AIG MALAYSIA INSURANCE BERHAD

(Company No. 200701037463 (795492-W))
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE FINANCIAL PERIOD FROM
1 JANUARY 2023 TO 30 JUNE 2023

AIG MALAYSIA INSURANCE BERHAD
(Company No. 200701037463 (795492-W))
(Incorporated in Malaysia)

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AIG MALAYSIA INSURANCE BERHAD
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(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 - UNAUDITED

	Note	30.06.2023 RM'000	Restated 31.12.2022 RM'000	Restated 1.1.2022 RM'000
Assets				
Property and equipment		422	327	810
Right-of-use of assets	14	3,550	5,229	7,220
Intangible assets		4,475	3,159	2,148
Financial investments	12	1,184,027	1,206,827	1,201,052
Reinsurance contract assets	10	175,957	184,578	272,706
Loans and receivables		49,624	48,471	48,390
Deferred tax assets		1,389	2,023	7,384
Cash and bank balances		228,024	132,118	70,813
Total assets		1,647,468	1,582,732	1,610,523
Equity and liabilities				
Share capital		310,800	310,800	310,800
Retained earnings		294,608	347,694	290,194
Available-for-sale reserve		(4,356)	(2,418)	7,936
Total equity		601,052	656,076	608,930
Insurance contract liabilities	11	811,402	819,335	937,069
Lease Liabilities	15	3,383	4,783	6,638
Other payables		201,215	72,122	53,146
Current tax liabilties		30,416	30,416	4,740
Total liabilities		1,046,416	926,656	1,001,593
Total equity and liabilities		1,647,468	1,582,732	1,610,523

The accompanying notes form an integral part of the financial statements

AIG MALAYSIA INSURANCE BERHAD
(Company No. 200701037463 (795492-W))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 - UNAUDITED

	6 months period ended 30.06.2023 RM'000	Restated 6 months period ended 30.06.2022 RM'000
Insurance revenue	399,991	357,494
Insurance service expenses	(250,789)	(231,292)
Net expenses from reinsurance contracts held	(46,837)	(33,708)
Insurance service result	102,365	92,494
Interest revenue from financial assets not measured at FVTPL	20,020	17,478
Net gains on financial assets measured at FVTPL	(6,009)	-
Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	(5,325)	1,015
Net investment income	8,686	18,493
Net finance expenses from insurance contracts issued	2,137	(99)
Net finance income from reinsurance contracts held	(2,189)	(1,934)
Net insurance finance expense	(52)	(2,033)
Net insurance and investment result	110,999	108,954
Other income	2,767	419
Other operating expenses	(24,863)	(25,725)
Other finance costs	(66)	(100)
Profit before income tax	88,837	83,548
Income tax expense	(13,690)	(14,646)
Profit for the period	75,147	68,902
Earnings per share		
Basic	0.24 sen	0.22 sen

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

AIG MALAYSIA INSURANCE BERHAD
(Company No. 200701037463 (795492-W))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 - UNAUDITED

	6 months period ended 30.06.2023 RM'000	Restated 6 months period ended 30.06.2022 RM'000
Profit for the period	75,147	68,902
Other comprehensive loss:		
Items that may be subsequently reclassified to profit or loss		
Changes in available-for-sale reserves:		
- Fair value loss arise during the period	(2,550)	(19,587)
- Tax effect on changes in fair value reserves	612	4,701
	(1,938)	(14,886)
Total comprehensive income for the period, net of tax	73,209	54,016

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

AIG MALAYSIA INSURANCE BERHAD
(Company No. 200701037463 (795492-W))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 - UNAUDITED

	<----Non Distributable---->		**Distributable**	
	Share capital	Available-for-sale reserve	Retained earnings	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2022, as previously stated	310,800	7,936	217,154	535,890
Impact arising from adoption of MFRS 17 and MFRS 9	-	-	73,040	73,040
At 1 January 2022 - restated	310,800	7,936	290,194	608,930
Profit for the period	-	-	68,902	68,902
Other comprehensive expense for the period	-	(14,886)	-	(14,886)
Total comprehensive (loss)/income for the period	-	(14,886)	68,902	54,016
Dividend paid during the period	-	-	(55,000)	(55,000)
At 30 June 2022 - restated	310,800	(6,950)	304,096	607,946
At 1 January 2023, as previously stated	310,800	(2,418)	297,405	605,787
Impact arising from adoption of MFRS 17 and MFRS 9	-	-	57,056	57,056
At 1 January 2023 - restated	310,800	(2,418)	354,461	662,843
Profit for the period	-	-	75,147	75,147
Other comprehensive expense for the period	-	(1,938)	-	(1,938)
Total comprehensive (loss)/income for the period	-	(1,938)	75,147	73,209
Dividend paid during the period	-	-	(135,000)	(135,000)
At 30 June 2023 - restated	310,800	(4,356)	294,608	601,052

