

Company No.

457556	X
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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

Company No.

457556

X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

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(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2013

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
ASSETS			
Property, plant and equipment		56,979	57,777
Investment properties	8	211,757	211,757
Intangible assets		25,423	31,714
Financial investments			
Available-for-sale financial assets	9a	4,008,273	3,590,186
Held-for-trading financial assets	9b	573,076	676,121
Held-to-maturity financial assets	9c	592,775	653,418
Loans and receivables	9d	678,059	638,180
Tax recoverable		-	2,871
Insurance receivables		31,159	31,101
Financial receivables		9,392	5,121
Other assets		3,799	4,298
Cash and cash equivalents		327,731	289,992
TOTAL ASSETS		<u><u>6,518,423</u></u>	<u><u>6,192,536</u></u>
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		225,293	217,246
Available-for-sale reserve		13,729	14,430
Asset revaluation reserve		1,827	1,827
TOTAL EQUITY		<u><u>340,849</u></u>	<u><u>333,503</u></u>
Insurance contract liabilities	10	5,669,829	5,443,631
Insurance payables		293,732	272,506
Other financial liabilities		6,391	4,312
Other payables		77,648	23,355
Provision for agency long association benefits		22,416	24,004
Current tax liabilities		3,270	-
Deferred tax liabilities		104,288	91,225
TOTAL LIABILITIES		<u><u>6,177,574</u></u>	<u><u>5,859,033</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,518,423</u></u>	<u><u>6,192,536</u></u>

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

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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2013

UNAUDITED CONDENSED STATEMENT OF INCOME

	6 months ended <u>30.06.2013</u> RM'000	Restated 6 months ended <u>30.06.2012</u> RM'000
Gross earned premium revenue	396,890	387,374
Premiums ceded to reinsurers	(27,438)	(20,205)
Net earned revenue	<u>369,452</u>	<u>367,169</u>
Investment income	126,814	120,302
Net realised gains	13,680	14,028
Net fair value gains	26,595	30,122
Fee and commission income	682	421
Other operating income – net	124	-
Other income	<u>167,895</u>	<u>164,873</u>
Gross benefits and claims paid	264,255	193,293
Claims ceded to reinsurers	(12,202)	(10,827)
Gross/net change to insurance contract liabilities	154,198	215,237
Net insurance benefits and claims	<u>406,251</u>	<u>397,703</u>
Commission and agency expenses	48,215	42,165
Management expenses	53,223	42,812
Other operating expenses – net	-	21
Other expenses	<u>101,438</u>	<u>84,998</u>
Profit before taxation	29,658	49,341
Taxation	21,611	20,400
Net profit for the financial period	<u>8,047</u>	<u>28,941</u>
Basic earnings per share (sen)	<u>8.05</u>	<u>28.94</u>

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30 JUNE 2013

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended <u>30.06.2013</u> RM'000	Restated 6 months ended <u>30.06.2012</u> RM'000
Net profit for the financial period	8,047	28,941
Other comprehensive income:		
Fair value change on available-for-sale financial assets:		
Net unrealised gain arising during the financial period	79,137	74,168
Net realised gain transferred to statement of income	(13,090)	(14,023)
Tax effects thereon	(5,382)	(4,504)
Fair value gains, net of tax	<u>60,665</u>	<u>55,641</u>
Change in insurance contract liabilities arising from net fair value gains	(61,366)	(53,038)
	<u>(701)</u>	<u>2,603</u>
Total comprehensive income for the financial period	<u><u>7,346</u></u>	<u><u>31,544</u></u>

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

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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares of RM1each		Available- for-sale reserve	Asset revaluation reserve	Retained earnings	Total
	Number of shares	Nominal value	RM'000	RM'000	RM'000	RM'000
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 31 December 2012 / 1 January 2013	100,000	100,000	14,430	1,827	217,246	333,503
Total comprehensive income for the financial period	-	-	(701)	-	8,047	7,346
Balance at 30 June 2013	<u>100,000</u>	<u>100,000</u>	<u>13,729</u>	<u>1,827</u>	<u>225,293</u>	<u>340,849</u>
Balance at 31 December 2011 / 1 January 2012 - restated	100,000	100,000	12,158	1,287	163,583	277,028
Total restated comprehensive income for the financial period	-	-	2,603	-	28,941	31,544
Balance at 30 June 2012 - restated	<u>100,000</u>	<u>100,000</u>	<u>14,761</u>	<u>1,287</u>	<u>192,524</u>	<u>308,572</u>

