Ernst & Young

Etiqa Insurance Berhad
(9557 T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2012

9557 T

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of life insurance, investment-linked and all classes of general insurance business.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	RM'000
Net profit for the financial year	347,103

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2011 was as follows:

	RM'000
In respect of financial year ended 31 December 2012:	
Interim dividend of 307 sen per share, net of 25% tax on 152,151,399 ordinary shares, declared on 28 December 2012	350,329

The directors do not recommend the payment of any final dividend in respect of the current financial year.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by the parent's i.e. Malayan Banking Berhad's ("MBB") shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS has been implemented on 23 June 2011 and is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within Maybank Group.

The maximum number of ordinary shares of RM1 each in Maybank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

ETIQA INSURANCE BERHAD
(Incorporated In Malaysia)

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Salleh Hj Harun (Chairman)	
Dato' Johan Ariffin	
Zainal Abidin Jamal	
Hans J. J. De Cuyper	
Mohamed Nor Abdul Hamid	
Datuk R. Karunakaran	
Loh Lee Soon	
Frank J.G Van Kempen	(appointed on 17 July 2012)
Gary Lee Crist	(appointed on 31 July 2012)
Damis Jacobus Ziengs	(resigned on 19 April 2012)

Pursuant to Article 98 of the Company's Articles of Association, Y. Bhg. Datuk R. Karunakaran and Mr. Loh Lee Soon shall retire at the forth coming Annual General Meeting (AGM) of the Company and being eligible, offer themselves for re-election.

Pursuant to Article 104 of the Company's Articles of Association, Mr. Gary Lee Crist and Mr. Frank J.G. Van Kempen shall retire at the forthcoming AGM of the Company and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed in ensuring that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

(a) Board responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Insurance Act ("the Act") and Regulations, 1996 and Bank Negara Malaysia's ("BNM") Guidelines, including BNM/RH/GL/003-1: Minimum Standards for Prudential Management of Insurers (Consolidated) and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers. Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

CORPORATE GOVERNANCE (CONT'D)

(a) Board responsibilities (cont'd)

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

Hence, the Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The Board met 7 times during the year and the attendance of the directors was as follows:

	Number of Board meetings attended	%
Dato' Mohd Salleh Hj Harun (Chairman)	6/7	86
Hans J. J. De Cuyper	7/7	100
Dato' Johan Ariffin	7/7	100
Zainal Abidin Jamal	6/7	86
Mohamed Nor Abdul Hamid	7/7	100
Datuk R. Karunakaran	7/7	100
Loh Lee Soon	6/7	86
Frank J.G Van Kempen (Appointed on 17 July 2012)	3/3	100
Gary Lee Crist (Appointed on 31 July 2012)	2/2	100
Damis Jacobus Ziengs (Resigned on 19 April 2012)	4/4	100

(b) Management accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

CORPORATE GOVERNANCE (CONT'D)

(c) Corporate independence

All material related party transactions have been disclosed in Note 36.

(d) Internal controls and audit

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action, where necessary, is taken in a timely manner.

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level.

The composition of the joint AC established at MAHB and the attendance of the directors are as follows:

	Number of AC meetings attended	%
Loh Lee Soon (Chairman) Independent Non-Executive Director	6/6	100
Datuk Dr. Syed Othman Syed Hussin Alhabshi Independent Non-Executive Director	6/6	100
Gary Lee Crist (Appointed on 26 July 2012) Non-Independent Non-Executive Director	2/2	100
Damis Jacobus Ziengs (Resigned on 11 June 2012) Non-Independent Non-Executive Director	3/3	100

The AC met 6 times during the year.

CORPORATE GOVERNANCE (CONT'D)

(e) Risk Management

The Board takes responsibility in establishing the Risk Management Committee ("RMC"). The primary objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and function effectively.

The Company established the RMC at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee ("IC") of the Board and assisted by the Asset Liability Committee ("ALCO") of the management.

The risk management framework of the Company comprises three main components i.e. policy-making, monitoring and control and risk acceptance while the risk management approach would premise on three lines of defence i.e. risk-taking, risk control and coordinating units and internal audit. Risks have been classified into three main categories, which are made up of insurance risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

There is an on-going process in identifying, evaluating and managing the significant risks faced by the Company. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the joint RMC established at MAHB is as follows:

Mohamed Nor Abdul Hamid (Chairman)
Independent Non-Executive Director

Datuk R. Karunakaran
Independent Non-Executive Director

Gary Lee Crist (Appointed on 11 June 2012)
Non-Independent Non-Executive Director

Damis Jacobus Ziengs (Resigned on 11 June 2012)
Non-Independent Non-Executive Director

The RMC met 7 times during the year.

CORPORATE GOVERNANCE (CONT'D)

(f) Nomination and Remuneration Committee

The Company will continue to leverage on the existing Nomination and Remuneration Committee of the Board ("NRC") which had taken effect as merged committee on 27 May 2010 of the ultimate holding company, as part of its governance structure.

The primary objective of the NRC is to establish a documented, formal and transparent procedure for the appointment of directors, chief executive officer ("CEO") and key senior officers, as well as assessment of the effectiveness of directors, the Board as a whole and the performance of the CEO and key senior officers.

Further, the NRC is also responsible to provide a formal and transparent procedure in developing a remuneration policy for directors, CEO and key senior officers and ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the NRC is as follows:

Dato' Mohd Salleh Hj Harun
Independent Non-Executive Director

Tan Sri Dr Hadenan A Jalil
Independent Non-Executive Director

Zainal Abidin Jamal
Non-Independent Non-Executive Director

Dato' Dr Tan Tat Wai
Independent Non-Executive Director

Alister Maitland
Independent Non-Executive Director

The NRC met 11 times during the year.

CORPORATE GOVERNANCE (CONT'D)

(g) Investment Committee

The objectives of the IC include, to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/RMC/Board based on ALCO's advice, to establish the tactical investment policy on the basis of the proposal by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"), to test the policy conducted by the investment manager against the strategic and tactical investment policy/asset management mandate, to evaluate and approve the operational policy conducted by investment manager. It also evaluates, reviews and maintains the Investment Management Guidelines ("IMG"), based on ALCO's advice and negotiates conditions with, appoints or dismisses external fund managers, custodians, banks and other financial intermediaries.

The IC reports to the Board of all the operating companies under MAHB.

The composition of the IC is as follows:

Dato' Sri Abdul Wahid Omar (Chairman)
Non-Independent Non-Executive Director

Datuk Dr. Syed Othman Syed Hussin Aihabshi
Independent Non-Executive Director

Datuk R. Karunakaran
Independent Non-Executive Director

The IC met 4 times during the year.

(h) Board Oversight Committee for Land Development

The Board Oversight Committee for Land Development ("BOC") was established on 19 April 2012. The BOC is a governance body which carries an oversight function for property development activities to be managed by the Property Development Steering Committee ("PDSC").

To achieve this objective, the BOC will need to approve as well as review and monitor property development activities endorsed by the PDSC.

The BOC reports to the Board.

CORPORATE GOVERNANCE (CONT'D)

(h) Board Oversight Committee for Land Development (Cont'd)

The composition of the BOC is as follows:

Dato' Johan Ariffin (Chairman) (Appointed on 19 April 2012)
Independent Non-Executive Director

Datuk R. Karunakaran (Appointed on 27 September 2012)
Investment Committee Member

Loh Lee Soon (Appointed on 19 April 2012)
Non-Executive Board Member

Hans J. J. De Cuyper (Appointed on 19 April 2012)
Executive Board Member
Chief Executive Director of MAHB

(i) Public accountability

As custodian of public funds, the Company's dealings with the public are always fairly, honestly and professionally conducted .

(j) Financial reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed, ensure accuracy, adequacy and completeness.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that period, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the MBB Group Employee Share Scheme ("ESS") of the ultimate holding company, MBB.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Notes 30 and 36) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the ultimate holding company, MBB during the financial year were as follows:

	Number of Ordinary Shares of RM1 each				
	1 January 2012	DRP* 4.6.2012	DRP* 25.10.2012	Bought/ Transfer	31 December 2012
Ultimate holding company: MBB					
Direct interest:					
Dato' Mohd Salleh Hj Harun	314,782	-	7,869	-	322,651
Dato' Johan Ariffin	126,337	4,500	3,862	23,663	158,362
Mohamed Nor Abdul Hamid	10,390	-	-	18,295 **	28,685

Indirect interest:

	Number of Ordinary Shares of RM1 each				
	1 January 2012	DRP* 4.6.2012	DRP* 25.10.2012	Bought/ Transfer	31 December 2012
Mohamed Nor Abdul Hamid	22,751	-	-	(18,295) **	4,456

* DRP = Dividend Reinvestment Plan

** Transfer of shares held by a nominee to self thus increasing direct holding by 18,295 and reducing indirect holding by the same amount.

