

Company No.

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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 2012

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 2012**

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

| | <u>Note</u> | As at <u>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 | As at <u>1.1.2011</u> RM'000 |
|---|-------------|--------------------------------------|--------------------------------------|------------------------------------|
| ASSETS | | | | |
| Property, plant and equipment | | 50,199 | 48,749 | 49,271 |
| Investment properties | 8 | 191,863 | 191,863 | 190,113 |
| Intangible assets | | 36,240 | 43,649 | 55,461 |
| Financial investments | | | | |
| Available-for-sale financial assets | 9a | 3,354,681 | 2,902,438 | 2,404,045 |
| Held-for-trading financial assets | 9b | 641,682 | 639,680 | 691,760 |
| Held-to-maturity financial assets | 9c | 678,178 | 723,893 | 783,418 |
| Loans and receivables | 9d | 649,199 | 549,200 | 582,939 |
| Tax recoverable | | - | 1,929 | - |
| Insurance receivables | | 27,263 | 18,038 | 18,157 |
| Other receivables and other assets | | 8,644 | 10,455 | 14,944 |
| Cash and cash equivalents | | 191,846 | 365,971 | 293,024 |
| TOTAL ASSETS | | <u><u>5,829,795</u></u> | <u><u>5,495,865</u></u> | <u><u>5,083,132</u></u> |
| EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES | | | | |
| Share capital | | 100,000 | 100,000 | 100,000 |
| Retained earnings | | 87,471 | 85,053 | 74,249 |
| Available-for-sale reserve | | 4,028 | 5,390 | 4,697 |
| TOTAL EQUITY | | <u><u>191,499</u></u> | <u><u>190,443</u></u> | <u><u>178,946</u></u> |
| Insurance contract liabilities | 10 | 5,318,689 | 5,011,439 | 4,635,542 |
| Insurance payables | | 215,611 | 195,233 | 164,764 |
| Other financial liabilities | | 3,012 | 3,088 | 2,674 |
| Other payables | | 16,097 | 16,435 | 19,128 |
| Provision for staff retirement benefits | | 360 | 360 | 338 |
| Agency long association benefits | | 21,990 | 23,571 | 22,053 |
| Current tax liabilities | | 4,064 | - | 3,752 |
| Deferred tax liabilities | | 58,473 | 55,296 | 55,935 |
| TOTAL LIABILITIES | | <u><u>5,638,296</u></u> | <u><u>5,305,422</u></u> | <u><u>4,904,186</u></u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>5,829,795</u></u> | <u><u>5,495,865</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 2012

UNAUDITED CONDENSED STATEMENT OF INCOME

| | 6 months ended <u>30.06.2012</u> RM'000 | 6 months ended <u>30.06.2011</u> RM'000 |
|--|--|--|
| Gross earned premium revenue | 387,374 | 422,987 |
| Premiums ceded to reinsurers | (20,205) | (17,759) |
| Net earned revenue | <u>367,169</u> | <u>405,228</u> |
| Investment income | 120,302 | 106,301 |
| Realised gains and losses | 14,028 | 2,393 |
| Fair value gains and losses | 30,122 | 10,476 |
| Fee and commission income | 421 | 325 |
| Other income | <u>164,873</u> | <u>119,495</u> |
| Gross benefits and claims paid | 193,293 | 177,910 |
| Claims ceded to reinsurers | (10,827) | (9,644) |
| Gross/net change to insurance contract liabilities | 247,193 | 263,266 |
| Net insurance benefits and claims | <u>429,659</u> | <u>431,532</u> |
| Commission and agency expenses | 42,165 | 42,319 |
| Management expenses | 42,812 | 38,495 |
| Other operating expenses – net | 21 | 686 |
| Other expenses | <u>84,998</u> | <u>81,500</u> |
| Profit before taxation | 17,385 | 11,691 |
| Taxation | 14,967 | 11,377 |
| Net profit for the financial period | <u>2,418</u> | <u>314</u> |
| Basic earnings per share (sen) | <u>2.42</u> | <u>0.31</u> |

