

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2019 TO 30 JUNE 2019

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

CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF INCOME	2
STATEMENT OF COMPREHENSIVE INCOME	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5 - 6
NOTES TO THE FINANCIAL STATEMENTS	7 - 12

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30.06.2019 RM'000	31.12.2018 RM'000
Assets			
Property and equipment		1,971	1,876
Intangible assets		3,291	3,453
Right-of-use of assets		5,200	-
Available-for-sale financial assets	9	690,556	635,029
Reinsurance assets	10	278,056	167,528
Loans and receivables, excluding insurance receivables		309,192	396,178
Insurance receivables		86,263	88,500
Deferred acquisition costs		42,989	43,654
Deferred tax assets		2,719	4,330
Cash and bank balances		65,569	109,285
Total assets		1,485,806	1,449,833
Equity and liabilities			
Share capital		310,800	310,800
Retained earnings		70,756	129,270
Available-for-sale reserve		10,280	5,180
Total equity		391,836	445,250
Insurance contract liabilities	11	945,541	813,915
Lease Liabilities		5,250	-
Insurance payables		73,532	102,864
Other payables		63,438	81,594
Current tax liabilities		6,209	6,210
Total liabilities		1,093,970	1,004,583
Total equity and liabilities		1,485,806	1,449,833

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 2019

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Gross earned premiums	361,988	373,704
Premiums ceded to reinsurers	(71,967)	(79,101)
Net earned premiums	290,021	294,603
Investment income	19,740	20,265
Realised gains and losses	(262)	(433)
Commission income	16,211	19,519
Other operating revenue	1,334	3,795
Total revenue	327,044	337,749
Gross claims paid	(180,712)	(206,171)
Claims ceded to reinsurers	31,754	67,795
Gross change in contract liabilities	(135,747)	65,704
Change in contract liabilities ceded to reinsurers	117,006	(52,723)
Net claims incurred	(167,699)	(125,395)
Commission expense	(44,537)	(60,783)
Management expenses	(84,622)	(64,395)
Other operating expenses	-	(214)
Other expenses	(129,159)	(125,392)
Profit before taxation	30,186	86,962
Income tax expense	(8,700)	(8,500)
Profit for the period	21,486	78,462
Earnings per share		
Basic	7 sen	25 sen

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 2019**

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Profit for the period	<u>21,486</u>	<u>78,462</u>
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Changes in available-for-sale reserves:		
- Fair value gain/(loss) arise during the period	9(b) 6,710	(9,551)
- Tax effect on changes in fair value reserves	<u>(1,610)</u>	<u>2,293</u>
	<u>5,100</u>	<u>(7,258)</u>
Total comprehensive income for the period	<u>26,586</u>	<u>71,204</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 2019**

At 1 January 2018

Profit for the period

Other comprehensive expense for the period

Total comprehensive income/(expense) for the period

Dividend paid during the period

At 30 June 2018

At 1 January 2019

Profit for the period

Other comprehensive expense for the period

Total comprehensive income for the period

Dividend paid during the period

At 30 June 2019

-----Non Distributable-----		Distributable	
Share capital	Available-for-sale reserve	Retained earnings	Total
RM'000	RM'000	RM'000	RM'000
310,800	12,683	68,835	392,318
-	-	78,462	78,462
-	(7,258)	-	(7,258)
-	(7,258)	78,462	71,204
-	-	(48,000)	(48,000)
310,800	5,425	99,297	415,522
310,800	5,180	129,270	445,250
-	-	21,486	21,486
-	5,100	-	5,100
-	5,100	21,486	26,586
-	-	(80,000)	(80,000)
310,800	10,280	70,756	391,836

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 2019

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	21,486	78,462
Adjustments for:		
Depreciation of property and equipment	417	721
Amortisation of intangible assets	672	590
Amortisation of Leases premises	1,239	-
Investment income	(19,740)	(20,268)
Impairment loss on AFS financial assets	(184)	-
Fair value gains on AFS recorded in Statement of Income	262	434
Income tax expense	8,700	8,500
Bad debts written off	324	65
Bad debts recovered	(451)	(48)
Allowance for impairment on insurance receivables	(52)	602
	<u>12,673</u>	<u>69,058</u>
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(110,528)	60,032
Decrease in insurance receivables	2,416	6,347
Increase in Right-of-use of asset	(6,439)	-
Decrease in Lease Liabilities	6,439	-
Decrease in deferred acquisition costs	665	17,391
Decrease/(increase) in insurance contract liabilities	131,626	(81,283)
Decrease in insurance payables	(29,332)	(54,647)
Decrease in other payables	(12,021)	(24,366)
Decrease/(increase) in loans and receivables, excluding insurance receivable	78,244	(17,353)
Cash generated from operations	<u>73,743</u>	<u>(24,821)</u>
Tax Paid	<u>(8,700)</u>	<u>(6,239)</u>
Net cash (outflow)/inflow from operating activities	65,043	(31,060)

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 2019

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(512)	(90)
Increase in intangible assets	(510)	(426)
Interest income received	20,638	16,263
Dividend income received	791	833
Purchase of AFS financial assets	(153,262)	(75,304)
Proceeds from disposal of AFS financial assets	105,285	118,393
Net cash inflow from investing activities	(27,570)	59,669
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(80,000)	(48,000)
Lease payment	(1,189)	-
Net cash outflow from investing activities	(81,189)	(48,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,716)	(19,391)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	109,285	135,147
CASH AND CASH EQUIVALENTS AT 30 JUNE	65,569	115,756
Cash and cash equivalents comprise:		
Cash and bank balances	11,319	8,450
Fixed and call deposits with maturity of less than 3 months	54,250	107,306
	65,569	115,756

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 2019

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, 2016. 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 2018.