	Number of Options over Ordinary Shares of RM1 each				
	Original Exercise Price	1 January 2012	Granted 30.4.2012	Exercised	31 December 2012
Ultimate holding company: MBB					
Hans J. J. De Cuyper	RM8.82#	200,000	-	-	200,000
	RM8.78##	-	100,000	-	100,000

The option price had been adjusted from RM8.82 to RM8.78 on 29 December 2011, then to RM8.76 on 5 June 2012 and lastly to RM8.75 on 29 October 2012 due to DRP.

The option price had been adjusted from RM8.78 to RM8.76 on 5 June 2012 and then to RM8.75 on 29 October 2012 due to DRP.

DIRECTORS' INTERESTS (CONT'D)

	Number of Restricted Shares Units ("RSU") of ordinary shares of RM1 each				
	1 January 2012	Granted 30.4.2012	Vested	Exercised	31 December 2012
Ultimate holding company: MBB					
Hans J. J. De Cuyper	75,000	75,000	-	-	150,000

The remaining options and RSU which were granted to the director on 23 June 2011 and 30 April 2012 have not been vested as at 31 December 2012. The remaining options and RSU will be vested and exercisable or awarded upon fulfillment of vesting conditions or predetermined performance metrics including service period, performance target and performance period.

Other than as disclosed above, none of the directors in office had any interest in shares of the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONT'D)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f), contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

(g) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps to ascertain that there was adequate insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") for insurers issued by BNM.

SUBSEQUENT EVENT

The subsequent event after the financial year end is disclosed in Note 42 to the financial statements.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 February 2013.

DATO' MOHD SALLEH HJ HARUN

HANS J.J. DE CUYPER

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ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Mohd Salleh Hj Harun and Hans J.J. De Cuyper, being two of the directors of Etiqa Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 158 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 February 2013.

DATO' MOHD SALLEH HJ HARUN

HANS J.J. DE CUYPER

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Kamaludin Ahmad, being the officer primarily responsible for the financial management of Etiqa Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 158 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed KAMALUDIN AHMAD
at Kuala Lumpur in Wilayah
Persekutuan on 8 February 2013

KAMALUDIN AHMAD

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
No. W 561
FAUZILAWATI
BINTI ISHAK
MALAYSIA

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Independent auditors' report to the member of
Etiqa Insurance Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statement of Etiqa Insurance Berhad, which comprise the statement of financial position as at 31 December 2012 of the Company, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 158.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent auditors' report to the member of Etiqa Insurance Berhad (Cont'd) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012 and of their financial performance and cash flows for the year ended 31 December 2012 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst + Young

Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 2937/09/13 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
8 February 2013

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Assets:				
Property, plant and equipment	3	111,087	110,304	111,889
Investment properties	4	569,704	515,070	516,360
Prepaid land lease payments	5	20,341	20,644	20,796
Intangible assets	6	25,827	28,462	24,502
Investment in associate	8	152	152	152
Investments	9	13,265,325	12,521,592	12,216,293
Financing receivables	11	266,379	276,092	311,916
Reinsurance assets	12	1,691,599	1,437,421	1,318,371
Insurance receivables	13	386,074	278,332	289,934
Other receivables	14	248,297	170,294	164,700
Derivative assets	15	688	33,007	41,782
Current tax assets		6,602	97,439	97,441
Cash and bank balances		142,452	129,372	256,669
Total Assets		16,734,527	15,618,181	15,370,805
Equity and liabilities:				
Share capital	16	152,151	152,151	152,151
Reserves	17	2,422,190	2,391,456	2,454,330
Total Equity		2,574,341	2,543,607	2,606,481
Insurance contract liabilities	18	12,665,407	12,011,256	11,643,167
Deferred tax liabilities	19	429,499	414,642	422,428
Insurance payables	20	405,177	331,663	322,331
Other payables	21	292,355	261,192	332,772
Dividend payable		350,329	-	-
Current tax liabilities		17,419	55,821	43,626
Total Liabilities		14,160,186	13,074,574	12,764,324
Total Equity and Liabilities		16,734,527	15,618,181	15,370,805

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

ETIQA INSURANCE BERHAD
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Operating revenue	22	3,358,476	1,537,708
Gross earned premiums	23(a)	2,830,263	1,309,151
Earned premiums ceded to reinsurers	23(b)	(852,614)	(359,888)
Net earned premiums		1,977,649	949,263
Fee and commission income	24	59,727	27,703
Investment income	25	588,088	294,347
Realised gains	26	261,158	100,728
Fair value (losses)/gains	27	(8,528)	38,413
Other operating revenue, net	28	63,783	17,166
Other revenue		964,228	478,357
Gross benefits and claims paid	29(a)	(1,821,877)	(701,565)
Claims ceded to reinsurers	29(b)	248,789	75,877
Gross change to contract liabilities	29(c)	(689,307)	(496,820)
Change in contract liabilities ceded to reinsurers	29(d)	317,851	179,875
Net benefits and claims		(1,944,544)	(942,633)
Management expenses	30	(301,021)	(146,311)
Fee and commission expenses	31	(209,153)	(104,831)
Other expenses		(510,174)	(251,142)
Profit before taxation		487,159	233,845
Taxation	32	(140,056)	(81,382)
Net profit for the year/period		347,103	152,463
Earnings per share (sen)			
Basic	33	228.13	100.21

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Net profit for the year/period		347,103	152,463
Other comprehensive income:			
Net gain/(loss) on AFS financial assets			
- Gain on fair value changes		126,882	55,691
- Transfer to profit or loss upon disposal		(96,724)	(100,461)
Tax effect relating to AFS financial assets	32	(7,822)	11,427
		22,336	(33,343)
Gain/(loss) on foreign currency translation		11,624	(1,695)
Other comprehensive income/(loss) for the year/period, net of tax		33,960	(35,038)
Total comprehensive income for the year/period		381,063	117,425

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

ETIQA INSURANCE BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Non-distributable					Retained Earnings			
	Share Capital RM'000	Share Premium RM'000	Available-for-Sale Reserve RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Non-distributable Non-Participating Fund Surplus RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	Total Equity RM'000
At 1 January 2012	152,151	17,728	100,150	11,647	937	985,439	1,275,555	2,260,994	2,543,607
Total Comprehensive Income	-	-	22,336	-	11,624	197,441	149,662	347,103	381,063
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary[1]	-	-	-	-	-	(172,500)	172,500	-	-
Dividend on ordinary shares	-	-	-	-	-	-	(350,329)	(350,329)	(350,329)
At 31 December 2012	152,151	17,728	122,486	11,647	12,561	1,010,380	1,247,388	2,257,768	2,574,341
At 1 July 2011	152,151	17,728	133,493	11,887	2,632	979,671	1,308,919	2,288,590	2,606,481
Total Comprehensive Income	-	-	(33,343)	-	(1,695)	101,018	51,445	152,463	117,425
Transfer from non-Par fund surplus upon recommendation by Appointed Actuary[1]	-	-	-	-	-	(95,250)	95,250	-	-
Transfer from revaluation reserves upon disposal	-	-	-	(240)	-	-	240	240	-
Dividend on ordinary shares	-	-	-	-	-	-	(180,299)	(180,299)	(180,299)
At 31 December 2011	152,151	17,728	100,150	11,647	937	985,439	1,275,555	2,260,994	2,543,607

[1] In accordance with the Insurance Act, 1996, the unallocated surplus of Non-Participating ("non-Par") fund is only available for distribution to the shareholder upon approval by the Appointed Actuary. The approved transfer from non-Par fund unallocated surplus for the financial year ended 31 December 2012 and financial period ended 31 December 2011 were RM230,000,000 and RM127,000,000 (RM172,500,000 and RM95,250,000 net of tax at 25%) respectively.

