

Company No : 795492-W

AIG MALAYSIA INSURANCE BERHAD
Formerly known as Chartis Malaysia Insurance Berhad
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD 1 JANUARY 2013 TO 30 JUNE 2013

AIG MALAYSIA INSURANCE BERHAD
Formerly known as Chartis Malaysia Insurance Berhad
(Incorporated in Malaysia) - 795492-W

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AIG MALAYSIA INSURANCE BERHAD
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UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	30.06.2013	31.12.2012
		RM	RM
Assets			
Property and equipment		7,397,620	4,211,965
Intangible assets		1,585,408	2,061,685
Available-for-sale financial assets	9	688,776,809	693,654,896
Reinsurance assets	10	207,090,409	206,772,822
Loans and receivables, excluding insurance receivables		160,140,055	143,717,581
Insurance receivables		108,420,489	104,248,097
Deferred acquisition costs		24,263,691	21,110,144
Deferred tax assets		825,174	829,522
Tax recoverable		-	-
Cash and bank balances		39,051,645	26,819,315
Total assets		<u>1,237,551,300</u>	<u>1,203,426,027</u>
Equity and liabilities			
Share capital		310,800,000	310,800,000
Retained earnings		62,182,871	51,186,526
Available-for-sale reserve		16,417,871	16,404,829
Shared-based reserves		-	944
Total equity		<u>389,400,742</u>	<u>378,392,299</u>
Insurance contract liabilities	11	725,631,126	704,480,483
Deferred tax liabilities		-	-
Insurance payables		85,613,346	82,679,416
Other payables		28,948,468	29,915,455
Current tax liabilities		7,957,618	7,958,374
Total liabilities		<u>848,150,558</u>	<u>825,033,728</u>
Total equity and liabilities		<u>1,237,551,300</u>	<u>1,203,426,027</u>

The accompanying notes form an integral part of the financial statements

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UNAUDITED STATEMENT OF INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	6 months period ended 30.06.2013 RM	6 months period ended 30.06.2012 RM
Operating revenue	<u>324,356,546</u>	<u>295,240,584</u>
Gross earned premiums	298,491,376	269,672,966
Premiums ceded to reinsurers	<u>(60,236,258)</u>	<u>(106,121,107)</u>
Net earned premiums	<u>238,255,118</u>	<u>163,551,859</u>
Investment income	16,745,427	15,814,521
Realised gains and losses	(68,919)	1,440,768
Commission income	8,585,320	18,825,540
Other operating revenue	<u>177,738</u>	<u>481,672</u>
Other Revenue	<u>25,439,566</u>	<u>36,562,501</u>
Gross claims paid	(107,878,870)	(96,301,963)
Claims ceded to reinsurers	13,732,523	20,118,513
Gross change in contract liabilities	(12,030,900)	(54,806,963)
Change in contract liabilities ceded to reinsurers	<u>478,229</u>	<u>32,154,186</u>
Net claims incurred	<u>(105,699,018)</u>	<u>(98,836,227)</u>
Commission expense	(34,771,069)	(32,599,941)
Management expenses	(72,083,203)	(65,479,432)
Other operating expenses	<u>(434,085)</u>	<u>(726,496)</u>
Other expenses	<u>(107,288,357)</u>	<u>(98,805,869)</u>
Profit before taxation	50,707,309	2,472,264
Taxation	<u>(4,710,964)</u>	<u>(5,436,996)</u>
Net (loss)/profit for the period	<u>45,996,345</u>	<u>(2,964,732)</u>
Earnings per share (sen)		
Basic	<u>15</u>	<u>(1)</u>

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	6 months period ended 30.06.2013 RM	6 months period ended 30.06.2012 RM
Net profit/(loss) for the period	<u>45,996,345</u>	<u>(2,964,732)</u>
Other comprehensive income:		
Changes in fair value of available-for-sale financial assets	9(b) 17,390	1,129,137
Tax effect on changes in fair value of available-for-sale financial assets	<u>(4,348)</u>	<u>(282,284)</u>
	<u>13,042</u>	<u>846,853</u>
Total comprehensive income/(expense) for the period	<u>46,009,387</u>	<u>(2,117,880)</u>

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

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	-----Non Distributable-----			Distributable	
	Share capital	Available-for-sale reserve	Share-based payment reserves	Retained earnings	Total
	RM	RM	RM	RM	RM
At 1 January 2012	310,800,000	15,203,124	944	43,717,930	369,721,998
Loss for the period	-	-	-	(2,964,732)	(2,964,732)
Other comprehensive income for the period	-	846,852	-	-	846,852
Total comprehensive income for the period	-	846,852	-	(2,964,732)	(2,117,880)
At 30 June 2012	310,800,000	16,049,976	944	40,753,198	367,604,118
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/(expense) for the period	-	13,042	-	45,996,345	46,009,387
Employee share-based compensation plan	-	-	(944)	-	(944)
Dividends 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

