

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2016 TO 30 JUNE 2016

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 2016

	Note	30.06.2016	31.12.2015
		RM	RM
Assets			
Property and equipment		5,821,189	6,126,746
Intangible assets		4,635,992	4,331,610
Available-for-sale financial assets	9	714,961,442	787,529,202
Reinsurance assets	10	197,023,089	183,333,213
Loans and receivables, excluding insurance receivables		248,472,780	232,901,540
Insurance receivables		131,132,812	126,957,806
Deferred acquisition costs		42,133,205	40,679,368
Tax recoverable		-	8,113,267
Cash and bank balances		49,276,261	52,925,048
Total assets		<u>1,393,456,770</u>	<u>1,442,897,800</u>
Equity and liabilities			
Share capital		310,800,000	310,800,000
Retained earnings		95,802,360	144,537,872
Available-for-sale reserve		12,808,568	11,435,533
Total equity		<u>419,410,928</u>	<u>466,773,405</u>
Insurance contract liabilities	11	839,088,770	844,171,737
Deferred tax liabilities		2,353,769	1,920,179
Insurance payables		92,469,314	88,715,916
Other payables		36,746,129	41,316,563
Current tax liabilities		3,387,860	-
Total liabilities		<u>974,045,842</u>	<u>976,124,395</u>
Total equity and liabilities		<u>1,393,456,770</u>	<u>1,442,897,800</u>

The accompanying notes form an integral part of the financial statements

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF 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	364,675,588	338,661,007
Premiums ceded to reinsurers	<u>(80,176,646)</u>	<u>(89,032,443)</u>
Net earned premiums	284,498,942	249,628,564
Investment income	19,627,354	19,442,182
Realised gains and losses	(283,324)	2,933
Commission income	28,432,823	23,063,493
Other operating revenue	<u>218,935</u>	<u>2,440,794</u>
Total revenue	332,494,730	294,577,966
Gross claims paid	(188,794,016)	(130,941,041)
Claims ceded to reinsurers	35,379,855	12,461,998
Gross change in contract liabilities	26,998,136	(17,392,517)
Change in contract liabilities ceded to reinsurers	<u>(8,587,929)</u>	<u>(2,837,372)</u>
Net claims incurred	(135,003,954)	(138,708,932)
Commission expense	(44,379,090)	(44,597,627)
Management expenses	(85,266,294)	(87,583,643)
Other operating expenses	<u>(3,239,777)</u>	<u>-</u>
Other expenses	(132,885,161)	(132,181,270)
Profit before taxation	64,605,615	23,687,764
Income tax expense	<u>(13,341,127)</u>	<u>(12,750,000)</u>
Profit for the period	51,264,488	10,937,764
Earnings per share		
Basic	<u>16 sen</u>	<u>4 sen</u>

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

AIG MALAYSIA INSURANCE 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
Profit for the period	<u>51,264,488</u>	<u>10,937,764</u>
Other comprehensive income:		
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) 1,806,626	482,545
- Tax effect on changes in fair value reserves	<u>(433,591)</u>	<u>(120,635)</u>
	<u>1,373,035</u>	<u>361,910</u>
Total comprehensive income for the period	<u>52,637,523</u>	<u>11,299,674</u>

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

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

	-----Non Distributable-----			Distributable	Total
	Share capital	Available-for-sale reserve	Share-based payment reserves	Retained earnings	
	RM	RM	RM	RM	RM
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
At 1 January 2016	310,800,000	11,435,533	-	144,537,872	466,773,405
Profit for the period	-	-	-	51,264,488	51,264,488
Other comprehensive expense for the period	-	1,373,035	-	-	1,373,035
Total comprehensive (expense)/income for the period	-	1,373,035	-	51,264,488	52,637,523
Dividend paid during the period	-	-	-	(100,000,000)	(100,000,000)
At 30 June 2016	310,800,000	12,808,568	-	95,802,360	419,410,928

