

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 2017

Company No.

457556

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

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	<u>Note</u>	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
ASSETS			
Property, plant and equipment		160,648	163,228
Investment properties		149,526	149,599
Intangible assets		84,027	97,711
Financial investments			
Available-for-sale financial assets	8a	5,234,677	5,016,202
Fair value through profit or loss financial assets	8b	701,069	643,610
Held-to-maturity financial assets	8c	956,821	931,497
Loans and receivables	8d	498,039	508,383
Insurance receivables		41,093	43,323
Other receivables		14,569	7,051
Cash and cash equivalents		357,444	318,198
TOTAL ASSETS		<u>8,197,913</u>	<u>7,878,802</u>
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital		226,000	226,000
Retained earnings		519,431	493,354
Available-for-sale reserve		12,329	(536)
Asset revaluation reserve		2,889	2,889
TOTAL EQUITY		<u>760,649</u>	<u>721,707</u>
Insurance contract liabilities	9	6,700,263	6,449,420
Insurance payables		478,173	473,479
Other payables		45,291	53,308
Provision for agency long association benefits		27,725	27,486
Current tax liabilities		10,435	6,363
Deferred tax liabilities		175,377	147,039
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES		<u>7,437,264</u>	<u>7,157,095</u>
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		<u>8,197,913</u>	<u>7,878,802</u>

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

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000
Gross earned premium revenue	537,560	490,536
Premiums ceded to reinsurers	(39,431)	(36,933)
Net earned revenue	<u>498,129</u>	<u>453,603</u>
Investment income	161,035	151,189
Net realised gains	7,299	9,210
Net fair value gains	60,281	5,377
Fee and commission income	-	13
Other operating income – net	677	2,214
Other income	<u>229,292</u>	<u>168,003</u>
Gross benefits and claims paid	(491,631)	(456,310)
Claims ceded to reinsurers	30,661	27,315
Gross/net change to insurance contract liabilities	(72,932)	(37,373)
Net insurance benefits and claims	<u>(533,902)</u>	<u>(466,368)</u>
Commission and agency expenses	(57,644)	(56,251)
Management expenses	(80,186)	(76,663)
Other expenses	<u>(137,830)</u>	<u>(132,914)</u>
Profit before taxation	55,689	22,324
Taxation	(24,612)	(18,761)
Net profit for the financial period	<u><u>31,077</u></u>	<u><u>3,563</u></u>

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000
Other comprehensive income:		
<u>Items that may be subsequently recycled to profit or loss</u>		
Fair value change on available-for-sale financial assets:		
Net gains arising during the financial period	204,038	66,980
Net realised gains transferred to profit or loss	(7,019)	(9,210)
Tax effects thereon	(16,078)	(5,014)
Fair value gains, net of tax	180,941	52,756
Change in insurance contract liabilities arising from net fair value gains	(168,076)	(39,249)
Net fair value change	12,865	13,507
Total other comprehensive income	12,865	13,507
Total comprehensive income for the financial period	43,942	17,070
Basic earnings per share (sen)	13.75	1.58

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

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

	<u>Share capital</u> RM'000	<u>Available- for-sale reserve</u> RM'000	<u>Asset revaluation reserve</u> RM'000	<u>Retained earnings*</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	226,000	(4,434)	2,799	417,989	642,354
Total comprehensive income for the financial period	-	13,507	-	3,563	17,070
At 30 June 2016	<u>226,000</u>	<u>9,703</u>	<u>2,889</u>	<u>421,552</u>	<u>659,424</u>
At 1 January 2017	226,000	(536)	2,889	493,354	721,707
Total comprehensive income for the financial period	-	12,865	-	31,077	43,942
Dividend paid for the financial year ended 31 December 2016	-	-	-	(5,000)	(5,000)
At 30 June 2017	<u>226,000</u>	<u>12,329</u>	<u>2,889</u>	<u>519,431</u>	<u>760,649</u>

* Included in the retained earnings as at 30 June 2017 is unallocated surplus in the Non-participating Life Fund (net of deferred tax) of RM 509,032,000 (30 June 2016: RM 432,792,000). These amounts are only distributable upon the actual recommended transfer from Non-participating Life Fund to the Shareholders' Fund by the Appointed Actuary.

