

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 2011**

Company No.

457556

X

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

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

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2011

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	Unaudited As at <u>30.06.2011</u> RM'000	Audited As at <u>31.12.2010</u> RM'000
ASSETS			
Property, plant and equipment		48,234	49,271
Investment properties	8	190,113	190,113
Intangible assets		49,723	55,461
Financial investments			
Available-for-sale financial assets	9a	2,683,433	2,404,045
Held-for-trading financial assets	9b	703,969	691,760
Held-to-maturity financial assets	9c	769,717	783,418
Loans and receivables	9d	551,850	582,939
Insurance receivables		16,340	18,157
Other receivables		9,228	14,944
Cash and cash equivalents		374,470	293,024
TOTAL ASSETS		<u><u>5,397,077</u></u>	<u><u>5,083,132</u></u>
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital		100,000	100,000
Retained earnings		74,563	74,249
Available-for-sale reserve		5,086	4,697
TOTAL EQUITY		<u>179,649</u>	<u>178,946</u>
Insurance contract liabilities	10	4,944,786	4,635,542
Insurance payables		174,738	164,764
Other financial liabilities		2,814	2,674
Other payables		9,330	19,128
Provision for staff retirement benefits		338	338
Agency long association benefits		20,944	22,053
Current tax liabilities		2,601	3,752
Deferred tax liabilities		61,877	55,935
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES		<u>5,217,428</u>	<u>4,904,186</u>
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		<u><u>5,397,077</u></u>	<u><u>5,083,132</u></u>

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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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2011

UNAUDITED CONDENSED STATEMENT OF INCOME

	6 months ended 30.06.2011 RM'000	6 months ended 30.06.2010 RM'000
Operating revenue	529,288	380,285
Gross earned premiums	422,987	286,420
Premiums ceded to reinsurers	(17,759)	(16,466)
Net earned premiums	405,228	269,954
Investment income	106,301	93,865
Realised gains and losses	2,393	7,663
Fair value gains and losses	10,476	(5,122)
Fee and commission income	325	286
Other operating income - net	-	447
Other revenue	119,495	97,139
Gross benefits and claims paid	177,910	156,497
Claims ceded to reinsurers	(9,644)	(8,185)
Gross/net change to insurance contract liabilities	263,266	155,919
Net claims	431,532	304,231
Commission and agency expenses	42,319	32,643
Management expenses	38,495	20,075
Other operating expenses – net	686	-
Other expenses	81,500	52,718
Profit before taxation	11,691	10,144
Taxation	11,377	7,248
Net profit for the financial period	314	2,896
Basic earnings per share (sen)	0.31	2.90

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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended <u>30.06.2011</u> RM'000	6 months ended <u>30.06.2010</u> RM'000
Net profit for the financial period	314	2,896
Other comprehensive income:		
Available-for-sale reserve		
Net gain arising during the period	519	891
Net realised gain transferred to statement of income	-	(406)
	<u>519</u>	<u>485</u>
Tax effects thereon	(130)	(127)
	<u>389</u>	<u>358</u>
Total comprehensive income for the financial period	<u><u>703</u></u>	<u><u>3,254</u></u>

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2011

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	<u>Total</u> RM'000
	<u>Number of shares</u> '000	<u>Nominal value</u> RM'000	Available- for-sale <u>reserve</u> RM'000	<u>Retained earnings</u> RM'000	
Balance at 1 January 2011	100,000	100,000	4,697	74,249	178,946
Total comprehensive income for the financial period	-	-	389	314	703
Balance at 30 June 2011	<u>100,000</u>	<u>100,000</u>	<u>5,086</u>	<u>74,563</u>	<u>179,649</u>
Balance at 1 January 2010	100,000	100,000	4,315	75,252	179,567
Total comprehensive income for the financial period	-	-	358	2,896	3,254
Dividends paid: - final dividend for the financial year ended 31 December 2009	-	-	-	(16,005)	(16,005)
Balance at 30 June 2010	<u>100,000</u>	<u>100,000</u>	<u>4,673</u>	<u>62,143</u>	<u>166,816</u>