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

AIG MALAYSIA INSURANCE BERHAD
(Company No. 200701037463 (795492-W))
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CONDENSED UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 - UNAUDITED

	6 months period ended 30.06.2023 RM'000	Restated 6 months period ended 30.06.2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**75,147**	**68,902**
Adjustments for:		
Depreciation of property and equipment	110	307
Amortisation of intangible assets	977	952
Depreciation of right-of-use assets	1,051	1,340
Finance cost on lease liabilities	66	100
Investment income	(20,020)	(17,478)
Impairment loss on FVTPL financial assets	(5,457)	(5)
Realised losses/(gains) on FVTPL financial assets	5,325	(1,015)
Net fair value gains recorded in profit or loss	4,567	-
Income tax expense	15,132	14,646
	76,898	67,749
Changes in working capital:		
Decrease in AC financial assets	35,673	2,119
Decrease/(increase) in reinsurance contract assets	8,621	(11,756)
(Decrease)/increase in insurance contract liabilities	(7,933)	6,777
Increase in other payables	129,093	4,599
Increase in loans and receivables	(1,152)	(3,009)
Cash generated from operations	241,200	66,479
Tax Paid	(14,580)	(14,880)
Net cash inflow from operating activities	226,620	51,599

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

AIG MALAYSIA INSURANCE BERHAD
(Company No. 200701037463 (795492-W))
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CONDENSED UNAUDITED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 - UNAUDITED (CONTINUED)

	6 months period ended 30.06.2023 RM'000	Restated 6 months period ended 30.06.2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(205)	-
Increase in intangible assets	(2,293)	(1,788)
Interest income received	22,627	20,057
Dividend income received	1,754	1,704
Purchase of FVTPL financial assets	(3,550)	(4,600)
Purchase of FVOCI financial assets	(228,100)	(106,918)
Proceeds from disposal of FVTPL financial assets	4,892	4,507
Proceeds from disposal of FVOCI financial assets	210,000	115,000
Net cash inflow from investing activities	5,125	27,962
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(135,000)	(55,000)
Payment of lease liabilities	(839)	(1,486)
Net cash outflow from investing activities	(135,839)	(56,486)
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,906	23,075
CASH AND CASH EQUIVALENTS AT 1 JANUARY	132,118	70,813
CASH AND CASH EQUIVALENTS AT 30 JUNE	228,024	93,888
Cash and cash equivalents comprise:		
Cash and bank balances	20,049	12,411
Fixed and call deposits with maturity of less than 3 months	207,975	81,477
	228,024	93,888

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

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements ("the Report") of AIG Malaysia Insurance Berhad ("the Company") have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting*, and International Accounting Standard ("IAS") 34, *Interim Financial Reporting.*

The Report does not include all information required for disclosure in the annual financial statements, and should be read in conjunction with the audited financial statements of the Company as at and for the financial year ended 31 December 2022, except for the financial results relating to the adoption of MFRS 17, *Insurance contracts* and MFRS 9, *Financial instruments*. The comparative information and disclosures have been prepared in accordance with MFRSs and restated where relevant to reflect the initial adoption of new accounting standards, MFRS 17 and MFRS 9.

The preparation of the condensed interim financial statement in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities as at the date of the condensed interim financial statements, and the reported amount of income and expenses during the period. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation

The accounting policies adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

Material new and revised MFRSs:

- Amendments to MFRS101, *Classification of liabilities as current or non-current*
- Amendments to MFRS 101, Presentation of Financial Statements - D*isclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Definition of Accounting Estimate*
- Amendments to MFRS 112, *Deferred tax related to Assets and Liabilities arising from single transaction transaction*
- MFRS 17, *Insurance Contracts*
- MFRS 9, *Financial Instruments*
- Amendment to MFRS 17 *“Initial Application of MFRS 17 and MFRS 9 - Comparative Information”*

