

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(102249-P)
(A Member of Great Eastern Holdings Limited)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INTERIM BALANCE SHEET
AS AT 30 JUNE 2013

	Note	30.06.2013 RM	31.12.2012 RM
Assets			
Property and equipment		18,611,580	17,731,924
Goodwill		18,182,598	18,182,598
Investments	11	524,605,729	565,587,458
Malaysian government securities		136,897,487	179,155,238
Debt securities		293,048,791	317,259,512
Equity securities		31,885,548	13,467,774
Unit and property trust funds		6,650,783	5,048,285
Financial instruments with embedded derivatives		29,429,642	20,409,575
Loans		21,653,478	21,897,074
Deposits with financial institutions		5,040,000	8,350,000
Reinsurance assets	12	159,482,309	134,762,150
Insurance receivables		59,769,535	36,710,971
Other receivables		62,046,432	41,618,821
Cash and bank balances		34,277,686	27,934,457
Assets held for sale		2,341,528	7,601,528
Total assets		<u>879,317,397</u>	<u>850,129,907</u>
Equity			
Share capital		100,000,000	100,000,000
Retained earnings		167,227,103	194,289,137
Available for sale fair value reserves		11,773,068	11,373,424
Total equity		<u>279,000,171</u>	<u>305,662,561</u>
Liabilities			
Insurance contract liabilities	13	495,395,555	444,479,048
Deferred tax liabilities		3,593,339	4,064,027
Deposits from reinsurers		2,172,017	1,088,922
Insurance payables		36,348,149	35,951,937
Provision for taxation		13,245,652	13,893,162
Other payables		49,562,514	44,990,250
Total liabilities		<u>600,317,226</u>	<u>544,467,346</u>
Total equity and liabilities		<u>879,317,397</u>	<u>850,129,907</u>

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INTERIM INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	Note	6 months period ended 30.6.2013 RM	6 months period ended 30.06.2012 RM
Gross earned premiums		187,878,747	176,932,915
Premiums ceded to reinsurers		<u>(59,317,576)</u>	<u>(56,723,732)</u>
Net earned premiums		<u>128,561,171</u>	<u>120,209,183</u>
Investment income		12,523,247	12,016,824
Realised gains and losses		3,374,886	3,563,489
Fair value (losses) and gains		(582,871)	94,969
Fee and commission income		22,188,011	16,391,256
Other operating revenue		<u>2,250,202</u>	<u>664,881</u>
Other revenue		<u>39,753,475</u>	<u>32,731,419</u>
Gross claims paid		(88,070,163)	(79,519,422)
Claims ceded to reinsurers		19,976,444	15,124,253
Gross change to contract liabilities		(43,133,235)	(33,701,010)
Change in contract liabilities ceded to reinsurers		<u>27,439,197</u>	<u>20,877,609</u>
Net claims		<u>(83,787,757)</u>	<u>(77,218,570)</u>
Fee and commission expense		(30,936,932)	(29,240,324)
Management expenses		(30,029,123)	(29,613,294)
Other operating expenses		<u>(3,637)</u>	<u>(29,639)</u>
Other expenses		<u>(60,969,692)</u>	<u>(58,883,257)</u>
Profit before taxation		23,557,197	16,838,775
Taxation	14	<u>(5,619,231)</u>	<u>(4,818,928)</u>
Net profit for the period		<u>17,937,966</u>	<u>12,019,847</u>
Earnings per share (sen)			
Basic and diluted	15	<u>17.94</u>	<u>12.02</u>

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

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

	6 months period ended 30.6.2013 RM	6 months period ended 30.06.2012 RM
Net profit for the period	17,937,966	12,019,847
Other comprehensive income:		
Available for sale fair value reserves:		
Gain on fair value changes	3,907,564	5,957,617
Realised gain transferred to income statement	(3,374,706)	(2,723,749)
	532,858	3,233,868
Tax effect	(133,214)	(834,737)
	<u>399,644</u>	<u>2,399,131</u>
Total comprehensive income for the period	<u>18,337,610</u>	<u>14,418,978</u>