Included in the retained earnings is surplus arising from insurance contracts without Discretionary Participation Features ("DPF") in the Life Fund (net of deferred tax) of RM123.5 million (30 June 2012: RM105.1 million). These amounts are only distributable upon the actual recommended transfer from Life Fund to the Shareholders' Fund by the Appointed Actuary.

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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2013

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

	6 months ended <u>30.06.2013</u> RM'000	6 months ended <u>30.06.2012</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	8,047	28,941
Investment income	(126,814)	(120,302)
Realised gains recorded in statement of income	(13,680)	(14,028)
Fair value gains recorded in statement of income	(26,595)	(30,122)
Depreciation of property, plant and equipment	1,548	1,687
Amortisation of intangible assets	6,334	6,040
Provision for agency long association benefits	504	2,054
Taxation	21,611	20,400
Changes in working capital:		
Purchase of financial assets	(868,399)	(589,454)
Proceeds from maturity or disposal of financial assets	723,680	297,101
Increase in fixed and call deposits	(39,825)	(99,000)
Decrease/(increase) in loans	737	(999)
Increase in insurance receivables	(58)	(9,225)
(Increase)/decrease in other receivables	(3,772)	2,705
Increase in insurance contract liabilities	164,832	218,743
Increase/(decrease) in other financial liabilities	2,079	(75)
Increase in insurance payables	21,226	20,377
Increase/(decrease) in other payables	54,293	(337)
Cash used in operating activities	<u>(74,252)</u>	<u>(265,494)</u>

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30 JUNE 2013

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

	6 months ended <u>30.06.2013</u> RM'000	6 months ended <u>30.06.2012</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)		
Investment income received	124,301	108,405
Agency long association benefits paid	(2,093)	(3,635)
Income tax paid	(9,423)	(11,633)
	<hr/>	<hr/>
Net cash inflows from operating activities	112,785	93,137
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(750)	(1,736)
Purchase of intangible assets	(44)	(32)
	<hr/>	<hr/>
Net cash outflows from investing activities	(794)	(1,768)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	37,739	(174,125)
Cash and cash equivalents at the beginning of the financial period	289,992	365,971
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	327,731	191,846
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash and bank balances	87,886	32,171
Fixed and call deposits with maturity of less than three months	239,845	159,675
	<hr/>	<hr/>
	327,731	191,846
	<hr/>	<hr/>

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

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2013

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities (“the MFRS”). The interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2012.

These explanatory 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 position and performance of the Company since the financial year ended 31 December 2012.

On adoption of the MFRS in 2012, in accordance to MFRS 4 “Insurance Contracts” and the Framework for Preparation of Financial Statements (“the Framework”), the unallocated surplus, available-for-sale reserve and asset revaluation reserve of non DPF are recognized as equity of the Company. However, the Company has recognized unallocated surplus, available-for-sale reserve and asset revaluation reserve of non DPF as part of insurance contract liabilities in the interim financial statements for the financial period ended 30 June 2012 as the Company was assessing the impact of the transition adjustments arising from the requirements of MFRS 4 and the Framework. The assessment was completed by the financial year ended 31 December 2012 and is disclosed in the Company’s annual financial statements for the year ended 31 December 2012. Hence the comparative figures of 30 June 2012 in the current interim financial statements have been restated to give effect to the changes made to comply with the the transition adjustments as disclosed in Note 16.

1.2 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective.

The Company will apply the new standards, amendments to published standards and interpretations that are issued but not yet effective in the following financial years:

- Amendment to MFRS 132, ‘Financial Instruments: Presentation’ (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- MFRS 9, ‘Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities’ (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2013
(CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 1.2 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective (continued).