The initial application of the abovementioned accounting standards and amendments did not have any material financial impact to the current and prior periods financial statements upon their first adoption except as mentioned in Note 2 “changes in accounting policies”

2. CHANGES IN ACCOUNTING POLICIES

MFRS 17, Insurance Contracts

In May 2017, the MASB issued MFRS 17 ‘Insurance Contracts’ (MFRS 17), which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4 ‘Insurance Contracts’. In addition, the MASB issued further amendments to MFRS 17 in June 2020 and December 2021. The December 2021 amendment permits the Company to present comparative information about financial assets as if the classification and measurement requirements of MFRS 9 ‘Financial Instruments’ (MFRS 9) had been applied to that financial asset in the comparative period (the “Classification overlay”).

MFRS 17 is effective for annual reporting periods commencing on or after 1 January 2023 which will be the date of initial application by the Company. The adoption of MFRS 17 will result in significant changes to the accounting for insurance contracts issued and reinsurance contracts held by the Company. The Company has established a multi-functional project team to implement MFRS 17 across the entire business.

All references to ‘insurance contracts’ within this note should be read as being equally applicable to both insurance contracts issued and reinsurance contracts held unless explicitly stated otherwise.

Scope

When identifying contracts in the scope of MFRS 17, in some cases the Company will have to assess whether:

- a set or series of individual insurance contracts are required to be combined and treated as a single contract for measurement purposes; and
- any embedded derivatives, distinct investment components and transfers of distinct goods and services have to be separated from the contract and accounted for under another standard.

The Company does not expect significant changes arising from the application of these requirements.

Level of aggregation

Under MFRS 17, the Company recognises and measures insurance contracts on the basis of groups rather than individual contracts. In determining groups, the Company first identifies portfolios of insurance contracts that are subject to similar risks and managed together. Each portfolio is then further disaggregated into groups of insurance contracts with insurance contracts allocated to a group on the basis of expected profitability at initial recognition and annual cohorts. Once established at initial recognition, the composition of the groups is not subsequently reassessed.

Contract boundary

The measurement of a group of insurance contracts includes all the cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services (the ‘coverage period’).

2. CHANGES IN ACCOUNTING POLICIES (CONTINUE)

MFRS 17, Insurance Contracts (continue)

Contract boundary (continued)

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

Measurement

MFRS 17 introduces a new measurement model, the general measurement model (GMM), that comprises the fulfilment cash flows and the contractual service margin. The fulfilment cash flows represent the expected cash flows attributable to insurance contracts discounted to a present value and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit that the Company will recognize as it provides insurance services over the coverage period of the insurance contract. MFRS 17 also introduces two modifications to the GMM: the variable fee approach (VFA) which is mandatory for insurance contracts where the policyholder has a direct participating interest; and the premium allocation approach (PAA) which is an optional simplification of the GMM

The Company has no insurance contracts within the scope of the VFA.

The Company has evaluated the eligibility for applying the PAA to all groups of insurance contracts in force at the transition date and for the current period and determined that the PAA is permitted to be applied to all insurance lines. The Company has therefore elected to measure all groups of insurance contracts applying the PAA and consequently no insurance contracts are measured applying the GMM.

Measurement - PAA

The main changes the Company expects to arise from MFRS 17 include: the requirement to discount the liability for incurred claims (LIC) and, where a significant financing component exists, the liability for remaining coverage (LRC) – and related assets for remaining coverage (ARC) and assets for incurred claims (AIC) for reinsurance contracts held; the potential earlier recognition of losses for onerous contracts due to the lower granularity of assessment compared to the loss adequacy review under MFRS 4; and the introduction of an explicit risk adjustment for non-financial risk.

Additionally, under MFRS 17 all components of insurance contract measurement are considered monetary items which is a change from MFRS 4 where certain components, such as the unearned premium reserve, were considered non-monetary items.

Discount rates

The LRC and LIC (and ARC and AIC for reinsurance contracts held) are discounted where applicable. The Company will apply a bottom-up approach to derive the discount rates applied to its insurance based on the risk-free rates for the currency of each insurance contract with an illiquidity adjustment to adjust the risk-free curves to reflect the illiquid nature of the insurance contracts.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUE)

MFRS 17, Insurance Contracts (continue)

Onerous contracts

Insurance contracts measured applying the PAA are assumed to be profitable unless facts and circumstances indicate otherwise. At initial recognition, insurance contracts that are expected to result in a net cash outflow are allocated to a group of onerous contracts and measured separately from insurance contracts within the portfolio that are expected to be profitable. Where a group of insurance contracts is determined to be onerous, a loss component of the LRC is recognized as an insurance service expense.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. The Company estimates the risk adjustment for non-financial risk separately from all other estimates.

