

Company No : 795492-W

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2011 TO 30 JUNE 2011

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 2011**

	Note	30.06.2011 RM	31.12.2010 RM
Assets			
Property and equipment		9,198,275	10,676,447
Intangible assets		1,284,324	1,299,794
Available-for-sale financial assets	8	560,520,149	650,231,593
Reinsurance assets	9	213,944,127	145,551,543
Loans and receivables, excluding insurance receivables		214,019,055	205,110,613
Insurance receivables		86,605,608	78,915,503
Deferred acquisition costs		19,806,885	19,136,055
Tax recoverable		8,493,565	8,478,071
Cash and bank balances		20,245,352	11,038,814
Total assets		1,134,117,340	1,130,438,433
Equity and liabilities			
Share capital		310,800,000	310,800,000
Retained earnings		42,249,379	106,648,491
Available-for-sale reserve		15,211,837	14,528,390
Equity reserve		944	944
Total equity		368,262,160	431,977,825
Insurance contract liabilities	10	650,088,078	580,617,654
Deferred tax liabilities		3,025,134	2,797,321
Insurance payables		92,522,565	93,109,293
Other payables		20,219,403	21,936,340
Total liabilities		765,855,180	698,460,608
Total equity and liabilities		1,134,117,340	1,130,438,433

The accompanying notes form an integral part of the financial statements

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2011

	6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
Operating revenue	<u>281,229,569</u>	<u>264,436,607</u>
Gross earned premiums	266,318,533	240,536,077
Premiums ceded to reinsurers	<u>(91,134,658)</u>	<u>(81,901,776)</u>
Net earned premiums	<u>175,183,875</u>	<u>158,634,301</u>
Investment income	16,866,900	17,058,775
Realised gains and losses	1,596,438	1,258,434
Commission income	15,386,806	12,851,483
Other operating revenue	<u>1,054,231</u>	<u>512,340</u>
Other Revenue	<u>34,904,375</u>	<u>31,681,032</u>
Gross claims paid	(116,223,859)	(104,039,582)
Claims ceded to reinsurers	21,931,580	21,323,024
Gross change in contract liabilities	(71,426,288)	(19,760,659)
Change in contract liabilities ceded to reinsurers	<u>67,365,458</u>	<u>16,150,343</u>
Net claims incurred	<u>(98,353,109)</u>	<u>(86,326,874)</u>
Commission expense	(29,948,492)	(27,117,605)
Management expenses	<u>(49,555,761)</u>	<u>(49,746,892)</u>
Other expenses	<u>(79,504,253)</u>	<u>(76,864,497)</u>
Profit before taxation	32,230,888	27,123,962
Taxation	<u>(6,630,000)</u>	<u>(5,100,000)</u>
Net profit for the financial year	<u>25,600,888</u>	<u>22,023,962</u>
Earnings per share (sen)		
Basic	<u>8</u>	<u>7</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 2011

		6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
Net profit for the financial year		<u>25,600,888</u>	<u>22,023,962</u>
Other comprehensive income:			
Changes in fair value of available-for-sale financial assets	8(b)	911,260	4,385,433
Tax effect on changes in fair value of available-for-sale financial assets		<u>(227,813)</u>	<u>(1,096,358)</u>
		<u>683,447</u>	<u>3,289,075</u>
Total comprehensive income for the financial year		<u>26,284,335</u>	<u>25,313,037</u>

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

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2011

	Share Capital	-----Non Distributable----- Share Premiums	Available-for-sale Reserve	Equity Reserve	Distributable Retained Earnings	Total Equity
	RM	RM	RM	RM	RM	RM
At 1 January 2010	310,800,000	-	7,002,532	-	73,640,771	391,443,303
Total comprehensive income for the financial year	-	-	3,289,075	944	22,023,962	25,313,981
At 30 June 2010	<u>310,800,000</u>	<u>-</u>	<u>10,291,607</u>	<u>944</u>	<u>95,664,733</u>	<u>416,757,284</u>
At 1 January 2011	310,800,000	-	14,528,390	944	106,648,491	431,977,825
Total comprehensive income for the financial year	-	-	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	<u>310,800,000</u>	<u>-</u>	<u>15,211,837</u>	<u>944</u>	<u>42,249,379</u>	<u>368,262,160</u>