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Company is reviewing the adoption of the above accounting standards, amendments to published standards and interpretation to existing standards and will complete the process prior to the reporting requirement deadline. Notwithstanding, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

2 SEASONAL OR CYCLICAL FACTORS

There were no significant seasonal or cyclical factors that affect the business of the Company for the six months period under review.

3 UNUSUAL ITEMS

There are no unusual items affecting assets, liabilities, equity, net income and cash flows for the six months period under review.

4 CHANGE IN ESTIMATES

There are no changes in estimates of amounts reported in prior financial year that have a material effect in the current financial period other than those disclosed in Note 10 in the interim financial statements.

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(CONTINUED)

5 DEBT AND EQUITY SECURITIES

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

6 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 reflected in the interim financial statements.

7 DIVIDENDS

No dividend declared or paid during the current financial period.

8 INVESTMENT PROPERTIES

At 30 June 2013 / 31 December 2012

Market
value
RM'000

211,757

The investment properties stated at valuation were appraised in 2013 by an independent professional valuer, Raine Horne International Zaki & Partners Sdn. Bhd., at open market value on an existing use basis.

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(CONTINUED)

9 FINANCIAL INVESTMENTS

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
Malaysian Government securities	509,835	457,485
Malaysian Government guaranteed bonds	693,848	641,979
Government Investment Issues	77,259	77,949
Corporate debt securities	2,106,409	2,059,226
Equity securities	1,483,917	1,342,126
Collective investment schemes	296,830	297,171
Structured investment products	-	37,659
Investment linked funds	6,026	6,130
Loans	534,234	534,180
Fixed and call deposits	143,825	104,000
	<u>5,852,183</u>	<u>5,557,905</u>

The Company's financial investments are summarised by the following categories:

Available-for-sale financial assets ("AFS")	4,008,273	3,590,186
Fair-value-through-profit-and-loss – Held-for-trading financial assets ("FVTPL – HFT")	573,076	676,121
Held-to-maturity financial assets ("HTM")	592,775	653,418
Loans and receivables ("LAR")	678,059	638,180
	<u>5,852,183</u>	<u>5,557,905</u>

9a AFS FINANCIAL ASSETS

At fair value:

Malaysian Government securities	275,070	223,399
Malaysian Government guaranteed bonds	575,090	523,110
Government Investment Issues	67,120	67,804
Corporate debt securities	1,805,809	1,704,445
Equity securities	1,167,196	955,785
Collective investment schemes	111,962	109,682
Investment-linked funds	6,026	5,961
	<u>4,008,273</u>	<u>3,590,186</u>
Current	206,386	190,794
Non-current	3,801,887	3,399,392
	<u>4,008,273</u>	<u>3,590,186</u>

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9	FINANCIAL INVESTMENTS (CONTINUED)	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
9b	FVTPL - HFT FINANCIAL ASSETS		
	At fair value:		
	Corporate debt securities	71,487	64,463
	Equity securities	316,721	386,341
	Collective investment schemes	184,868	187,489
	Structured investment products	-	37,659
	Investment-linked funds	-	169
		573,076	676,121
		573,076	676,121
	Current	13,448	43,693
	Non-current	559,628	632,428
		573,076	676,121
		573,076	676,121
9c	HTM FINANCIAL ASSETS		
	At amortised cost:		
	Malaysian Government securities	234,765	234,086
	Malaysian Government guaranteed bonds	118,758	118,869
	Government Investment Issues	10,139	10,145
	Corporate debt securities	229,113	290,318
		592,775	653,418
		592,775	653,418
	Current	32,417	40,376
	Non-current	560,358	613,042
		592,775	653,418
		592,775	653,418
	At fair value:		
	Malaysian Government securities	248,365	250,785
	Malaysian Government guaranteed bonds	123,006	124,553
	Government Investment Issues	10,323	10,404
	Corporate debt securities	243,698	303,608
		625,392	689,350
		625,392	689,350

The fair values of HTM financial assets are their quoted prices on the stock exchanges or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristic.

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(CONTINUED)

9 FINANCIAL INVESTMENTS (CONTINUED)

9d LOANS AND RECEIVABLES

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
At amortised cost:		
Secured:		
Policy loans	532,059	532,116
Mortgage loans	1,365	1,318
Other loans	810	746
Fixed and call deposits	143,825	104,000
	<u>678,059</u>	<u>638,180</u>

The carrying values of loans and receivables approximate the fair values at the balance sheet date.

