

Company No : 795492-W

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2012 TO 30 JUNE 2012

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

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CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	30.06.2012	31.12.2011
		RM	RM
Assets			
Property and equipment		5,086,152	7,287,796
Intangible assets		1,455,330	1,369,099
Available-for-sale financial assets	7	661,168,390	628,381,332
Reinsurance assets	8	215,494,027	192,881,267
Loans and receivables, excluding insurance receivables		137,425,312	183,391,435
Insurance receivables		89,428,600	80,061,651
Deferred acquisition costs		20,268,542	19,445,599
Tax recoverable		18,697,701	16,276,435
Cash and bank balances		59,938,008	13,461,667
Total assets		<u>1,208,962,062</u>	<u>1,142,556,281</u>
Equity and liabilities			
Share capital		310,800,000	310,800,000
Retained earnings		40,753,198	43,717,930
Available-for-sale reserve		16,049,976	15,203,124
Equity reserve		944	944
Total equity		<u>367,604,118</u>	<u>369,721,998</u>
Insurance contract liabilities	9	716,015,631	651,455,571
Deferred tax liabilities		4,858,533	4,576,248
Insurance payables		99,206,828	92,479,375
Other payables		21,276,952	24,323,089
Total liabilities		<u>841,357,944</u>	<u>772,834,283</u>
Total equity and liabilities		<u>1,208,962,062</u>	<u>1,142,556,281</u>

The accompanying notes form an integral part of the financial statements

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	6 months period ended 30.06.2012 RM	6 months period ended 30.06.2011 RM
Operating revenue	<u>295,240,584</u>	<u>281,229,569</u>
Gross earned premiums	269,672,966	266,318,533
Premiums ceded to reinsurers	<u>(106,121,107)</u>	<u>(91,134,658)</u>
Net earned premiums	<u>163,551,859</u>	<u>175,183,875</u>
Investment income	15,814,521	16,866,900
Realised gains and losses	1,440,768	1,596,438
Commission income	18,825,540	15,386,806
Other operating revenue	481,672	1,054,231
Other Revenue	<u>36,562,501</u>	<u>34,904,375</u>
Gross claims paid	(96,301,963)	(116,223,859)
Claims ceded to reinsurers	20,118,513	21,931,580
Gross change in contract liabilities	(54,806,963)	(71,426,288)
Change in contract liabilities ceded to reinsurers	32,154,186	67,365,458
Net claims incurred	<u>(98,836,227)</u>	<u>(98,353,109)</u>
Commission expense	(32,599,941)	(29,948,492)
Management expenses	(65,479,432)	(49,555,761)
Other operating expenses	(726,496)	-
Other expenses	<u>(98,805,869)</u>	<u>(79,504,253)</u>
Profit before taxation	2,472,264	32,230,888
Taxation	<u>(5,436,996)</u>	<u>(6,630,000)</u>
Net (loss)/profit for the period	<u>(2,964,732)</u>	<u>25,600,888</u>
Earnings per share (sen)		
Basic	<u>(1)</u>	<u>8</u>

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

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	6 months period ended 30.06.2012 RM	6 months period ended 30.06.2011 RM
Net (loss)/profit for the period	<u>(2,964,732)</u>	<u>25,600,888</u>
Other comprehensive income:		
Changes in fair value of available-for-sale financial assets	7(b) 1,129,137	4,385,433
Tax effect on changes in fair value of available-for-sale financial assets	<u>(282,284)</u>	<u>(1,096,358)</u>
	<u>846,852</u>	<u>3,289,075</u>
Total comprehensive (expense)/income for the period	<u>(2,117,880)</u>	<u>28,889,963</u>

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

CHARTIS MALAYSIA INSURANCE BERHAD
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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	-----Non Distributable-----			Distributable	
	Share capital	Available-for-sale reserve	Share-based payment reserves	Retained earnings	Total
	RM	RM	RM	RM	RM
At 1 January 2011	310,800,000	14,528,390	944	106,648,491	431,977,825
Profit for the period	-	-	-	25,600,888	25,600,888
Other comprehensive income for the period	-	683,447	-	-	683,447
Total comprehensive income for the period	-	683,447	-	25,600,888	26,284,335
Dividends paid during the period (first and final)	-	-	-	(90,000,000)	(90,000,000)
At 30 June 2011	310,800,000	15,211,837	944	42,249,379	368,262,160
At 1 January 2012	310,800,000	15,203,124	944	43,717,930	369,721,998
Loss for the period	-	-	-	(2,964,732)	(2,964,732)
Other comprehensive income for the period	-	846,852	-	-	846,852
Total comprehensive income/(expense) for the period	-	846,852	-	(2,964,732)	(2,117,880)
At 30 June 2012	310,800,000	16,049,976	944	40,753,198	367,604,118