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

	Share capital RM	Non - Distributable Available-for -sale fair value reserves RM	Retained earnings RM	Distributable earnings RM	Total equity RM
At 1 January 2012	100,000,000	11,908,441	170,627,536	-	282,535,977
Total comprehensive income for the period	-	2,399,131	12,019,847	-	14,418,978
Dividend paid during the period	-	-	(30,375,000)	-	(30,375,000)
At 30 June 2012	<u>100,000,000</u>	<u>14,307,572</u>	<u>152,272,383</u>	<u>-</u>	<u>266,579,955</u>
At 1 January 2013	100,000,000	11,373,424	194,289,137	-	305,662,561
Total comprehensive income for the period	-	399,644	17,937,966	-	18,337,610
Dividend paid during the period	-	-	(45,000,000)	-	(45,000,000)
At 30 June 2013	<u>100,000,000</u>	<u>11,773,068</u>	<u>167,227,103</u>	<u>-</u>	<u>279,000,171</u>

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

	Note	6 months ended 30.06.2013 RM	6 months ended 30.06.2012 RM
Operating activities			
Cash generated from operating activities	16	47,424,854	27,206,009
Dividend income received		697,497	361,373
Interest income received		11,903,845	10,913,868
Rental income received		49,003	213,223
Income tax paid		(6,870,643)	(6,716,449)
Net cash flows generated from operating activities		<u>53,204,556</u>	<u>31,978,024</u>
Investing activities			
Proceeds from disposal of property and equipment		258	715
Purchase of property and equipment		(1,861,585)	(1,575,669)
Net cash flows used in investing activities		<u>(1,861,327)</u>	<u>(1,574,954)</u>
Financing activities			
Dividend paid		(45,000,000)	(30,375,000)
Net cash flows used in financing activities		<u>(45,000,000)</u>	<u>(30,375,000)</u>
Net increase in cash and cash equivalents		6,343,229	28,070
Cash and cash equivalents at beginning of period		<u>27,934,457</u>	<u>31,832,888</u>
Cash and cash equivalents at end of period		<u>34,277,686</u>	<u>31,860,958</u>

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

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The principal activity of the Company is the underwriting of all classes of general insurance business.

There has been no significant change in the nature of the principal activity during the financial period.

The immediate holding company is Overseas Assurance Corporation (Holdings) Berhad, which is incorporated in Malaysia. The intermediate holding company is Overseas Assurance Corporation Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

2. BASIS OF PREPARATION

The interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), the Companies Act 1965 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM"). The interim financial statements 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 notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial statements of the company since the financial year ended 31 December 2012.

3. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 30 June 2013.

4. CHANGE IN ESTIMATES

There were no changes in the basis used for accounting estimates for the current financial period to date.

5. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial period.

6. DIVIDENDS

During the interim period ended 30 June 2013, the Company paid a final single-tier dividend of RM0.45 per ordinary shares on 100,000,000 ordinary shares, amounting to RM45,000,000 in respect of the financial year ended 31 December 2012.

7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date.

8. VALUATION OF LAND AND BUILDINGS AND INVESTMENT PROPERTIES

The land and buildings and investments properties of the Company were last revalued in December 2011.

9. CONTINGENT LIABILITIES

There were no contingent liabilities as at the date of this report since the last annual balance sheet date.

10. PROFIT/LOSS ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

The Company has disposed unquoted investments amounting to RM120,248,300 in the current financial period which have given rise to a realised gains of RM1,702,019.

The Company has disposed investment properties amounting to RM5,260,000 in the current financial period which have given rise to a net realised gains of RM646,000.