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 2018.

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 2019.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2019.

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 25.74% (RM0.26 per share) on ordinary shares declared and paid in respect of financial year ended 31 December 2018 amounting to RM80 million was paid on 26 June 2019.

No dividend has been declared in respect of the current period ended 30 June 2019.

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 2019 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2019	31.12.2018
	RM'000	RM'000
(a) At fair value		
Quoted:		
Equity securities of corporations	43,081	39,833
Real estate investment trust	2,977	2,701
	<u>46,058</u>	<u>42,534</u>
Unquoted:		
Malaysian government securities	429,683	324,197
Cagamas papers	86,571	91,159
Corporate debt securities	128,244	177,139
	<u>644,498</u>	<u>592,495</u>
	<u>690,556</u>	<u>635,029</u>
 (b) Available-for-sale financial assets		RM'000
At 1 January 2018		611,946
Purchases		244,120
Maturities		(200,000)
Disposals		(8,514)
Fair value gains transferred to statement of income		(356)
Fair value gains recorded in other comprehensive income		(10,228)
Amortisation of premium, net of accretion of discounts		(103)
Movement in impairment allowance		(1,319)
Movement in interest income due and accrued		(517)
At 31 December 2018 / 1 January 2019		635,029
Purchases		153,262
Maturities		(105,000)
Disposals		(285)
Fair value gains recorded in other comprehensive income		6,710
Movement in impairment allowance		184
Amortisation of premium, net of accretion of discounts		121
Fair value gains transferred to statement of income		(262)
Movement in interest income due and accrued		797
At 30 June 2019		690,556

10. REINSURANCE ASSETS

	30.06.2019	31.12.2018
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	245,943	128,937
Premium liabilities	32,113	38,591
	<u>278,056</u>	<u>167,528</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2019 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2019			
Provision for claims reported by policyholders	406,210	(158,318)	247,892
Provision for incurred but not reported claims ("IBNR")	169,581	(87,625)	81,956
Claims liabilities (i)	575,791	(245,943)	329,848
Premiums liabilities (ii)	369,750	(32,113)	337,637
	945,541	(278,056)	667,485
At 31 December 2018			
Provision for claims reported by policyholders	288,529	(83,319)	205,210
Provision for incurred but not reported claims ("IBNR")	151,514	(45,618)	105,896
Claims liabilities (i)	440,043	(128,937)	311,106
Premiums liabilities (ii)	373,872	(38,591)	335,281
	813,915	(167,528)	646,387

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2019	440,043	(128,937)	311,106
Claims incurred in current accident year	282,188	(112,655)	169,533
Adjustment to claims incurred in prior accident year	16,206	5,902	22,108
Effect of changes in key assumptions	18,066	(42,007)	(23,941)
Claims paid during the period	(180,712)	31,754	(148,958)
At 30 June 2019	575,791	(245,943)	329,848
	-	-	-
At 1 January 2018	485,542	(175,012)	310,530
Claims incurred in current accident year	285,898	(27,845)	258,053
Adjustment to claims incurred in prior accident year	43,025	(18,670)	24,355
Effect of changes in key assumptions	(5,509)	1,476	(4,033)
Claims paid during the period	(368,913)	91,114	(277,799)
At 31 December 2018	440,043	(128,937)	311,106

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2019 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES (CONTINUE)

(ii) Premiums liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2019	373,872	(38,591)	335,281
Premiums written during the period	357,866	(65,489)	292,377
Premiums earned during the period	(361,988)	71,967	(290,021)
At 30 June 2019	369,750	(32,113)	337,637
At 1 January 2018	376,474	(48,811)	327,663
Premiums written during the period	716,263	(159,055)	557,208
Premiums earned during the period	(718,865)	169,275	(549,590)
At 31 December 2018	373,872	(38,591)	335,281

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2019 (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:

	30.06.2019	31.12.2018
	RM'000	RM'000
Not later than 1 year	301	3,191
Later than 1 year and not later than 5 years	124	4,519
	<u>425</u>	<u>7,710</u>

13. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2019, as prescribed under the Framework is provided below:

	30.06.2019	31.12.2018
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800	310,800
Retained earnings	70,756	129,270
	<u>381,556</u>	<u>440,070</u>
Tier 2 Capital		
Eligible reserves	10,280	5,180
	<u>10,280</u>	<u>5,180</u>
 *Amount deducted from Capital	 (6,011)	 (7,783)
Total Capital Available	<u>385,825</u>	<u>437,467</u>

At the end of 30 June 2019, 102% 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
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2019 (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:

	30.06.2019	31.12.2018
	RM'000	RM'000
Inwards reinsurance premium received	7	-
Reinsurance premium ceded	(35,027)	(94,805)
Claims paid	(25,503)	(71,771)
Reinsurance claims recoveries	-	4
Commission earned	14,752	35,410
System related costs paid to related corporations	(7,206)	(24,243)
Personnel and related costs received from related corporations	1,692	3,292
Loss adjustment expenses and Access fees	40	167
Asset management fees	(65)	(65)
Policy processing and related administration costs	(3,869)	(7,315)
Global service fees	(10,535)	52,975
Training fees	-	(24)
Professional fees	(1,005)	(1,505)
Management fees	225	450