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

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	487,159	233,845
Adjustments for:		
Depreciation of property, plant and equipment	8,300	7,955
Amortisation of intangible assets	9,544	1,976
Fair value loss/(gain) on investment	35,404	(53,528)
Fair value gain on investment property	(48,915)	(40)
Amortisation of prepaid land lease payments	303	152
Accretion of discount on investments	(8,364)	(14,982)
Gain on disposal of property, plant and equipment	(102)	-
Gain on disposal of investment properties	(140)	(69)
Gain on foreign exchange	(41,271)	(14,826)
Write back of impairment of insurance receivables	(22,031)	(6,307)
Bad debt written off	6,854	2,340
(Write back of)/allowance for impairment of other receivables	(3,396)	3,244
Allowance for impairment of financing receivables	487	159
Net gain on disposal of investments	(260,916)	(100,659)
Interest income	(498,194)	(237,700)
Impairment on investments	22,039	15,155
Gross dividend income	(58,259)	(28,138)
Rental income	(28,215)	(16,127)
Loss from operations before changes in operating assets and liabilities	(399,713)	(207,550)
Changes in working capital:		
Increase in reinsurance assets	(254,178)	(119,050)
(Increase)/decrease in insurance receivables	(90,533)	15,681
Increase in other receivables	(63,521)	(6,812)
Decrease in loans	9,264	35,664
(Decrease)/increase in amounts due to related parties	(7,984)	8,650
Increase/(decrease) in other payables	34,931	(76,075)
Increase in insurance contract liabilities	629,432	431,030
Increase in insurance payables	73,514	11,730
Decrease/(increase) in LAR	351,930	(151,996)
Interest income received	478,738	237,864
Dividend income received	60,993	27,488
Rental income received	34,646	10,321
Foreign exchange fluctuation	11,627	(1,695)
Cash generated from operations	869,146	215,250
Tax paid	(81,104)	(60,070)
Net cash generated from operating activities	788,042	155,180

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	4,380,558	1,781,317
Purchase of investments	(5,134,096)	(1,872,584)
Proceeds from sale of property, plant and equipment	2,390	4,772
Proceeds from sale of investment property	421	1,400
Purchase of investment properties	(6,000)	-
Purchase of property, plant and equipment	(11,069)	(11,081)
Purchase of intangible assets	(7,166)	(6,002)
Net cash used in investing activities	(774,962)	(102,178)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividend paid	-	(180,299)
Net cash used in financing activity	-	(180,299)
Net increase/(decrease) in cash and cash equivalents	13,080	(127,297)
Cash and cash equivalents at beginning of year/period	129,372	256,669
Cash and cash equivalents at end of year/period	142,452	129,372
Cash and cash equivalents comprise:		
Cash and bank balances:		
General insurance and shareholder's funds	72,188	88,044
Life insurance fund	70,264	41,328
	142,452	129,372

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

1. CORPORATE INFORMATION

The principal activities of the Company include the underwriting of general and life insurance businesses.

There have been no significant changes in the nature of the principal activities during the financial year ended 31 December 2012.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

The holding and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Ageas Holdings Berhad) and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial year end of the Company was changed from 30 June to 31 December in the last financial period. Accordingly, the financial statements of the Company for the current financial year ended 31 December 2012 covers a twelve-month period compared to a six-month period for the previous financial period ended 31 December 2011 and, consequently, the comparative amounts for the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes are not comparable.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 February 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. In previous financial years, the financial statements of the the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia as modified by BNM Guidelines. These are the Company's first annual financial statements prepared in accordance with MFRS and the effects of the first-time adoption of MFRS Framework are disclosed in Note 2.3.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation (Cont'd)

The financial statements of the Company have been prepared under the historical cost basis, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency, and all values are rounded to the nearest thousand (RM'000) unless otherwise indicated.

As at the reporting date, the Company has met the minimum capital requirements as prescribed by the RBC Framework issued by BNM.

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment, except certain land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore, is not depreciated.

Work-in-progress are also not depreciated as these assets are not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment.

Buildings on leasehold land are depreciated over the shorter of 50 years or the remaining period of the respective leases.

Depreciation of property, plant and equipment is computed on a straight-line basis over the estimated useful life at the following annual rates:

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	20% - 25%
Computers and peripherals	25%
Electrical and security equipment	10%
Motor vehicles	25%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Property, Plant and Equipment and Depreciation (Cont'd)

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

(b) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by firms of professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuation by internal professional, as appropriate.

Gain or losses arising from the changes in the fair values of investment properties are recognised in the profit or loss in the financial year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rental income or for capital appreciation or both. Any such property interest under an operating lease is classified as an investment property and carried at fair value.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to self-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(a) up to the date of change in use.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the financial year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(b) Investment Properties (Cont'd)

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC were determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations were performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

The estimated value of future assets is based on the expected future income from the project, using risk adjusted yields that are higher than the current yields of similar completed property. The remaining expected costs of completion plus margin are deducted from the estimated future assets value.

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

All leases that do not transfer substantially all the risk and rewards are classified as operating leases with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

(ii) Finance Leases - The Company as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the statement of financial position of the Company and measured in accordance with MFRS 116 - Property, Plant and Equipment and MFRS 140 - Investment Properties.

(iii) Operating Leases - The Company as Lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iv) Operating Leases - The Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Intangible Assets

Intangible assets include software development cost and computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, except for software development cost which are not subject to amortisation. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) Software development costs

Software development in progress are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. During the period of which the asset is not yet in use, it is tested for impairment annually.

(ii) Computer software

The useful lives of computer software are amortised using the straight line method over their estimated useful lives. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each financial year end.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(e) Investment In Associate And Basis of Non-Consolidation

An associate is an entity in which the Company has significant influence and that is neither a subsidiary nor a joint-venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

In the Company's financial statements, investment in associate is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in the profit or loss.

As permitted under MFRS128: Investments in Associates and Joint Ventures, the investment in associate has not been accounted for under the equity method because the ultimate holding company, MBB produces financial statements available for public use that comply with MFRS.

(f) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale financial assets ("AFS").

(i) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Included in financial assets held-for-trading are derivatives (including separated embedded derivatives) and financial assets acquired principally for the purpose of selling in the near term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Financial Assets (Cont'd)

(i) Financial assets at FVTPL (Cont'd)

For financial assets designated at FVTPL, upon initial recognition the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVPTL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other losses or other income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(ii) LAR

LAR are financial assets with fixed or determinable payments that are not quoted in an active market. For the accounting policies with respect to insurance receivables and reinsurance assets, refer to Note 2.2(r) and Note 2.2(j) respectively.

These financial assets are initially recognised at fair value including direct and incremental transaction cost and subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Financial Assets (Cont'd)

(iii) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income except for impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method which are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commit to purchase or sell the asset.

(g) Fair value of Financial Assets at FVTPL and AFS

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets in quoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instrument that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are stated at cost and assessed for impairment at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) Fair value of Financial Assets at FVTPL and AFS (Cont'd)

For financial assets where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb. In case of defaulted or bad bond there will be internal valuation done to determine the fair value of the bond. The fair values of structured deposits are based on latest market prices obtained from the respective issuer. The market value of NCDs ("NCD") are determined by reference to BNM's Interest Rate Swap.

In case of defaulted or other bonds, where such indicative prices are not available, an internal valuation is performed by qualified personnel to determine the fair value of the bonds.

Over-the-counter derivatives comprise forward foreign exchange contracts, currency on swap contracts and options. They are revalued at each reporting date based on valuations provided by the financial institutions in accordance with market convention.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Impairment of insurance receivables and financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has ocurred after the initial recognition of the asset and that loss event(s) has an impact on the estimated future cash flows of the financial asset.

(i) Insurance receivables

To determine whether there is objective evidence that an impairment loss on insurance receivables has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments. Insurance receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Impairment losses on insurance receivables are recognised as a reduction against the carrying amount through the use of an allowance account. When an insurance receivable is determined to be uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Impairment of insurance receivables and financial assets (Cont'd)

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment losses previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed through the profit or loss in the subsequent periods. Increases in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount, the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the profit and loss and such impairment losses are not reversed subsequent to its recognition.

(iii) Loans and receivables

Loans and receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment loss as a result of the occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(i) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation when the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its written down to its recoverable amount.

An assessment is performed at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(j) Reinsurance assets

The Company cedes insurance risk in the normal course of their business. Ceded reinsurance arrangements do not relieve the Company from their obligations to policyholders. For both ceded and assumed reinsurance, premiums, claims and benefits paid or payable are presented on a gross basis.

Reinsurance arrangements, entered into by the Company, that meet the classification requirements of insurance contracts as described in Note 2.2(k) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Reinsurance assets (Cont'd)

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that reinsurance assets are impaired. Objective evidence of impairment for reinsurance assets are similar to those noted for insurance receivables as described in Note 2.2(h)(i). If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(k) Product Classification

The Company issues contracts that contain insurance risk or both insurance and financial risks.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is risk other than financial risk.

