

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2020 TO 30 JUNE 2020

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 - 13

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30.06.2020 RM'000	31.12.2019 RM'000
Assets			
Property and equipment		1,549	1,965
Intangible assets		3,472	3,699
Available-for-sale financial assets	9	825,445	728,470
Reinsurance assets	10	377,857	243,740
Loans and receivables, excluding insurance receivables		262,338	322,652
Insurance receivables		90,450	81,507
Deferred acquisition costs		39,463	43,275
Right-of-use of assets	15	3,744	5,096
Deferred tax assets		3,173	4,093
Cash and bank balances		78,551	48,872
Total assets		<u>1,686,042</u>	<u>1,483,369</u>
Equity and liabilities			
Share capital		310,800	310,800
Retained earnings		154,281	106,137
Available-for-sale reserve		14,988	12,076
Total equity		<u>480,069</u>	<u>429,013</u>
Insurance contract liabilities	11	1,040,096	911,675
Insurance payables		91,087	79,374
Other payables		70,197	57,416
Lease Liabilities	16	3,879	5,177
Current tax liabilities		714	714
Total liabilities		<u>1,205,973</u>	<u>1,054,356</u>
Total equity and liabilities		<u>1,686,042</u>	<u>1,483,369</u>

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 2020

	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2019 RM'000
Gross earned premiums	333,353	361,988
Premiums ceded to reinsurers	<u>(60,388)</u>	<u>(71,967)</u>
Net earned premiums	272,965	290,021
Investment income	17,070	19,740
Realised gains and losses	(377)	(262)
Commission income	18,816	16,211
Other operating revenue	<u>2,227</u>	<u>1,334</u>
Total revenue	<u>310,701</u>	<u>327,044</u>
Gross claims paid	(110,624)	(180,712)
Claims ceded to reinsurers	7,471	31,754
Gross change in contract liabilities	(157,142)	(135,747)
Change in contract liabilities ceded to reinsurers	<u>122,068</u>	<u>117,006</u>
Net claims incurred	<u>(138,227)</u>	<u>(167,699)</u>
Commission expense	(39,352)	(44,537)
Management expenses	(75,978)	(84,622)
Other operating expenses	-	-
Other expenses	<u>(115,330)</u>	<u>(129,159)</u>
Profit before taxation	57,144	30,186
Income tax expense	<u>(9,000)</u>	<u>(8,700)</u>
Profit for the period	<u>48,144</u>	<u>21,486</u>
Earnings per share		
Basic	<u>15 sen</u>	<u>7 sen</u>

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 2020**

	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2019 RM'000
Profit for the period	<u>48,144</u>	<u>21,486</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) 3,833	6,710
- Tax effect on changes in fair value reserves	<u>(920)</u>	<u>(1,610)</u>
	<u>2,913</u>	<u>5,100</u>
Total comprehensive income for the period	<u>51,057</u>	<u>26,586</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 2020**

	-----Non Distributable-----		Distributable	
	Share capital	Available-for-sale reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	310,800	5,180	129,270	445,250
Profit for the period	-	-	21,486	21,486
Other comprehensive expense for the period	-	5,100	-	5,100
Total comprehensive income/(expense) for the period	-	5,100	21,486	26,586
Dividend paid during the period	-	-	(80,000)	(80,000)
At 30 June 2019	310,800	10,280	70,756	391,836
At 1 January 2020	310,800	12,076	106,137	429,013
Profit for the period	-	-	48,144	48,144
Other comprehensive expense for the period	-	2,913	-	2,913
Total comprehensive income for the period	-	2,913	48,144	51,057
At 30 June 2020	310,800	14,989	154,281	480,070