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2011

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

	6 months ended <u>30.06.2011</u> RM'000	6 months ended <u>30.06.2010</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the interim period	314	2,896
Investment income	(106,301)	(93,865)
Realised gains recorded in statement of income	(2,393)	(7,663)
Fair value gains recorded in statement of income	(10,253)	5,122
Purchase of HFT financial assets	(37,347)	(72,217)
Proceeds from disposal of HFT financial assets	34,428	74,096
Purchase of AFS financial assets	(303,150)	(218,503)
Proceeds from disposal of AFS financial assets	32,282	77,128
Maturity of AFS financial assets	40,000	15,960
Purchase of HTM financial assets	(65,268)	(65,130)
Maturity of HTM financial assets	80,563	49,292
Decrease in fixed and call deposits	26,300	2,000
Decrease in loans	5,364	51,869
Non-cash items:		
Depreciation of property, plant and equipment	1,736	1,578
Amortisation of intangible assets	6,767	75
Impairment loss of AFS financial assets	(223)	-
Allowance for impairment of insurance receivables	433	-
Provision for agency long association benefits	347	245
Taxation	11,377	7,248
Changes in working capital:		
Decrease in insurance receivables	1,384	7,953
Decrease /(increase) in other receivables	3,543	(5,146)
Increase in insurance contract liabilities	272,066	148,645
Increase/(decrease) in other financial liabilities	4,039	(19,752)
Increase/(decrease) in insurance payables	9,974	(389)
Decrease in other payables	(13,697)	(4,987)
Cash used in operating activities	<u>(7,715)</u>	<u>(43,545)</u>

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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2011

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

	6 months ended <u>30.06.2011</u> RM'000	6 months ended <u>30.06.2010</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)		
Investment income received	102,350	90,771
Agency long association benefits paid	(1,456)	(1,588)
Income tax paid	(10,004)	(1,394)
	<hr/>	<hr/>
Net cash inflows from operating activities	90,890	87,789
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(699)	(1,282)
Purchase of intangible assets	(1,029)	-
	<hr/>	<hr/>
Net cash outflows from investing activities	(1,728)	(1,282)
	<hr/>	<hr/>
CASH FLOW FROM FINANCING ACTIVITY		
Dividend paid	-	(16,005)
	<hr/>	<hr/>
Net cash outflow from financing activity	-	(16,005)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	81,447	26,957
Cash and cash equivalents at the beginning of the financial period	293,023	331,900
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	374,470	358,857
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash and bank balances	38,350	17,267
Fixed and call deposits with maturity of less than three months	336,120	341,590
	<hr/>	<hr/>
	374,470	358,857
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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 2011

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, as modified by Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM"). The interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2010.

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 2010.

1.2 Changes in Accounting Policies and Effects Arising from Adoption of New FRSs

The Company has adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2011:

	<u>Effective date</u>
Amendments to FRS 132, Financial Instruments: Presentation – Classification of Right Issues	1 March 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
Amendments to FRS 139, Financial Instruments: Recognition and Measurement	1 July 2010
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7, Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
Improvements to FRSs	1 January 2011

The adoption of the above revised standards, amendments and interpretations does not have any significant financial impact to the financial statements of the Company.

1.3 Standards, amendments to published standards and interpretations that are issued but not yet effective

(a) Standards, amendments to published standards and interpretations that are applicable to the Company, which the Company has not early adopted, are as follows:

	<u>Effective date</u>
FRS 124 Related Party Disclosures (revised)	1 January 2012

The adoption of the above revised standards, amendments and interpretations is not expected to have any significant financial impact to the financial statements of the Company.

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2011

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Standards, amendments to published standards and interpretations that are issued but not yet effective

(b) Standards, amendments to published standards and interpretations that are not applicable to the Company are as follows:

	<u>Effective date</u>
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	1 July 2011
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
IC Interpretation 15, Agreements for the Construction of Real Estate	1 January 2012
Amendments to IFRS 7 Disclosures – Transfers of Financial Assets	1 January 2012
Amendments to IAS 12 Deferred tax – Recovery of Underlying Assets	1 January 2012
Amendments to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	1 January 2012

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.