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	31,077	3,563
Investment income	(158,318)	(151,189)
Realised gain of AFS financial assets	(7,303)	(9,210)
Fair value (gains)/losses of FVTPL financial assets	(68,471)	16,181
Depreciation of property, plant and equipment	2,570	2,330
Loss on disposal of property, plant and equipment	3	490
Amortisation of intangible assets	15,782	13,047
Impairment/(write back of impairment) of AFS financial assets	8,190	(21,558)
Write back of impairment loss of insurance receivables	-	(2,270)
Provision for agency long association benefits	1,175	961
Taxation	24,612	18,761
Changes in working capital:		
Purchase of financial assets	(507,841)	(598,877)
Proceeds from maturity or disposal of financial assets	471,779	570,609
Decrease in fixed and call deposits	-	17,899
Decrease in loans	10,344	10,169
Decrease/(increase) in insurance receivables	2,230	(7,126)
(Increase)/decrease in other receivables	(3,319)	1,112
Increase in insurance contract liabilities	82,768	38,984
Increase in insurance payables	4,694	16,425
Decrease in other payables	(11,907)	(2,119)
	<u>(101,935)</u>	<u>(81,808)</u>
Dividend income received	27,664	25,801
Interest income received	129,666	122,140
Rental income received	645	1,747
Agency long association benefits paid	(936)	(3,045)
Income tax paid	(8,280)	(12,671)
	<u>46,824</u>	<u>52,164</u>
Net cash inflows from operating activities	<u>46,824</u>	<u>52,164</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)

	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,101)	(5,774)
Proceed from disposal of property, plant and equipment	45	-
Purchase of intangible assets	(1,522)	(4,679)
Net cash outflows from investing activities	<u>(2,578)</u>	<u>(10,453)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(5,000)	-
Net cash outflows from financing activities	<u>(5,000)</u>	<u>-</u>
Net increase in cash and cash equivalents	39,246	41,711
Cash and cash equivalents at 1 January	<u>318,198</u>	<u>310,981</u>
Cash and cash equivalents at 30 June	<u><u>357,444</u></u>	<u><u>352,692</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	39,510	43,527
Fixed and call deposits with maturity of less than three months	317,934	309,165
	<u><u>357,444</u></u>	<u><u>352,692</u></u>

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017

1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted by the Company's audited financial statements for the financial year ended 31 December 2016.

1.1 Basis of Preparation

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB").

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016.

1.2 Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but not yet effective and have not been early adopted

The Company will apply the new standards, amendments to published standards and interpretations in the following financial period:

Financial year beginning on/after 1 January 2018

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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STATEMENTS - 30 JUNE 2017 (CONTINUED)

- 1.2 Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but not yet effective and have not been early adopted (continued)

Financial year beginning on/after 1 January 2018 (continued)

- The amendments to MFRS 4 (“Insurance Contracts”) allows two alternatives to address the transitional challenges from different effective dates of MFRS 9 and the proposed new standard on insurance contracts. The amendment introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts. The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance contracts until the earlier of the effective date of the proposed new standard on insurance contracts and the annual reporting periods beginning on or after 1 January 2021.
- Amendments to MFRS 140 ‘Transfer of Investment Properties’ clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meet, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management’s intention in isolation is not sufficient to support a transfer of property.

The amendments also clarify the same principle applies to assets under construction.

- MFRS 15 ‘Revenue from Contracts with Customers’ replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction Contracts’ and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- (i) identify contracts with customers;
- (ii) identify the separate performance obligations;
- (iii) determine the transaction price of the contract;
- (iv) allocate the transaction price to each of the separate performance obligations; and
- (v) recognise the revenue as each performance obligation is satisfied.

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STATEMENTS - 30 JUNE 2017 (CONTINUED)

- 1.2 Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but not yet effective and have not been early adopted (continued)

Financial year beginning on/after 1 January 2018 (continued)

Key provisions of the new standard are as follows:

- (i) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- (ii) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- (iii) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- (iv) There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- (v) As with any new standard, there are also increased disclosures.