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(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2012

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

| | 6 months ended <u>30.06.2012</u> RM'000 | 6 months ended <u>30.06.2011</u> RM'000 |
|---|--|--|
| Net profit for the financial period | 2,418 | 314 |
| Other comprehensive income: | | |
| Available-for-sale reserve | | |
| Net gain arising during the period | 1,224 | 519 |
| Net realised gain transferred to statement of income | (3,039) | - |
| | <u>(1,815)</u> | <u>519</u> |
| Tax effects thereon | 453 | (130) |
| | <u>(1,362)</u> | <u>389</u> |
| Total comprehensive income for the financial period | <u>1,056</u> | <u>703</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 2012

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 2012 | 100,000 | 100,000 | 5,390 | 85,053 | 190,443 |
| Total comprehensive income for the financial period | - | - | (1,362) | 2,418 | 1,056 |
| Balance at 30 June 2012 | <u>100,000</u> | <u>100,000</u> | <u>4,028</u> | <u>87,471</u> | <u>191,499</u> |
| 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> |

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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 2012

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

| | 6 months ended <u>30.06.2012</u> RM'000 | 6 months ended <u>30.06.2011</u> RM'000 |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the interim period | 2,418 | 314 |
| Investment income | (120,302) | (106,301) |
| Realised gains recorded in statement of income | (14,028) | (2,393) |
| Fair value gains recorded in statement of income | (30,122) | (10,253) |
| Purchase of HFT financial assets | (51,675) | (37,347) |
| Proceeds from disposal of HFT financial assets | 71,857 | 34,428 |
| Purchase of AFS financial assets | (507,512) | (303,150) |
| Proceeds from disposal of AFS financial assets | 79,667 | 32,282 |
| Maturity of AFS financial assets | 59,767 | 40,000 |
| Purchase of HTM financial assets | (30,267) | (65,268) |
| Maturity of HTM financial assets | 85,810 | 80,563 |
| (Increase)/decrease in fixed and call deposits | (99,000) | 26,300 |
| (Increase)/decrease in loans | (999) | 5,364 |
| Depreciation of property, plant and equipment | 1,687 | 1,736 |
| Amortisation of intangible assets | 6,040 | 6,767 |
| Impairment loss of AFS financial assets | - | (223) |
| Allowance for impairment of insurance receivables | - | 433 |
| Provision for agency long association benefits | 2,054 | 347 |
| Taxation | 15,418 | 11,377 |
| Changes in working capital: | | |
| (Increase)/decrease in insurance receivables | (9,225) | 1,384 |
| Decrease) in other receivables | 2,705 | 3,543 |
| Increase in insurance contract liabilities | 250,248 | 272,066 |
| (Decrease)/increase in other financial liabilities | (75) | 4,039 |
| Increase in insurance payables | 20,377 | 9,974 |
| Decrease in other payables | (337) | (13,697) |
| Cash used in operating activities | <u>(265,494)</u> | <u>(7,715)</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 2012

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

| | 6 months ended <u>30.06.2012</u> RM'000 | 6 months ended <u>30.06.2011</u> RM'000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES (continued) | | |
| Investment income received | 108,405 | 102,350 |
| Agency long association benefits paid | (3,635) | (1,456) |
| Income tax paid | (11,633) | (10,004) |
| | <hr/> | <hr/> |
| Net cash inflows from operating activities | 93,137 | 90,890 |
| | <hr/> | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (1,736) | (699) |
| Purchase of intangible assets | (32) | (1,029) |
| | <hr/> | <hr/> |
| Net cash outflows from investing activities | (1,768) | (1,728) |
| | <hr/> | <hr/> |
| Net (decrease)/increase in cash and cash equivalents | (174,125) | 81,447 |
| Cash and cash equivalents at the beginning of the financial period | 365,971 | 293,023 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial period | 191,846 | 374,470 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 32,171 | 38,350 |
| Fixed and call deposits with maturity of less than three months | 159,675 | 336,120 |
| | <hr/> | <hr/> |
| | 191,846 | 374,470 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2012

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 interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2011.