An insurance contract is a contract under which an entity has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines whether significant insurance risk has been accepted by comparing benefits paid or payable on the occurence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Based on this definition, all policies issued by the Company are considered insurance contracts as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Product Classification (Cont'd)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as an insurance contract after inception of isurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

(a) likely to be a significant portion of the total contractual benefits; and

(b) whose amount or timing is contractually at the discretion of the issuer; and

(c) contractually based on the:

  (i) performance of a specified pool of contracts or a specified type of contract; or

  (ii) realised and/or unrealised investment returns on a specified pool of asset held by the issuer; or

  (iii) the profit or loss of the company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise their discretion as to the quantum and timing of their payment to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance contract liabilities as at the end of the reporting period.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at FVTPL. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Product Classification (Cont'd)

When an insurance contract contains both financial risk (or deposit) and significant insurance risk component and the cash flows from the two components are distinct and can be reliably measured, the underlying components are required to be unbundled unless all obligations and rights arising from the deposit component has already been accounted for. Any premium relating to the insurance risk component is to be accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts. As at the reporting date, all obligations and rights arising from the deposit components in contracts issued by the Company are accounted for as insurance contract liabilities. Accordingly, the Company has opted not to unbundle these insurance contracts.

(l) Premium income

Premiums represent consideration paid for an insurance contract and is accounted for as follows:

(i) General insurance business

Premium income is recognised in the financial period in respect of risks assumed during that particular financial period. Premiums from direct business are recognised during the financial period upon the issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the reporting date are accrued at that date.

Inward facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks accepted during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same financial period as the original policies to which the reinsurance relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(l) Premium income (Cont'd)

(ii) Life insurance business

Premium income is recognised as soon as the amount of the premium can be reliably measured. Initial premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

Outward reinsurance premiums are recognised in the same financial period as the original policies to which the reinsurance relates.

Net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract, are reflected in profit or loss. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after received the request to purchase/sell units from the policyholders.

(m) General insurance contract liabilities

General insurance contract liabilities are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are also based on regulatory guidelines, specifically, the Framework issued by BNM.

The insurance contract liabilities of the Company comprise claim liabilities and premium liabilities.

(i) Claim liabilities

Claims liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries. Claim liabilities are comprised of claims incurred and reported but still outstanding as at reporting date, as well as claims incurred but not reported ("IBNR"). The estimation includes a provision of risk margin for adverse deviation ("PRAD") as required by Bank Negara Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(m) General insurance contract liabilities (Cont'd)

(i) Claim liabilities (Cont'd)

The claim liabilities are determined based upon the valuations performed by a qualified Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. The liability is not discounted for the time value of money.

(ii) Premium liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves ("URR") at the end of the financial year and a PRAD calculated at the overall fund level.

- **Unearned premium reserves ("UPR")**

  The short term UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial period. In determining the UPR as at the date of the statement of financial position, the method that most accurately reflects the actual unearned premium is used as follows:

  - 25% method for marine cargo and aviation cargo, and transit business

  - 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM.

  - 1/8th method for all classes of overseas treaty inward business with a deduction of 20% for commission.

  - Non-annual policies are time-apportioned over the period of the risks after deducting the commission, that relate to the unexpired periods of policies at the end of the financial period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(m) General insurance contract liabilities (Cont'd)

(ii) Premium liabilities (Cont'd)

- **Unexpired risk reserves ("URR")**

  The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of reporting date and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds. URR is estimated via an actuarial valuation performed by a qualified Actuary.

(n) Life insurance contract liabilities

Life insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the appropriate risk discount rate. This method is known as the gross premium valuation method.

For non-participating business, the expected future cash flows of guaranteed benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of policy reserves at a 75% confidence level is secured. For participating business, the higher of the guaranteed benefit liabilities or the total benefit liabilities at fund level is taken. In computing total benefit liabilities computation, the expected cash flows of total guaranteed and non-guaranteed benefits are determined using best estimate assumptions together with the assumption that the current bonus rate to policyholders will be maintained.

The liabilities in respect of the non-unit component of an investment-linked policy have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy. The value of the unit component is the net asset value of the fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) Life insurance contract liabilities (Cont'd)

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as liabilities if the accumulated amount is higher than the figure calculated using the gross premium valuation method.

For yearly renewable policies covering death or survival contingencies, the liabilities have been valued on an unexpired risk basis.

For yearly renewable policies covering other contingencies such as medical benefits, it comprises best estimate premium and claim liabilities with an appropriate allowance for PRAD.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originating from margins of adverse deviation on run-off contracts are recognised in profit or loss over the life of the contract whereas losses are fully recognised in profit or loss during the first year of run-off.

The RBC Framework for Insurers issued by BNM meets the Liability Adequacy Test requirements stipulated under MFRS 4.

(o) Liability adequacy test

At each reporting date, the Company reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Company, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Company discounts all contractual cash flows and compares this against the carrying value of insurance contract liabilities. Any deficiency is recognised in profit or loss.

The estimation of claim liabilities and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Company. Based on this, all insurance contract liabilities as at reporting date are deemed to be adequate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(p) Benefits and Claims expenses

(i) General insurance business

Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to policyholders or third parties damaged by the policyholders. They include direct and indirect claims and settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

(ii) Life insurance business

Benefits and claims expenses incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims expenses, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates; and

- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

(q) Commission Expenses and Acquisition Costs

(i) General insurance business

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(q) Commission Expenses and Acquisition Costs (Cont'd)

(ii) Life insurance business

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred.

(r) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. Objective evidence of impairment for insurance receivable and the determination of consequential impairment losses are as described in Note 2.2(h).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(f), have been met.

(s) Other Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Interest Income

Interest income is recognised using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(s) Other Revenue Recognition (Cont'd)

(ii) Dividend Income

Dividend income is recognised on a declared basis when the Company's right to receive payment is established.

(iii) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(t) Fee and commission income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

Management fee income earned from the investment-linked business is recognised on an accrual basis based on the net asset value of the investment-linked funds.

(u) Employee Benefits

(i) Short-term Benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term, non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(u) Employee Benefits (Cont'd)

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient funds to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF") and foreign branches of a subsidiary makes contributions to that country's statutory pension scheme, the Singapore Central Provident Fund ("CPF") and Brunei Tabung Amanah Pekerja ("TAP").

(iii) Share-based Compensation

ESS

The ESS is an equity-settled share-based compensation plan that allows the Directors and employees to acquire shares of MBB. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to MBB over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, MBB revises its estimates of the number of options that are expected to become exercisable over the vesting period. Settlement with the ultimate holding company in respect of the arrangement of the scheme is by cash over the vesting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(u) Employee Benefits (Cont'd)

(iii) Share-based Compensation (Cont'd)

Restricted share units ("RSU")

Senior management personnel of the MBB are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new MBB shares or by cash at the absolute discretion of the ESS Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within the MBB's equity over the vesting period and taking into account the probability that the RSU will vest. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

(v) Foreign Currencies

(i) Functional and Presentation Currency

The financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional and presentation currency.

(ii) Foreign Currency Transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(v) Foreign Currencies (Cont'd)

(ii) Foreign Currency Transactions (Cont'd)

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Company on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(v) Foreign Currencies (Cont'd)

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the Company's financial statements are translated into RM as follows:

- assets and liabilities of foreign operations presented are translated at the closing rate prevailing as at the date of the statement of financial position.

- income and expenses for income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions.

- all resulting exchange differences are taken directly to other comprehensive income through foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

The principal exchange rate for every unit of foreign exchange currency ruling at date of the statement of financial position used for translation of foreign operation is as follows:

	31.12.2012	**31.12.2011**	**1.7.2011**
Singapore Dollar	2.50	2.44	2.46
Brunei Dollar	2.50	2.44	2.46
US Dollar	3.06	3.18	3.02

(w) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the financial year and is measured using the tax rates that have been enacted at the date of the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(w) Income Tax (Cont'd)

Deferred tax is provided for, using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position. Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(x) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(x) Financial Liabilities (Cont'd)

During the financial year and as at the reporting date, the Company did not classify any of its financial liabilities at FVTPL.

The Company's financial liabilities include payables, loans and borrowings. Payables are recognised initially at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

Loan and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has a conditional right to defer settlement of the liability for at least 12 months after the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(y) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration paid/payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(z) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash and bank balances. The statement of cash flows has been prepared using the indirect method.

(aa) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

2.3 Transition to MFRS and application of MFRS 1

These are the Company's first annual financial statements prepared in accordance with MFRS. In previous financial years, the financial statements of the Company were prepared in accordance with FRS in Malaysia as modified by BNM.

The accounting policies set out in Notes 2.2 have been applied in preparing the financial statements of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening statement of financial position at 1 July 2011 (which is also the Company's date of transition).

There is no significant financial impact resulting from the adoption of MFRS.