Financial year beginning on/after 1 January 2019

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

Other than MFRS 9, 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.

The Company has yet to assess the full impact of MFRS 9 onto the Company's accounting policies and will complete the process prior to the reporting requirement deadline.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (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 were no material changes in the basis used for accounting estimates for the financial period ended 30 June 2017.

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

During the half-year ended 30 June 2017, a final single tier dividend of 2.212% on 226,000,000 ordinary shares in respect of the financial year ended 31 December 2016, amounting to RM5,000,000 was paid on 22 June 2017.

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8 FINANCIAL INVESTMENTS

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Malaysian government securities	461,484	466,205
Malaysian government guaranteed bonds	1,185,905	1,139,612
Government investment issues	167,838	187,215
Corporate debt securities	2,882,940	2,830,186
Equity securities	1,742,345	1,520,166
Collective investment schemes	450,625	445,147
Investment-linked funds	1,430	2,778
Loans	498,039	508,383
	<u>7,390,606</u>	<u>7,099,692</u>

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

Available-for-sale financial assets ("AFS")	5,234,677	5,016,202
Fair value through profit and loss financial assets ("FVTPL")	701,069	643,610
Held-to-maturity financial assets ("HTM")	956,821	931,497
Loans and receivables ("LAR")	498,039	508,383
	<u>7,390,606</u>	<u>7,099,692</u>

8a AFS FINANCIAL ASSETS

At fair value:

Malaysian government securities	189,484	185,004
Malaysian government guaranteed bonds	781,246	765,217
Government investment issues	80,820	90,344
Corporate debt securities	2,511,079	2,464,955
Equity securities	1,598,742	1,389,608
Collective investment schemes	71,876	118,296
Investment-linked funds	1,430	2,778
	<u>5,234,677</u>	<u>5,016,202</u>
Current	226,965	171,631
Non-current	5,007,712	4,844,571
	<u>5,234,677</u>	<u>5,016,202</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

8 FINANCIAL INVESTMENTS (CONTINUED)

8b FVTPL FINANCIAL ASSETS

	As at <u>30.06.2017</u> RM'000	As at <u>31.12.2016</u> RM'000
At fair value:		
Malaysian government securities	40,342	49,569
Government investment issues	9,957	19,758
Corporate debt securities	128,418	116,874
Equity securities	143,603	130,558
Collective investment schemes	378,749	326,851
	<u>701,069</u>	<u>643,610</u>
Current	1,795	9,984
Non-current	699,274	633,626
	<u>701,069</u>	<u>643,610</u>

8c HTM FINANCIAL ASSETS

At amortised cost:

Malaysian government securities	231,658	231,632
Malaysian government guaranteed bonds	404,659	374,395
Government investment issues	77,061	77,113
Corporate debt securities	243,443	248,357
	<u>956,821</u>	<u>931,497</u>
Current	50,748	45,430
Non-current	906,073	886,067
	<u>956,821</u>	<u>931,497</u>

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8 FINANCIAL INVESTMENTS (CONTINUED)

8c HTM FINANCIAL ASSETS (CONTINUED)

	As at <u>30.06.2017</u> RM'000	As at <u>31.12.2016</u> RM'000
At fair value:		
Malaysian government securities	236,751	230,912
Malaysian government guaranteed bonds	400,526	371,558
Government investment issues	77,440	75,996
Corporate debt securities	248,264	251,463
	<u>962,981</u>	<u>929,929</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.

8d LOANS AND RECEIVABLES

	As at <u>30.06.2017</u> RM'000	As at <u>31.12.2016</u> RM'000
At amortised cost:		
Secured:		
Policy loans	496,781	506,910
Mortgage loans	1,039	1,088
Other loans	219	385
	<u>498,039</u>	<u>508,383</u>

The carrying values of loans and receivables approximate the fair values at the date of the statement of financial position.