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 2011.

1.2 Changes in Accounting Policies and Effects Arising from First-time Adoption of Malaysian Financial Reporting Standards ("MFRS")

The Malaysian Accounting Standard Board ("MASB") has issued a new accounting framework, the Malaysian Financial Reporting Framework ("MFRS Framework"), an International Financial Reporting Standards compliant framework, on 19 November 2011. The MFRS Framework is applicable for all non-private entities for annual periods beginning on or after 1 January 2012.

The Company has adopted the MFRS Framework and the following applicable MFRSs mandatory for financial periods beginning on or after 1 January 2012:

| | |
|----------|--|
| MFRS 1 | First Time Adoption of Malaysian Financial Reporting Standards |
| MFRS 2 | Share-based Payment |
| MFRS 4 | Insurance Contracts |
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| MFRS 7 | Financial Instruments: Disclosures |
| MFRS 8 | Operating Segments |
| MFRS 101 | Presentation of Financial Statements |
| MFRS 107 | Statement of Cash Flows |
| MFRS 108 | Accounting Policies, Change in Accounting Estimates and Errors |
| MFRS 110 | Events After the Reporting Period |
| MFRS 112 | Income Taxes |
| MFRS 116 | Property, Plant and Equipment |
| MFRS 117 | Leases |
| MFRS 118 | Revenue |
| MFRS 119 | Employee Benefits |
| MFRS 121 | The Effects of Changes in Foreign Exchange Rates |
| MFRS 124 | Related Party Disclosures |
| MFRS 132 | Financial Instruments: Presentation |
| MFRS 133 | Earnings Per Share |
| MFRS 134 | Interim Financial Reporting |
| MFRS 136 | Impairment of Assets |
| MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| MFRS 138 | Intangible Assets |
| MFRS 139 | Financial Instruments: Recognition and Measurement |
| MFRS 140 | Investment Property |

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2012
(CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

1.2 Changes in Accounting Policies and Effects Arising from First-time Adoption of Malaysian Financial Reporting Standards ("MFRS") (continued)

The adoption of the standards does not have any significant financial impact to the unaudited condensed interim financial statements of the Company.

The accounting policies and presentation adopted by the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2011. MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters. MFRS 1 "First-time adoption of MFRS" has been applied except for item (i) and (ii) as described below:-

(i) Fair value or revaluation as deemed cost for Property, Plant and Equipment ("PPE")

A first-time adopter may elect to measure PPE at fair value at the date of transition to MFRS and use that fair value as deemed cost at that date.

The Company is currently assessing the implications of the change and expects to be in the position to make a decision before the end of the financial year ending 31 December 2012.

(ii) Accounting treatment of unallocated surplus, AFS reserve and revaluation reserve of non-discretionary participating fund

At the last reporting date and the current interim financial reports, the life insurance contract liabilities of the Company includes the unallocated surplus, AFS reserve and revaluation reserve of non discretionary participating fund. In accordance to MFRS 4 Insurance Contracts and the Framework for Preparation and Presentation of Financial Statements, the unallocated surplus, AFS reserve and revaluation reserve of non discretionary participating fund do not meet the definition of a liability. The classification of the unallocated surplus of of non-discretionary participating fund as a liability was made in accordance with earlier guidelines issued by the Bank Negara Malaysia ("BNM") and is a modification to the accounting standards.

A subsequent revised guideline has been issued by BNM which removes the requirement to classify the unallocated surplus of of non-discretionary participating fund as a liability. The Company is currently assessing and obtaining feedback from the auditors and expects to be in the position to finalise the amount for reclassification before the end of the financial year ending 31 December 2012.

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2012
(CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Standards that are issued and effective but not applicable to the Company.