AIG MALAYSIA INSURANCE BERHAD
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UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	6 months period ended 30.06.2013 RM	6 months period ended 30.06.2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the period	45,996,345	(2,964,732)
Adjustments for:		
Depreciation of property and equipment	826,225	2,434,722
Amortisation of intangible assets	452,873	73,177
Investment income	(17,709,027)	(18,876,405)
Impairment loss on AFS financial assets	987	-
Gain on disposal of AFS financial assets	(117,219)	-
Employee share-based compensation plan	(944)	-
Taxation expense	4,710,964	5,436,996
Bad debts written off	119,605	104,156
Bad debts recovered	(8,096)	(55,900)
Increase/(decrease) of impairment on insurance receivables	646,989	712,455
	<u>34,918,702</u>	<u>(13,135,531)</u>
Increase in reinsurance assets	(27,451,164)	(22,612,760)
Increase in insurance receivables	(4,808,957)	(10,127,662)
Increase in deferred acquisition costs	(3,153,547)	(822,943)
Increase in insurance contract liabilities	48,284,220	64,560,060
Increase in insurance payables	2,933,929	6,727,453
Decrease in other payables	(966,987)	(3,046,137)
Interest income received	18,230,434	17,895,949
Dividend income received	744,413	576,308
Purchase of AFS financial assets	(79,646,757)	(98,145,854)
Proceeds from sale of AFS financial assets	384,027	4,396,453
Maturity of AFS financial assets	82,963,599	63,715,802
(Increase)/decrease in loans and receivables, excluding insurance receivable	(16,544,408)	42,324,686
Cash generated from operations	<u>55,887,504</u>	<u>52,305,823</u>
Tax Paid	(4,666,700)	(5,436,996)
Net cash inflow from operating activities	<u>51,220,804</u>	<u>46,868,827</u>

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UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	6 months period ended 30.06.2013 RM	6 months period ended 30.06.2012 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,011,878)	(233,078)
Increase in intangible assets	23,404	(159,408)
Net cash inflow from investing activities	<u>(3,988,474)</u>	<u>(392,486)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	<u>(35,000,000)</u>	-
Net cash inflow from investing activities	<u>(35,000,000)</u>	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	12,232,330	46,476,341
CASH AND CASH EQUIVALENTS AT 1 JANUARY	26,819,315	13,461,667
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>39,051,645</u>	<u>59,938,008</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>39,051,645</u>	<u>59,938,008</u>

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013

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 2012.

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 2012, except for the adoption of the following:

MFRSs/Amendments/Interpretations	Effective date
MFRS 13 - <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 - <i>Employee Benefits (2011)</i>	1 January 2013
Amendments to MFRS 7 - <i>Financial Instruments: Disclosures</i>	1 January 2013

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 2013.

4. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2013.

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 2012 amounting to RM35 million (RM11.26 sen per share) was paid on 20 June 2013.

No dividend has been declared in respect of the current period ended 30 June 2013.

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.

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013 (CONTINUED)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2013	31.12.2012
	RM	RM
(a) At fair value		
Quoted:		
Equity securities of corporations	35,033,891	29,312,739
Real estate investment trust	10,237,007	10,192,038
Unquoted:		
Malaysian government securities	318,964,497	346,982,109
Cagamas papers	68,772,670	64,033,575
Corporate debt securities	255,768,744	243,134,435
	<u>688,776,809</u>	<u>693,654,896</u>
 (b) Available-for-sale financial assets		RM
At 1 January 2012		628,381,332
Purchases		191,853,171
Maturities		(118,000,000)
Disposals		(8,818,067)
Fair value loss recorded in other comprehensive income		3,291,283
Amortisation of premium, net of accretion of discounts		(4,238,346)
Movement in interest income due and accrued		1,185,523
At 31 December 2012		<u>693,654,896</u>
Purchases		79,646,757
Maturities		(82,963,599)
Disposals		(384,027)
Fair value gains recorded in other comprehensive income		17,390
Movement in impairment allowance		(987)
Amortisation of premium, net of accretion of discounts		(1,426,326)
Gain on disposal of AFS financial assets		117,219
Movement in interest income due and accrued		115,486
At 30 June 2013		<u>688,776,809</u>

10. REINSURANCE ASSETS

	30.06.2013	31.12.2012
	RM	RM
Reinsurance of insurance contracts		
Claims liabilities	192,037,381	191,559,152
Premium liabilities	15,053,028	15,213,670
	<u>207,090,409</u>	<u>206,772,822</u>