	As at <u>30.06.2017</u> RM'000	As at <u>31.12.2016</u> RM'000
Current	60,700	-
Non-current	437,339	508,383
	<u>498,039</u>	<u>508,383</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

8 FINANCIAL INVESTMENTS (CONTINUED)

8e CARRYING VALUES OF FINANCIAL INSTRUMENTS

	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>HTM</u> RM'000	<u>LAR</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	4,705,320	543,507	967,525	540,333	6,756,685
Purchases	1,042,659	335,367	20,000	-	1,398,026
Maturities	(473,412)	(64,830)	(56,000)	-	(594,242)
Disposals	(298,076)	(192,963)	-	-	(491,039)
Increase in loans	-	-	-	364	364
Decrease in fixed and call deposits	-	-	-	(17,899)	(17,899)
Movement of investment income accrued	2,546	745	(387)	(14,415)	(11,511)
Fair value gains/(losses) recorded in:					
Profit or loss	-	21,784	(30)	-	21,754
Other comprehensive income	26,086	-	-	-	26,086
Movement in impairment allowance	5,211	-	-	-	5,211
Amortisation adjustment	5,868	-	389	-	6,257
At 31 December 2016	<u>5,016,202</u>	<u>643,610</u>	<u>931,497</u>	<u>508,383</u>	<u>7,099,692</u>
At 1 January 2017	5,016,202	643,610	931,497	508,383	7,099,692
Purchases	421,140	42,503	45,000	-	508,643
Maturities	(210,778)	(9,966)	(20,000)	-	(240,744)
Disposals	(191,609)	(43,689)	-	-	(235,298)
Decrease in loans	-	-	-	(10,344)	(10,344)
Movement of investment income accrued	1,019	140	180	-	1,339
Fair value gains recorded in:					
Profit or loss	-	68,471	-	-	68,471
Other comprehensive income	204,038	-	-	-	204,038
Movement in impairment allowance	(7,907)	-	-	-	(7,907)
Amortisation adjustment	2,572	-	144	-	2,716
At 30 June 2017	<u>5,234,677</u>	<u>701,069</u>	<u>956,821</u>	<u>498,039</u>	<u>7,390,606</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

8f **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>FVTPL</u> RM'000	<u>HTM</u> RM'000	<u>Total</u> RM'000
<u>30 June 2017</u>				
Level 1	1,590,482	143,603	-	1,734,085
Level 2	3,635,936	557,466	962,981	5,156,383
Level 3	8,259	-	-	8,259
	<u>5,234,677</u>	<u>701,069</u>	<u>962,981</u>	<u>6,898,727</u>
<u>31 December 2016</u>				
Level 1	1,429,133	130,558	-	1,559,691
Level 2	3,578,810	513,052	929,929	5,021,791
Level 3	8,259	-	-	8,259
	<u>5,016,202</u>	<u>643,610</u>	<u>929,929</u>	<u>6,589,741</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 that 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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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL
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9 INSURANCE CONTRACT LIABILITIES

	<u>Gross/net</u>	
	<u>As at</u> <u>30.06.2017</u> RM'000	<u>As at</u> <u>31.12.2016</u> RM'000
Life insurance contract liabilities	6,700,263	6,449,420

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

	<u>Gross/net</u>	
	<u>As at</u> <u>30.06.2017</u> RM'000	<u>As at</u> <u>31.12.2016</u> RM'000
Actuarial liabilities	5,403,316	5,382,259
Unallocated surplus	387,804	379,529
Provision for outstanding claims	96,645	86,810
Available-for-sale fair value adjustment	561,892	393,816
Asset revaluation surplus adjustment	31,413	31,413
Net asset value attributable to unitholders (Note 12)	219,193	175,593
	<u>6,700,263</u>	<u>6,449,420</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