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 2011

	6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	25,600,888	22,023,962
Adjustments for:		
Depreciation of property and equipment	2,199,781	1,919,752
Amortisation of intangible assets	251,654	183,032
Investment income	(16,866,900)	(17,058,775)
Impairment loss on LAR	-	15,044
Impairment loss on AFS financial assets	-	544,911
Gain on disposal of property and equipment	-	(18,620)
Gain on disposal of loans and receivables ("LAR")	-	(1,576,493)
Taxation expense	6,630,000	5,100,000
Bad debts written off	-	64,838
Bad debts recovered	(13,000)	(5,000)
Increase/(decrease) of impairment on insurance receivables	(4,067,798)	780,678
Equity reserve arising from share-based compensation plan	-	944
	<u>13,734,625</u>	<u>11,974,273</u>
Increase in reinsurance assets	(68,392,585)	(72,069,560)
Increase in insurance receivables	(3,609,310)	(9,365,670)
Increase in deferred acquisition costs	(670,830)	(200,551)
Increase in insurance contract liabilities	69,470,425	78,417,903
(Decrease)/increase in insurance payables	(586,729)	19,015,299
Decrease in other payables	(1,716,933)	(1,706,917)
Interest income received	17,851,823	17,617,241
Dividend income received	(72,108)	(50,183)
Purchase of AFS financial assets	(4,322,647)	(81,025,540)
Proceeds from sale of AFS financial assets	28,356,754	10,696,974
Maturity of AFS financial assets	65,000,000	35,000,000
Decrease/(increase) in loans and receivables, excluding insurance receivable	(8,232,660)	(4,510,028)
Cash generated from operations	<u>106,809,825</u>	<u>3,793,241</u>
Tax Paid	(6,645,494)	(5,312,809)
Net cash inflow from operating activities	<u>100,164,331</u>	<u>(1,519,568)</u>

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 2011

	6 months period ended 30.06.2011 RM	6 months period ended 30.06.2010 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property and equipment	-	18,620
Purchase of property and equipment	(721,611)	(145,101)
Increase in intangible assets	(236,183)	(335,713)
Cash and cash equivalents of business acquired	-	-
Net cash inflow from investing activities	<u>(957,794)</u>	<u>(462,194)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	<u>(90,000,000)</u>	<u>-</u>
Net cash inflow from financing activities	<u>(90,000,000)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	9,206,538	(1,981,762)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	11,038,814	15,614,207
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>20,245,352</u>	<u>13,632,445</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>20,245,352</u>	<u>13,632,445</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 2011

1. BASIS OF PREPARATION

The interim financial statements of Chartis Malaysia Insurance berhad ("the Company") is unaudited and have been prepared in accordance with Financial Reporting Standards (FRS) as modified by Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2010.

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 2010, except for the adoption of the following:

- Amendments to FRS 2	Share-based payment: Group cash-settled share-based payment transactions (effective from 1 January 2011)
- Amendments to FRS 7	Financial instruments: Disclosures and FRS 1: First-time adoption of financial reporting standards (effective from 1 January 2011)
- IC Interpretation 4	Determining whether an arrangement contains a lease (effective from 1 January 2011)
- IC Interpretation 12	Service concession arrangements (effective from 1 July 2010)
- IC Interpretation 17	Distribution of non-cash assets to owners (effective from 1 July 2010)
- IC Interpretation 18	Transfers of assets from customers (effective prospectively for assets received on or after 1 January 2011)
- IC Interpretation 19	Extinguishing financial liabilities with equity instrument (effective from 1 July 2011)
- Improvements to FRS 2	Share-based payments (effective from 1 July 2010)
- Improvements to FRS 5	Non-current assets held for sale and discontinued operations (effective from 1 July 2010)
- Improvements to FRS 101 (revised)	Presentation of financial statements (effective from 1 July 2011)
- Improvements to FRS 138	Intangible assets (effective from 1 July 2010)
- IC Interpretation 9	Reassessment of Embedded Derivatives (effective from 1 July 2010)

The adoption of the above accounting standards, amendmends and interpretations is not expected to have any significant impact to the financial statement 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 2011.

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2011.

5. DIVIDENDS

A first and final single-tier dividend of 28.96% (RM0.29 per share) amounting to RM90 million for the financial year ended 31 December 2010 was approved at the last Annual General Meeting on 26 May 2011 and paid on 1 June 2011.

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.

7. SIGNIFICANT EVENT DURING THE INTERIM PERIOD

As part of American International Group, Inc the ultimate holding company proposed restructuring of its worldwide insurance businesses, Chartis Group undertook a restructuring exercise which entails American Home Assurance Company ("AHAC") transferring its ownership of the Company's shares to Chartis Singapore Pte Ltd, a company incorporated in Singapore, with the intent to align the current holding of the Company's shares into Asia Pacific region, headquartered in Singapore.

Based on the above, as the transaction involved 100% ownership of the Company's shares, the prior approval of the Minister of Finance required pursuant to Section 67 of the Insurance Act, 1969 was obtained on 5 January 2011. The transaction was completed and effective on 1 March 2011.

