	751,390
Available-for-sale financial assets	9	786,036,827	819,723,329
Reinsurance assets	10	188,145,202	189,694,407
Loans and receivables, excluding insurance receivables		211,517,822	130,891,710
Insurance receivables		100,152,458	78,072,092
Deferred acquisition costs		28,069,912	27,556,802
Tax recoverable		9,008,769	9,008,769
Cash and bank balances		40,413,260	80,445,666
Total assets		<u>1,368,829,624</u>	<u>1,341,661,818</u>
Equity and liabilities			
Share capital		310,800,000	310,800,000
Retained earnings		75,918,225	94,980,461
Available-for-sale reserve		10,334,699	9,972,789
Total equity		<u>397,052,924</u>	<u>415,753,250</u>
Insurance contract liabilities	11	834,583,132	802,418,944
Deferred tax liabilities		2,483,294	2,362,659
Insurance payables		88,762,111	79,912,991
Other payables		45,948,163	41,213,974
Total liabilities		<u>971,776,700</u>	<u>925,908,568</u>
Total equity and liabilities		<u>1,368,829,624</u>	<u>1,341,661,818</u>

The accompanying notes form an integral part of the financial statements

AIG MALAYSIA INSURANCE BERHAD
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UNAUDITED STATEMENT OF INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	6 months period ended 30.06.2015 RM	6 months period ended 30.06.2014 RM
Gross earned premiums	338,661,007	320,829,012
Premiums ceded to reinsurers	<u>(89,032,443)</u>	<u>(61,225,580)</u>
Net earned premiums	249,628,564	259,603,432
Investment income	19,442,182	17,543,750
Realised gains and losses	2,933	195,582
Commission income	23,063,493	12,010,487
Other operating revenue	<u>2,440,794</u>	<u>299,635</u>
Total revenue	294,577,966	289,652,886
Gross claims paid	(130,941,041)	(158,138,199)
Claims ceded to reinsurers	12,461,998	43,177,832
Gross change in contract liabilities	(17,392,517)	(1,789,190)
Change in contract liabilities ceded to reinsurers	<u>(2,837,372)</u>	<u>(13,602,239)</u>
Net claims incurred	(138,708,932)	(130,351,796)
Commission expense	(44,597,627)	(39,123,144)
Management expenses	(87,583,643)	(73,972,525)
Other operating expenses	-	-
Other expenses	<u>(132,181,270)</u>	<u>(113,095,669)</u>
Profit before taxation	23,687,764	46,205,421
Income tax expense	<u>(12,750,000)</u>	<u>(12,000,000)</u>
Profit for the period	10,937,764	34,205,421
Earnings per share		
Basic	<u>4 sen</u>	<u>11 sen</u>

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

AIG MALAYSIA INSURANCE BERHAD
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015**

	6 months period ended 30.06.2015 RM	6 months period ended 30.06.2014 RM
Profit for the period	<u>10,937,764</u>	<u>34,205,421</u>
Other comprehensive income/(expense):		
Items that may be subsequently reclassified to profit or loss		
Changes in available-for-sale reserves:		
- Net (loss)/gain arise during the period	9(b) 482,545	(194,777)
- Tax effect on changes in fair value reserves	<u>(120,635)</u>	<u>48,694</u>
	<u>361,910</u>	<u>(146,083)</u>
Total comprehensive income for the period	<u>11,299,674</u>	<u>34,059,338</u>

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

AIG MALAYSIA INSURANCE BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015**

	-----Non Distributable-----			Distributable	Total
	Share capital	Available-for-sale reserve	Share-based payment reserves	Retained earnings	
	RM	RM	RM	RM	RM
At 1 January 2014	310,800,000	13,068,121	-	88,822,086	412,690,207
Profit for the period	-	-	-	34,205,421	34,205,421
Other comprehensive expense for the period	-	(146,083)	-	-	(146,083)
Total comprehensive (expense)/income for the period	-	(146,083)	-	34,205,421	34,059,338
Dividend paid during the period	-	-	-	(50,000,000)	(50,000,000)
At 30 June 2014	310,800,000	12,922,038	-	73,027,507	396,749,545
At 1 January 2015	310,800,000	9,972,789	-	94,980,461	415,753,250
Profit for the period	-	-	-	10,937,764	10,937,764
Other comprehensive expense for the period	-	361,910	-	-	361,910
Total comprehensive (expense)/income for the period	-	361,910	-	10,937,764	11,299,674
Dividend paid during the period	-	-	-	(30,000,000)	(30,000,000)
At 30 June 2015	310,800,000	10,334,699	-	75,918,225	397,052,924