11. INVESTMENTS

	30.06.2013	31.12.2012
	RM	RM
Malaysian government securities	136,897,487	179,155,238
Debt securities	293,048,791	317,259,512
Equity securities	31,885,548	13,467,774
Unit and property trust funds	6,650,783	5,048,285
Financial instruments with embedded derivatives	29,429,642	20,409,575
Loans	21,653,478	21,897,074
Deposits with financial institutions	5,040,000	8,350,000
	<u>524,605,729</u>	<u>565,587,458</u>

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

	30.06.2013	31.12.2012
	RM	RM
LAR	26,693,478	30,247,074
AFS financial assets	468,482,609	514,930,809
FVTPL financial assets	29,429,642	20,409,575
	<u>524,605,729</u>	<u>565,587,458</u>

The following investments mature after 12 months:

	30.06.2013	31.12.2012
	RM	RM
LAR	26,130,117	21,758,299
AFS financial assets	418,132,523	463,013,473
FVTPL financial assets	29,426,849	19,957,373
	<u>473,689,489</u>	<u>504,729,145</u>

11. INVESTMENTS (CONT'D)

(a) LAR

	30.06.2013	31.12.2012
	RM	RM
At amortised cost		
Fixed and call deposits with licensed financial institutions	5,040,000	8,350,000
Loans :	21,653,478	21,897,074
Mortgage loans	288,737	267,660
Corporate loans	20,059,755	20,063,364
Other loans	1,304,986	1,566,050
	<u>26,693,478</u>	<u>30,247,074</u>
At fair value		
Fixed and call deposits with licensed financial institutions	5,040,000	8,350,000
Loans :	21,672,038	21,912,025
Mortgage loans	288,737	267,660
Corporate loans	20,078,315	20,078,315
Other loans	1,304,986	1,566,050
	<u>26,712,038</u>	<u>30,262,025</u>

The carrying value of the fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of the mortgage loans and other loans are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of the corporate loans have been establish by current market interest rates for similar financial instruments to the rates offered when the corporate loans were first recognised together with appropriate market credit adjustments.

(b) AFS financial assets

	30.06.2013	31.12.2012
	RM	RM
At fair value		
Malaysian government securities	136,897,487	179,155,238
Debt securities:		
Unquoted in Malaysia	293,048,791	317,259,512
Equity securities:		
Quoted in Malaysia	31,885,548	13,467,774
Unit and property trust funds:		
Quoted in Malaysia	6,650,783	5,048,285
	<u>468,482,609</u>	<u>514,930,809</u>

11. INVESTMENTS (CONT'D)

(c) FVTPL

	30.06.2013	31.12.2012
	RM	RM
Held for trading		
At fair value:		
Financial instruments with embedded derivatives	29,429,642	20,409,575
	<u>29,429,642</u>	<u>20,409,575</u>

Financial instruments with embedded derivatives primarily comprise of warrants and structured deposits which are held for investment purposes. In accordance with MFRS 139 Financial Instruments: Recognition and Measurement, these have been designated as at FVTPL upon initial recognition.

(d) Carrying Values of Investments

	LAR RM	AFS RM	FVTPL RM	Total RM
At 1 January 2012	47,587,370	471,240,585	440,533	519,268,488
Purchases	2,667,890,763	346,673,791	20,147,990	3,034,712,544
Maturities/disposals	(2,685,216,108)	(302,579,557)	-	(2,987,795,665)
Fair value losses recorded in other comprehensive income	-	(677,953)	14,799	(663,154)
Fair value gains/(losses) recorded in income statement	-	150,611	(193,747)	(43,136)
Accretion adjustments	(14,951)	123,332	-	108,381
At 31 December 2012/ 1 January 2013	<u>30,247,074</u>	<u>514,930,809</u>	<u>20,409,575</u>	<u>565,587,458</u>
Purchases	955,910,000	122,181,280	10,000,000	1,088,091,280
Maturities/disposals	(959,459,987)	(169,174,856)	(382,263)	(1,129,017,106)
Fair value gains recorded in other comprehensive income	-	532,858	-	532,858
Fair value gains/(losses) recorded in income statement	-	14,799	(597,670)	(582,871)
Amortisation adjustment	(3,609)	(2,281)	-	(5,890)
At 30 June 2013	<u>26,693,478</u>	<u>468,482,609</u>	<u>29,429,642</u>	<u>524,605,729</u>