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2011

8 INVESTMENT PROPERTIES

	Market value RM'000
At 30 June 2011 / 31 December 2010	190,113

The investment properties stated at valuation were appraised in 2010 by an independent professional valuer, Raine Horne International Zaki & Partners Sdn. Bhd., at open market value on an existing use basis.

9 FINANCIAL INVESTMENTS

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Malaysian Government securities	485,189	351,882
Malaysian Government guaranteed bonds	387,994	288,980
Government Investment Issues	60,936	35,841
Corporate debt securities	1,589,870	1,609,442
Equity securities	1,338,454	1,298,078
Collective investment schemes	206,245	206,580
Structured investment products	77,689	78,184
Investment linked funds	10,742	10,236
Loans	531,850	536,639
Fixed and call deposits	20,000	46,300
	<u>4,708,969</u>	<u>4,462,162</u>

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

AFS financial assets	2,683,433	2,404,045
HFT financial assets	703,969	691,760
HTM financial assets	769,717	783,418
Loans and receivables	551,850	582,939
	<u>4,708,969</u>	<u>4,462,162</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011
(CONTINUED)

9 FINANCIAL INVESTMENTS (CONTINUED)

	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
9a AFS FINANCIAL ASSETS		
At fair value:		
Malaysian Government securities	246,337	137,208
Malaysian Government guaranteed bonds	290,754	191,647
Government Investment Issues	35,463	10,361
Corporate debt securities	1,117,466	1,104,833
Equity securities	974,513	942,838
Collective investment schemes	38,567	37,336
Investment-linked funds	10,524	10,236
	<u>2,713,624</u>	<u>2,434,459</u>
Allowance for impairment loss	(30,191)	(30,414)
	<u>2,683,433</u>	<u>2,404,045</u>
9b HFT FINANCIAL ASSETS		
At fair value:		
Corporate debt securities	64,252	58,678
Equity securities	394,132	385,654
Collective investment schemes	167,678	169,244
Structured investment products	77,907	78,184
	<u>703,969</u>	<u>691,760</u>
9c HTM FINANCIAL ASSETS		
At amortised cost:		
Malaysian Government securities	238,852	214,674
Malaysian Government guaranteed bonds	97,240	97,333
Government Investment Issues	25,473	25,480
Corporate debt securities	408,152	445,931
	<u>769,717</u>	<u>783,418</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011
(CONTINUED)

9 FINANCIAL INVESTMENTS (CONTINUED)

9c HTM FINANCIAL ASSETS (CONTINUED)

	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
At fair value:		
Malaysian Government securities	244,877	219,112
Malaysian Government guaranteed bonds	98,794	98,169
Government Investment Issues	25,352	25,522
Corporate debt securities	422,207	457,494
	<u>791,230</u>	<u>800,297</u>

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.

9d LOANS AND RECEIVABLES

	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
At amortised cost:		
Secured:		
Policy loans	529,648	534,214
Mortgage loans	1,754	1,896
Other loans	445	524
Unsecured loans	3	5
Fixed and call deposits	20,000	46,300
	<u>551,850</u>	<u>582,939</u>

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

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011
(CONTINUED)

9 FINANCIAL INVESTMENTS (CONTINUED)

9e CARRYING VALUES OF FINANCIAL INSTRUMENTS

	<u>AFS</u> RM'000	<u>HFT</u> RM'000	<u>HTM</u> RM'000	<u>LAR</u> RM'000	<u>Total</u> RM'000
At 1 January 2011	2,404,045	691,760	783,418	582,939	4,462,162
Purchases	303,150	37,347	65,268	-	405,765
Maturities	(40,000)	-	(80,563)	-	(120,563)
Disposals	(32,282)	(34,428)	-	-	(66,710)
Decrease in loans	-	-	-	(5,364)	(5,364)
Decrease in fixed and call deposits	-	-	-	(26,300)	(26,300)
Movement of investment income accrued	2,290	390	(1,430)	575	1,825
Fair value gains recorded in:					
Statement of income	-	8,900	1,304	-	10,204
Other comprehensive income	519	-	-	-	519
Insurance contract liabilities (Note 3)	43,164	-	-	-	43,164
Movement in impairment allowance	223	-	-	-	223
Amortisation adjustment	2,324	-	1,720	-	4,044
At 30 June 2011	<u>2,683,433</u>	<u>703,969</u>	<u>769,717</u>	<u>551,850</u>	<u>4,708,969</u>