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES

	Gross RM	Reinsurance RM	Net RM
At 30 June 2013			
Provision for claims reported by policyholders	323,469,164	(149,768,476)	173,700,688
Provision for incurred but not reported claims ("IBNR")	130,193,499	(42,268,905)	87,924,594
Claims liabilities (i)	453,662,663	(192,037,381)	261,625,282
Premiums liabilities (ii)	271,968,463	(15,053,028)	256,915,435
	<u>725,631,126</u>	<u>(207,090,409)</u>	<u>518,540,717</u>
At 31 December 2012			
Provision for claims reported by policyholders	323,447,366	(154,499,213)	168,948,153
Provision for incurred but not reported claims ("IBNR")	118,184,397	(37,059,939)	81,124,458
Claims liabilities (i)	441,631,763	(191,559,152)	250,072,611
Premiums liabilities (ii)	262,848,720	(15,213,670)	247,635,050
	<u>704,480,483</u>	<u>(206,772,822)</u>	<u>497,707,661</u>

(i) Claims liabilities

	Gross RM	Reinsurance RM	Net RM
At 1 January 2013			
Claims incurred in current accident year	79,549,364	(21,340,802)	58,208,563
Adjustment to claims incurred in prior accident year	28,351,304	12,339,015	40,690,319
Effect of changes in key assumptions	12,009,102	(5,208,965)	6,800,137
Claims paid during the period	(107,878,870)	13,732,523	(94,146,347)
At 30 June 2013	<u>453,662,663</u>	<u>(192,037,381)</u>	<u>261,625,282</u>
At 1 January 2012			
Claims incurred in current accident year	205,840,220	(48,040,430)	157,799,790
Adjustment to claims incurred in prior accident year	45,874,510	(27,501,508)	18,373,002
Effect of changes in key assumptions	(6,246,531)	(92,845)	(6,339,376)
Claims paid during the period	(231,936,644)	59,641,066	(172,295,578)
At 31 December 2012	<u>441,631,763</u>	<u>(191,559,152)</u>	<u>250,072,611</u>

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013 (CONTINUED)

11. INSURANCE CONTRACT LIABILITIES (CONTINUE)

(ii) Premiums liabilities

	Gross RM	Reinsurance RM	Net RM
At 1 January 2013	262,848,720	(15,213,670)	247,635,050
Premiums written during the period	307,611,119	(60,075,616)	247,535,503
Premiums earned during the period	<u>(298,491,376)</u>	<u>60,236,258</u>	<u>(238,255,118)</u>
At 30 June 2013	<u>271,968,463</u>	<u>(15,053,028)</u>	<u>256,915,435</u>
At 1 January 2012	223,355,363	(17,315,832)	206,039,531
Premiums written during the period	580,583,167	(190,779,610)	389,803,557
Premiums earned during the period	<u>(541,089,810)</u>	<u>192,881,772</u>	<u>(348,208,038)</u>
At 31 December 2012	<u>262,848,720</u>	<u>(15,213,670)</u>	<u>247,635,050</u>

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013 (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:

	30.06.2013	31.12.2012
	RM	RM
Not later than 1 year	2,556,777	2,623,210
Later than 1 year and not later than 5 years	<u>8,315,842</u>	<u>8,315,842</u>
	<u>10,872,619</u>	<u>10,939,052</u>

13. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2013, as prescribed under the Framework is provided below:

	30.06.2013	31.12.2012
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800,000	310,800,000
Retained earnings	<u>62,182,871</u>	<u>51,186,526</u>
	<u>372,982,871</u>	<u>361,986,526</u>
Tier 2 Capital		
Eligible reserves	<u>16,417,871</u>	<u>16,405,773</u>
	<u>16,417,871</u>	<u>16,405,773</u>
*Amount deducted from Capital	<u>(3,442,624)</u>	<u>(3,923,249)</u>
Total Capital Available	<u>385,958,118</u>	<u>374,469,050</u>

At the end of 30 June 2013, 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 2013 (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:

	30.06.2013	31.12.2012
	RM	RM
Reinsurance premium ceded	(52,419,948)	(80,077,534)
Reinsurance claims recoveries	10,197,121	13,308,758
Commission earned	6,865,298	13,485,017
System related costs paid to related corporations	(4,280,872)	(2,910,752)
Personnel and related costs received from related corporations	2,093,057	2,026,778
Claims handling fee received from related corporation	65,952	58,800
Loss adjustment expenses	(586,479)	(163,224)
Personnel and related costs for expatriate paid to related corporations	(1,403,259)	(1,870,601)
Dividend paid AIG Asia Pacific Insurance Pte Ltd, Singapore	<u>35,000,000</u>	<u>-</u>