Standards that are issued and effective but not applicable to the Company are as follows:

| | |
|----------|---|
| MFRS 3 | Business Combinations |
| MFRS 6 | Explorations for and Evaluation of Mineral Resources |
| MFRS 102 | Inventories |
| MFRS 111 | Construction Contracts |
| MFRS 120 | Accounting for Government Grants and Disclosures of Government Assistance |
| MFRS 123 | Borrowing Costs |
| MFRS 126 | Accounting and Reporting by Retirement Benefit Plans |
| MFRS 127 | Consolidated and Separate Financial Statements |
| MFRS 128 | Investment in Associates |
| MFRS 129 | Financial Reporting in Hyperinflationary Economies |
| MFRS 131 | Interests in Joint Ventures |
| MFRS 141 | Agriculture |

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

- (a) Standards that are applicable to the Company, which the Company has not early adopted, are as follows:

| | <u>Effective date</u> |
|--|-----------------------|
| MFRS 13 Fair Value Measurement | 1 January 2013 |
| MFRS 12 Disclosures of Interests in Other Entities | 1 January 2013 |
| MFRS 9 Financial Instruments | 1 January 2015 |

The adoption of the above standards is not expected to have any significant financial impact to the financial statements of the Company.

- (b) Standards that are not applicable to the Company are as follows:

| | <u>Effective date</u> |
|---|-----------------------|
| MFRS 10 Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 Joint Arrangements | 1 January 2013 |

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS – 30 JUNE 2012
(CONTINUED)

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.

8 INVESTMENT PROPERTIES

| | Market value RM'000 |
|------------------------------------|---------------------------|
| At 30 June 2012 / 31 December 2011 | 191,863 |

The investment properties stated at valuation were appraised in 2011 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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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012
(CONTINUED)

9 FINANCIAL INVESTMENTS

| | As at <u>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Malaysian Government securities | 464,458 | 457,208 |
| Malaysian Government guaranteed bonds | 587,910 | 458,629 |
| Government Investment Issues | 77,896 | 62,062 |
| Corporate debt securities | 1,992,666 | 1,776,239 |
| Equity securities | 1,298,325 | 1,295,945 |
| Collective investment schemes | 210,026 | 167,874 |
| Structured investment products | 37,504 | 37,654 |
| Investment linked funds | 5,756 | 10,400 |
| Loans | 530,199 | 529,200 |
| Fixed and call deposits | 119,000 | 20,000 |
| | <u>5,323,740</u> | <u>4,815,211</u> |

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

| | | |
|-----------------------|------------------|------------------|
| AFS financial assets | 3,354,681 | 2,902,438 |
| HFT financial assets | 641,682 | 639,680 |
| HTM financial assets | 678,178 | 723,893 |
| Loans and receivables | 649,199 | 549,200 |
| | <u>5,323,740</u> | <u>4,815,211</u> |

9a AFS FINANCIAL ASSETS

At fair value:

| | | |
|---------------------------------------|------------------|------------------|
| Malaysian Government securities | 230,058 | 223,296 |
| Malaysian Government guaranteed bonds | 466,936 | 368,518 |
| Government Investment Issues | 67,750 | 51,911 |
| Corporate debt securities | 1,614,805 | 1,317,765 |
| Equity securities | 926,115 | 919,701 |
| Collective investment schemes | 43,261 | 10,847 |
| Investment-linked funds | 5,756 | 10,400 |
| | <u>3,354,681</u> | <u>2,902,438</u> |

9b HFT FINANCIAL ASSETS

At fair value:

| | | |
|--------------------------------|----------------|----------------|
| Corporate debt securities | 65,203 | 68,755 |
| Equity securities | 372,210 | 376,244 |
| Collective investment schemes | 166,765 | 157,027 |
| Structured investment products | 37,504 | 37,654 |
| | <u>641,682</u> | <u>639,680</u> |

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012
(CONTINUED)