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 2010</u>			
Quoted market price	935,090	632,930	1,568,020
Valuation techniques – market observable inputs	1,464,970	58,830	1,523,800
Valuation techniques – non market observable inputs	3,985	-	3,985
	<u>2,404,045</u>	<u>691,760</u>	<u>3,095,805</u>
<u>30 June 2011</u>			
Quoted market price	940,336	639,715	1,580,051
Valuation techniques – market observable inputs	1,739,121	64,252	1,803,373
Valuation techniques – non market observable inputs	3,985	-	3,985
	<u>2,683,442</u>	<u>703,967</u>	<u>3,387,409</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011
(CONTINUED)

9 FINANCIAL INVESTMENTS (CONTINUED)

9f FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Included in the quoted price category are financial instruments that 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.

Financial instruments 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.

Non-market observable inputs means that fair values 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.

For financial instruments that are recorded at fair value with valuation techniques using non-market observable inputs, the potential effect of using reasonable possible alternative assumptions for volatility and credit risk in valuing those instruments would increase the fair value by approximately RM1.1 million.

For financial instruments whose fair value is estimated using valuation techniques with non-market observable inputs, the net unrealised amount recorded in the income statement in the financial period due to changes in inputs was Nil.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011
(CONTINUED)

10 INSURANCE CONTRACT LIABILITIES

	<u>Gross/net</u>	
	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
Life insurance contract liabilities	4,944,786	4,635,542

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

	<u>Gross/net</u>	
	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
Actuarial liabilities	3,271,070	3,067,192
Unallocated surplus	1,017,277	959,972
Provision for outstanding claims	19,201	10,406
AFS reserve	469,852	432,674
Asset revaluation reserve	12,503	12,503
Net asset value attributable to unitholders	154,883	152,795
	<u>4,944,786</u>	<u>4,635,542</u>

The asset revaluation reserve represents surplus arising from the revaluation of self-occupied properties of the Life fund.

The surplus arising from the revaluation of the Life fund's assets may be distributed by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the addition to revaluation reserve or 10% of the market value of the revalued property, whichever is lower.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011
(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 2011	4,155,396	480,146	4,635,542
Premiums received	292,953	130,358	423,311
Liabilities paid for death, maturities, surrenders, benefits and claims	(147,302)	(30,608)	(177,910)
Net investment income	96,939	5,254	102,193
Benefits and claims experience variation	(43,424)	(25,735)	(69,159)
Fees deducted	(41,190)	(37,615)	(78,805)
Net other income	193	307	500
Adjustments due to changes in assumptions:			
Lapse and surrender rates	(2)	275	273
Discount rate	-	3,475	3,475
Unallocated surplus	39,811	17,494	57,305
Available-for-sale reserve:			
Fair value gains on AFS financial assets	42,390	774	43,164
Fair value changes transferred to statement of income during the financial period	(2,184)	-	(2,184)
Net asset value attributable to unitholders	-	2,088	2,088
Movement in provision for outstanding claims	8,909	(114)	8,795
Deferred tax effects:			
Available-for-sale reserve	(3,740)	(62)	(3,802)
At 30 June 2011	<u>4,398,749</u>	<u>546,037</u>	<u>4,944,786</u>

11 CAPITAL COMMITMENTS

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

	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
Authorised and contracted for:		
- Property, plant and equipment	1,192	1,382
- Intangible assets	1,970	-
	<u>3,162</u>	<u>1,382</u>

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011
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12 OPERATING LEASE COMMITMENTS

	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
Commitments under non-cancellable operating leases where the Company is a lessee:		
Payable within one year	75	75
Payable after one year	196	233
	<u>271</u>	<u>308</u>
Commitments under non-cancellable operating leases where the Company is a lessor:		
Receivable within one year	7,886	7,222
Receivables after one year	5,818	2,876
	<u>13,704</u>	<u>10,098</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>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	1,640,574	1,595,915
Tier 2 Capital	487,442	449,875
Amount deducted from capital	(48,320)	(54,360)
Total capital available	<u>2,179,696</u>	<u>2,091,430</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the six months period ended 30 June 2011.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

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 balance sheet and statement of income have been further analysed by funds which includes Life Fund, Investment-linked Fund ("ILF") 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.

