

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
Assets			
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
Total assets		1,312,382,794	1,321,924,709
Equity and liabilities			
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
Total equity		396,749,545	412,690,207
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
Total liabilities		915,633,249	909,234,502
Total equity and liabilities		1,312,382,794	1,321,924,709

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

	6 months period ended 30.06.2014 RM	6 months period ended 30.06.2013 RM
Gross earned premiums	320,829,012	298,491,376
Premiums ceded to reinsurers	(61,225,580)	(60,236,258)
Net earned premiums	259,603,432	238,255,118
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	299,635	177,738
Total revenue	289,652,886	263,694,684
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	(13,602,239)	478,229
Net claims incurred	(130,351,796)	(105,699,018)
Commission expense	(39,123,144)	(34,771,069)
Management expenses	(73,972,525)	(72,083,203)
Other operating expenses	-	(434,085)
Other expenses	(113,095,669)	(107,288,357)
Profit before taxation	46,205,421	50,707,309
Income tax expense	(12,000,000)	(4,710,964)
Profit for the period	34,205,421	45,996,345
Earnings per share		
Basic	11 sen	15 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 2014**

	6 months period ended 30.06.2014 RM	6 months period ended 30.06.2013 RM
Profit for the period	<u>34,205,421</u>	<u>45,996,345</u>
Other comprehensive (expense)/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) (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>
Total comprehensive income for the period	<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
At 1 January 2013	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)
At 30 June 2013	310,800,000	16,417,871	-	62,182,871	389,400,742
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

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
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	34,205,421	45,996,345
Adjustments for:		
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>
Changes in working capital:		
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	<u>20,919,953</u>	<u>(16,544,408)</u>
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>
Net cash inflow from operating activities	38,278,009	28,545,088

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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

	6 months period ended 30.06.2014 RM	6 months period ended 30.06.2013 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
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
Net cash inflow from investing activities	6,451,475	18,687,242
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(50,000,000)	(35,000,000)
Net cash outflow from investing activities	(50,000,000)	(35,000,000)
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	77,857,061	39,051,645
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	-
	77,857,061	39,051,645

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:

MFRSs/Amendments/Interpretations	Effective date
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
(Incorporated in Malaysia)

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2014 RM	31.12.2013 RM
(a) At fair value		
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) Available-for-sale financial assets		RM
At 1 January 2013		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
At 31 December 2013		<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
At 30 June 2013		<u>758,028,715</u>

10. REINSURANCE ASSETS

	30.06.2014 RM	31.12.2013 RM
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
At 30 June 2014			
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>

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

	Gross RM	Reinsurance RM	Net RM
At 1 January 2014	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	(320,829,012)	61,225,580	(259,603,432)
At 30 June 2014	<u>297,475,595</u>	<u>(13,818,422)</u>	<u>283,657,173</u>
At 1 January 2013	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	(609,895,552)	125,805,448	(484,090,104)
At 31 December 2013	<u>277,372,750</u>	<u>(14,599,280)</u>	<u>262,773,470</u>

AIG MALAYSIA INSURANCE BERHAD
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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-cancelable operating leases:

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

13. REGULATORY CAPITAL REQUIREMENTS

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

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

	30.06.2014	31.12.2013
	RM	RM
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>