9 FINANCIAL INVESTMENTS (CONTINUED)

9c HTM FINANCIAL ASSETS

| | As at <u>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| At amortised cost: | | |
| Malaysian Government securities | 234,400 | 233,912 |
| Malaysian Government guaranteed bonds | 120,974 | 90,111 |
| Government Investment Issues | 10,146 | 10,151 |
| Corporate debt securities | 312,658 | 389,719 |
| | <u>678,178</u> | <u>723,893</u> |
| At fair value: | | |
| Malaysian Government securities | 248,812 | 243,917 |
| Malaysian Government guaranteed bonds | 125,335 | 91,865 |
| Government Investment Issues | 10,449 | 10,352 |
| Corporate debt securities | 328,001 | 405,744 |
| | <u>712,597</u> | <u>751,878</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>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|-------------------------|--------------------------------------|--------------------------------------|
| At amortised cost: | | |
| Secured: | | |
| Policy loans | 528,402 | 527,188 |
| Mortgage loans | 1,473 | 1,645 |
| Other loans | 324 | 367 |
| Fixed and call deposits | 119,000 | 20,000 |
| | <u>649,199</u> | <u>549,200</u> |

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012
(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 2012 | 2,902,438 | 639,680 | 723,893 | 549,200 | 4,815,211 |
| Purchases | 507,512 | 51,675 | 30,267 | - | 589,454 |
| Maturities | (59,767) | - | (85,810) | - | (145,577) |
| Disposals | (79,667) | (71,857) | - | - | (151,524) |
| Increase in loans | - | - | - | 115 | 115 |
| Increase in fixed and call deposits | - | - | - | 99,000 | 99,000 |
| Movement of investment income accrued | 8,130 | 362 | 1,168 | 884 | 10,544 |
| Fair value gains recorded in: | | | | | |
| Statement of income | - | 21,822 | 8,300 | - | 30,122 |
| Other comprehensive income | 1,226 | - | - | - | 1,226 |
| Insurance contract liabilities (Note 10) | 72,944 | - | - | - | 72,944 |
| Amortisation adjustment | 1,865 | - | 360 | - | 2,225 |
| At 30 June 2012 | <u>3,354,681</u> | <u>641,682</u> | <u>678,178</u> | <u>649,199</u> | <u>5,323,740</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 2011</u> | | | |
| Quoted market price | 936,296 | 570,925 | 1,507,221 |
| Valuation techniques – market observable inputs | 1,961,490 | 68,755 | 2,030,245 |
| Valuation techniques – non market observable inputs | 4,652 | - | 4,652 |
| | <u>2,902,438</u> | <u>639,680</u> | <u>3,542,118</u> |
| <u>30 June 2012</u> | | | |
| Quoted market price | 970,479 | 576,480 | 1,546,959 |
| Valuation techniques – market observable inputs | 2,379,550 | 65,202 | 2,444,752 |
| Valuation techniques – non market observable inputs | 4,652 | - | 4,652 |
| | <u>3,354,681</u> | <u>641,682</u> | <u>3,996,363</u> |

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012
(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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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012
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10 INSURANCE CONTRACT LIABILITIES

| | <u>Gross/net</u> | |
|-------------------------------------|--------------------------------------|--------------------------------------|
| | As at <u>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
| Life insurance contract liabilities | <u>5,318,689</u> | <u>5,011,439</u> |