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 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 period	51,264,488	10,937,764
Adjustments for:		
Depreciation of property and equipment	875,521	912,153
Amortisation of intangible assets	112,060	89,895
Investment income	(19,627,354)	(19,442,182)
Impairment loss on AFS financial assets	300,182	295,053
Fair value gains on AFS recorded in Statement of Income	(16,858)	(297,685)
Income tax expense	13,341,127	12,750,000
Bad debts written off	621,812	235,839
Bad debts recovered	-	(3,000)
Allowance for impairment on insurance receivables	531,822	1,621,922
	<u>47,402,800</u>	<u>7,099,759</u>
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(13,689,876)	1,549,205
Increase in insurance receivables	(5,445,954)	(23,935,127)
Increase in deferred acquisition costs	(1,453,837)	(513,110)
(Decrease)/increase in insurance contract liabilities	(5,082,967)	32,164,188
Increase in insurance payables	3,753,398	8,849,120
(Decrease)/increase in other payables	(4,570,434)	2,981,922
Increase in loans and receivables, excluding insurance receivable	(16,597,062)	(78,117,365)
Cash generated from operations	4,316,068	(49,921,408)
Tax Paid	(1,840,000)	(12,750,000)
Net cash (outflow)/inflow from operating activities	<u>2,476,068</u>	<u>(62,671,408)</u>

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 2016

	6 months period ended 30.06.2016 RM	6 months period ended 30.06.2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(569,965)	(164,308)
Increase in intangible assets	(416,441)	(54,072)
Interest income received	21,969,902	19,123,099
Dividend income received	776,940	865,103
Purchase of AFS financial assets	(52,968,645)	(93,180,767)
Proceeds from disposal of AFS financial assets	125,083,354	126,049,947
Net cash inflow from investing activities	<u>93,875,145</u>	<u>52,639,002</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	<u>(100,000,000)</u>	<u>(30,000,000)</u>
Net cash outflow from investing activities	<u>(100,000,000)</u>	<u>(30,000,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,648,787)	(40,032,406)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	52,925,048	80,445,666
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>49,276,261</u>	<u>40,413,260</u>
Cash and cash equivalents comprise:		
Cash and bank balances	156,261	11,913,260
Fixed and call deposits with maturity of less than 3 months	49,120,000	28,500,000
	<u>49,276,261</u>	<u>40,413,260</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 2016**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 and the Financial Services Act 2013 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 2015.

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 2015, 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 2016.

4. CHANGES IN ESTIMATES

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

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 of 32.2% (RM0.32 per share) on ordinary shares declared and paid in respect of financial year ended 31 December 2015 amounting to RM100 million was paid on 27 June 2016.

No dividend has been declared in respect of the current period ended 30 June 2016.

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 2016 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2016	31.12.2015
	RM	RM
(a) At fair value		
Quoted:		
Equity securities of corporations	34,787,997	32,539,756
Real estate investment trust	9,754,292	8,680,355
	<u>44,542,289</u>	<u>41,220,111</u>
Unquoted:		
Malaysian government securities	195,620,209	195,306,677
Cagamas papers	82,227,285	92,484,022
Corporate debt securities	392,571,659	458,518,392
	<u>670,419,153</u>	<u>746,309,091</u>
	<u>714,961,442</u>	<u>787,529,202</u>
 (b) Available-for-sale financial assets		RM
At 1 January 2015		819,723,329
Purchases		160,529,903
Maturities		(180,000,000)
Disposals		(10,849,241)
Fair value gains transferred to statement of income		(1,239,971)
Fair value losses recorded in other comprehensive income		2,989,670
Amortisation of premium, net of accretion of discounts		(1,609,841)
Movement in impairment allowance		(1,431,359)
Movement in interest income due and accrued		(583,288)
At 31 December 2015 / 1 January 2015		<u>787,529,202</u>
Purchases		52,968,645
Maturities		(125,000,000)
Disposals		(83,354)
Fair value gains recorded in other comprehensive income		1,806,626
Movement in impairment allowance		(300,182)
Amortisation of premium, net of accretion of discounts		(490,650)
Fair value gains transferred to statement of income		16,858
Movement in interest income due and accrued		(1,485,703)
At 30 June 2016		<u>714,961,442</u>

10. REINSURANCE ASSETS

	30.06.2016	31.12.2015
	RM	RM
Reinsurance of insurance contracts		
Claims liabilities	142,627,198	151,215,127
Premium liabilities	54,395,891	32,118,086
	<u>197,023,089</u>	<u>183,333,213</u>