Current	143,825	104,000
Non-current	534,234	534,180
	<u>678,059</u>	<u>638,180</u>

9e CARRYING VALUES OF FINANCIAL INSTRUMENTS

	AFS RM'000	HFT RM'000	HTM RM'000	LAR RM'000	Total RM'000
At 1 January 2013	3,590,186	676,121	653,418	638,180	5,557,905
Purchases	821,857	46,542	-	-	868,399
Maturities	(425,935)	(40,888)	(20,000)	-	(486,823)
Disposals	(62,442)	(133,129)	(41,286)	-	(236,857)
Decrease in loans	-	-	-	(737)	(737)
Increase in fixed and call deposits	-	-	-	39,825	39,825
Movement of investment income accrued	1,403	(2)	(39)	791	2,153
Fair value gains recorded in:					
Statement of income	-	24,432	590	-	25,022
Other comprehensive income	79,136	-	-	-	79,136
Movement in impairment allowance	2,112	-	-	-	2,112
Amortisation adjustment	1,956	-	92	-	2,048
At 30 June 2013	<u>4,008,273</u>	<u>573,076</u>	<u>592,775</u>	<u>678,059</u>	<u>5,852,183</u>

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

9 FINANCIAL INVESTMENTS (CONTINUED)

9f FAIR VALUES OF FINANCIAL INSTRUMENTS

The following tables show financial investments recorded at fair value analysed by the different basis of fair values as follows:

	<u>AFS</u> RM'000	<u>HFT</u> RM'000	<u>Total</u> RM'000
<u>31 December 2012</u>			
Level 1	1,065,967	574,000	1,639,967
Level 2	2,518,758	102,121	2,620,879
Level 3	5,461	-	5,461
	<u>3,590,186</u>	<u>676,121</u>	<u>4,266,307</u>
<u>30 June 2013</u>			
Level 1	1,278,970	501,589	1,780,559
Level 2	2,723,089	71,487	2,794,576
Level 3	6,214	-	6,214
	<u>4,008,273</u>	<u>573,076</u>	<u>4,581,349</u>

Level 1 financial instruments are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 financial instruments are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3 financial instruments are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

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(CONTINUED)

10 INSURANCE CONTRACT LIABILITIES

	<u>Gross/net</u>	
	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
Life insurance contract liabilities	5,669,829	5,443,631

The life insurance contract liabilities and the movements are further analysed as follows:

	<u>Gross/net</u>	
	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
Actuarial liabilities	3,951,356	3,825,066
Unallocated surplus	987,570	927,370
Provision for outstanding claims	30,225	19,546
AFS reserve	595,940	534,575
Asset revaluation reserve	18,215	18,215
Net asset value attributable to unitholders	86,523	118,859
	<u>5,669,829</u>	<u>5,443,631</u>

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

10 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	<u>Gross/net</u>		
	With DPF RM'000	Without DPF RM'000	<u>Total</u> RM'000
At 1 January 2013	4,917,597	526,034	5,443,631
Premiums received	226,602	170,958	397,560
Liabilities paid for death, maturities, surrenders, benefits and claims	(167,627)	(96,629)	(264,256)
Net investment income	138,161	9,595	147,756
Benefits and claims experience variation	(69,599)	(20,012)	(89,611)
Fees deducted	(45,312)	(54,830)	(100,142)
Net other income	231	454	685
Adjustments due to changes in assumptions:			
Discount rate	-	(1,285)	(1,285)
Others	(1,139)	-	(1,139)
Movement in unallocated surplus	60,199	-	60,199
Net asset value attributable to unitholders	-	4,385	4,385
Movement in provision for outstanding claims	(1,355)	12,035	10,680
AFS fair value adjustment	61,366	-	61,366
	<u>5,119,124</u>	<u>550,705</u>	<u>5,669,829</u>
At 30 June 2013	<u>5,119,124</u>	<u>550,705</u>	<u>5,669,829</u>

11 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
Authorised and contracted for:		
-Plant and equipment	<u>1,030</u>	<u>1,925</u>

