

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD  
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2014 TO 30 JUNE 2014

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 2014

	Note	30.06.2014 RM	31.12.2013 RM
<b>Assets</b>			
Property and equipment		6,443,295	7,149,284
Intangible assets		885,540	1,117,539
Available-for-sale financial assets	9	758,028,715	741,110,428
Reinsurance assets	10	214,161,987	228,545,084
Loans and receivables, excluding insurance receivables		114,190,833	135,635,336
Insurance receivables		110,692,150	98,398,897
Deferred acquisition costs		27,387,458	24,104,808
Tax recoverable		2,735,755	2,735,755
Cash and bank balances		77,857,061	83,127,578
<b>Total assets</b>		<u>1,312,382,794</u>	<u>1,321,924,709</u>
<b>Equity and liabilities</b>			
Share capital		310,800,000	310,800,000
Retained earnings		73,027,507	88,822,086
Available-for-sale reserve		12,922,038	13,068,121
<b>Total equity</b>		<u>396,749,545</u>	<u>412,690,207</u>
Insurance contract liabilities	11	794,666,296	772,774,261
Deferred tax liabilities		2,677,772	2,726,467
Insurance payables		82,928,042	100,257,192
Other payables		35,361,139	33,476,582
<b>Total liabilities</b>		<u>915,633,249</u>	<u>909,234,502</u>
<b>Total equity and liabilities</b>		<u>1,312,382,794</u>	<u>1,321,924,709</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 2014

	<b>6 months period ended 30.06.2014 RM</b>	<b>6 months period ended 30.06.2013 RM</b>
Gross earned premiums	320,829,012	298,491,376
Premiums ceded to reinsurers	<u>(61,225,580)</u>	<u>(60,236,258)</u>
<b>Net earned premiums</b>	<b>259,603,432</b>	<b>238,255,118</b>
Investment income	17,543,750	16,745,427
Realised gains and losses	195,582	(68,919)
Commission income	12,010,487	8,585,320
Other operating revenue	<u>299,635</u>	<u>177,738</u>
<b>Total revenue</b>	<b><u>289,652,886</u></b>	<b><u>263,694,684</u></b>
Gross claims paid	(158,138,199)	(107,878,870)
Claims ceded to reinsurers	43,177,832	13,732,523
Gross change in contract liabilities	(1,789,190)	(12,030,900)
Change in contract liabilities ceded to reinsurers	<u>(13,602,239)</u>	<u>478,229</u>
<b>Net claims incurred</b>	<b><u>(130,351,796)</u></b>	<b><u>(105,699,018)</u></b>
Commission expense	(39,123,144)	(34,771,069)
Management expenses	(73,972,525)	(72,083,203)
Other operating expenses	-	(434,085)
<b>Other expenses</b>	<b><u>(113,095,669)</u></b>	<b><u>(107,288,357)</u></b>
<b>Profit before taxation</b>	<b>46,205,421</b>	<b>50,707,309</b>
Income tax expense	<u>(12,000,000)</u>	<u>(4,710,964)</u>
<b>Profit for the period</b>	<b><u>34,205,421</u></b>	<b><u>45,996,345</u></b>
<b>Earnings per share</b>		
Basic	<u>11 sen</u>	<u>15 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 2014

	6 months period ended 30.06.2014 RM	6 months period ended 30.06.2013 RM
<b>Profit for the period</b>	<u>34,205,421</u>	<u>45,996,345</u>
<b>Other comprehensive (expense)/income:</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
<b>Changes in available-for-sale reserves:</b>		
- Net (loss)/gain arise during the period	9(b) (194,777)	17,390
- Tax effect on changes in fair value reserves	<u>48,694</u>	<u>(4,348)</u>
	<u>(146,083)</u>	<u>13,042</u>
<b>Total comprehensive income for the period</b>	<u>34,059,338</u>	<u>46,009,387</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 2014

	-----Non Distributable-----			Distributable	
	Share capital	Available-for-sale reserve	Share-based payment reserves	Retained earnings	Total
	RM	RM	RM	RM	RM
<b>At 1 January 2013</b>	310,800,000	16,404,829	944	51,186,526	378,392,299
Profit for the period	-	-	-	45,996,345	45,996,345
Other comprehensive income for the period	-	13,042	-	-	13,042
Total comprehensive income for the period	-	13,042	-	45,996,345	46,009,387
Employee share-based compensation plan	-	-	(944)	-	(944)
Dividend paid during the period	-	-	-	(35,000,000)	(35,000,000)
<b>At 30 June 2013</b>	<b>310,800,000</b>	<b>16,417,871</b>	<b>-</b>	<b>62,182,871</b>	<b>389,400,742</b>
<b>At 1 January 2014</b>	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)
<b>At 30 June 2014</b>	<b>310,800,000</b>	<b>12,922,038</b>	<b>-</b>	<b>73,027,507</b>	<b>396,749,545</b>