9 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

	<u>Gross/net</u>		
	<u>With DPF RM'000</u>	<u>Without DPF RM'000</u>	<u>Total RM'000</u>
At 1 January 2017	5,594,836	854,584	6,449,420
Premiums received	221,272	316,288	537,560
Liabilities paid for death, maturities, surrenders, benefits and claims	(354,253)	(137,378)	(491,631)
Net investment income	156,161	34,321	190,482
Benefits and claims experience variation	4,260	(67,618)	(63,358)
Fees deducted	(44,228)	(95,107)	(139,335)
Net other income	(2,274)	873	(1,401)
Adjustments due to changes in assumptions:			
Discount rate	-	27,096	27,096
Others	(12,021)	(2,552)	(14,573)
Movement in unallocated surplus	8,275	-	8,275
Net asset value attributable to unitholders	-	19,817	19,817
Movement in provision for outstanding claims	3,931	5,904	9,835
Available-for-sale fair value adjustment	168,076	-	168,076
At 30 June 2017	<u>5,744,035</u>	<u>956,228</u>	<u>6,700,263</u>
At 1 January 2016	5,488,800	750,297	6,239,097
Premiums received	551,961	534,807	1,086,768
Liabilities paid for death, maturities, surrenders, benefits and claims	(622,918)	(247,109)	(870,027)
Net investment income	271,529	45,106	316,635
Benefits and claims experience variation	4,002	(75,255)	(71,253)
Fees deducted	(99,245)	(178,491)	(277,736)
Net other income	(4,611)	1,593	(3,018)
Adjustments due to changes in assumptions:			
Mortality/morbidity	-	2,258	2,258
Lapse and surrender rates	-	(474)	(474)
Expenses	-	(218)	(218)
Discount rate	73,343	7,708	81,051
Others	81,915	(360)	81,555
Movement in unallocated surplus	(175,946)	-	(175,946)
Available-for-sale fair value adjustment	7,541	-	7,541
Net asset value attributable to unitholders	-	6,057	6,057
Movement in provision for outstanding claims	16,823	8,665	25,488
Asset revaluation surplus adjustment	1,642	-	1,642
At 31 December 2016	<u>5,594,836</u>	<u>854,584</u>	<u>6,449,420</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

10 CAPITAL COMMITMENTS

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

	<u>As at</u> <u>30.06.2017</u> RM'000	<u>As at</u> <u>31.12.2016</u> RM'000
Authorised and contracted for:		
- Equipment	2,429	3,459
- Bancassurance fee	84,000	84,000
	<u>86,429</u>	<u>87,459</u>

11 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 at 30 June 2017, as prescribed under the RBC Framework is provided below:

	<u>As at</u> <u>30.06.2017</u> RM'000	<u>As at</u> <u>31.12.2016</u> RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	226,000	226,000
Reserves, including retained earnings	1,897,013	1,896,495
Tier 2 Capital	608,522	427,582
Amount deducted from capital	(84,027)	(97,711)
Total capital available	<u>2,647,508</u>	<u>2,452,366</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 2017 and for the financial year ended 31 December 2016.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

12 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996. The Company's statement of financial position and statement of comprehensive 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 Condensed Statement of Financial Position by Funds as at 30 June 2017

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Inter-fund elimination</u>		<u>Total</u>	
	<u>30.06.2017</u>	<u>31.12.2016</u>	<u>30.06.2017</u>	<u>31.12.2016</u>	<u>30.06.2017</u>	<u>31.12.2016</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Property, plant and equipment	-	-	160,648	163,228	-	-	160,648	163,228
Investment properties	-	-	149,526	149,599	-	-	149,526	149,599
Intangible assets	-	-	84,027	97,711	-	-	84,027	97,711
Financial investments								
AFS financial assets	220,019	203,573	5,014,658	4,812,629	-	-	5,234,677	5,016,202
FVTPL financial assets	4,560	4,532	696,509	639,078	-	-	701,069	643,610
HTM financial assets	-	-	956,821	931,497	-	-	956,821	931,497
Loans and receivables	-	-	498,039	508,383	-	-	498,039	508,383
Insurance receivables	-	-	41,093	43,323	-	-	41,093	43,323
Other receivables	1,200	26,389	13,002	7,051	367	(26,389)	14,569	7,051
Cash and bank balances	13,523	6,404	343,921	311,794	-	-	357,444	318,198
TOTAL ASSETS	239,302	240,898	7,958,244	7,664,293	367	(26,389)	8,197,913	7,878,802