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

AIG MALAYSIA INSURANCE BERHAD
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UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	6 months period ended 30.06.2015 RM	6 months period ended 30.06.2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	10,937,764	34,205,421
Adjustments for:		
Depreciation of property and equipment	912,153	994,333
Amortisation of intangible assets	89,895	231,999
Investment income	(19,442,182)	(23,132,750)
Impairment loss on AFS financial assets	295,053	-
Fair value gains on AFS recorded in Statement of Income	(297,685)	(195,582)
Income tax expense	12,750,000	12,000,000
Bad debts written off	235,839	365,412
Bad debts recovered	(3,000)	(36,211)
Increase of impairment on insurance receivables	1,621,922	-
	<u>7,099,759</u>	<u>24,432,622</u>
Changes in working capital:		
Decrease in reinsurance assets	1,549,205	14,383,097
Increase in insurance receivables	(23,935,127)	(12,622,454)
Increase in deferred acquisition costs	(513,110)	(3,282,650)
Increase in insurance contract liabilities	32,164,188	21,892,034
Increase/(decrease) in insurance payables	8,849,120	(17,329,150)
Increase in other payables	2,981,922	1,884,557
(Increase)/decrease in loans and receivables, excluding insurance receivable	(78,117,365)	20,919,953
Cash generated from operations	<u>(49,921,408)</u>	<u>50,278,009</u>
Tax Paid	<u>(12,750,000)</u>	<u>(12,000,000)</u>
Net cash (outflow)/inflow from operating activities	(62,671,408)	38,278,009

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

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	6 months period ended 30.06.2015 RM	6 months period ended 30.06.2014 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(164,308)	(288,344)
Increase in intangible assets	(54,072)	-
Interest income received	19,123,099	18,272,454
Dividend income received	865,103	927,263
Purchase of AFS financial assets	(93,180,767)	(135,067,950)
Proceeds from disposal of AFS financial assets	126,049,947	122,608,051
Net cash inflow from investing activities	<u>52,639,002</u>	<u>6,451,474</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	<u>(30,000,000)</u>	<u>(50,000,000)</u>
Net cash outflow from investing activities	<u>(30,000,000)</u>	<u>(50,000,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(40,032,406)	(5,270,517)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	80,445,666	83,127,578
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>40,413,260</u>	<u>77,857,061</u>
Cash and cash equivalents comprise:		
Cash and bank balances	11,913,260	9,495,784
Fixed and call deposits with maturity of less than 3 months	28,500,000	68,361,277
	<u>40,413,260</u>	<u>77,857,061</u>

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

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015

1. BASIS OF PREPARATION

The unaudited interim financial statements of AIG Malaysia Insurance berhad ("the Company") 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. They do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2014.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following:

MFRSs/Amendments/Interpretations	Effective date
MFRS 9 - Financial Instruments: Recognition and Measurement	1 January 2018

The initial application of the aforesaid applicable standards, amendments or interpretations did not have any material financial impacts to the current and prior periods financial statements upon first adoption.

2. SEASONAL OR CYCLICAL FACTORS

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

3. EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the six month ended 30 June 2015.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2015.

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

There was no issuance or repayment of debt and equities for the current financial period under review.

6. DIVIDENDS

A final single-tier dividend on ordinary shares declared and paid in respect of financial year ended 31 December 2015 amounting to RM30 million (RM9.65 sen per share) was paid on 22 June 2015.

No dividend has been declared in respect of the current period ended 30 June 2015.

7. EVENTS AFTER THE INTERIM PERIOD

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

8. EFFECT OF CHANGES IN THE COMPOSITION OF THE COMPANY

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

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2015	31.12.2014
	RM	RM
(a) At fair value		
Quoted:		
Equity securities of corporations	36,793,425	41,001,500
Real estate investment trust	8,589,299	8,792,453
	<u>45,382,724</u>	<u>49,793,953</u>
Unquoted:		
Malaysian government securities	184,196,222	198,349,671
Cagamas papers	87,434,721	92,393,261
Corporate debt securities	469,023,160	479,186,444
	<u>740,654,103</u>	<u>769,929,376</u>
	<u>786,036,827</u>	<u>819,723,329</u>
 (b) Available-for-sale financial assets		RM
At 1 January 2014		741,110,428
Purchases		278,133,190
Maturities		(190,043,469)
Disposals		(3,627,997)
Fair value gains transferred to statement of income		(199,145)
Fair value losses recorded in other comprehensive income		(3,927,964)
Amortisation of premium, net of accretion of discounts		(2,429,691)
Movement in impairment allowance		(568,093)
Movement in interest income due and accrued		1,276,070
At 31 December 2014		<u>819,723,329</u>
Purchases		93,180,767
Maturities		(70,000,000)
Disposals		(56,049,947)
Fair value gains recorded in other comprehensive income		482,545
Movement in impairment allowance		(295,053)
Amortisation of premium, net of accretion of discounts		(911,751)
Gain on disposal of AFS financial assets		297,685
Movement in interest income due and accrued		(390,748)
At 30 June 2015		<u>786,036,827</u>

10. REINSURANCE ASSETS

	30.06.2015	31.12.2014
	RM	RM
Reinsurance of insurance contracts		
Claims liabilities	174,324,678	177,162,050
Premium liabilities	13,820,524	12,532,357
	<u>188,145,202</u>	<u>189,694,407</u>