CHARTIS MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2011 RM	31.12.2010 RM
(a) At fair value		
Quoted:		
Equity securities of corporations	29,611,807	27,727,689
Real estate investment trust	3,640,938	2,729,108
Unquoted:		
Malaysian government securities	286,718,017	348,374,781
Cagamas papers	58,390,950	84,854,511
Corporate debt securities	182,158,437	186,545,504
	<u>560,520,149</u>	<u>650,231,593</u>
 (b) Available-for-sale financial assets		RM
At 1 January 2010		547,437,297
Purchases		156,967,263
Maturities		(45,000,000)
Disposals		(17,639,948)
Fair value loss recorded in other comprehensive income		10,034,478
Amortisation of premium, net of accretion of discounts		(1,774,222)
Movement in interest income due and accrued		206,725
At 31 December 2010		<u>650,231,593</u>
Purchases		4,322,647
Maturities		(65,000,000)
Disposals		(28,356,754)
Fair value gains recorded in other comprehensive income		911,260
Amortisation of premium, net of accretion of discounts		(956,432)
Movement in interest income due and accrued		(632,165)
At 30 June 2011		<u>560,520,149</u>

9. REINSURANCE ASSETS

	30.06.2011 RM	31.12.2010 RM
Reinsurance of insurance contracts		
Claims liabilities	192,886,536	125,521,078
Premium liabilities	21,057,591	20,030,465
	<u>213,944,127</u>	<u>145,551,543</u>

The carrying amounts disclosed above approximate fair value at the date of statement of financial position.

CHARTIS MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

10. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
30.06.2011			
Provision for claims reported by policyholders	318,478,958	(158,374,311)	160,104,647
Provision for incurred but not reported claims ("IBNR")	105,235,905	(34,512,225)	70,723,680
Provision for outstanding claims (i)	423,714,863	(192,886,536)	230,828,327
Provision for unearned premiums (ii)	226,373,215	(21,057,591)	205,315,624
	<u>650,088,078</u>	<u>(213,944,127)</u>	<u>436,143,951</u>
31.12.2010			
Provision for claims reported by policyholders	258,723,076	(96,998,784)	161,724,292
Provision for incurred but not reported claims ("IBNR")	93,565,499	(28,522,294)	65,043,205
Provision for outstanding claims (i)	352,288,575	(125,521,078)	226,767,497
Provision for unearned premiums (ii)	228,329,079	(20,030,465)	208,298,614
	<u>580,617,654</u>	<u>(145,551,543)</u>	<u>435,066,111</u>

(i) Provision for Outstanding Claims

	Gross RM	Reinsurance RM	Net RM
At 1 January 2011	352,288,575	(125,521,078)	226,767,497
Claims incurred in current accident year	47,866,511	(14,994,526)	32,871,985
Adjustment to claims incurred in prior accident year	175,979,743	(83,307,108)	92,672,635
Effect of changes in key assumptions	(36,196,105)	9,004,595	(27,191,510)
Claims paid during the financial year	(116,223,861)	21,931,581	(94,292,280)
At 30 June 2011	<u>423,714,863</u>	<u>(192,886,536)</u>	<u>230,828,327</u>

(ii) Provision for Unearned Premiums

	Gross RM	Reinsurance RM	Net RM
At 1 January 2011	228,329,079	(20,030,465)	208,298,614
Premiums written in the financial year	264,362,669	(92,161,784)	172,200,885
Premiums earned during the financial year	(266,318,533)	91,134,658	(175,183,875)
At 30 June 2011	<u>226,373,215</u>	<u>(21,057,591)</u>	<u>205,315,624</u>

CHARTIS MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

11. 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:

	30.06.2011	31.12.2010
	RM	RM
Not later than 1 year	5,643,037	5,214,809
Later than 1 year and not later than 5 years	10,928,300	10,092,040
	<u>16,571,337</u>	<u>15,306,849</u>

12. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2011, as prescribed under the Framework is provided below:

	30.06.2011	31.12.2010
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800,000	310,800,000
Retained earnings	42,249,379	106,648,491
	<u>353,049,379</u>	<u>417,448,491</u>
Tier 2 Capital		
Eligible reserves	15,212,781	14,529,334
	<u>15,212,781</u>	<u>14,529,334</u>
 *Amount deducted from Capital	 (2,284,323)	 (2,299,794)
Total Capital Available	<u>365,977,837</u>	<u>429,678,031</u>

At the end of 30 June 2011, 96% of the Company's total capital consists of Tier 1 capital, comprising of fully paid-up ordinary shares and retained earnings.