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

12 INSURANCE FUNDS (CONTINUED)

Unaudited Condensed Statement of Financial Position by Funds as at 30 June 2017 (continued)

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	<u>30.06.2017</u>	<u>31.12.2016</u>	<u>30.06.2017</u>	<u>31.12.2016</u>	<u>30.06.2017</u>	<u>31.12.2016</u>	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES								
Share capital	226,000	226,000	-	-	-	-	226,000	226,000
Retained earnings	10,399	13,676	509,032	479,678	-	-	519,431	493,354
Available-for-sale reserve	1,889	384	10,440	(920)	-	-	12,329	(536)
Asset revaluation reserve	-	-	2,889	2,889	-	-	2,889	2,889
TOTAL EQUITY	238,288	240,060	522,361	481,647	-	-	760,649	721,707
Insurance contract liabilities	-	-	6,700,263	6,449,420	-	-	6,700,263	6,449,420
Insurance payables	-	-	478,173	473,479	-	-	478,173	473,479
Other payables	-	-	44,924	79,697	367	(26,389)	45,291	53,308
Provision for agency long association benefits	-	-	27,725	27,486	-	-	27,725	27,486
Current tax liabilities	540	814	9,895	5,549	-	-	10,435	6,363
Deferred tax liabilities	474	24	174,903	147,015	-	-	175,377	147,039
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES	1,041	838	7,435,883	7,182,646	367	(26,389)	7,437,264	7,157,095
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES	239,302	240,898	7,958,244	7,664,293	367	(26,389)	8,197,913	7,878,802

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

12 INSURANCE FUNDS (CONTINUED)

Unaudited Condensed Statement of Comprehensive Income by Funds for the six months period ended 30 June 2017

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended
	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premium revenue	-	-	537,560	490,536	-	-	573,560	490,536
Premiums ceded to reinsurers	-	-	(39,431)	(36,933)	-	-	(39,431)	(36,933)
Net earned revenue	-	-	498,129	453,603	-	-	498,129	453,603
Investment income	3,483	3,267	157,552	147,922	-	-	161,035	151,189
Net realised gains	592	815	6,707	8,395	-	-	7,299	9,210
Net fair value gains	28	18	60,253	5,359	-	-	60,281	5,377
Fee and commission income	-	-	-	13	-	-	-	13
Other operating income – net	-	-	677	2,214	-	-	677	2,214
Other income	4,103	4,100	225,189	163,903	-	-	229,292	168,003

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

12 INSURANCE FUNDS (CONTINUED)

Unaudited Condensed Statement of Comprehensive Income by Funds for the six months period ended 30 June 2017 (continued)

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	6 months ended 30.06.2017 RM'000	6 months ended 30.06.2016 RM'000						
Gross benefits and claims paid	-	-	(491,631)	(456,310)	-	-	(491,631)	(456,310)
Claims ceded to reinsurers	-	-	30,661	27,315	-	-	30,661	27,315
Gross/net change to insurance contract liabilities	-	-	(72,932)	(37,373)	-	-	(72,932)	(37,373)
Net insurance benefits and claims	-	-	(533,902)	(466,368)	-	-	(533,902)	(466,368)
Commission and agency expenses	-	-	(57,644)	(56,251)	-	-	(57,644)	(56,251)
Management expenses	(1,395)	(2,535)	(78,791)	(74,128)	-	-	(80,186)	(76,663)
Other expenses	(1,395)	(2,535)	(136,435)	(130,379)	-	-	(137,830)	(132,914)
Profit before taxation	2,708	1,565	52,981	20,759	-	-	55,689	22,324
Taxation	(985)	(1,028)	(23,627)	(17,733)	-	-	(24,612)	(18,761)
Net profit for the financial period	1,723	537	29,354	3,026	-	-	31,077	3,563

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2017 (CONTINUED)

12 INSURANCE FUNDS (CONTINUED)

Unaudited Condensed Statement of Comprehensive Income by Funds for the six months period ended 30 June 2017 (continued)