2.4 Revised Guideline issued by Bank Negara Malaysia ("BNM") on Unallocated surplus and AFS reserve for Non-Participating ("non-Par") fund

Up to the last reporting date of 31 December 2011, the life insurance contract liabilities of the Company comprised of accumulated surpluses, estimated actuarial and claim liabilities, Net Asset Value attributable to unitholders and Available-for-Sale ("AFS") reserves of all life insurance contracts including those with discretionary participating features (referred to as "Par") and those without (referred to as "non-Par"). In accordance with MFRS 4 *Insurance Contracts* and the Framework for Preparation and Presentation of Financial Statements issued by BNM, the non-Par unallocated surplus do not meet the definition of a liability, that is, a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow of economic benefits as the non-Par unallocated surplus represents the residual interest in the assets of the non-Par after consideration of all liabilities.

In addition, in accordance with MFRS 139 *Financial Instruments - Recognition and Measurement*, the non-Par AFS reserve should be accounted for as equity of the Company. The classification of the non-Par unallocated surplus and AFS reserve of the Company as a liability was made in accordance with the Guidelines issued by BNM and was a modification to previous FRS approved by BNM under Section 90 of the Insurance Act 1996.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Revised Guideline issued by Bank Negara Malaysia ("BNM") on Unallocated surplus and AFS reserve for Non-Participating ("non-Par") fund (Cont'd)

Effective on 1 January 2012, in accordance with the revised Guideline issued by BNM and the adoption of MFRS by the Company, the non-Par unallocated surplus and AFS reserve are now reclassified from liabilities to equity. This is a change in accounting policy and has hence been adjusted retrospectively against prior year retained profits and AFS reserves.

The effects on classification of non-Par unallocated surplus and AFS reserve and description of the changes affecting prior years' opening statement of financial position and the comparative statement of financial position, income statement and statement of comprehensive income are summarised below:

(a) Statement of financial position as at 1 July 2011

	FRS as at 30.6.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 1.7.2011 RM'000
Equity			
AFS reserve	61,978	71,515	133,493
Retained earnings	1,308,919	979,671	2,288,590
Liabilities			
Insurance contract liabilities	13,037,119	(1,393,952)	11,643,167
Deferred tax liabilities	79,662	342,766	422,428

(b) Statement of financial position as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 31.12.2011 RM'000
Equity			
AFS reserve	51,578	48,572	100,150
Retained earnings	1,275,555	985,439	2,260,994
Liabilities			
Insurance contract liabilities	13,384,756	(1,373,500)	12,011,256
Deferred tax liabilities	75,153	339,489	414,642

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Revised Guideline issued by Bank Negara Malaysia ("BNM") on Unallocated surplus and AFS reserve for Non-Participating ("non-Par") fund (Cont'd)

(c) Income statement for the six months period ended 31 December 2011

	FRS as at 31.12.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 31.12.2011 RM'000
Gross change in contract liabilities	(504,511)	7,691	(496,820)
Taxation	(79,459)	(1,923)	(81,382)
Profit before taxation	226,154	7,691	233,845
Net profit for the year	146,695	5,768	152,463

(d) Statement of comprehensive income for the six months period ended 31 December 2011

	FRS as at 31.12.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 31.12.2011 RM'000
Net gain on AFS financial assets:			
- Gain on fair value changes	4,866	50,825	55,691
- Transfer to profit or loss upon disposal	(19,045)	(81,416)	(100,461)
Tax effect relating to AFS financial assets	3,779	7,648	11,427

The following tables provide estimates of the extent to which each of the line items in the statement of financial position, income statement and statement of comprehensive income for the financial year ended 31 December 2012 are higher or lower than it would have been had the previous policies been applied in the current financial year.

Effects on Statement of Financial Position as at 31 December 2012

	(Lower)/higher RM'000
AFS reserve	(52,119)
Retained earnings	(1,010,380)
Insurance contract liabilities	1,411,105
Deferred tax liabilities	(348,606)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Revised Guideline issued by Bank Negara Malaysia ("BNM") on Unallocated surplus and AFS reserve for Non-Participating ("non-Par") fund (Cont'd)

Effects on Income Statement for the financial year ended 31 December 2012

	Higher/(lower) RM'000
Gross change in contract liabilities	33,255
Taxation	(8,314)
Profit before taxation	(33,255)
Net profit for the year	(24,941)

Effects on Statement of Comprehensive Income for the financial year ended 31 December 2012

	(Lower)/higher RM'000
Net gain on AFS financial assets	
- Gain on fair value changes	(61,706)
- Transfer to profit or loss upon disposal	56,977
Tax effect relating to AFS financial assets	1,182

2.5 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ("IC") Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

Effective for financial periods beginning on or after 1 July 2012

MFRS 101 *Presentation of Items of Other Comprehensive Income (Amendments to MFRS101)*

Effective for financial periods beginning on or after 1 January 2013

MFRS 3 *Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)*
MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 119 *Employee Benefits*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (Cont'd)

Effective for financial periods beginning on or after 1 January 2013 (Cont'd)

MFRS 127 *Separate Financial Statements*
MFRS 128 *Investments in Associates and Joint Ventures*
MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004)*
Amendments to MFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans*
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 101 *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 132 *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 134 *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 10 *Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*
Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Amendment to IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)*

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*

Effective for financial periods beginning on or after 1 January 2015

MFRS 9 *Financial Instruments*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (Cont'd)

The management expects that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

(a) MFRS 10 *Consolidated Financial Statements*

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities.*

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 *Consolidated and Separate Financial Statements*, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances. The Company and its subsidiary are currently assessing the impact that this Standard will have on the financial statements of the Company. Based on preliminary analyses performed, no material impact is expected to have on the financial statements of the Company.

(b) MFRS 11 *Joint Arrangements*

MFRS 11 replaces MFRS 131 *Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (Cont'd)

(b) MFRS 11 *Joint Arrangements (Cont'd)*

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method. The Company and its subsidiary are currently assessing the impact that this Standard will have on the financial statements of the Company. Based on preliminary analyses performed, no material impact is expected to have on the financial statements of the Company.

(c) MFRS 12 *Disclosure of Interests in Other Entities*

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and is expected to have no significant impact on the Company's financial position or performance.

(d) MFRS 127 *Separate Financial Statements*

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 *Investments in Associates and Joint Ventures*. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective (Cont'd)

(e) MFRS 13 *Fair Value Measurement*

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. The Company is currently assessing the impact that this Standard will have on the financial position and performance of the Company but based on preliminary analyses, no material impact is expected.

Upon adoption of MFRS 13, the Company will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of MFRS 13 is expected to result in higher fair value of certain properties of the Company.

(f) Amendments to MFRS 101 *Presentation of Financial Statements (Annual Improvements 2009-2011 cycle)*

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position and performance.

(g) MFRS 9 *Financial Instruments: Classification and Measurement*

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 *Financial Instruments: Recognition and Measurement*. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is

2.6 Significant Accounting Estimates and Judgements

(a) Critical judgements made in applying accounting policies

The preparation of financial statements in conformity with MFRSs require management to exercise judgement on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed as below:

(i) Classification between Investment Properties and Property, Plant and Equipment

The Company had developed certain criteria based on MFRS 140 in making judgement whether a property qualifies to be classified as an investment property. Investment properties are property held to earn rental income or for capital appreciation or both.

Some properties comprise a portion that is held to earn rental income or for capital appreciation and another portion that is held for use in the production or supply of good or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(ii) Impairment of Available-for-Sale Assets

Significant judgement is required to assess impairment for Available-for-Sale investments. The Company evaluates the duration and extent to which the fair value of an investment is less than cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant Accounting Estimates and Judgments (Cont'd)

(a) Critical judgements made in applying accounting policies (Cont'd)

(iii) Impairment of Receivables

The Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28). According to the Guidelines, objective evidence of impairment is deemed to exist where the receivables that are individually assessed for impairment is past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the receivables and default or significant delays in payments.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation of Property, Plant and Equipment

The cost of a building's plant and equipment for example, elevators, lifts and others and the self-occupied properties are depreciated on a straight line basis over the estimated remaining useful lives. The Company estimates the useful lives of these plant and equipment to be within 5 to 10 years.

The cost of self-occupied buildings are depreciated on a straight-line basis. The Company estimates the useful lives to be 50 years for freehold buildings or the earlier of 50 years or the lease period for leasehold buildings.

(ii) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties. Full valuations on investment properties are performed by firms of professional independent valuers at regular intervals, of not less than every 3 years. Periodic intervening valuations on the investment properties are performed by internal professional valuer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant Accounting Estimates and Judgments (Cont'd)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(iii) Amortisation and Impairment of Other Intangible Assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each date of the statement of financial position, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with their recoverable amount.

(iv) Uncertainty in accounting estimates for General Insurance business

The principal uncertainty in the general business arises from the technical provisions which include the premium liabilities and claim liabilities. The bases of valuation of these liabilities is explained in Note 2.2(m).