The company applies a confidence level technique to determine the risk adjustment for non-financial risk, with the target confidence level of 75th percentile. This is consistent with the local regulatory requirements under Risk-Based Capital Framework for insurers.

Presentation and Disclosure

MFRS 17 will also significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Company’s financial statements.

On adoption, the Company will present insurance contract liabilities and reinsurance contract assets as a single amount on the balance sheet. This will replace the current presentation of insurance contract liabilities (unearned premiums and liability for incurred claims, including IBNR) separately from any deferred acquisition costs and insurance receivables and payables. These items will be derecognized and incorporated into the single measure of insurance contracts on adoption of MFRS 17.

Additionally, under MFRS 17, presentation is determined at the portfolio of insurance contracts level, with any portfolios of insurance contracts issued that are in a net asset position shown separately from those portfolios that are in a liability position. Similarly, portfolios of reinsurance contracts held that are in a net liability position are shown separately from those that are in a net asset position.

Under MFRS 17, amounts recognised in the statement of profit or loss are disaggregated into: (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses – which will comprise the effects of discounting and any foreign exchange movements. Amounts from reinsurance contracts will be presented separately.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUE)

MFRS 17, Insurance Contracts (continue)

Transition

The Company will adopt MFRS 17 for its financial statements for the year ending 31 December 2023 and will apply the requirements retrospectively from the transition date of 1 January 2022 (the transition date). The Company has determined that all insurance contracts that had not been derecognized prior to the transition date were eligible to apply the PAA.

The Company expects that all groups of insurance contracts qualify for the premium allocation approach at the transition date. As such, the full retrospective approach will be applied to all groups of insurance and reinsurance contracts.

The Company also notes that the impact to the financial statements resulting from the adoption of this standard will significantly be influenced by interest rate sensitivity and the overall macroeconomic environment and are subject to change.

MFRS 9, Financial Instruments

MFRS 9 replaces MFRS 139, *Financial Instruments*: Recognition and Measurement. Although MFRS 9 has an effective date for accounting periods beginning on or after 1 January 2018, the Company elected to take advantage of the provisions in 'Applying MFRS 9, *Financial Instruments* with MFRS 4 Insurance Contracts (Amendments to MFRS 4)' and deferred its application until the current financial year which is the first accounting period in which the Company has also applied MFRS 17. The Date of Initial Application ("DIA") for the Company is 1 January 2023.

Classification of financial assets and financial liabilities

MFRS 9 introduces three new classification categories for financial assets: measured at Amortised Cost ("AC"); Fair Value through Other Comprehensive Income ("FVOCI"); and Fair Value through Profit or Loss ("FVTPL"), replacing the categories under IAS 39 of FVTPL, available-for-sale ("AFS"), loans and receivables and held-to-maturity. Generally, classification is determined based on an assessment of the contractual cash flow characteristics of the financial asset and the business model within which it is held. The Company has classified and measured all its quoted equity instruments as FVTPL. Its' holding in debt instruments has been classified as FVOCI and fixed and call

The adoption of MFRS 9 has had no impact on the Company's accounting policies for financial liabilities.

Impairment

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUE)

MFRS 9, Financial Instruments (continued)

Transition

The changes in accounting policies resulting from the adoption of MFRS 9 have been applied on a retrospective basis from the DIA, except as noted below.

- As permitted by MFRS 9, comparative information has not been restated for MFRS 9. Additionally, the Company has not applied the Classification Overlay provided in the amendment to MFRS 17, Initial Application of MFRS 17 and MFRS 9 – Comparative Information, issued in December 2021. Therefore, financial instruments in the comparative period remain measured and presented in accordance with IAS 39 as previously reported.
- The following assessments have been made based on facts and circumstances that existed at the DIA:
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- For financial assets that had a low credit risk at the DIA, the Company determined that the credit risk had not increased significantly subsequent to initial recognition.

3. SEASONAL OR CYCLICAL FACTORS

The business operations of the Company were not significantly affected by seasonality or cyclical factors for the period under review.

4. EXCEPTIONAL OR EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the six months ended 30 June 2023.

5. CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the current financial period ended 30 June 2023.

6. 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.