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12 OPERATING LEASE COMMITMENTS

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
Commitments under non-cancellable operating leases where the Company is a lessee:		
Payable within one year	160	166
Payable after one year	639	194
	<u>799</u>	<u>360</u>
Commitments under non-cancellable operating leases where the Company is a lessor:		
Receivable within one year	6,433	8,425
Receivables after one year	2,025	4,418
	<u>8,458</u>	<u>12,843</u>

13 REGULATORY CAPITAL FRAMEWORK

Regulatory capital is the minimum amount of assets that must be held throughout the financial year to meet statutory solvency requirements governed under the RBC Framework. As part of the statutory requirements, the Company is required to provide its capital position on a quarterly basis to BNM.

The capital structure of the Company, consisting of all funds, as prescribed under the RBC Framework is provided below:

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	1,778,972	1,695,078
Tier 2 Capital	629,712	569,048
Amount deducted from capital	(24,160)	(30,200)
Total capital available	<u>2,484,524</u>	<u>2,333,926</u>

The Company has met both the minimum and internal capital requirements specified in the RBC Framework for the six months period ended 30 June 2013 and for the financial year ended 31 December 2012.

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14 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996. The Company's statement of financial position and statement of income have been further analysed by funds which includes Life Fund and the SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Unit-linked products.

Unaudited Statement of Financial Position by Funds as at 30 June 2013

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Inter-fund elimination</u>		<u>Total</u>	
	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
ASSETS								
Property, plant and equipment	-	-	56,979	57,777	-	-	56,979	57,777
Investment properties	-	-	211,757	211,757	-	-	211,757	211,757
Intangible assets	8,000	10,000	17,423	21,714	-	-	25,423	31,714
Financial investments								
AFS financial assets	179,027	167,331	3,829,246	3,422,855	-	-	4,008,273	3,590,186
HFT financial assets	8,140	3,566	564,936	672,555	-	-	573,076	676,121
HTM financial assets	-	2,021	592,775	651,397	-	-	592,775	653,418
Loans and receivables	2,000	2,000	676,059	636,180	-	-	678,059	638,180
Tax recoverable	975	-	397	3,258	-	-	1,372	3,258
Insurance receivables	-	-	31,159	31,101	-	-	31,159	31,101
Financial receivables	164	15,209	9,380	5,113	(152)	(15,201)	9,392	5,121
Other assets	-	-	3,799	4,298	-	-	3,799	4,298
Cash and cash equivalents	8,364	6,320	319,367	283,672	-	-	327,731	289,992
TOTAL ASSETS	<u>206,670</u>	<u>206,447</u>	<u>6,313,277</u>	<u>6,001,677</u>	<u>(152)</u>	<u>(15,201)</u>	<u>6,519,795</u>	<u>6,192,923</u>

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

14 **INSURANCE FUNDS (CONTINUED)**

Unaudited Statement of Financial Position by Funds as at 30 June 2013 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Inter-fund elimination</u>		<u>Total</u>	
	As at	As at	As at	As at	As at	As at	As at	As at
	<u>30.06.2013</u>	<u>31.12.2012</u>	<u>30.06.2013</u>	<u>31.12.2012</u>	<u>30.06.2013</u>	<u>31.12.2012</u>	<u>30.06.2013</u>	<u>31.12.2012</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES								
Share capital	100,000	100,000	-	-	-	-	100,000	100,000
Retained earnings	101,839	101,792	123,454	115,454	-	-	225,293	217,246
AFS reserve	3,686	3,252	10,043	11,178	-	-	13,729	14,430
Asset revaluation reserve	-	-	1,827	1,827	-	-	1,827	1,827
TOTAL EQUITY	205,525	205,044	135,324	128,459	-	-	340,849	333,503
Insurance contract liabilities	-	-	5,669,829	5,443,631	-	-	5,669,829	5,443,631
Insurance payables	-	-	293,732	272,506	-	-	293,732	272,506
Other financial liabilities	-	-	6,543	19,513	(152)	(15,201)	6,391	4,312
Other payables	-	-	77,648	23,355	-	-	77,648	23,355
Provision for agency long association benefit	-	-	22,416	24,004	-	-	22,416	24,004
Current tax liabilities	-	387	4,642	-	-	-	4,642	387
Deferred tax liabilities	1,145	1,016	103,143	90,209	-	-	104,288	91,225
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES	1,145	1,403	6,177,953	5,873,218	(152)	(15,201)	6,178,946	5,859,420
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES	206,670	206,447	6,313,277	6,001,677	(152)	(15,201)	6,519,795	6,192,923

