

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2018 TO 30 JUNE 2018

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 2018

	Note	30.06.2018 RM'000	31.12.2017 RM'000
Assets			
Property and equipment		2,219	2,851
Intangible assets		2,754	2,918
Available-for-sale financial assets	9	557,685	611,946
Reinsurance assets	10	163,791	223,823
Loans and receivables, excluding insurance receivables		398,743	377,029
Insurance receivables		103,230	110,196
Deferred acquisition costs		26,263	43,654
Deferred tax assets		9,989	7,697
Tax recoverable		4,150	6,411
Cash and bank balances		115,756	135,147
Total assets		<u>1,384,580</u>	<u>1,521,672</u>
Equity and liabilities			
Share capital		310,800	310,800
Retained earnings		99,297	68,835
Available-for-sale reserve		5,425	12,683
Total equity		<u>415,522</u>	<u>392,318</u>
Insurance contract liabilities	11	780,733	862,016
Insurance payables		90,781	145,428
Other payables		97,544	121,910
Total liabilities		<u>969,058</u>	<u>1,129,354</u>
Total equity and liabilities		<u>1,384,580</u>	<u>1,521,672</u>

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 2018

	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2017 RM'000
Gross earned premiums	373,704	341,869
Premiums ceded to reinsurers	<u>(79,101)</u>	<u>(95,873)</u>
Net earned premiums	294,603	245,996
Investment income	20,265	17,955
Realised gains and losses	(433)	(119)
Commission income	19,519	27,905
Other operating revenue	<u>3,795</u>	<u>2,129</u>
Total revenue	<u>337,749</u>	<u>293,866</u>
Gross claims paid	(206,171)	(162,977)
Claims ceded to reinsurers	67,795	24,469
Gross change in contract liabilities	65,704	(17,429)
Change in contract liabilities ceded to reinsurers	<u>(52,723)</u>	<u>14,616</u>
Net claims incurred	<u>(125,395)</u>	<u>(141,321)</u>
Commission expense	(60,783)	(43,164)
Management expenses	(64,395)	(98,629)
Other operating expenses	<u>(214)</u>	<u>(1,797)</u>
Other expenses	<u>(125,392)</u>	<u>(143,590)</u>
Profit before taxation	86,962	8,955
Income tax expense	<u>(8,500)</u>	<u>(12,000)</u>
Profit for the period	<u>78,462</u>	<u>(3,045)</u>
Earnings per share		
Basic	<u>25 sen</u>	<u>-1 sen</u>

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AIG MALAYSIA INSURANCE BERHAD
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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2018**

	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2017 RM'000
Profit for the period	<u>78,462</u>	<u>(3,045)</u>
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Changes in available-for-sale reserves:		
- Fair value (loss)/gain arise during the period	9(b) (9,551)	4,118
- Tax effect on changes in fair value reserves	2,293	(988)
	<u>(7,258)</u>	<u>3,130</u>
Total comprehensive income for the period	<u>71,204</u>	<u>85</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 2018**

	-----Non Distributable-----		Distributable	
	Share capital	Available-for-sale reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
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 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
At 1 January 2018	310,800	12,683	68,835	392,318
Profit for the period	-	-	78,462	78,462
Other comprehensive expense for the period	-	(7,258)	-	(7,258)
Total comprehensive income/(expense) for the period	-	(7,258)	78,462	71,204
Dividend paid during the period	-	-	(48,000)	(48,000)
At 30 June 2018	310,800	5,425	99,297	415,522

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AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2018

	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	78,462	(3,045)
Adjustments for:		
Depreciation of property and equipment	721	1,046
Amortisation of intangible assets	590	335
Investment income	(20,268)	(17,955)
Impairment loss on AFS financial assets	-	164
Fair value gains on AFS recorded in Statement of Income	434	(36)
Income tax expense	8,500	12,000
Bad debts written off	65	465
Bad debts recovered	(48)	(67)
Allowance for impairment on insurance receivables	602	(2,534)
	<u>69,058</u>	<u>(9,627)</u>
Changes in working capital:		
(Decrease)/increase in reinsurance assets	60,032	(8,824)
(Decrease)/increase in insurance receivables	6,347	(3,950)
(Decrease)/increase in deferred acquisition costs	17,391	(421)
(Decrease)/increase in insurance contract liabilities	(81,283)	26,793
Decrease in insurance payables	(54,647)	(2,959)
(Decrease)/increase in other payables	(24,366)	43,060
Increase in loans and receivables, excluding insurance receivable	(17,353)	(44,032)
Cash generated from operations	<u>(24,821)</u>	<u>40</u>
Tax Paid	(6,239)	(11,445)
Net cash (outflow)/inflow from operating activities	<u>(31,060)</u>	<u>(11,405)</u>

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AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2018

	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(90)	(322)
Increase in intangible assets	(426)	(340)
Interest income received	16,263	18,725
Dividend income received	833	884
Purchase of AFS financial assets	(75,304)	(27,195)
Proceeds from disposal of AFS financial assets	118,393	110,260
Net cash inflow from investing activities	<u>59,669</u>	<u>102,012</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	<u>(48,000)</u>	<u>(35,000)</u>
Net cash outflow from investing activities	<u>(48,000)</u>	<u>(35,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,391)	55,607
CASH AND CASH EQUIVALENTS AT 1 JANUARY	135,147	44,540
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>115,756</u>	<u>100,147</u>
Cash and cash equivalents comprise:		
Cash and bank balances	8,450	3,759
Fixed and call deposits with maturity of less than 3 months	107,306	96,388
	<u>115,756</u>	<u>100,147</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 2018

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 and Financial Service Act 2013 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 2017.