7. DIVIDENDS

A final single-tier dividend of 43.44% (RM0.43 per share) on ordinary shares declared and paid in respect of financial year ended 31 December 2022 amounting to RM135 million was paid on 22 June 2023.

No dividend has been declared in respect of the current period ended 30 June 2023.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED (CONTINUED)

8. 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.

9. 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
(Company No. 200701037463 (795492-W))
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED (CONTINUED)

10. REINSURANCE CONTRACT ASSETS/LIABILITIES

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims ceded to reinsurers is disclosed in the table below:

	2023				
	ARC		**AIC**		
	Excluding loss recovery component	loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 January 2023	(90,655)	-	241,130	34,103	184,578
Reinsurance expenses	(88,418)	-	-	-	(88,418)
Claims recoveries	-	-	39,527	2,054	41,581
					-
Net (expense) / income from reinsurance contracts held	(88,418)	-	39,527	2,054	(46,837)
Finance income from reinsurance contracts held	(980)	-	(1,209)	-	(2,189)
Total amounts recognized in comprehensive income	(89,398)	-	38,318	2,054	(49,026)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	63,524	-	-	-	63,524
Reinsurance recoveries	-	-	(23,355)	-	(23,355)
Total cash flows	63,524	-	(23,355)	-	40,169
Other movements	236	-	-	-	236
As at 30 June 2023	(116,293)	-	256,093	36,157	175,957

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED (CONTINUED)

10. REINSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims ceded to reinsurers is disclosed in the table below (continued):

	2022				
	ARC		AIC		
	Excluding loss recovery component	loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 January 2022	(53,036)	-	282,935	42,807	272,706
Reinsurance expenses	(143,007)	-	-	-	(143,007)
Claims recoveries	-	-	(57,799)	(8,704)	(66,503)
Changes that relate to past service - adjustment to incurred claims	-	-	64,876	-	64,876
Net (expense) / income from reinsurance contracts held	(143,007)	-	7,077	(8,704)	(144,634)
Finance income from reinsurance contracts held	1,474	-	5,636	-	7,110
Total amounts recognized in comprehensive income	(141,533)	-	12,713	(8,704)	(137,524)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	103,914	-	-	-	103,914
Reinsurance recoveries	-	-	(54,518)	-	(54,518)
Total cash flows	103,914	-	(54,518)	-	49,396
As at 31 December 2022	(90,655)	-	241,130	34,103	184,578

11. INSURANCE CONTRACT ASSETS/LIABILITIES

The roll-forward of net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below:

	2023				
	LRC		LIC		
	Excluding loss component	loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 January 2023	182,401	-	564,679	72,255	819,335
Insurance revenue	(399,991)	-	-	-	(399,991)
Insurance service expenses	87,002	-	158,643	5,143	250,788
Incurred claims and other directly attributable expenses	-	-	158,643	5,143	163,786
Insurance acquisition cash flows amortization	87,002	-	-	-	87,002
Insurance service result	(312,989)	-	158,643	5,143	(149,203)
Net finance expenses from insurance contracts issued	488	-	(2,625)	-	(2,137)
Total amounts recognized in comprehensive income	(312,501)	-	156,018	5,143	(151,340)
Cash flows					
Premium received	374,913	-	-	-	374,913
Claims and other directly attributable expenses paid	-	-	(121,122)	-	(121,122)
Insurance acquisition costs	(86,856)	-	-	-	(86,856)
Total cash flows	288,057	-	(121,122)	-	166,935
Other movements	(18,395)	-	(5,133)	-	(23,528)
As at 30 June 2023	139,562	-	594,442	77,398	811,402

AIG MALAYSIA INSURANCE BERHAD
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED (CONTINUED)

11. INSURANCE CONTRACT ASSETS/LIABILITIES (CONTINUED)

The roll-forward of net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below (continued):