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	6 months period ended 30.06.2012 RM	6 months period ended 30.06.2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the period	(2,964,732)	25,600,888
Adjustments for:		
Depreciation of property and equipment	2,434,722	2,199,781
Amortisation of intangible assets	73,177	251,654
Investment income	(18,876,405)	(16,866,900)
Taxation expense	5,436,996	6,630,000
Bad debts written off	104,156	-
Bad debts recovered	(55,900)	(13,000)
Increase/(decrease) of impairment on insurance receivables	712,455	(4,067,798)
	<u>(13,135,531)</u>	<u>13,734,625</u>
Increase in reinsurance assets	(22,612,760)	(68,392,585)
Increase in insurance receivables	(10,127,662)	(3,609,310)
Increase in deferred acquisition costs	(822,943)	(670,830)
Increase in insurance contract liabilities	64,560,060	69,470,425
(Decrease)/increase in insurance payables	6,727,453	(586,729)
Decrease in other payables	(3,046,137)	(1,716,933)
Interest income received	17,895,949	17,851,823
Dividend income received	576,308	(72,108)
Purchase of AFS financial assets	(98,145,854)	(4,322,647)
Proceeds from sale of AFS financial assets	4,396,453	28,356,754
Maturity of AFS financial assets	63,715,802	65,000,000
Decrease/(increase) in loans and receivables, excluding insurance receivable	42,324,686	(8,232,660)
Cash generated from operations	<u>52,305,823</u>	<u>106,809,825</u>
Tax Paid	<u>(5,436,996)</u>	<u>(6,645,494)</u>
Net cash inflow from operating activities	46,868,827	100,164,331

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

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2012

	6 months period ended 30.06.2012 RM	6 months period ended 30.06.2011 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(233,078)	(721,611)
Increase in intangible assets	(159,408)	(236,183)
Net cash inflow from investing activities	<u>(392,486)</u>	<u>(957,794)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(90,000,000)
Net cash inflow from investing activities	<u>-</u>	<u>(90,000,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	46,476,341	9,206,538
CASH AND CASH EQUIVALENTS AT 1 JANUARY	13,461,667	11,038,814
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>59,938,008</u>	<u>20,245,352</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>59,938,008</u>	<u>20,245,352</u>

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

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

1. BASIS OF PREPARATION

The unaudited interim financial statements of Chartis Malaysia Insurance berhad ("the Company") have been prepared in accordance with MFRS 134, "Interim Financial Reporting" which 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 2011.

These are the Company's interim financial statements for part of the period covered by the Company's first MFRS frameworks annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Company.

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 2012.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2012.

5. DIVIDENDS

The Directors recommend the payment of first and final single-tier dividend of 11.87% (12 sen per share) amounting to RM36.9 million in respect of the financial year ended 31 December 2011.

No dividend has been declared in respect of the current period ended 30 June 2012.

6. 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.

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012 (CONTINUED)

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2012	31.12.2011
	RM	RM
(a) At fair value		
Quoted:		
Equity securities of corporations	26,709,041	26,244,076
Real estate investment trust	8,250,884	7,647,705
Unquoted:		
Malaysian government securities	353,829,261	350,133,248
Cagamas papers	58,958,156	58,882,081
Corporate debt securities	213,421,048	185,474,222
	<u>661,168,390</u>	<u>628,381,332</u>
(b) Available-for-sale financial assets		RM
At 1 January 2011		650,231,593
Purchases		210,877,021
Maturities		(179,000,000)
Disposals		(54,343,510)
Fair value loss recorded in other comprehensive income		3,409,877
Amortisation of premium, net of accretion of discounts		(2,125,806)
Movement in interest income due and accrued		(667,843)
At 31 December 2011		<u>628,381,332</u>
Purchases		98,145,854
Maturities		(63,715,802)
Disposals		(4,396,453)
Fair value gains recorded in other comprehensive income		1,129,137
Amortisation of premium, net of accretion of discounts		961,899
Movement in interest income due and accrued		662,423
At 30 June 2012		<u>661,168,390</u>

8. REINSURANCE ASSETS

	30.06.2012	31.12.2011
	RM	RM
Reinsurance of insurance contracts		
Claims liabilities	207,719,621	175,565,435
Premium liabilities	7,774,406	17,315,832
	<u>215,494,027</u>	<u>192,881,267</u>

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012 (CONTINUED)

9. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
30.06.2012			
Provision for claims reported by policyholders	328,010,030	(155,046,261)	172,963,769
Provision for incurred but not reported claims ("IBNR")	154,897,141	(52,673,360)	102,223,781
Provision for outstanding claims (i)	482,907,171	(207,719,621)	275,187,550
Provision for unearned premiums (ii)	233,108,460	(7,774,406)	225,334,054
	<u>716,015,631</u>	<u>(215,494,027)</u>	<u>500,521,604</u>

31.12.2011			
Provision for claims reported by policyholders	303,669,284	(138,598,345)	165,070,939
Provision for incurred but not reported claims ("IBNR")	124,430,924	(36,967,090)	87,463,834
Provision for outstanding claims (i)	428,100,208	(175,565,435)	252,534,773
Provision for unearned premiums (ii)	223,355,363	(17,315,832)	206,039,531
	<u>651,455,571</u>	<u>(192,881,267)</u>	<u>458,574,304</u>

(i) Provision for Outstanding Claims

	Gross RM	Reinsurance RM	Net RM
At 1 January 2012	428,100,208	(175,565,435)	252,534,773
Claims incurred in current accident year	155,987,147	(52,827,053)	103,160,094
Adjustment to claims incurred in prior accident year	18,960,698	(9,145,814)	9,814,884
Effect of changes in key assumptions	(23,838,919)	9,700,168	(14,138,751)
Claims paid during the period	(96,301,963)	20,118,513	(76,183,450)
At 30 June 2012	<u>482,907,171</u>	<u>(207,719,621)</u>	<u>275,187,550</u>
At 1 January 2011	352,288,575	(125,521,078)	226,767,497
Claims incurred in current accident year	299,417,663	(68,221,734)	231,195,929
Adjustment to claims incurred in prior accident year	41,937,411	(51,297,515)	(9,360,104)
Effect of changes in key assumptions	(28,575,716)	13,580,038	(14,995,678)
Claims paid during the period	(236,967,725)	55,894,854	(181,072,871)
At 31 December 2011	<u>428,100,208</u>	<u>(175,565,435)</u>	<u>252,534,773</u>

(ii) Provision for Unearned Premiums

	Gross RM	Reinsurance RM	Net RM
At 1 January 2012	223,355,363	(17,315,832)	206,039,531
Premiums written during the period	279,426,063	(96,579,681)	182,846,382
Premiums earned during the period	(269,672,966)	106,121,107	(163,551,859)
At 30 June 2012	<u>233,108,460</u>	<u>(7,774,406)</u>	<u>225,334,054</u>
At 1 January 2011	228,329,079	(20,030,465)	208,298,614
Premiums written during the period	514,053,496	(166,794,795)	347,258,701
Premiums earned during the period	(519,027,212)	169,509,428	(349,517,784)
At 31 December 2011	<u>223,355,363</u>	<u>(17,315,832)</u>	<u>206,039,531</u>

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012 (CONTINUED)

10. 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:

	30.06.2012	31.12.2011
	RM	RM
Not later than 1 year	825,895	4,290,191
Later than 1 year and not later than 5 years	397,367	1,003,615
	<u>1,223,262</u>	<u>5,293,806</u>

11. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2012, as prescribed under the Framework is provided below:

	30.06.2012	31.12.2011
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800,000	310,800,000
Retained earnings	40,753,198	43,717,930
	<u>351,553,198</u>	<u>354,517,930</u>
Tier 2 Capital		
Eligible reserves	16,050,920	15,204,068
	<u>16,050,920</u>	<u>15,204,068</u>
*Amount deducted from Capital	(1,981,481)	(2,369,099)
Total Capital Available	<u>365,622,637</u>	<u>367,352,899</u>

At the end of 30 June 2012, 96% of the Company's total capital consists of Tier 1 capital, comprising of fully paid-up ordinary shares and retained earnings.

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012 (CONTINUED)

12. 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:

	30.06.2012	31.12.2011
	RM	RM
Inward reinsurance premium received	-	1,380,461
Reinsurance premium ceded	(80,077,534)	(144,142,160)
Reinsurance claims recoveries	13,308,758	35,884,308
Commission earned	13,485,017	25,359,045
Rental and utilities paid to a related corporation	(1,800,338)	(3,204,536)
System related costs paid to related corporations	(2,910,752)	(4,655,864)
Personnel and related costs received from related corporations	2,026,778	2,289,946
Claims handling fee received from related corporation	58,800	290,460
Loss adjustment expenses	(163,224)	(1,185,704)
Personnel and related costs for expatriate paid to related corporations	-	(1,097,995)