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 2017.

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 2018.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2018.

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 15.44% (RM0.15 per share) on ordinary shares declared and paid in respect of financial year ended 31 December 2017 amounting to RM48 million was paid on 29 June 2018.

No dividend has been declared in respect of the current period ended 30 June 2018.

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 2018 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2018	31.12.2017
	RM'000	RM'000
(a) At fair value		
Quoted:		
Equity securities of corporations	41,963	42,575
Real estate investment trust	5,293	9,492
	<u>47,256</u>	<u>52,067</u>
Unquoted:		
Malaysian government securities	191,750	239,409
Cagamas papers	101,282	71,478
Corporate debt securities	217,397	248,992
	<u>510,429</u>	<u>559,879</u>
	<u>557,685</u>	<u>611,946</u>
 (b) Available-for-sale financial assets		RM'000
At 1 January 2017		740,491
Purchases		59,777
Maturities		(185,000)
Disposals		(6,798)
Fair value gains transferred to statement of income		619
Fair value gains recorded in other comprehensive income		4,684
Amortisation of premium, net of accretion of discounts		(313)
Movement in impairment allowance		(149)
Movement in interest income due and accrued		(1,365)
At 31 December 2017 / 1 January 2018		<u>611,946</u>
Purchases		75,304
Maturities		(115,000)
Disposals		(3,393)
Fair value gains recorded in other comprehensive income		(9,551)
Amortisation of premium, net of accretion of discounts		(101)
Fair value gains transferred to statement of income		(433)
Movement in interest income due and accrued		(1,087)
At 30 June 2018		<u>557,685</u>

10. REINSURANCE ASSETS

	30.06.2018	31.12.2017
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	122,289	175,012
Premium liabilities	41,502	48,811
	<u>163,791</u>	<u>223,823</u>

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2018			
Provision for claims reported by policyholders	259,577	(71,385)	188,192
Provision for incurred but not reported claims ("IBNR")	160,262	(50,904)	109,358
Claims liabilities (i)	<u>419,839</u>	<u>(122,289)</u>	<u>297,550</u>
Premiums liabilities (ii)	360,894	(41,502)	319,392
	<u>780,733</u>	<u>(163,791)</u>	<u>616,942</u>
At 31 December 2017			
Provision for claims reported by policyholders	328,518	(127,918)	200,600
Provision for incurred but not reported claims ("IBNR")	157,024	(47,094)	109,930
Claims liabilities (i)	<u>485,542</u>	<u>(175,012)</u>	<u>310,530</u>
Premiums liabilities (ii)	376,474	(48,811)	327,663
	<u>862,016</u>	<u>(223,823)</u>	<u>638,193</u>

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2018			
Claims incurred in current accident year	120,981	(13,737)	107,244
Adjustment to claims incurred in prior accident year	16,248	2,476	18,724
Effect of changes in key assumptions	3,238	(3,810)	(572)
Claims paid during the period	(206,171)	67,795	(138,376)
At 30 June 2018	<u>419,838</u>	<u>(122,288)</u>	<u>297,550</u>
At 1 January 2017			
Claims incurred in current accident year	273,212	(36,524)	236,688
Adjustment to claims incurred in prior accident year	98,946	(56,826)	42,120
Effect of changes in key assumptions	17,621	(11,288)	6,333
Claims paid during the period	(324,264)	57,003	(267,261)
At 31 December 2017	<u>485,542</u>	<u>(175,012)</u>	<u>310,530</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES (CONTINUE)

(ii) Premiums liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2018	376,474	(48,811)	327,663
Premiums written during the period	358,124	(71,792)	286,332
Premiums earned during the period	(373,704)	79,101	(294,603)
At 30 June 2018	<u>360,894</u>	<u>(41,502)</u>	<u>319,392</u>
At 1 January 2017	355,093	(53,300)	301,793
Premiums written during the period	714,863	(191,970)	522,893
Premiums earned during the period	(693,482)	196,459	(497,023)
At 31 December 2017	<u>376,474</u>	<u>(48,811)</u>	<u>327,663</u>

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (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:

	30.06.2018	31.12.2017
	RM'000	RM'000
Not later than 1 year	798	3,747
Later than 1 year and not later than 5 years	288	1,114
	<u>1,086</u>	<u>4,861</u>

13. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2018, as prescribed under the Framework is provided below:

	30.06.2018	31.12.2017
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800	310,800
Retained earnings	99,297	68,835
	<u>410,097</u>	<u>379,635</u>
Tier 2 Capital		
Eligible reserves	5,425	12,683
	<u>5,425</u>	<u>12,683</u>
*Amount deducted from Capital	(12,743)	(10,614)
Total Capital Available	<u>402,779</u>	<u>381,704</u>

At the end of 30 June 2018, 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
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (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:

	30.06.2018	31.12.2017
	RM'000	RM'000
Inwards reinsurance premium received	-	-
Reinsurance premium ceded	(42,837)	(103,331)
Claims paid	(4)	(2)
Reinsurance claims recoveries	61,854	34,622
Commission earned	19,004	45,080
System related costs paid to related corporations	(10,172)	(28,015)
Personnel and related costs received from related corporations	1,859	3,970
Claims handling fee received from related corporations	98	191
Loss adjustment expenses and Access fees	(409)	(2,187)
Asset management fees	-	(112)
Policy processing and related administration costs	(3,536)	(9,321)
Professional fees	(104)	-
Training fees	(24)	-
Management fees	215	-
Global service fees	14,295	(34,338)