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

| | <u>Gross/net</u> | |
|---|--------------------------------------|--------------------------------------|
| | As at <u>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
| Actuarial liabilities | 3,657,684 | 3,492,857 |
| Unallocated surplus | 1,009,348 | 930,713 |
| Provision for outstanding claims | 18,528 | 15,473 |
| AFS reserve | 502,816 | 445,814 |
| Asset revaluation reserve | 12,503 | 12,503 |
| Net asset value attributable to unitholders | <u>117,810</u> | <u>114,079</u> |
| | <u>5,318,689</u> | <u>5,011,439</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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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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(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 2012 | 4,450,825 | 560,614 | 5,011,439 |
| Premiums received | 264,144 | 123,694 | 387,838 |
| Liabilities paid for death, maturities, surrenders, benefits and claims | (141,464) | (51,829) | (193,293) |
| Net investment income | 131,740 | 9,115 | 140,854 |
| Benefits and claims experience variation | (52,837) | (37,680) | (90,541) |
| Fees deducted | (47,416) | (35,550) | (82,966) |
| Net other income | 103 | 326 | 429 |
| Adjustments due to changes in assumptions: | | | |
| Discount rate | - | 2,505 | 2,505 |
| Unallocated surplus | 46,654 | 31,956 | 78,635 |
| Available-for-sale reserve: | | | |
| Fair value gains on AFS financial assets | 68,488 | 4,456 | 72,944 |
| Fair value changes transferred to statement of income during the financial period | (10,838) | (146) | (10,984) |
| Net asset value attributable to unitholders | - | 3,731 | 3,731 |
| Movement in provision for outstanding claims | (298) | 3,353 | 3,055 |
| Deferred tax effects: | | | |
| Available-for-sale reserve | (4,612) | (345) | (4,957) |
| At 30 June 2012 | <u>4,704,489</u> | <u>614,200</u> | <u>5,318,689</u> |

11 CAPITAL COMMITMENTS

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

| | As at <u>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|---------------------------------|--------------------------------------|--------------------------------------|
| Authorised and contracted for: | | |
| - Property, plant and equipment | <u>1,909</u> | <u>2,769</u> |

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012
(CONTINUED)

12 OPERATING LEASE COMMITMENTS

| | As at <u>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|---|--------------------------------------|--------------------------------------|
| Commitments under non-cancellable operating leases where the Company is a lessee: | | |
| Payable within one year | 230 | 277 |
| Payable after one year | 254 | 345 |
| | <u>484</u> | <u>622</u> |
| Commitments under non-cancellable operating leases where the Company is a lessor: | | |
| Receivable within one year | 8,171 | 5,372 |
| Receivables after one year | 4,232 | 3,603 |
| | <u>12,403</u> | <u>8,975</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>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Eligible Tier 1 Capital | | |
| Share capital (paid-up) | 100,000 | 100,000 |
| Reserves, including retained earnings | 1,660,027 | 1,538,771 |
| Tier 2 Capital | 519,347 | 463,707 |
| Amount deducted from capital | (36,240) | (42,280) |
| Total capital available | <u>2,243,134</u> | <u>2,060,198</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 2012.

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (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 2012

| | <u>Shareholders' Fund</u> | | <u>Life Fund</u> | | <u>Investment-linked 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 | As at | |
| | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</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 | - | - | 50,199 | 48,749 | - | - | - | - | 50,199 | 48,749 |
| Investment properties | - | - | 191,863 | 191,863 | - | - | - | - | 191,863 | 191,863 |
| Intangible assets | 12,000 | 14,000 | 24,240 | 29,649 | - | - | - | - | 36,240 | 43,649 |
| Financial investments | | | | | | | | | | |
| AFS financial assets | 165,590 | 148,936 | 3,189,091 | 2,753,502 | - | - | - | - | 3,354,681 | 2,902,438 |
| HFT financial assets | 3,547 | 2,088 | 529,004 | 526,896 | 109,131 | 110,696 | - | - | 641,682 | 639,680 |
| HTM financial assets | 2,022 | 7,060 | 676,156 | 716,833 | - | - | - | - | 678,178 | 723,893 |
| Loans and receivables | 2,000 | 2,000 | 647,199 | 547,200 | - | - | - | - | 649,199 | 549,200 |
| Tax Recoverable | 1,188 | 1,485 | - | 899 | - | - | - | - | 1,188 | 2,384 |
| Deferred tax assets | - | - | - | - | - | - | - | - | - | - |
| Insurance receivables | - | - | 27,263 | 18,038 | - | - | - | - | 27,263 | 18,038 |
| Other receivables | 84 | 11,637 | 11,369 | 1,763 | 723 | 1,306 | (3,532) | (4,550) | 8,644 | 10,455 |
| Cash and bank balances | 6,539 | 6,836 | 181,142 | 355,478 | 4,165 | 3,657 | - | - | 191,846 | 365,971 |
| TOTAL ASSETS | 192,970 | 194,042 | 5,527,526 | 5,190,870 | 114,019 | 115,659 | (3,532) | (4,550) | 5,830,983 | 5,496,320 |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (CONTINUED)