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 2014

	6 months period ended 30.06.2014 RM	6 months period ended 30.06.2013 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>34,205,421</b>	<b>45,996,345</b>
<b>Adjustments for:</b>		
Depreciation of property and equipment	994,333	826,225
Amortisation of intangible assets	231,999	452,873
Investment income	(23,132,750)	(17,709,027)
Impairment loss on AFS financial assets	-	987
Fair value gains on AFS recorded in Statement of Income	(195,582)	(117,219)
Equity reserve arising from share-based compensation plan	-	(944)
Income tax expense	12,000,000	4,710,964
Bad debts written off	365,412	119,605
Bad debts recovered	(36,211)	(8,096)
Increase of impairment on insurance receivables	-	646,989
	<u>24,432,622</u>	<u>34,918,702</u>
<b>Changes in working capital:</b>		
Decrease/(increase) in reinsurance assets	14,383,097	(27,451,164)
Increase in insurance receivables	(12,622,454)	(4,808,957)
Increase in deferred acquisition costs	(3,282,650)	(3,153,547)
Increase in insurance contract liabilities	21,892,034	48,284,220
(Decrease)/increase in insurance payables	(17,329,150)	2,933,929
Increase/(decrease) in other payables	1,884,557	(966,987)
Decrease/(increase) in loans and receivables, excluding insurance receivable	20,919,953	(16,544,408)
Cash generated from operations	<u>50,278,009</u>	<u>33,211,788</u>
Tax Paid	<u>(12,000,000)</u>	<u>(4,666,700)</u>
<b>Net cash inflow from operating activities</b>	<b>38,278,009</b>	<b>28,545,088</b>

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AIG MALAYSIA INSURANCE BERHAD  
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOW  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

	<b>6 months period ended 30.06.2014 RM</b>	<b>6 months period ended 30.06.2013 RM</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(288,344)	(4,011,878)
Increase in intangible assets	-	23,404
Interest income received	18,272,454	18,230,434
Dividend income received	927,263	744,413
Purchase of AFS financial assets	(135,067,950)	(79,646,757)
Proceeds from disposal of AFS financial assets	122,608,051	83,347,626
<b>Net cash inflow from investing activities</b>	<u>6,451,475</u>	<u>18,687,242</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	<u>(50,000,000)</u>	<u>(35,000,000)</u>
<b>Net cash outflow from investing activities</b>	<u>(50,000,000)</u>	<u>(35,000,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,270,517)	12,232,330
CASH AND CASH EQUIVALENTS AT 1 JANUARY	83,127,578	26,819,315
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>77,857,061</u>	<u>39,051,645</u>
Cash and cash equivalents comprise:		
Cash and bank balances	9,495,784	39,051,645
Fixed and call deposits with maturity of less than 3 months	68,361,277	-
	<u>77,857,061</u>	<u>39,051,645</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 2014**

**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 2013.

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 2013, except for the adoption of the following:

<b>MFRSs/Amendments/Interpretations</b>	<b>Effective date</b>
Amendment to MFRS 136 - Impairment of assets	1 January 2014
Amendment to MFRS 132 - Financial Instruments: Presentation	1 January 2014
IC Interpretation 21 - Levies	1 January 2014

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 2014.

**4. CHANGES IN ESTIMATES**

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2014.

**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 2013 amounting to RM50 million (RM16.09 sen per share) was paid on 23 June 2014.

No dividend has been declared in respect of the current period ended 30 June 2014.

**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  
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2014 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
<b>(a) At fair value</b>		
Quoted:		
Equity securities of corporations	43,421,828	40,033,212
Real estate investment trust	8,705,743	8,323,453
Unquoted:		
Malaysian government securities	234,987,705	306,285,047
Cagamas papers	77,493,568	78,033,043
Corporate debt securities	393,419,871	308,435,673
	<u>758,028,715</u>	<u>741,110,428</u>
 <b>(b) Available-for-sale financial assets</b>		<b>RM</b>
<b>At 1 January 2013</b>		693,654,896
Purchases		217,726,273
Maturities		(129,000,000)
Disposals		(33,789,554)
Fair value losses recorded in other comprehensive income		(4,067,253)
Amortisation of premium, net of accretion of discounts		(4,597,696)
Movement in impairment allowance		(985)
Movement in interest income due and accrued		1,184,747
<b>At 31 December 2013</b>		<u>741,110,428</u>
Purchases		135,067,950
Maturities		(15,458,000)
Disposals		(107,150,051)
Fair value gains recorded in other comprehensive income		(194,777)
Amortisation of premium, net of accretion of discounts		4,054,385
Gain on disposal of AFS financial assets		195,582
Movement in interest income due and accrued		403,198
<b>At 30 June 2013</b>		<u>758,028,715</u>

10. REINSURANCE ASSETS

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Reinsurance of insurance contracts		
Claims liabilities	200,343,565	213,945,804
Premium liabilities	13,818,422	14,599,280
	<u>214,161,987</u>	<u>228,545,084</u>