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	6 months ended 30.06.2017 RM'000	6 months ended 30.06.2016 RM'000						
Other comprehensive income:								
Items that may be subsequently recycled to profit or loss								
Fair value change on available-for-sale financial assets:								
Net gains arising during financial period	2,571	3,125	201,467	63,855	-	-	204,038	66,980
Net realised gains transferred to profit or loss	(592)	(815)	(6,427)	(8,395)	-	-	(7,019)	(9,210)
Tax effects thereon	(475)	(557)	(15,603)	(4,457)	-	-	(16,078)	(5,014)
Fair value gains, net of tax	1,504	1,753	179,437	51,003	-	-	180,941	52,756
Change in insurance contract liabilities arising from net fair value gains	-	-	(168,076)	(39,249)	-	-	(168,076)	(39,249)
Net fair value change	1,504	1,753	11,361	3,026	-	-	12,865	13,507
Total other comprehensive income	1,504	1,753	11,361	11,754	-	-	12,865	13,507
Total comprehensive income for the financial period	3,227	2,290	40,715	14,780	-	-	43,942	17,070

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12 INSURANCE FUNDS (CONTINUED)

Investment-linked Fund

The unaudited condensed statement of financial position and unaudited condensed statement of comprehensive income of investment-linked fund represent the assets, liabilities and net asset values of TokioMarine Orient Fund ("TMOF"), TokioMarine Enterprise Fund ("TMEF"), TokioMarine Bond Fund ("TMBF"), TokioMarine Dana Ikhtiar ("TMDI") and TokioMarine Luxury Fund ("TMLX").

The unaudited condensed statement of financial position of the investment-linked fund is represented by:

	As at <u>30.06.2017</u> RM'000	As at <u>31.12.2016</u> RM'000
ASSETS		
Fair value through profit and loss financial assets	185,089	154,652
Other receivables	1,824	161
Cash and cash equivalents	35,483	23,734
TOTAL ASSETS	<u>222,396</u>	<u>178,547</u>
LIABILITIES		
Other payables	-	1,417
Current tax liabilities	626	550
Deferred tax liabilities	2,577	987
TOTAL LIABILITIES	<u>3,203</u>	<u>2,954</u>
Net asset value of funds (Note 9)	<u>219,193</u>	<u>175,593</u>

The unaudited condensed statement of financial position has been adjusted for TokioMarine Managed Fund ("TMMF") which have been eliminated as TMMF invested mainly in TMEF and TMBF during the financial period:

	As at <u>30.06.2017</u> RM'000	As at <u>31.12.2016</u> RM'000
Investments in other linked funds of insurer	53,381	37,484
Cash and cash equivalents	1	1
Net asset value of TMMF	<u>53,382</u>	<u>37,485</u>

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12 INSURANCE FUNDS (CONTINUED)

Investment-linked Fund (continued)

The unaudited condensed statement of comprehensive income of the investment-linked fund is represented by:

	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000
Realised gains on investments	2,295	1,370
Fair value gain on investments	20,467	1,318
Other operating income/(expense) – net	7	5
	<hr/>	<hr/>
Other income	22,769	2,693
	<hr/>	<hr/>
Management fees	(1,221)	(864)
Management expenses	(11)	(15)
	<hr/>	<hr/>
Other expenses	(1,232)	(879)
	<hr/>	<hr/>
Profit before taxation	21,537	1,814
Taxation	(1,720)	(152)
	<hr/>	<hr/>
Net profit for the financial period	<u>19,817</u>	<u>1,662</u>

The unaudited condensed statement of comprehensive income have been adjusted for TokioMarine Managed Fund (“TMMF”) which have been eliminated as TMMF invested mainly in TMEF and TMBF during the financial period:

	6 months ended <u>30.06.2017</u> RM'000	6 months ended <u>30.06.2016</u> RM'000
Realised gains on investments	430	354
Fair value gain on investments	3,645	684
Management expenses	(2)	(2)
	<hr/>	<hr/>
Net profit for the financial period	<u>4,073</u>	<u>1,036</u>