14 INSURANCE FUNDS (CONTINUED)

Balance Sheet by Funds as at 30 June 2012 (continued)

| | <u>Shareholders' Fund</u> | | <u>Life Fund</u> | | <u>Investment-linked 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 | As at | As at |
| | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</u> | <u>30.06.2012</u> | <u>31.12.2011</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 | 87,471 | 85,053 | - | - | - | - | - | - | 87,471 | 85,053 |
| AFS reserve | 4,028 | 5,390 | - | - | - | - | - | - | 4,028 | 5,390 |
| TOTAL EQUITY | 191,499 | 190,443 | - | - | - | - | - | - | 191,499 | 190,443 |
| Insurance contract liabilities | - | - | 5,206,299 | 4,897,360 | 112,390 | 114,079 | - | - | 5,318,689 | 5,011,439 |
| Insurance payables | - | - | 215,611 | 195,233 | - | - | - | - | 215,611 | 195,233 |
| Other financial liabilities | - | 1,561 | 6,528 | 5,562 | 16 | 216 | (3,532) | (4,550) | 3,012 | 3,088 |
| Other payables | - | - | 16,097 | 16,435 | - | - | - | - | 16,097 | 16,435 |
| Provision for staff retirement benefits | - | - | 360 | 360 | - | - | - | - | 360 | 360 |
| Agency long association benefit | - | - | 21,990 | 23,571 | - | - | - | - | 21,990 | 23,571 |
| Current tax liabilities | - | - | 4,678 | - | 574 | 455 | - | - | 5,252 | 455 |
| Deferred tax liabilities | 1,471 | 2,038 | 55,963 | 52,349 | 1,039 | 909 | - | - | 58,473 | 55,296 |
| TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES | 1,471 | 3,599 | 5,527,526 | 5,190,870 | 114,019 | 115,659 | (3,532) | (4,550) | 5,639,484 | 5,305,877 |
| TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES | 192,970 | 194,042 | 5,527,526 | 5,190,870 | 114,019 | 115,659 | (3,532) | (4,550) | 5,830,983 | 5,496,320 |

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (CONTINUED)

14 INSURANCE FUNDS (CONTINUED)

Unaudited Statement of Income by Funds for the six months period ended 30 June 2012

| | <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 |
| | 30.06.2012 | 30.06.2011 | 30.06.2012 | 30.06.2011 | 30.06.2012 | 30.06.2011 | 30.06.2012 | 30.06.2011 | 30.06.2012 | 30.06.2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Gross earned premium revenue | - | - | 387,374 | 422,987 | - | - | - | - | 387,374 | 422,987 |
| Premiums ceded to reinsurers | - | - | (20,205) | (17,759) | - | - | - | - | (20,205) | (17,759) |
| Net earned revenue | - | - | 367,169 | 405,228 | - | - | - | - | 367,169 | 405,228 |
| Investment income | 3,470 | 3,302 | 115,698 | 101,933 | 1,134 | 1,066 | - | - | 120,302 | 106,301 |
| Realised gains and losses | 3,044 | (4) | 10,984 | 2,397 | - | - | - | - | 14,028 | 2,393 |
| Fair value gains and losses | (3) | - | 26,667 | 8,494 | 3,458 | 1,982 | - | - | 30,122 | 10,476 |
| Fee and commission income | - | - | 421 | 325 | - | - | - | - | 421 | 325 |
| Other revenue | 6,511 | 3,298 | 153,770 | 113,149 | 4,592 | 3,048 | - | - | 164,873 | 119,495 |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (CONTINUED)

