

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2017 TO 30 JUNE 2017

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 2017

	Note	30.06.2017 RM'000	31.12.2016 RM'000
Assets			
Property and equipment		3,341	4,066
Intangible assets		2,245	2,240
Available-for-sale financial assets	9	660,204	740,491
Reinsurance assets	10	189,501	180,677
Loans and receivables, excluding insurance receivables		294,990	251,804
Insurance receivables		117,925	111,990
Deferred acquisition costs		38,777	38,356
Tax recoverable		10,823	10,823
Cash and bank balances		100,147	44,540
Total assets		1,417,953	1,384,987
Equity and liabilities			
Share capital		310,800	310,800
Retained earnings		45,142	83,187
Available-for-sale reserve		12,724	9,594
Total equity		368,666	403,581
Insurance contract liabilities	11	801,913	775,120
Deferred tax liabilities		3,531	2,543
Insurance payables		108,355	111,315
Other payables		135,488	92,428
Total liabilities		1,049,287	981,406
Total equity and liabilities		1,417,953	1,384,987

The accompanying notes form an integral part of the financial statements

AIG MALAYSIA INSURANCE BERHAD
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UNAUDITED STATEMENT OF INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
Gross earned premiums	341,869	364,675
Premiums ceded to reinsurers	(95,873)	(80,177)
Net earned premiums	245,996	284,498
Investment income	17,955	19,627
Realised gains and losses	(119)	(283)
Commission income	27,905	28,433
Other operating revenue	2,129	219
Total revenue	293,866	332,494
Gross claims paid	(162,977)	(188,794)
Claims ceded to reinsurers	24,469	35,380
Gross change in contract liabilities	(17,429)	26,998
Change in contract liabilities ceded to reinsurers	14,616	(8,588)
Net claims incurred	(141,321)	(135,004)
Commission expense	(43,164)	(44,379)
Management expenses	(98,629)	(85,266)
Other operating expenses	(1,797)	(3,240)
Other expenses	(143,590)	(132,885)
Profit before taxation	8,955	64,605
Income tax expense	(12,000)	(13,341)
Profit for the period	(3,045)	51,264
Earnings per share		
Basic	-1 sen	16 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 2017**

	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
Profit for the period	<u>(3,045)</u>	<u>51,264</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) 4,118	1,807
- Tax effect on changes in fair value reserves	(988)	(434)
	<u>3,130</u>	<u>1,373</u>
Total comprehensive income for the period	<u>85</u>	<u>52,637</u>

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AIG MALAYSIA INSURANCE BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017**

	-----Non Distributable-----		Distributable	
	Share capital	Available-for-sale reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	310,800	11,436	144,538	466,774
Profit for the period	-	-	51,264	51,264
Other comprehensive expense for the period	-	1,373	-	1,373
Total comprehensive income for the period	-	1,373	51,264	52,637
Dividend paid during the period	-	-	(100,000)	(100,000)
At 30 June 2016	310,800	12,809	95,802	419,411
At 1 January 2017	310,800	9,594	83,187	403,581
Profit for the period	-	-	(3,045)	(3,045)
Other comprehensive expense for the period	-	3,130	-	3,130
Total comprehensive income/(expense) for the period	-	3,130	(3,045)	85
Dividend paid during the period	-	-	(35,000)	(35,000)
At 30 June 2017	310,800	12,724	45,142	368,666

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

AIG MALAYSIA INSURANCE BERHAD
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UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2017

	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	(3,045)	51,264
Adjustments for:		
Depreciation of property and equipment	1,046	876
Amortisation of intangible assets	335	112
Investment income	(17,955)	(19,627)
Impairment loss on AFS financial assets	164	300
Fair value gains on AFS recorded in Statement of Income	(36)	(17)
Income tax expense	12,000	13,341
Bad debts written off	465	622
Bad debts recovered	(67)	-
Allowance for impairment on insurance receivables	(2,534)	532
	<u>(9,627)</u>	<u>47,403</u>
Changes in working capital:		
Increase in reinsurance assets	(8,824)	(13,690)
Increase in insurance receivables	(3,950)	(5,446)
Increase in deferred acquisition costs	(421)	(1,454)
Increase/(decrease)in insurance contract liabilities	26,793	(5,083)
(Decrease)/increase in insurance payables	(2,959)	3,753
Increase/(decrease) in other payables	43,060	(4,570)
Increase in loans and receivables, excluding insurance receivable	(44,032)	(16,597)
Cash generated from operations	<u>40</u>	<u>4,316</u>
Tax Paid	(11,445)	(1,840)
Net cash (outflow)/inflow from operating activities	(11,405)	2,476

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 2017

	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(322)	(570)
Increase in intangible assets	(340)	(416)
Interest income received	18,725	21,970
Dividend income received	884	777
Purchase of AFS financial assets	(27,195)	(52,969)
Proceeds from disposal of AFS financial assets	110,260	125,083
Net cash inflow from investing activities	102,012	93,875
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(35,000)	(100,000)
Net cash outflow from investing activities	(35,000)	(100,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	55,607	(3,649)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	44,540	52,925
CASH AND CASH EQUIVALENTS AT 30 JUNE	100,147	49,276
Cash and cash equivalents comprise:		
Cash and bank balances	3,759	20,776
Fixed and call deposits with maturity of less than 3 months	96,388	28,500
	100,147	49,276

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 2017

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 2016.