The estimation basis for unearned premium reserves are explained in the related accounting policy statement, whilst claim liabilities comprise provision for outstanding claims. Generally, claim liabilities are determined based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedure. It is certain that actual, future contribution and claim liabilities will not enactly develop as projected and they vary from the projections.

The estimates of the premium liabilities and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, is a consequence of this uncertainty, the eventual settlement of contribution and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as inflation, judicial interpretations, legislative changes and claims handling procedures.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant Accounting Estimates and Judgments (Cont'd)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(v) Valuation of Life Insurance Liabilities

Life insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the appropriate risk discount rate. This method is known as the gross premium valuation method.

There are several sources of uncertainty that need to be considered in the estimation of life insurance liabilities.

The main assumptions used relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates.

These estimates are adjusted when appropriate to reflect the Company's unique risk exposures, provide the basis for the valuation of future policy benefits payable.

(vi) Deferred taxation

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the date of the statement of financial position. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the date of statement of financial position, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all allowances of impairment of investments, net amortisation of premium in investments and other temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

3. PROPERTY, PLANT AND EQUIPMENT

31.12.2012	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
Cost							
At 1 January 2012	121,643	101,242	98,426	29,100	1,121	1,556	353,088
Additions	-	6,351	688	1,063	-	2,967	11,069
Disposals	-	(62,175)	(92,371)	(7,551)	(338)	(1,811)	(164,246)
Reclassified to intangible assets (Note 6)	-	80	(3,711)	-	-	-	(3,631)
Translation differences	72	54	24	-	15	-	165
At 31 December 2012	121,715	45,552	3,056	22,612	798	2,712	196,445
Accumulated Depreciation and Impairment Losses							
At 1 January 2012	31,535	86,296	97,526	26,571	856	-	242,784
Charge for the year	2,219	5,307	313	343	118	-	8,300
Disposals	-	(61,958)	(92,365)	(7,551)	(334)	-	(162,208)
Reclassified to intangible assets (Note 6)	-	-	(3,642)	-	-	-	(3,642)
Translation differences	50	51	15	-	8	-	124
At 31 December 2012	33,804	29,696	1,847	19,363	648	-	85,358
Net Book Value	87,911	15,856	1,209	3,249	150	2,712	111,087

Properties consist of:

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

31.12.2011	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in progress RM'000	Total RM'000
Cost							
At 1 July 2011	121,660	103,910	97,906	18,621	1,124	3,560	346,781
Additions	-	6,669	756	2,758	-	898	11,081
Disposals	-	(1,383)	(310)	-	-	(3,091)	(4,784)
Reclassified to intangible assets (Note 6)	-	(7,942)	79	7,721	-	189	47
Translation differences	(17)	(12)	(5)	-	(3)	-	(37)
At 31 December 2011	121,643	101,242	98,426	29,100	1,121	1,556	353,088
Accumulated Depreciation and Impairment Losses							
At 1 July 2011	30,438	87,496	97,557	18,609	792	-	234,892
Charge/(reversal) for the period	1,109	6,444	(24)	360	66	-	7,955
Disposals	-	(27)	(3)	-	-	-	(30)
Reclassified to intangible assets (Note 6)	-	(7,602)	-	7,602	-	-	-
Translation differences	(12)	(15)	(4)	-	(2)	-	(33)
At 31 December 2011	31,535	86,296	97,526	26,571	856	-	242,784
Net Book Value	90,108	14,946	900	2,529	265	1,556	110,304
1.7.2011							
Net Book Value	91,222	16,414	349	12	332	3,560	111,889

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
31.12.2012				
Cost				
At 1 January 2012	3,620	8,010	110,013	121,643
Translation differences	-	-	72	72
At 31 December 2012	3,620	8,010	110,085	121,715
Accumulated Depreciation and Impairment Losses				
At 1 January 2012	-	5,238	26,297	31,535
Charge for the year	-	18	2,201	2,219
Translation differences	-	-	50	50
At 31 December 2012	-	5,256	28,548	33,804
Net Book Value	3,620	2,754	81,537	87,911
31.12.2011				
Cost				
At 1 July 2011	3,620	8,010	110,030	121,660
Translation differences	-	-	(17)	(17)
At 31 December 2011	3,620	8,010	110,013	121,643
Accumulated Depreciation and Impairment Losses				
At 1 July 2011	-	4,701	25,737	30,438
Charge for the period	-	9	1,100	1,109
Reclassification	-	528	(528)	-
Translation differences	-	-	(12)	(12)
At 31 December 2011	-	5,238	26,297	31,535
Net Book Value	3,620	2,772	83,716	90,108
1.7.2011				
Net Book Value	3,620	3,309	84,293	91,222

4. INVESTMENT PROPERTIES

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Investment property under construction RM'000	Total RM'000
31.12.2012				
At 1 January 2012	398,340	116,730	-	515,070
Addition	-	-	6,000	6,000
Disposal	(281)	-	-	(281)
Fair value adjustment	20,694	28,221	-	48,915
At 31 December 2012	418,753	144,951	6,000	569,704
31.12.2011				
At 1 July 2011	398,570	117,790	-	516,360
Disposal	(1,330)	-	-	(1,330)
Reclassification	1,060	(1,060)	-	-
Fair value adjustment	40	-	-	40
At 31 December 2011	398,340	116,730	-	515,070
1.7.2011	398,570	117,790	-	516,360

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repaired, maintenance and enhancements.

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2 (b). which has been determined based on valuation that reflects market conditions at the end of the reporting period. Valuations were performed by an accredited independent valuer. The valuations were mainly based on comparison method that makes reference to comparable properties which have been sold or are being offered for sale.

The IPUC as at 31 December 2012 is stated at cost less impairment as the fair value is not reliably determinable.

5. PREPAID LAND LEASE PAYMENTS

	RM'000
31.12.2012	
Cost	
At 1 January 2012/31 December 2012	24,018
Accumulated amortisation and impairment	
At 1 January 2012	3,374
Amortisation for the year	303
At 31 December 2012	3,677
Net book value	20,341
31.12.2011	
Cost	
At 1 July 2011/31 December 2011	24,018
Accumulated amortisation and impairment	
At 1 July 2011	3,222
Amortisation for the year	152
At 31 December 2011	3,374
Net book value	20,644
1.7.2011	
Net book value	20,796

6. INTANGIBLE ASSETS

	Computer Software RM'000	Software Development RM'000	Total RM'000
31.12.2012			
Cost			
At 1 January 2012	67,034	6,464	73,498
Additions	7,166	-	7,166
Write off	(44,301)	-	(44,301)
Reclassified from property, plant and equipment (Note 3)	8,817	(5,436)	3,381
Translation differences	22	-	22
At 31 December 2012	38,738	1,028	39,766
Accumulated Amortisation			
At 1 January 2012	45,036	-	45,036
Amortisation for the year	9,544	-	9,544
Write off	(44,301)	-	(44,301)
Reclassified from property, plant and equipment (Note 3)	3,642	-	3,642
Translation differences	18	-	18
At 31 December 2012	13,939	-	13,939
Net Book Value	24,799	1,028	25,827
31.12.2011			
Cost			
At 1 July 2011	43,161	24,339	67,500
Additions	3,595	2,407	6,002
Reclassification	20,282	(20,282)	-
Translation differences	(4)	-	(4)
At 31 December 2011	67,034	6,464	73,498
Accumulated Amortisation			
At 1 July 2011	42,998	-	42,998
Amortisation for the period	1,976	-	1,976
Reclassification	65	-	65
Translation differences	(3)	-	(3)
At 31 December 2011	45,036	-	45,036
Net Book Value	21,998	6,464	28,462
1.7.2011			
Net Book Value	163	24,339	24,502

7. INVESTMENT IN SUBSIDIARY

	31.12.2012	31.12.2011	1.7.2011
Unquoted shares, at cost	RM1	RM1	RM1
No. of shares	1	1	1

Name of company	Principal activity	Effective interest (%) 31.12.2012	31.12.2011	1.7.2011
Double Care Sdn Bhd ("DCSB") (Incorporated in Malaysia)	Dormant	100.00	100.00	100.00

On 26 October 2009, the Company passed a Special Resolution to commence winding up of DCSB. A tax clearance letter has recently been obtained from Inland Revenue Board of Malaysia on 23 April 2012. As soon as the affairs of DCSB are totally wound-up, DCSB would call for a final meeting to complete the members' voluntary winding-up process.