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

14 INSURANCE FUNDS (CONTINUED)

Unaudited Statement of Income by Funds for the six months period ended 30 June 2013

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000
Gross earned premium revenue	-	-	396,890	387,374	-	-	396,890	387,374
Premiums ceded to reinsurers	-	-	(27,438)	(20,205)	-	-	(27,438)	(20,205)
Net earned revenue	-	-	369,452	367,169	-	-	369,452	367,169
Investment income	2,710	3,470	124,104	116,832	-	-	126,814	120,302
Net realised gains	10	3,044	13,670	10,984	-	-	13,680	14,028
Net fair value gains/(losses)	10	(3)	26,585	30,125	-	-	26,595	30,122
Fee and commission income	-	-	682	421	-	-	682	421
Other operating income – net	-	-	124	-	-	-	124	-
Other income	2,730	6,511	165,165	158,362	-	-	167,895	164,873

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

14 INSURANCE FUNDS (CONTINUED)

Unaudited Statement of Income by Funds for the six months period ended 30 June 2013 (continued)

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000	6 months ended 30.06.2013 RM'000	Restated 6 months ended 30.06.2012 RM'000
Gross benefits and claims paid	-	-	264,255	193,293	-	-	264,255	193,293
Claims ceded to reinsurers	-	-	(12,202)	(10,827)	-	-	(12,202)	(10,827)
Gross/net change to insurance contract liabilities	-	-	154,198	215,237	-	-	154,198	215,237
Net insurance benefits and claims	-	-	406,251	397,703	-	-	406,251	397,703
Commission and agency expenses	-	-	48,215	42,165	-	-	48,215	42,165
Management expenses	2,000	2,000	51,223	40,812	-	-	53,223	42,812
Other operating expenses - net	-	-	-	21	-	-	-	21
Other expenses	2,000	2,000	99,438	82,998	-	-	101,438	84,998
Profit before taxation	730	4,511	28,928	44,830	-	-	29,658	49,341
Taxation	(681)	(2,093)	(20,930)	(18,307)	-	-	(21,611)	(20,400)
Net profit for the financial period	49	2,418	7,998	26,523	-	-	8,047	28,941

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

15 INVESTMENT-LINKED FUND

The balance sheet and statement of income of investment-linked fund in Note 14 to the interim financial statements represent the assets, liabilities and net asset values of Asia Orient Fund (“AOF”), AsiaPartner Enterprise Fund (“APEF”), AsiaPartner Bond Fund (“APBF”) and Dana Ikhtiar (“DI”). The balance sheet of the investment-linked fund is represented by:

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
UNITHOLDERS' LIABILITIES		
At the beginning of the financial period	118,859	114,079
Net creation of units	16,074	25,677
Net cancellation of units	(14,908)	(30,061)
Maturity of Asia Jade Fund (“AJF”)	(37,888)	-
Net surplus for the financial period after taxation	4,386	9,164
	<u>86,523</u>	<u>118,859</u>
At the end of the financial period	<u><u>86,523</u></u>	<u><u>118,859</u></u>

The balance sheet of investment-linked fund in Note 14 to the interim financial statements has been adjusted for the following assets, liabilities and net asset value of AsiaPartner Managed Fund (“APMF”) which have been eliminated as APMF invested mainly in APEF and APBF during the financial period:

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
ASSETS		
Investments in other linked funds of insurer	14,686	13,727
Cash and cash equivalents	1	1
	<u>14,687</u>	<u>13,728</u>
NET ASSET VALUE OF APMF	<u><u>14,687</u></u>	<u><u>13,728</u></u>