Balance Sheet by Funds as at 30 June 2011

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Investment-linked Fund</u>		<u>Inter-fund Elimination</u>		<u>Total</u>	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS										
Property, plant and equipment	-	-	48,234	49,271	-	-	-	-	48,234	49,271
Investment properties	-	-	190,113	190,113	-	-	-	-	190,113	190,113
Intangible assets	16,000	18,000	33,723	37,461	-	-	-	-	49,723	55,461
Financial investments										
AFS financial assets	132,357	123,470	2,551,076	2,280,575	-	-	-	-	2,683,433	2,404,045
HFT financial assets	-	-	551,725	540,574	152,244	151,186	-	-	703,969	691,760
HTM financial assets	17,246	22,682	752,471	760,736	-	-	-	-	769,717	783,418
Loans and receivables	2,003	2,005	549,847	580,934	-	-	-	-	551,850	582,939
Insurance receivables	-	-	16,340	18,157	-	-	-	-	16,340	18,157
Other receivables	150	8,594	12,020	14,504	994	1,354	(3,936)	(9,508)	9,228	14,944
Cash and bank balances	14,196	7,396	357,026	283,733	3,248	1,895	-	-	374,470	293,024
TOTAL ASSETS	181,952	182,147	5,062,575	4,756,058	156,486	154,435	(3,936)	(9,508)	5,397,077	5,083,132

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

14 INSURANCE FUNDS (CONTINUED)

Balance Sheet by Funds as at 30 June 2011 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Investment-linked Fund</u>		<u>Inter-fund Elimination</u>		<u>Total</u>	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000	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	74,563	74,249	-	-	-	-	-	-	74,563	74,249
AFS reserve	5,086	4,697	-	-	-	-	-	-	5,086	4,697
TOTAL EQUITY	179,649	178,946	-	-	-	-	-	-	179,649	178,946
Insurance contract liabilities	-	-	4,790,096	4,482,747	154,690	152,795	-	-	4,944,786	4,635,542
Insurance payables	-	-	174,738	164,764	-	-	-	-	174,738	164,764
Other financial liabilities	-	-	6,750	12,182	-	-	(3,936)	(9,508)	2,814	2,674
Other payables	-	-	9,318	19,128	12	-	-	-	9,330	19,128
Provision for staff retirement benefits	-	-	338	338	-	-	-	-	338	338
Agency long association benefit	-	-	20,944	22,053	-	-	-	-	20,944	22,053
Current tax liabilities	542	1,761	1,675	1,603	384	388	-	-	2,601	3,752
Deferred tax liabilities	1,761	1,440	58,716	53,243	1,400	1,252	-	-	61,877	55,935
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES	2,303	3,201	5,062,575	4,756,058	156,486	154,435	(3,936)	(9,508)	5,217,428	4,904,186
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES	181,952	182,147	5,062,575	4,756,058	156,486	154,435	(3,936)	(9,508)	5,397,077	5,083,132

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

14 INSURANCE FUNDS (CONTINUED)

Unaudited Statement of Income by Funds for the six months period ended 30 June 2011