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
At 30 June 2016			
Provision for claims reported by policyholders	299,937,380	(101,038,725)	198,898,655
Provision for incurred but not reported claims ("IBNR")	151,445,556	(41,588,473)	109,857,083
Claims liabilities (i)	<u>451,382,936</u>	<u>(142,627,198)</u>	<u>308,755,738</u>
Premiums liabilities (ii)	387,705,834	(54,395,891)	333,309,943
	<u>839,088,770</u>	<u>(197,023,089)</u>	<u>642,065,681</u>
At 31 December 2015			
Provision for claims reported by policyholders	327,742,031	(118,259,575)	209,482,456
Provision for incurred but not reported claims ("IBNR")	150,639,041	(32,955,552)	117,683,489
Claims liabilities (i)	<u>478,381,072</u>	<u>(151,215,127)</u>	<u>327,165,945</u>
Premiums liabilities (ii)	365,790,665	(32,118,086)	333,672,579
	<u>844,171,737</u>	<u>(183,333,213)</u>	<u>660,838,524</u>

(i) Claims liabilities

	Gross RM	Reinsurance RM	Net RM
At 1 January 2016			
Claims incurred in current accident year	478,381,072	(151,215,127)	327,165,945
Adjustment to claims incurred in prior accident year	132,916,124	(28,300,013)	104,616,111
Effect of changes in key assumptions	28,073,241	10,141,008	38,214,249
Claims paid during the period	806,514	(8,632,921)	(7,826,406)
	<u>(188,794,016)</u>	<u>35,379,855</u>	<u>(153,414,161)</u>
At 30 June 2016	<u>451,382,936</u>	<u>(142,627,198)</u>	<u>308,755,738</u>
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	251,965,508	(28,234,587)	223,730,921
Effect of changes in key assumptions	24,900,361	5,346,390	30,246,751
Claims paid during the period	(12,008,560)	11,576,717	(431,843)
	<u>(287,851,572)</u>	<u>37,258,403</u>	<u>(250,593,169)</u>
At 31 December 2015	<u>478,381,072</u>	<u>(151,215,127)</u>	<u>327,165,945</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES (CONTINUE)

(ii) Premiums liabilities

	Gross RM	Reinsurance RM	Net RM
At 1 January 2016	365,790,665	(32,118,086)	333,672,579
Premiums written during the period	386,590,757	(102,454,451)	284,136,306
Premiums earned during the period	(364,675,588)	80,176,646	(284,498,942)
At 30 June 2016	<u>387,705,834</u>	<u>(54,395,891)</u>	<u>333,309,943</u>
At 1 January 2015	354,583,581	(12,532,357)	342,051,224
Premiums written during the period	721,113,510	(208,764,437)	512,349,073
Premiums earned during the period	(709,906,426)	189,178,708	(520,727,718)
At 31 December 2015	<u>365,790,665</u>	<u>(32,118,086)</u>	<u>333,672,579</u>

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2016 (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:

	30.06.2016	31.12.2015
	RM	RM
Not later than 1 year	2,565,314	2,587,148
Later than 1 year and not later than 5 years	2,290,490	4,855,804
	<u>4,855,804</u>	<u>7,442,952</u>

13. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2016	31.12.2015
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800,000	310,800,000
Retained earnings	95,802,360	144,537,872
	<u>406,602,360</u>	<u>455,337,872</u>
Tier 2 Capital		
Eligible reserves	12,808,568	11,435,533
	<u>12,808,568</u>	<u>11,435,533</u>
*Amount deducted from Capital	(4,635,992)	(4,331,611)
Total Capital Available	<u>414,774,936</u>	<u>462,441,794</u>

At the end of 30 June 2016, 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 2016 (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:

	30.06.2016	31.12.2015
	RM	RM
Inwards reinsurance premium received	(29,250)	262,253
Reinsurance premium ceded	(76,022,138)	(120,882,915)
Claims paid	(13,546,932)	(541,720)
Reinsurance claims recoveries	27,946,095	22,822,018
Commission earned	29,154,332	38,948,876
System related costs paid to related corporations	(14,201,925)	(27,679,750)
Personnel and related costs received from related corporations	2,355,637	3,934,392
Claims handling fee received from related corporations	45,766	99,684
Loss adjustment expenses	(1,244,273)	(2,074,671)
Personnel and related cost for expatriate paid to related corporations	-	-
Policy processing and related administration costs	(7,331,557)	(16,209,798)