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

15 INVESTMENT-LINKED FUND (CONTINUED)

The statement of income of investment-linked fund in Note 14 to the interim financial statements has been adjusted for the following income and expenditure of APMF which have been eliminated as APMF invested mainly in APEF and APBF during the financial period:

	As at <u>30.06.2013</u> RM'000	As at <u>31.12.2012</u> RM'000
Net asset value of APMF at the beginning of the financial period	13,728	13,003
Net creation of units – included in gross earned premiums	2,229	3,085
Net cancellation of units – included in gross benefits paid	(2,354)	(3,669)
	<u>13,603</u>	<u>12,419</u>
Realised gains on investments	315	558
Fair value gain/(loss) on investments	770	754
Management expenses:		
Auditors' remuneration	(1)	(3)
Net profit for the financial period	<u>1,084</u>	<u>1,309</u>
Net asset value of APMF at the end of the financial period	<u><u>14,687</u></u>	<u><u>13,728</u></u>

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

16 **COMPARATIVE INFORMATION**

The reconciliation of unaudited interim financial statements for the financial period ended 30 June 2012 prepared with the transition requirements of MFRS is shown as follows:

Unaudited Statement of Income for the financial period ended 30 June 2012

	As previously reported RM'000	MFRS transition adjustments RM'000	Restated comparatives RM'000
Gross earned premium revenue	387,374	-	387,374
Premiums ceded to reinsurers	(20,205)	-	(20,205)
Net earned revenue	<u>367,169</u>		<u>367,169</u>
Investment income	120,302	-	120,302
Net realised gains	14,028	-	14,028
Net fair value losses	30,122	-	30,122
Fee and commission income	421	-	421
Other income	<u>164,873</u>		<u>164,873</u>
Gross benefits and claims paid	193,293	-	193,293
Claims ceded to reinsurers	(10,827)	-	(10,827)
Gross/net change to insurance contract liabilities	247,193	(31,956)	215,237
Net insurance benefit and claims	<u>429,659</u>		<u>397,703</u>
Commission and agency expenses	42,165	-	42,165
Management expenses	42,812	-	42,812
Other operating expenses – net	21	-	21
Other expenses	<u>84,998</u>		<u>84,998</u>
Profit before taxation	17,385		49,341
Taxation	14,967	5,433	20,400
Net profit for the financial period	<u><u>2,418</u></u>		<u><u>28,941</u></u>

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

16 COMPARATIVE INFORMATION (CONTINUED)

Unaudited Statement of Comprehensive Income for the financial period ended 30 June 2012

	As previously <u>reported</u>	MFRS transition <u>adjustments</u>	Restated <u>comparatives</u>
	RM'000	RM'000	RM'000
Net profit for the financial period	2,418	26,523	28,941
Other comprehensive income:			
Fair value change on available-for-sale financial assets:			
Net unrealised gain arising during the financial period	1,224	72,944	74,168
Net realised gain transferred to statement of income	(3,039)	(10,984)	(14,023)
Tax effects thereon	453	(4,957)	(4,504)
	<hr/>		<hr/>
Fair value gains, net of tax	(1,362)		55,641
Change in insurance contract liabilities arising from net fair value gains	-	(53,038)	(53,038)
	<hr/>		<hr/>
	(1,362)		2,603
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Total comprehensive income for the financial period	<u>1,056</u>		<u>31,544</u>

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

16 COMPARATIVE INFORMATION (CONTINUED)

Unaudited Statement of Changes in Equity as at 30 June 2012

	Issued and fully paid ordinary shares of RM1each		Available- for-sale	Asset revaluation	Retained	Total
	<u>Number of shares</u> '000	<u>Nominal value</u> RM'000	<u>reserve</u> RM'000	<u>reserve</u> RM'000	<u>earnings</u> RM'000	<u>RM'000</u>
Balance at 1 January 2012 as previously reported	100,000	100,000	5,390	-	85,053	190,443
MFRS transition adjustments	-	-	6,768	1,287	78,530	86,585
Restated balance at 1 January 2012	100,000	100,000	12,158	1,287	163,583	277,028
Total restated comprehensive income for the financial period	-	-	2,603	-	28,941	31,544
Restated balance at 30 June 2012	100,000	100,000	14,761	1,287	192,524	308,572