	2022				
	LRC		LIC		
	Excluding loss component	loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	206,100	-	643,868	87,101	937,069
Insurance revenue	(716,969)	-	-	-	(716,969)
Insurance service expenses	166,176	-	175,151	(14,846)	326,481
Incurred claims and other directly attributable expenses	-	-	175,151	(14,846)	160,305
Insurance acquisition cash flows amortization	166,176	-	-	-	166,176
Insurance service result	(550,793)	-	175,151	(14,846)	(390,488)
Net finance expenses from insurance contracts issued	6,024	-	9,979	-	16,003
Total amounts recognized in comprehensive income	(544,769)	-	185,130	(14,846)	(374,485)
Cash flows					
Premium received	668,121	-	-	-	668,121
Claims and other directly attributable expenses paid	-	-	(264,319)	-	(264,319)
Insurance acquisition costs	(63,367)	-	-	-	(63,367)
Total cash flows	604,754	-	(264,319)	-	340,435
Other movements	(83,684)	-	-	-	(83,684)
As at 31 December 2022	182,401	-	564,679	72,255	819,335

12. FINANCIAL INVESTMENT

	30.06.2023 RM'000	31.12.2022 RM'000
Malaysian government securities	824,804	751,121
Cagamas papers	80,852	74,846
Corporate debt securities	180,098	239,533
Equity securities of corporations	69,618	76,903
Real estate investment trust	2,326	2,422
Fixed and call deposits	26,329	62,002
Total financial investments	1,184,027	1,206,827

The Company's financial investments are summarised by categories as follows:

	30.06.2023 RM'000	31.12.2022 RM'000
Financial assets at FVTPL (Note 12 (a))	71,944	79,325
Financial assets at FVOCI (Note 12 (b))	1,085,754	1,065,500
Financial assets at amortised cost (Note 12 (c))	26,329	62,002
	1,184,027	1,206,827

(a) Fair value through profit or loss ("FVTPL")

	30.06.2023 RM'000	31.12.2022 RM'000
At fair value		
Equity securities of corporations - quoted in Malaysia	69,618	76,903
Real estate investment trust - quoted in Malaysia	2,326	2,422
	71,944	79,325

(b) Fair value through other comprehensive income ("FVOCI")

	30.06.2023 RM'000	31.12.2022 RM'000
At fair value		
Malaysian government securities - unquoted in Malaysia	824,804	751,121
Cagamas papers - unquoted in Malaysia	80,852	74,846
Corporate debt securities - unquoted in Malaysia	180,098	239,533
	1,085,754	1,065,500

12. FINANCIAL INVESTMENT (CONTINUED)

(c) Amortised cost ("AC")

	30.06.2023 RM'000	31.12.2022 RM'000
At amortised cost		
Fixed and call deposits with licensed financial institutions with maturity more than three months	26,329	62,002
	26,329	62,002

The carrying amount of the deposits with financial institutions approximates fair value due to the relatively short term maturities.

13. 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:

	30.06.2023 RM'000	31.12.2022 RM'000
Reinsurance premium ceded	(58,546)	(88,639)
Claims paid	(5,410)	(33,771)
Commission earned	22,451	33,868
System related costs paid to related corporations	(7,257)	(16,225)
Reimbursement of expenses paid on behalf of immediate holding company	1,092	2,458
Asset management fees	(40)	(171)
Policy processing and related administration costs	(436)	(583)
Global service fees	(6,852)	(19,528)
Professional fees	(655)	(1,611)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED (CONTINUED)

14. RIGHT-OF-USE ASSETS

	Properties RM'000
Cost	
As at 1 January 2022	15,919
Addition	809
Early Termination	(126)
As at 31 December 2022 / 1 January 2023	16,602
Early Termination	(628)
As at 30 June 2023	15,974
Accumulated Depreciation	
As at 1 January 2022	8,699
Charge for the period	2,759
Early Termination	(85)
As at 31 December 2022 / 1 January 2023	11,373
Charge for the period	1,051
As at 30 June 2023	12,424
Net book value	
At 31 December 2022	5,229
At 30 June 2023	3,550

15. LEASE LIABILITY

	30.06.2023 RM'000	**31.12.2022 RM'000**
Due in 1 year or less	2,474	2,610
Due in 2 to 5 years	909	2,173
Total present value of minimum lease payments	3,383	4,783
Future minimum lease payments	3,457	4,924
Less: finance cost	(74)	(141)
Total present value of minimum lease payments	3,383	4,783
Payable within one year		
Future minimum lease payments	2,540	2,717
Finance cost	(66)	(107)
Present value of minimum lease payments	2,474	2,610
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	916	2,206
Finance cost	(7)	(33)
Present value of minimum lease payments	909	2,173

16. FAIR VALUE INFORMATION

Fair value measurement

The Company carries certain of its financial instruments at fair value. The fair value of a financial instrument is the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date.

The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of observable valuation inputs. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions.