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
At 30 June 2015			
Provision for claims reported by policyholders	344,665,794	(125,929,077)	218,736,717
Provision for incurred but not reported claims ("IBNR")	174,102,058	(48,395,601)	125,706,457
Claims liabilities (i)	<u>518,767,852</u>	<u>(174,324,678)</u>	<u>344,443,174</u>
Premiums liabilities (ii)	315,815,280	(13,820,524)	301,994,756
	<u>834,583,132</u>	<u>(188,145,202)</u>	<u>646,437,930</u>
At 31 December 2014			
Provision for claims reported by policyholders	338,727,735	(132,629,782)	206,097,953
Provision for incurred but not reported claims ("IBNR")	162,647,600	(44,532,268)	118,115,332
Claims liabilities (i)	<u>501,375,335</u>	<u>(177,162,050)</u>	<u>324,213,285</u>
Premiums liabilities (ii)	301,043,609	(12,532,357)	288,511,252
	<u>802,418,944</u>	<u>(189,694,407)</u>	<u>612,724,537</u>

(i) Claims liabilities

	Gross RM	Reinsurance RM	Net RM
At 1 January 2015			
Claims incurred in current accident year	501,375,335	(177,162,050)	324,213,285
Adjustment to claims incurred in prior accident year	150,387,364	(17,117,023)	133,270,341
Effect of changes in key assumptions	(13,508,264)	11,355,730	(2,152,534)
Claims paid during the period	11,454,458	(3,863,333)	7,591,125
	<u>(130,941,041)</u>	<u>12,461,998</u>	<u>(118,479,043)</u>
At 30 June 2015	<u>518,767,852</u>	<u>(174,324,678)</u>	<u>344,443,174</u>
At 1 January 2014			
Claims incurred in current accident year	495,401,511	(213,945,804)	281,455,707
Adjustment to claims incurred in prior accident year	240,731,934	(34,571,614)	206,160,320
Effect of changes in key assumptions	41,750,644	2,872,772	44,623,416
Claims paid during the period	24,084,197	6,165,572	30,249,769
	<u>(300,592,951)</u>	<u>62,317,024</u>	<u>(238,275,927)</u>
At 31 December 2014	<u>501,375,335</u>	<u>(177,162,050)</u>	<u>324,213,285</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES (CONTINUE)

(ii) Premiums liabilities

	Gross RM	Reinsurance RM	Net RM
At 1 January 2015	301,043,609	(12,532,357)	288,511,252
Premiums written during the period	353,432,678	(90,320,610)	263,112,068
Premiums earned during the period	(338,661,007)	89,032,443	(249,628,564)
At 30 June 2015	<u>315,815,280</u>	<u>(13,820,524)</u>	<u>301,994,756</u>
At 1 January 2014	277,372,750	(14,599,280)	262,773,470
Premiums written during the period	679,669,848	(116,751,876)	562,917,972
Premiums earned during the period	(655,998,989)	118,818,799	(537,180,190)
At 31 December 2014	<u>301,043,609</u>	<u>(12,532,357)</u>	<u>288,511,252</u>

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

12. COMMITMENTS

Non-cancelable operating lease commitment

As at the date of statement of financial position, the Company has rental commitments under non-cancellable operating leases:

	30.06.2015	31.12.2014
	RM	RM
Not later than 1 year	2,125,770	2,455,324
Later than 1 year and not later than 5 years	4,027,622	6,502,515
	<u>6,153,392</u>	<u>8,957,839</u>

13. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2015, as prescribed under the Framework is provided below:

	30.06.2015	31.12.2014
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800,000	310,800,000
Retained earnings	75,918,225	94,980,461
	<u>386,718,225</u>	<u>405,780,461</u>
Tier 2 Capital		
Eligible reserves	10,334,699	9,972,789
	<u>10,334,699</u>	<u>9,972,789</u>
*Amount deducted from Capital	(715,567)	(751,391)
Total Capital Available	<u>396,337,357</u>	<u>415,001,859</u>

At the end of 30 June 2015, 98% of the Company's total capital consists of Tier 1 capital, comprising of fully paid-up ordinary shares and retained earnings.

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2015 (CONTINUED)

14. RELATED PARTY DISCLOSURE

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with the ultimate holding company and other related corporations deemed related parties by virtue of them being members of American International Group, Inc group of companies ("AIG Group")

Detail of significant related party transaction during the financial year between the Company and AIG Group are as follows:

	30.06.2015	31.12.2014
	RM	RM
Inwards reinsurance premium received	53,514	807,131
Reinsurance premium ceded	(59,186,279)	(65,974,980)
Claims paid	(273,283)	(17,690,020)
Reinsurance claims recoveries	9,445,888	40,159,138
Commission earned	17,890,332	14,735,254
System related costs paid to related corporations	(12,061,949)	(23,620,155)
Personnel and related costs received from related corporations	2,487,279	4,896,125
Claims handling fee received from related corporations	44,577	83,246
Loss adjustment expenses	(719,495)	(1,168,977)
Personnel and related cost for expatriate paid to related corporations	-	(149,040)
Policy processing and related administration costs	(8,281,884)	(13,186,567)