8. INVESTMENT IN ASSOCIATE

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Unquoted shares, at cost	152	152	152

Name of company	Principal activity	Effective interest (%) 31.12.2012	31.12.2011	1.7.2011
Asian Forum Inc. (Incorporated in Federal Territory of Labuan, Malaysia)	Offshore captive insurance	33.33	33.33	33.33

The summarised financial information of the associate is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Assets and liabilities			
Current assets	17,787	18,355	17,471
Total assets	17,787	18,355	17,471
Current liabilities	12,298	12,976	11,868
Non-current liabilities	19	63	150
Total liabilities	12,317	13,039	12,018
Share of net assets @ 33.33%	1,823	1,772	1,818
Results			
Revenue	54	112	422
Profit/(loss) after tax	356	(409)	251
Share of profit/(loss) @ 33.33%	119	(136)	84

The financial year end of the associate is 31 December. For the purpose of the disclosures above, the management financial statements for the 9-months period ended 30 September 2012 and 30 September 2011, and for the 3-months period ended 31 March 2012 and 31 March 2011, were used. There are no significant differences expected had the results or financial position as at 31 December 2012, 31 December 2011 and 31 March 2011 have been applied.

9. INVESTMENTS

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Malaysian government papers	574,351	611,682	602,846
Singapore government securities	31,779	62,756	57,000
Debt securities	8,455,647	7,792,532	7,398,197
Equity securities	2,028,617	1,605,186	1,719,509
Irredeemable Loan Stock	22,574	-	-
Unit and property trust funds	174,348	79,989	56,410
Structured products (Note 10)	523,025	342,704	330,671
Negotiable certificates of deposit	528,549	526,588	716,159
Foreign notes	-	221,790	209,132
Deposits with financial institutions	926,435	1,278,365	1,126,369
	13,265,325	12,521,592	12,216,293

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

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Available-for-sale ("AFS")	3,262,927	2,499,681	2,478,213
Fair value through profit and loss ("FVTPL")			
- designated upon initial recognition at FVTPL	7,974,527	7,686,525	7,497,587
- held for trading ("HFT")	1,101,436	1,057,021	1,114,124
Loans and receivables ("LAR")	926,435	1,278,365	1,126,369
	13,265,325	12,521,592	12,216,293

The carrying value of investments maturing after 12 months are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
AFS	1,417,929	1,128,179	1,004,235
FVTPL			
- designated upon initial recognition	7,405,146	7,375,967	7,164,371
- HFT	668,695	378,599	313,320
- LAR	-	-	1,000
	9,491,770	8,882,745	8,482,926

9. INVESTMENTS (CONT'D)

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
(a) Available-for-Sale ("AFS")			
Fair value			
Malaysian government papers	28,391	77,182	84,740
Singapore government securities	31,779	62,756	57,000
Debt securities:			
Quoted outside Malaysia	58,000	40,140	42,243
Unquoted in Malaysia	1,247,987	900,757	789,266
Unquoted outside Malaysia	27,913	20,004	22,827
Equity securities:			
Quoted in Malaysia	1,504,633	1,137,563	1,246,690
Quoted outside Malaysia	9,390	72	71
Unquoted in Malaysia	102,252	105,842	105,842
Unquoted outside Malaysia	-	4,414	5,078
Unit and property trust funds:			
Quoted in Malaysia	28,969	24,800	8,066
Quoted outside Malaysia	72,685	25,690	11,114
Unquoted in Malaysia	54,302	4,302	4,302
Unquoted outside Malaysia	-	3,561	10,902
Irredeemable Loan Stock in Malaysia	22,574	-	-
Structured products (Note 10)	38,395	56,507	54,308
Negotiable certificates of deposit	35,657	36,091	35,764
Total AFS financial assets	3,262,927	2,499,681	2,478,213

(b) Fair Value Through Profit and Loss

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
(i) Designated upon initial recognition			
Fair value			
Malaysian government papers	470,719	521,454	512,033
Debt securities:			
Unquoted in Malaysia	6,808,071	6,403,809	6,144,931
Structured products (Note 10)	218,124	286,198	276,363
Negotiable certificates of deposit	477,613	475,064	564,260
	7,974,527	7,686,525	7,497,587

9. INVESTMENTS (CONT'D)

(b) Fair Value Through Profit and Loss (Cont'd)

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
(ii) HFT			
Fair value			
Malaysian government papers	75,240	13,045	6,072
Debt securities:			
Unquoted in Malaysia	313,677	427,822	398,931
Equity securities			
Quoted in Malaysia	412,342	357,295	361,829
Unit and property trust funds:			
Quoted in Malaysia	278	1,134	-
Quoted outside Malaysia	18,114	20,502	22,025
Negotiable certificates of deposit	15,280	15,433	116,135
Structured products (Note 10)	266,505	-	-
Foreign notes	-	221,790	209,132
	1,101,436	1,057,021	1,114,124
Total FVTPL financial assets	9,075,963	8,743,546	8,611,711

(c) Loans and receivables ("LAR")

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Fair value			
Fixed and call deposits with:			
Licensed banks	911,288	991,892	841,248
Other financial instituitions	15,147	286,473	285,121
Total LAR financial assets	926,435	1,278,365	1,126,369
	13,265,325	12,521,592	12,216,293

The carrying amount disclosed for LAR above approximates fair value as at reporting date due to the short term maturity of the financial assets.

Fair Value of Financial Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of Investments are further disclosed in Note 39(a) of the financial statements.

Included in the AFS financial assets are assets pledged to obtain a banking facility from Malayan Banking Berhad ("MBB") which amounted to RM45,760,000 (31.12.2011: RM45,760,000; 1.7.2011: RM45,760,000).

10. STRUCTURED PRODUCTS

The table below shows the fair values of structured products of the Company. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

	<-------31.12.2012------->		<------- 31.12.2011 ------->		<------- 1.7.2011 ------->	
	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Net Carrying Amount RM'000
Non-current						
Structured Deposits	265,000	256,520	365,000	342,704	365,000	330,671
Credit-Linked Notes	270,500	261,960	-	-	-	-
Index Linked	30,198	4,545	-	-	-	-
Total held for trading financial assets		523,025		342,704		330,671

The fair value of structured products of the Company is derived based on valuation techniques from market observable inputs. They are revalued at the date of the statement of financial position, of which valuations are provided by the respective counter parties using market convention.

The Structured Deposits contain embedded derivatives used as part of product structuring for the Company.

11. FINANCING RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Policy/automatic premium loans	228,982	228,346	229,206
Corporate loans	-	11,550	43,733
Staff loans:			
Secured	33,333	22,948	25,189
Unsecured	70	126	153
Others	13,450	21,382	21,457
Interest in suspense	(7,080)	(6,371)	(6,092)
Allowance for impairment losses	(2,376)	(1,889)	(1,730)
	266,379	276,092	311,916
Receivable after 12 months	65,493	84,579	88,749

The above balances are interest bearing. The carrying amount approximates fair value as the effect of discounting is not material.

The weighted average effective interest rates during the financial year were as follows:

	31.12.2012	31.12.2011	1.7.2011
Policy/automatic premium loans	8.00%	8.00%	8.00%
Corporate loans	-	7.68%	5.73%
Staff loans	3.21%	3.10%	3.07%

12. REINSURANCE ASSETS

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Reinsurers' share of:			
- Life insurance contract liabilities	33,813	36,958	36,966
- General insurance contract liabilities	1,657,786	1,400,463	1,281,405
	1,691,599	1,437,421	1,318,371

13. INSURANCE RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Due premiums including agents/brokers and co-insurers balances	169,210	229,959	280,889
Due from reinsurers and cedants	245,304	98,560	65,601
	414,514	328,519	346,490
Allowance for impairment losses	(28,440)	(50,187)	(56,556)
	386,074	278,332	289,934

14. OTHER RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Amount due from stockbrokers	70,060	11,358	9,674
Sundry receivables, deposits and prepayments	42,053	38,549	33,627
Allowance for impairment losses	(372)	(1,175)	(1,162)
	41,681	37,374	32,465
Income due and accrued	131,856	122,598	116,210
Allowance for impairment losses	(401)	(3,359)	(128)
	131,455	119,239	116,082
Amount due from related companies			
- Ultimate holding company	-	-	2,796
- Other related companies	5,101	2,323	3,683
	5,101	2,323	6,479
TOTAL	248,297	170,294	164,700

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances. Amount due from related companies is trade and non-trade in nature, unsecured, interest-free and repayable on demand.

15. DERIVATIVE ASSETS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

	31.12.2012				31.12.2011				1.7.2011			
	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Net Carrying Amount RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Net Carrying Amount RM'000
Hedging derivatives:												
Forward foreign exchange contract	25,879	419	-	419	8,330	-	(348)	(348)	-	-	-	-
Non-hedging derivatives:												
Current												
Principal Only Swap	-	-	-	-	263,188	33,140	-	33,140	263,188	39,535	-	39,535
Commodity Option	-	-	-	-	286,422	29	-	29	303,528	1,866	-	1,866
		-	-	-		33,169	-	33,169		41,401	-	41,401
Non-current												
Commodity Option	220,929	86	-	86	-	-	-	-	-	-	-	-
Cross Currency Swap	23,471	183	-	183	23,471	186	-	186	23,471	381	-	381
		269	-	269		186	-	186		381	-	381
Total derivatives		688	-	688		33,355	(348)	33,007		41,782	-	41,782
Total held for trading financial assets		688	-	688		33,355	(348)	33,007		41,782	-	41,782

The fair value of derivatives assets is derived based on valuation techniques from market observable inputs. They are revalued at the date of the statement of financial position, of which valuations are provided by the respective counter parties using market convention.