12. REINSURANCE ASSETS

	30.06.2013	31.12.2012
	RM	RM
Reinsurance of claims liabilities (Note 13)	113,447,491	86,008,295
Reinsurance of premiums liabilities (Note 13)	46,034,818	48,753,855
	<u>159,482,309</u>	<u>134,762,150</u>

13. INSURANCE CONTRACT LIABILITIES

	30.06.2013		31.12.2012			
	Gross RM	Re- insurance RM	Net RM	Gross RM		
			Re- insurance RM	Net RM		
Provision for claims reported by policyholders	269,802,923	(102,671,484)	167,131,439	234,428,567	(78,478,221)	155,950,346
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	56,735,780	(10,776,007)	45,959,773	48,976,899	(7,530,074)	41,446,825
Claim liabilities (i)	326,538,703	(113,447,491)	213,091,212	283,405,466	(86,008,295)	197,397,171
Premiums liabilities (ii)	168,856,852	(46,034,818)	122,822,034	161,073,582	(48,753,855)	112,319,727
	495,395,555	(159,482,309)	335,913,246	444,479,048	(134,762,150)	309,716,898

13. INSURANCE CONTRACT LIABILITIES (CONT'D)

	30.06.2013		31.12.2012			
	Gross RM	Re-insurance RM	Net RM	Gross RM	Re-insurance RM	Net RM
(i) Claims Liabilities						
At 1 January						
Claims incurred in the current accident period (direct and facultative)	283,405,466	(86,008,295)	197,397,171	294,419,806	(89,734,273)	204,685,533
Adjustment to claims incurred in prior accident year due to changes in assumptions	118,277,974	(44,527,963)	73,750,011	172,191,587	(38,477,463)	133,714,124
- change in link ratios used in IBNR estimation	10,839,508	(4,392,961)	6,446,547	(21,728,691)	3,330,181	(18,398,510)
- change in case reserve method	(2,221,406)	1,393,535	(827,871)	(5,485,296)	2,333,238	(3,152,058)
Movement in PRAD of claims liabilities	(3,401,259)	485,132	(2,916,127)	(5,856,467)	1,520,409	(4,336,058)
Movement in claims handling expenses (i.e. ULAE)	(667,984)	-	(667,984)	(543,055)	-	(543,055)
Other movement in claims incurred in prior accident years (direct and facultative)	(1,899,610)	(374,041)	(2,273,651)	5,312,880	(3,097,401)	2,215,479
Movement in claims incurred (treaty inwards claims)	10,276,177	658	10,276,835	21,953,785	214,876	22,168,661
Claims paid during the period	(88,070,163)	19,976,444	(68,093,719)	(176,859,083)	37,902,138	(138,956,945)
At 30 June/ 31 December	326,538,703	(113,447,491)	213,091,212	283,405,466	(86,008,295)	197,397,171
(ii) Premium Liabilities						
At 1 January						
Premiums written in the period	161,073,582	(48,753,855)	112,319,727	144,823,481	(41,013,485)	103,809,996
Premiums earned during the period	195,662,016	(56,598,539)	139,063,477	372,426,648	(117,554,227)	254,872,421
	(187,878,746)	59,317,576	(128,561,170)	(356,176,547)	109,813,857	(246,362,690)
At 30 June/ 31 December	168,856,852	(46,034,818)	122,822,034	161,073,582	(48,753,855)	112,319,727

14. TAXATION

	30.06.2013	30.06.2012
	RM	RM
Current income tax:		
Malaysian income tax	6,223,133	4,636,285
	<u>6,223,133</u>	<u>4,636,285</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	(603,902)	221,297
Under provision in prior year	-	(38,654)
	<u>5,619,231</u>	<u>4,818,928</u>

The income tax is based on the tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate is as follows:

	30.06.2013	30.06.2012
	RM	RM
Profit before taxation	<u>23,557,197</u>	<u>16,838,775</u>
Taxation at Malaysian statutory tax rate of 25%	5,889,299	4,209,694
Income not subject to tax	(230,400)	(427,294)
Underprovision of deferred tax in prior year	-	(38,654)
Expenses not deductible for tax purposes	564,234	853,885
Transfer (to)/from deferred tax	(603,902)	221,297
Tax expense for the year	<u>5,619,231</u>	<u>4,818,928</u>

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial period attributed to ordinary equity holders of the Company by weighted average of Ordinary Shares in issue during the financial period.

	30.06.2013	30.06.2012
	RM	RM
Profit attributable to Ordinary equity holders	17,937,966	12,019,847
Number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	<u>17.94</u>	<u>12.02</u>

There have been no other transactions involving Ordinary Shares between the reporting date and the date of completion of these financial statements.

16. CASH FLOWS

	30.06.2013	30.06.2012
	RM	RM
Profit before taxation	23,557,197	16,838,775
Investment income	(12,346,106)	(12,100,821)
Realised gains on financial assets	(2,728,706)	(2,618,671)
Realised gains on investment properties	(646,000)	(1,250,000)
Unrealised loss/(gains) recorded in income statement	582,871	(94,969)
Purchases of AFS financial assets	(122,181,280)	(133,293,393)
Purchases of FVTPL financial assets	(10,000,000)	(162,789)
Proceeds from maturities/disposal of AFS financial assets	171,831,025	114,231,299
Proceeds from disposal of FVTPL financial assets	454,800	16,572
Proceeds from disposal of investment properties	5,906,000	12,150,000
Decrease in LAR	3,549,987	7,460,665
Non-cash items:		
Depreciation of property and equipment	981,851	995,397
(Gain)/loss on disposal of property and equipment	(180)	62,182
(Reversal of)/provision for impairment losses on insurance receivable	(254,541)	619,496
Bad debts written off	100,305	142,402
Net amortisation of premium	5,890	80,448
Changes in working capital:		
Reinsurance assets	(24,720,159)	(19,369,962)
Insurance receivables	(22,904,328)	(3,587,746)
Other receivables	(20,731,990)	(6,180,110)
Insurance contract liabilities	50,916,507	44,010,676
Deposit from reinsurers	1,083,095	(81,336)
Insurance payables	396,212	10,909,235
Other payables	4,572,404	(1,571,341)
Cash generated from operating activities	<u>47,424,854</u>	<u>27,206,009</u>

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contract, net of the cash flows for payments of claim incurred for insurance contracts, which are respectively treated under operating activities.

17. CAPITAL COMMITMENTS

	30.06.2013	31.12.2012
	RM	RM
Capital expenditure		
Approved and contracted for:		
Property and equipment	10,227,811	4,744,074
Approved but not contracted for:		
Property and equipment	4,725,878	8,225,987
	<u>14,953,689</u>	<u>12,970,061</u>

18. OPERATING LEASE ARRANGEMENTS**The Company as lessee**

The Company has entered into a lease agreement for rental of equipment, software and services and office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	30.06.2013	31.12.2012
	RM	RM
Rental of equipment, software and services:		
Not later than 1 year	310,750	329,235
Later than 1 year and not later than 5 years	342,686	298,078
	<u>653,436</u>	<u>627,313</u>
Rental of office premises:		
Not later than 1 year	1,814,989	1,851,923
Later than 1 year and not later than 5 years	604,479	1,024,676
	<u>2,419,468</u>	<u>2,876,599</u>

19. REGULATORY CAPITAL REQUIREMENTS

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

	30.06.2013	31.12.2012
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	167,227,103	194,289,137
	<u>267,227,103</u>	<u>294,289,137</u>
Tier 2 Capital		
Eligible Reserves	11,773,068	11,373,424
Total Capital Available	<u>279,000,171</u>	<u>305,662,561</u>