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 2020

	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	48,144	21,486
Adjustments for:		
Depreciation of property and equipment	439	417
Amortisation of intangible assets	766	672
Depreciation of right-of-use assets	1,486	1,239
Finance cost on lease liabilities	87	-
Investment income	(17,070)	(19,740)
Impairment loss on AFS financial assets	(383)	(184)
Fair value gains on AFS recorded in Statement of Income	377	262
Income tax expense	9,000	8,700
Bad debts written off	207	324
Bad debts recovered	(89)	(451)
Allowance for impairment on insurance receivables	(940)	(52)
	<u>42,024</u>	<u>12,673</u>
Changes in working capital:		
Increase in reinsurance assets	(134,117)	(110,528)
(Increase)/decrease in insurance receivables	(8,121)	2,416
Decrease in deferred acquisition costs	3,812	665
Increase in insurance contract liabilities	128,421	131,626
Increase in insurance payables	11,713	(29,332)
Increase in other payables	12,781	(12,021)
Decrease in loans and receivables, excluding insurance receivable	60,314	78,244
Cash generated from operations	<u>116,827</u>	<u>73,743</u>
Tax Paid	<u>(9,000)</u>	<u>(8,700)</u>
Net cash (outflow)/inflow from operating activities	107,827	65,043

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 2020

	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(24)	(512)
Increase in intangible assets	(538)	(510)
Interest income received	16,350	20,638
Dividend income received	1,001	791
Purchase of AFS financial assets	(144,109)	(153,262)
Proceeds from disposal of AFS financial assets	50,690	105,285
Net cash inflow from investing activities	<u>(76,630)</u>	<u>(27,570)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(80,000)
Payment of lease liabilities	(1,518)	(1,189)
Net cash outflow from investing activities	<u>(1,518)</u>	<u>(81,189)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	29,679	(43,716)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	48,872	109,285
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>78,551</u>	<u>65,569</u>
Cash and cash equivalents comprise:		
Cash and bank balances	15,195	12,162
Fixed and call deposits with maturity of less than 3 months	63,356	36,710
	<u>78,551</u>	<u>48,872</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 2020

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 2019.

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 2019.

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 2020.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2020.

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

No dividend has been declared and paid in respect of financial year ended 31 December 2019 and of the current period ended 30 June 2020.

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 2020 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2020	31.12.2019
	RM'000	RM'000
(a) At fair value		
Quoted:		
Equity securities of corporations	42,223	42,105
Real estate investment trust	2,689	2,919
	<u>44,912</u>	<u>45,024</u>
Unquoted:		
Malaysian government securities	584,119	483,818
Cagamas papers	86,923	96,679
Corporate debt securities	109,491	102,949
	<u>780,533</u>	<u>683,446</u>
	<u>825,445</u>	<u>728,470</u>

	RM'000
(b) Available-for-sale financial assets	
At 1 January 2019	635,029
Purchases	271,183
Maturities	(185,000)
Disposals	(23)
Fair value gains transferred to statement of income	(262)
Fair value gains recorded in other comprehensive income	8,813
Amortisation of premium, net of accretion of discounts	(542)
Movement in impairment allowance	(1,852)
Movement in interest income due and accrued	1,124
At 31 December 2019 / 1 January 2020	<u>728,470</u>
Purchases	144,109
Maturities	(50,000)
Disposals	(690)
Fair value gains recorded in other comprehensive income	3,833
Movement in impairment allowance	383
Amortisation of premium, net of accretion of discounts	(537)
Fair value gains transferred to statement of income	(377)
Movement in interest income due and accrued	254
At 30 June 2020	<u>825,445</u>

10. REINSURANCE ASSETS

	30.06.2020	31.12.2019
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities	319,317	197,248
Premium liabilities	58,540	46,492
	<u>377,857</u>	<u>243,740</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2020 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2020			
Provision for claims reported by policyholders	499,506	(232,483)	267,023
Provision for incurred but not reported claims ("IBNR")	189,171	(86,834)	102,337
Claims liabilities (i)	688,677	(319,317)	369,360
Premiums liabilities (ii)	351,419	(58,540)	292,879
	<u>1,040,096</u>	<u>(377,857)</u>	<u>662,239</u>
At 31 December 2019			
Provision for claims reported by policyholders	389,267	(143,402)	245,865
Provision for incurred but not reported claims ("IBNR")	142,265	(53,846)	88,419
Claims liabilities (i)	531,532	(197,248)	334,284
Premiums liabilities (ii)	380,143	(46,492)	333,651
	<u>911,675</u>	<u>(243,740)</u>	<u>667,935</u>