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 2016.

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 2017.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2017.

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 11.26% (RM0.11 per share) on ordinary shares declared and paid in respect of financial year ended 31 December 2016 amounting to RM35 million was paid on 10 Jul 2017.

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 2017 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2017	31.12.2016
	RM'000	RM'000
(a) At fair value		
Quoted:		
Equity securities of corporations	44,841	35,408
Real estate investment trust	10,306	9,772
	<u>55,147</u>	<u>45,180</u>
Unquoted:		
Malaysian government securities	259,335	243,343
Cagamas papers	81,484	86,635
Corporate debt securities	264,238	365,333
	<u>605,057</u>	<u>695,311</u>
	<u>660,204</u>	<u>740,491</u>
 (b) Available-for-sale financial assets		RM'000
At 1 January 2016		787,529
Purchases		123,054
Maturities		(165,000)
Disposals		(66)
Fair value gains transferred to statement of income		(17)
Fair value gains recorded in other comprehensive income		(2,406)
Amortisation of premium, net of accretion of discounts		(793)
Movement in impairment allowance		(693)
Movement in interest income due and accrued		(1,117)
At 31 December 2016 / 1 January 2017		<u>740,491</u>
Purchases		27,195
Maturities		(110,000)
Disposals		(260)
Fair value gains recorded in other comprehensive income		4,118
Movement in impairment allowance		(164)
Amortisation of premium, net of accretion of discounts		(182)
Fair value gains transferred to statement of income		37
Movement in interest income due and accrued		(1,031)
At 30 June 2017		<u>660,204</u>

10. REINSURANCE ASSETS

	30.06.2017	31.12.2016
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	141,993	127,377
Premium liabilities	47,508	53,300
	<u>189,501</u>	<u>180,677</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2017			
Provision for claims reported by policyholders	283,599	(96,778)	186,821
Provision for incurred but not reported claims ("IBNR")	153,857	(45,215)	108,642
Claims liabilities (i)	437,456	(141,993)	295,463
Premiums liabilities (ii)	364,457	(47,508)	316,949
	801,913	(189,501)	612,412
At 31 December 2016			
Provision for claims reported by policyholders	280,625	(91,571)	189,054
Provision for incurred but not reported claims ("IBNR")	139,402	(35,806)	103,596
Claims liabilities (i)	420,027	(127,377)	292,650
Premiums liabilities (ii)	355,093	(53,300)	301,793
	775,120	(180,677)	594,443

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2017	420,027	(127,377)	292,650
Claims incurred in current accident year	116,290	(12,498)	103,792
Adjustment to claims incurred in prior accident year	49,661	(17,179)	32,482
Effect of changes in key assumptions	14,455	(9,408)	5,047
Claims paid during the period	(162,977)	24,469	(138,508)
At 30 June 2017	437,456	(141,993)	295,463
At 1 January 2016	478,381	(151,216)	327,165
Claims incurred in current accident year	272,196	(35,625)	236,571
Adjustment to claims incurred in prior accident year	31,196	8,332	39,528
Effect of changes in key assumptions	(11,237)	(2,850)	(14,087)
Claims paid during the period	(350,509)	53,982	(296,527)
At 31 December 2016	420,027	(127,377)	292,650

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES (CONTINUE)

(ii) Premiums liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2017	355,093	(53,300)	301,793
Premiums written during the period	351,233	(90,081)	261,152
Premiums earned during the period	(341,869)	95,873	(245,996)
At 30 June 2017	364,457	(47,508)	316,949
At 1 January 2016	365,791	(32,117)	333,674
Premiums written during the period	712,907	(195,471)	517,436
Premiums earned during the period	(723,605)	174,288	(549,317)
At 31 December 2016	355,093	(53,300)	301,793

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (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:

	30.06.2017	31.12.2016
	RM'000	RM'000
Not later than 1 year	2,494	2,744
Later than 1 year and not later than 5 years	196	2,401
	<u>2,690</u>	<u>5,145</u>

13. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2017, as prescribed under the Framework is provided below:

	30.06.2017	31.12.2016
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800	310,800
Retained earnings	45,142	83,187
	<u>355,942</u>	<u>393,987</u>
Tier 2 Capital		
Eligible reserves	12,724	9,594
	<u>12,724</u>	<u>9,594</u>
 *Amount deducted from Capital	 (2,244)	 (2,239)
Total Capital Available	<u>366,422</u>	<u>401,342</u>

At the end of 30 June 2017, 97% of the Company's total capital consists of Tier 1 capital, comprising of fully paid-up ordinary shares and retained earnings.

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2017 (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:

	30.06.2017	31.12.2016
	RM'000	RM'000
Inwards reinsurance premium received	-	(29)
Reinsurance premium ceded	(55,926)	(115,436)
Claims paid	-	(13,547)
Reinsurance claims recoveries	14,769	31,723
Commission earned	23,478	44,989
System related costs paid to related corporations	(13,204)	(25,735)
Personnel and related costs received from related corporations	2,245	4,087
Claims handling fee received from related corporations	89	30
Loss adjustment expenses	(523)	(3,065)
Policy processing and related administration costs	(4,291)	(14,316)
Global service fees	(22,082)	(51,067)