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Investment-linked Fund</u>		<u>Inter-fund Elimination</u>		<u>Total</u>	
	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended
	30.06.2011	30.06.2010	30.06.2011	30.06.2010	30.06.2011	30.06.2010	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	3,302	3,261	524,920	376,012	1,066	1,012	-	-	529,288	380,285
Gross earned premiums	-	-	422,987	286,420	-	-	-	-	422,987	286,420
Premiums ceded to reinsurers	-	-	(17,759)	(16,466)	-	-	-	-	(17,759)	(16,466)
Net earned premiums	-	-	405,228	269,954	-	-	-	-	405,228	269,954
Investment income	3,302	3,262	101,933	89,591	1,066	1,012	-	-	106,301	93,865
Realised gains and losses	(4)	406	2,397	7,257	-	-	-	-	2,393	7,663
Fair value gains and losses	-	-	8,494	(6,459)	1,982	1,337	-	-	10,476	(5,122)
Fee and commission income	-	-	325	286	-	-	-	-	325	286
Other operating income - net	-	-	-	447	-	-	-	-	-	447
Other revenue	3,298	3,668	113,149	91,122	3,048	2,349	-	-	119,495	97,139

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

14 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds for the six months period ended 30 June 2011 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Investment-linked Fund</u>		<u>Inter-fund Elimination</u>		<u>Total</u>	
	6 months ended 30.06.2011	6 months ended 30.06.2010	6 months ended 30.06.2011	6 months ended 30.06.2010	6 months ended 30.06.2011	6 months ended 30.06.2010	6 months ended 30.06.2011	6 months ended 30.06.2010	6 months ended 30.06.2011	6 months ended 30.06.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid	-	-	177,910	156,497	-	-	-	-	177,910	156,497
Claims ceded to reinsurers	-	-	(9,644)	(8,185)	-	-	-	-	(9,644)	(8,185)
Gross/net change to insurance contract liabilities	-	-	263,266	155,919	-	-	-	-	263,266	155,919
Net claims	-	-	431,532	304,231	-	-	-	-	431,532	304,231
Commission and agency expenses	-	-	42,319	32,643	-	-	-	-	42,319	32,643
Management expenses	2,000	1	35,993	19,530	502	544	-	-	38,495	20,075
Other operating expenses - net	-	-	419	-	267	-	-	-	686	-
Other expenses	2,000	1	78,731	52,173	769	544	-	-	81,500	52,718
Inter-fund transfer:										
From ILF to Life Fund	-	-	2,089	1,646	(2,089)	(1,646)	-	-	-	-
Profit before taxation	1,298	3,667	10,203	6,318	190	159	-	-	11,691	10,144
Taxation	(984)	(771)	(10,203)	(6,318)	(190)	(159)	-	-	(11,377)	(7,248)
Net profit for the financial period	314	2,896	-	-	-	-	-	-	314	2,896

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011 (CONTINUED)

15 INVESTMENT-LINKED FUND

The balance sheet and statement of income of investment-linked fund in Note 14 to the financial statements represent the assets, liabilities and net asset values of Asia Jade Fund ("AJF"), Asia Orient Fund ("AOF"), Asia TriMax Managed Fund ("ATMF"), AsiaPartner Enterprise Fund ("APEF") and AsiaPartner Bond Fund ("APBF"). The balance sheet of the investment-linked fund is represented by:

	As at <u>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
UNITHOLDERS' LIABILITIES		
At the beginning of the financial period	152,795	152,839
Net creation of units	12,423	24,370
Net cancellation of units	(12,617)	(38,213)
Net surplus for the financial period after taxation	2,089	13,799
	<u> </u>	<u> </u>
At the end of the financial period	<u>154,690</u>	<u>152,795</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>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
ASSETS		
Investments in other linked funds of insurer	13,366	12,976
Cash and cash equivalents	-	1
	<u> </u>	<u> </u>
NET ASSET VALUE OF APMF	<u>13,366</u>	<u>12,977</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2011 (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>30.06.2011</u> RM'000	As at <u>31.12.2010</u> RM'000
Net asset value of APMF at the beginning of the financial period	12,976	14,625
Net creation of units – included in gross earned premiums	1,326	2,011
Net cancellation of units – included in gross benefits paid	(1,474)	(5,891)
	<u>12,828</u>	<u>10,745</u>
Realised gains on investments	241	1,219
Fair value gain on investments	299	1,016
Management expenses:		
Auditors' remuneration	(2)	(3)
Net profit for the financial period	<u>538</u>	<u>2,232</u>
Net asset value of APMF at the end of the financial period	<u><u>13,366</u></u>	<u><u>12,977</u></u>