AIG MALAYSIA INSURANCE BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2014 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
<b>At 30 June 2014</b>			
Provision for claims reported by policyholders	346,123,737	(146,121,079)	200,002,658
Provision for incurred but not reported claims ("IBNR")	151,066,964	(54,222,486)	96,844,478
Claims liabilities (i)	497,190,701	(200,343,565)	296,847,136
Premiums liabilities (ii)	297,475,595	(13,818,422)	283,657,173
	<u>794,666,296</u>	<u>(214,161,987)</u>	<u>580,504,309</u>
<b>At 31 December 2013</b>			
Provision for claims reported by policyholders	356,838,108	(163,247,964)	193,590,144
Provision for incurred but not reported claims ("IBNR")	138,563,403	(50,697,840)	87,865,563
Claims liabilities (i)	495,401,511	(213,945,804)	281,455,707
Premiums liabilities (ii)	277,372,750	(14,599,280)	262,773,470
	<u>772,774,261</u>	<u>(228,545,084)</u>	<u>544,229,177</u>

(i) Claims liabilities

	Gross RM	Reinsurance RM	Net RM
<b>At 1 January 2014</b>			
Claims incurred in current accident year	495,401,515	(213,945,808)	281,455,707
Adjustment to claims incurred in prior accident year	105,755,344	(10,525,093)	95,230,251
Effect of changes in key assumptions	41,668,484	(15,525,854)	26,142,630
Claims paid during the period	12,503,561	(3,524,646)	8,978,915
	<u>(158,138,199)</u>	<u>43,177,832</u>	<u>(114,960,367)</u>
<b>At 30 June 2014</b>	<u>497,190,705</u>	<u>(200,343,569)</u>	<u>296,847,136</u>
<b>At 1 January 2013</b>			
Claims incurred in current accident year	441,631,763	(191,559,152)	250,072,611
Adjustment to claims incurred in prior accident year	229,510,925	(44,666,323)	184,844,602
Effect of changes in key assumptions	19,435,549	8,502,701	27,938,250
Claims paid during the period	20,379,009	(13,637,904)	6,741,105
	<u>(215,555,731)</u>	<u>27,414,870</u>	<u>(188,140,861)</u>
<b>At 31 December 2013</b>	<u>495,401,515</u>	<u>(213,945,808)</u>	<u>281,455,707</u>

**AIG MALAYSIA INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2014 (CONTINUED)**

**11. INSURANCE CONTRACT LIABILITIES (CONTINUE)**

**(ii) Premiums liabilities**

	<b>Gross RM</b>	<b>Reinsurance RM</b>	<b>Net RM</b>
<b>At 1 January 2014</b>	277,372,750	(14,599,280)	262,773,470
Premiums written during the period	340,931,857	(60,444,722)	280,487,135
Premiums earned during the period	<u>(320,829,012)</u>	<u>61,225,580</u>	<u>(259,603,432)</u>
<b>At 30 June 2014</b>	<u>297,475,595</u>	<u>(13,818,422)</u>	<u>283,657,173</u>
<b>At 1 January 2013</b>	262,848,720	(15,213,670)	247,635,050
Premiums written during the period	624,419,582	(125,191,058)	499,228,524
Premiums earned during the period	<u>(609,895,552)</u>	<u>125,805,448</u>	<u>(484,090,104)</u>
<b>At 31 December 2013</b>	<u>277,372,750</u>	<u>(14,599,280)</u>	<u>262,773,470</u>

AIG MALAYSIA INSURANCE BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2014 (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:

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	1,950,590	2,195,324
Later than 1 year and not later than 5 years	<u>6,153,392</u>	<u>8,044,203</u>
	<u><b>8,103,982</b></u>	<u><b>10,239,527</b></u>

**13. REGULATORY CAPITAL REQUIREMENTS**

The capital structure of the Company as at 30 June 2014, as prescribed under the Framework is provided below:

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	310,800,000	310,800,000
Retained earnings	<u>73,027,507</u>	<u>88,822,086</u>
	<u><b>383,827,507</b></u>	<u><b>399,622,086</b></u>
<b>Tier 2 Capital</b>		
Eligible reserves	<u>12,922,038</u>	<u>13,068,121</u>
	<u><b>12,922,038</b></u>	<u><b>13,068,121</b></u>
*Amount deducted from Capital	<u>(885,540)</u>	<u>(2,249,095)</u>
Total Capital Available	<u><b>395,864,005</b></u>	<u><b>410,441,112</b></u>

At the end of 30 June 2014, 97% 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 2014 (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:

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Inwards reinsurance premium received	189,199	18,655
Reinsurance premium ceded	(37,535,444)	(75,981,390)
Claims paid	(17,177,934)	(2,664,562)
Reinsurance claims recoveries	28,660,396	15,146,815
Commission earned	8,256,519	12,298,025
System related costs paid to related corporations	(9,151,505)	(11,489,913)
Personnel and related costs received from related corporations	2,404,784	3,822,033
Claims handling fee received from related corporations	42,508	135,096
Loss adjustment expenses	(604,555)	(1,021,383)
Personnel and related cost for expatriate paid to related corporations	(149,040)	(2,031,270)
Policy processing and related administration costs	(5,757,149)	(9,611,053)
Dividend paid to AIG Asia Pacific Insurance Pte Ltd	<u>(50,000,000)</u>	<u>(35,000,000)</u>