Fair value hierarchy

Financial assets recorded at fair value in the Statement of Financial Position are measured and classified in a hierarchy for disclosure purposes consisting of three levels based on the characteristics of inputs available in the marketplace that are used to measure the fair values as noted below:

Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Level 2

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Company then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement

Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments;
  Other techniques, such as discounted cash flow analysis, are used to determine fair value for the
- remaining financial instruments.

There is no transfer between Level 1 and Level 2 of the fair value hierarchy during the period under review.

17. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2023, as prescribed under the Framework is provided below:

	30.06.2023 RM'000	31.12.2022 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	310,800	310,800
Retained earnings	240,372	297,405
	551,172	608,205
Tier 2 Capital		
Eligible reserves	(2,156)	(2,418)
	(2,156)	(2,418)
Amount deducted from Capital	(19,400)	(18,167)
Total Capital Available	529,616	587,620

18. CONTINGENT LIABILITY

As background, on 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme ("PARS").

On 22 February 2017, the Company received MyCC's notice of proposed decision ("Proposed Decision") that the Company and all the other 21 general insurers who are members of PIAM have infringed Section 4 of the Act - prohibition by participating in an agreement which has, as its object, the prevention, restriction or distortion in relation to the market of parts trade and labour charges for PARS workshops from 1 January 2012 to 17 February 2017 ("Infringement").

The Proposed Decision includes a proposed financial penalty of RM213,454,814.00 on all the 22 general insurers. The Company as one of the members of PIAM, will have a share of RM5,869,631.00 of the proposed penalty.

Between April 2017 to February 2018, the Company (and the other general insurers) submitted written submissions followed by oral representations before the MyCC. Due to the changes of the Members of MyCC (including the Chairman) de novo (new) proceedings took place between February 2019 and June 2019 for the Company (and the other general insurers) to resubmit the oral representations. BNM's Oral Representation took place on 13 May 2019.

18. CONTINGENT LIABILITY (CONTINUED)

On 25 September 2020, the Company's solicitors received the decision dated 14 September 2020 from the MyCC ("Decision") that parties have infringed the prohibition under Section 4 of the Act and which imposes on each of the 22 general insurers financial penalties and a cease and desist from implementing the agreed parts trade discount and hourly labour rates for PARS workshop ("Cease & Desist Order") for the said Infringement. The MyCC imposed a financial penalty of RM5,576,149.86 ("Fine") on the Company based on its submission on mitigation factors. Notwithstanding this, in view of the impact of COVID-19 pandemic, the MyCC granted a reduction of 25% of the financial penalty imposed and a moratorium period for the payment of the financial penalty up to 6-months and payment of the financial penalty by equal monthly instalment for up to 6 months. Accordingly, the Company's financial penalty was reduced from RM5,576,149.86 to RM4,182,112.40.

The Company filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") and an Application for Stay on the payment of the Fine and Cease & Desist Order on 14 October 2020. This was granted by the CAT on 23 March 2021. As such the Company's potential financial liability is RM4,182,112.40.

BNM's session with the CAT together with counsel of the MYCC were completed on 29 October 2021. The first tranche of the appeal hearing before the CAT was completed by 26 November 2021. Counsel for MyCC will commence their reply before the CAT on 17, 21, 24 March 2022 and 6 April 2022 following by the Company's (and other general insurers, including PIAM's) final right of reply fixed on 7 and 21 April 2022.

On 2 September 2022, the CAT unanimously decided to allow AIG's appeal against the MyCC Decision which has been set aside ("CAT Decision"). MyCC has since applied to the High Court for leave to judicially review against the CAT Decision filed an application for Judicial Review (ex parte) and the leave for hearing is fixed for 10 January 2023 and the hearing for the leave application is scheduled to be on the 8th May 2023. AIG (together with PIAM and a majority of the insurers) have filed an objection to MyCC's leave application for Judicial Review.

Saved as disclosed above, the management of the Company believes the criteria to disclose the above as contingent liability are met. Save as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

AIG MALAYSIA INSURANCE BERHAD
(Company No. 200701037463 (795492-W))
(Incorporated in Malaysia)

CONFIRMATION BY OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, Zawinah Ismail, being the officer primarily responsible for the financial management of AIG Malaysia Insurance Berhad, confirm that the financial statements set out on pages 1 to 23 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting.

Zawinah Ismail

Kuala Lumpur

Date: 30 October 2023