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2020			
Claims incurred in current accident year	156,964	(53,776)	103,188
Adjustment to claims incurred in prior accident year	63,899	(42,775)	21,124
Effect of changes in key assumptions	46,906	(32,988)	13,918
Claims paid during the period	(110,624)	7,470	(103,154)
At 30 June 2020	<u>688,677</u>	<u>(319,317)</u>	<u>369,360</u>
At 1 January 2019			
Claims incurred in current accident year	440,043	(128,937)	311,106
Adjustment to claims incurred in prior accident year	428,777	(122,185)	306,592
Effect of changes in key assumptions	8,949	8,262	17,211
Claims paid during the period	(9,250)	(8,228)	(17,478)
	<u>(336,987)</u>	<u>53,840</u>	<u>(283,147)</u>
At 31 December 2019	<u>531,532</u>	<u>(197,248)</u>	<u>334,284</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2020 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES (CONTINUE)

(ii) Premiums liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2020	380,143	(46,492)	333,651
Premiums written during the period	304,629	(72,436)	232,193
Premiums earned during the period	(333,353)	60,388	(272,965)
At 30 June 2020	<u>351,419</u>	<u>(58,540)</u>	<u>292,879</u>
	-	-	-
At 1 January 2019	373,872	(38,591)	335,281
Premiums written during the period	728,029	(167,688)	560,341
Premiums earned during the period	(721,758)	159,787	(561,971)
At 31 December 2019	<u>380,143</u>	<u>(46,492)</u>	<u>333,651</u>

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2020 (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:

	30.06.2020	31.12.2019
	RM'000	RM'000
Not later than 1 year	291	313
Later than 1 year and not later than 5 years	237	131
	<u>528</u>	<u>444</u>

13. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2020	31.12.2019
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800	310,800
Retained earnings	154,279	106,137
	<u>465,079</u>	<u>416,937</u>
Tier 2 Capital		
Eligible reserves	14,990	12,077
	<u>14,990</u>	<u>12,077</u>
*Amount deducted from Capital	(6,645)	(7,792)
Total Capital Available	<u>473,424</u>	<u>421,222</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 2020 (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:

	30.06.2020	31.12.2019
	RM'000	RM'000
Inwards reinsurance premium received	-	-
Reinsurance premium ceded	(43,163)	(73,718)
Claims paid	(4,482)	(35,856)
Reinsurance claims recoveries	-	-
Commission earned	18,073	30,072
System related costs paid to related corporations	(10,713)	(15,387)
Personnel and related costs received from related corporations	640	4,353
Loss adjustment expenses and Access fees	68	147
Asset management fees	(67)	(134)
Policy processing and related administration costs	(3,552)	(7,053)
Global service fees	(6,292)	(17,836)
Training fees	-	-
Professional fees	(537)	(1,978)
Management fees	338	370

AIG MALAYSIA INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2020 (CONTINUED)

15. RIGHT-OF-USE ASSETS

	Properties RM'000	Total RM'000
Cost		
As at 01 January 2020	7,713	7,713
Addition	133	133
As at 30 June 2020	<u>7,846</u>	<u>7,846</u>
Accumulated Depreciation		
As at 01 January 2020	2,616	2,616
Charge for the period	1,486	1,486
As at 30 June 2020	<u>4,102</u>	<u>4,102</u>
Net book value		
At 31 December 2020	<u>3,744</u>	<u>3,744</u>

16. LEASE LIABILITY

	Properties RM'000	Total RM'000
Due in 1 year or less	2,770	2,770
Due in 2 to 5 years	1,109	1,109
As at 30 June 2020	<u>3,879</u>	<u>3,879</u>
Future minimum lease payments	3,985	3,985
Less: finance cost	(105)	(105)
Total present value of minimum lease payments	<u>3,880</u>	<u>3,880</u>
<i>Payable within one year</i>		
Future minimum lease payments	2,864	2,864
Finance cost	(94)	(94)
Present value of minimum lease payments	<u>2,770</u>	<u>2,770</u>
<i>Payable more than 1 year but not more than 5 years</i>		
Future minimum lease payments	1,121	1,121
Finance cost	(12)	(12)
Present value of minimum lease payments	<u>1,109</u>	<u>1,109</u>