14 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds for the six months period ended 30 June 2012 (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 30.06.2012 | 6 months ended 30.06.2011 | 6 months ended 30.06.2012 | 6 months ended 30.06.2011 | 6 months ended 30.06.2012 | 6 months ended 30.06.2011 | 6 months ended 30.06.2012 | 6 months ended 30.06.2011 | 6 months ended 30.06.2012 | 6 months ended 30.06.2011 |
| | 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 | - | - | 193,293 | 177,910 | - | - | - | - | 193,293 | 177,910 |
| Claims ceded to reinsurers | - | - | (10,827) | (9,644) | - | - | - | - | (10,827) | (9,644) |
| Gross/net change to insurance contract liabilities | - | - | 247,193 | 263,266 | - | - | - | - | 247,193 | 263,266 |
| Net claims | - | - | 429,659 | 431,532 | - | - | - | - | 429,659 | 431,532 |
| Commission and agency expenses | - | - | 42,165 | 42,319 | - | - | - | - | 42,165 | 42,319 |
| Management expenses | 2,000 | 2,000 | 40,305 | 35,993 | 507 | 502 | - | - | 42,812 | 38,495 |
| Other operating expenses - net | - | - | (15) | 419 | 36 | 267 | - | - | 21 | 686 |
| Other expenses | 2,000 | 2,000 | 82,455 | 78,731 | 543 | 769 | - | - | 84,998 | 81,500 |
| Inter-fund transfer: | | | | | | | | | | |
| From ILF to Life Fund | - | - | 3,732 | 2,089 | (3,732) | (2,089) | - | - | - | - |
| Profit before taxation | 4,511 | 1,298 | 12,557 | 10,203 | 317 | 190 | - | - | 17,385 | 11,691 |
| Taxation | (2,093) | (984) | (12,557) | (10,203) | (317) | (190) | - | - | (14,967) | (11,377) |
| Net profit for the financial period | 2,418 | 314 | - | - | - | - | - | - | 2,418 | 314 |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (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"), 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>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|---|--------------------------------------|--------------------------------------|
| UNITHOLDERS' LIABILITIES | | |
| At the beginning of the financial period | 114,079 | 152,795 |
| Net creation of units | 11,256 | 24,387 |
| Net cancellation of units | (16,677) | (21,787) |
| Maturity of Asia Trimax Fund | - | (41,547) |
| Net surplus for the financial period after taxation | 3,732 | 231 |
| | <u>112,390</u> | <u>114,079</u> |
| At the end of the financial period | <u>112,390</u> | <u>114,079</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>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|--|--------------------------------------|--------------------------------------|
| ASSETS | | |
| Investments in other linked funds of insurer | 13,161 | 13,002 |
| Cash and cash equivalents | - | 1 |
| | <u>13,161</u> | <u>13,003</u> |
| NET ASSET VALUE OF APMF | <u>13,161</u> | <u>13,003</u> |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (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>30.06.2012</u> RM'000 | As at <u>31.12.2011</u> RM'000 |
|--|--------------------------------------|--------------------------------------|
| Net asset value of APMF at the beginning of the financial period | 13,003 | 12,977 |
| Net creation of units – included in gross earned premiums | 1,446 | 2,491 |
| Net cancellation of units – included in gross benefits paid | (1,927) | (2,757) |
| | <u>12,522</u> | <u>12,711</u> |
| Realised gains on investments | 356 | 399 |
| Fair value gain/(loss) on investments | 285 | (104) |
| Management expenses: | | |
| Auditors' remuneration | (2) | (3) |
| | <u>639</u> | <u>292</u> |
| Net profit for the financial period | <u>639</u> | <u>292</u> |
| Net asset value of APMF at the end of the financial period | <u><u>13,161</u></u> | <u><u>13,003</u></u> |