For hedging derivatives:

Forwards are customised contracts transacted in the over-the-counter market. The contracts are settled in gross at the specified future date and are considered to bear a higher liquidity risk than the futures contract which is settled on a net basis. It also bears market risks related to the underlying investment. Forward currency contracts being used by the Company is for the purpose of hedging part of its investment portfolio in USD denominated mutual funds.

For Non-hedging derivatives:

Swaps are contractual agreement between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specifiec underlying index such as interest rate, foreign currency rate or equity index. The Company uses principal only swap contract to hedge the principal amount invested in Structured Note denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Company purchase options in the over-the-counter markets that provide the Company with the opportunity to purchase (call option) the underlying asset at an agreed-upon value on the expiration of the option. The Company is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. The Company uses options investment in the product structuring for investment linked products as a strategy to enhance the returns of the products.

16. SHARE CAPITAL

	<-------- Number of shares -------->			<---------------- Amount ---------------->		
	31.12.2012 '000	31.12.2011 '000	1.7.2011 '000	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Authorised:						
Ordinary shares of RM1.00 each						
At beginning and end of year/ period	500,000	500,000	500,000	500,000	500,000	500,000
Issued and Paid-up:						
Ordinary shares of RM1.00 each						
At beginning and end of year/ period	152,151	152,151	152,151	152,151	152,151	152,151

17. RESERVES

The reserves shown in the Statement of Equity are as follows:

(i) The AFS reserve of the Company arose from the changes in the fair value of the investment assets of the shareholder's and non-Par funds.

(ii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's presentation currency.

(iii) The revaluation reserve of the Company arose from the fair value movement on investment properties.

(iv) Non-distributable retained earnings represent the unallocated surplus from the non-Par fund. In accordance Section 43(2) of the Insurance Act, 1996, the unallocated surplus is only availabe for distribution to the shareholder upon approval/recommendation by the Appointed Actuary.

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18. INSURANCE CONTRACT LIABILITIES

	<---- 31.12.2012		---->	<---- 31.12.2011		---->	<---- 1.7.2011		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance (Note A)	10,133,272	(33,813)	10,099,459	9,801,619	(36,958)	9,764,661	9,573,198	(36,966)	9,536,232
General insurance (Note B)	2,532,135	(1,657,786)	874,349	2,209,637	(1,400,463)	809,174	2,069,969	(1,281,405)	788,564
	12,665,407	(1,691,599)	10,973,808	12,011,256	(1,437,421)	10,573,835	11,643,167	(1,318,371)	10,324,796

(A) Life Insurance

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

(i) Life insurance contract liabilities

	<---- 31.12.2012		---->	<---- 31.12.2011		---->	<---- 1.7.2011		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities	58,957	(2,698)	56,259	56,841	(2,688)	54,153	65,426	(1,274)	64,152
Actuarial liabilities	8,147,978	(31,115)	8,116,863	7,897,487	(34,270)	7,863,217	7,714,233	(35,692)	7,678,541
Participating fund unallocated surplus	441,204	-	441,204	419,543	-	419,543	417,252	-	417,252
Participating fund AFS reserve	130,367	-	130,367	105,650	-	105,650	168,591	-	168,591
Net asset value attributable to unitholders (Note 47)	1,354,766	-	1,354,766	1,322,098	-	1,322,098	1,207,696	-	1,207,696
	10,133,272	(33,813)	10,099,459	9,801,619	(36,958)	9,764,661	9,573,198	(36,966)	9,536,232

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18. INSURANCE CONTRACT LIABILITIES (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Movements of life insurance contract liabilities

31.12.2012	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	Participating fund AFS reserve RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
As at 1 January 2012	56,841	1,322,098	105,650	7,897,487	419,543	9,801,619	(36,958)	9,764,661
Net earned premiums	-	599,884	-	-	321,976	921,860	-	921,860
Other revenue	-	74,384	-	-	342,389	416,773	-	416,773
Net benefits and claims	2,116	(635,603)	-	-	(381,058)	(1,014,545)	(10)	(1,014,555)
Other expenses	-	(49)	-	-	(79,323)	(79,372)	-	(79,372)
Change in Reserve :								
- Discounting	-	-	-	139,136	(107,152)	31,984	(250)	31,734
- Assumptions	-	-	-	24,486	(7,270)	17,216	(518)	16,698
- Policy Movements	-	-	-	86,869	(44,215)	42,654	3,923	46,577
Changes in AFS reserve	-	-	25,170	-	-	25,170	-	25,170
Taxation	-	(5,948)	(453)	-	(15,086)	(21,487)	-	(21,487)
Participating fund surplus transferred to shareholder	-	-	-	-	(8,600)	(8,600)	-	(8,600)
As at 31 December 2012	58,957	1,354,766	130,367	8,147,978	441,204	10,133,272	(33,813)	10,099,459

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18. INSURANCE CONTRACT LIABILITIES (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Movements of life insurance contract liabilities (Cont'd)

31.12.2011	Provision for outstanding claims RM'000	NAV attributable to unitholders RM'000	Participating fund AFS reserve RM'000	Actuarial Liabilities RM'000	Participating fund Unallocated Surplus RM'000	Gross RM'000	Reinsurance RM'000	Total Liabilities RM'000
As at 1 July 2011	65,426	1,207,696	168,591	7,714,233	417,252	9,573,198	(36,966)	9,536,232
Net earned premiums	-	283,513	-	-	166,651	450,164	-	450,164
Other revenue	-	5,610	-	-	207,660	213,270	-	213,270
Net benefits and claims	(8,585)	(173,837)	-	-	(194,236)	(376,658)	(1,414)	(378,072)
Other expenses	-	(15)	-	-	(42,513)	(42,528)	-	(42,528)
Change in Reserve :								
- Discounting	-	-	-	130,741	(94,591)	36,150	(345)	35,805
- Policy Movements	-	-	-	52,513	(21,230)	31,283	1,767	33,050
Changes in AFS reserve	-	-	(68,413)	-	-	(68,413)	-	(68,413)
Taxation	-	(869)	5,472	-	(15,850)	(11,247)	-	(11,247)
Participating fund surplus transferred to shareholder	-	-	-	-	(3,600)	(3,600)	-	(3,600)
As at 31 December 2011	56,841	1,322,098	105,650	7,897,487	419,543	9,801,619	(36,958)	9,764,661

18. INSURANCE CONTRACT LIABILITIES (CONT'D)

(B) General insurance

	31.12.2012			31.12.2011			1.7.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims liabilities (i)	1,940,036	(1,388,963)	551,073	1,557,663	(1,067,965)	489,698	1,352,205	(888,082)	464,123
Premium liabilities (ii)	592,099	(268,823)	323,276	651,974	(332,498)	319,476	717,764	(393,323)	324,441
	2,532,135	(1,657,786)	874,349	2,209,637	(1,400,463)	809,174	2,069,969	(1,281,405)	788,564

(i) **Claims liabilities**

	31.12.2012			31.12.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January 2012/1 July 2011	1,557,663	(1,067,965)	489,698	1,352,205	(888,082)	464,123
Claims incurred in the current accident year	719,936	(373,707)	346,229	460,465	(159,229)	301,236
Other movements in claims incurred in prior accident years	117,994	(120,904)	(2,910)	(278,534)	124,217	(154,317)
Claims paid during the year/period	(535,504)	237,753	(297,751)	(212,456)	68,389	(144,067)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(20,946)	20,815	(131)	(390)	345	(45)
Movements in PRAD	100,893	(84,955)	15,938	236,373	(213,605)	22,768
As at 31 December 2012/2011	1,940,036	(1,388,963)	551,073	1,557,663	(1,067,965)	489,698

(ii) **Premium liabilities**

	31.12.2012			31.12.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January 2012/1 July 2011	651,974	(332,498)	319,476	717,764	(393,323)	324,441
Premiums written in the year/period	1,395,732	(768,354)	627,378	568,624	(286,494)	282,130
Premiums earned during the year/period	(1,455,607)	832,029	(623,578)	(634,414)	347,319	(287,095)
As at 31 December 2012/2011	592,099	(268,823)	323,276	651,974	(332,498)	319,476

19. DEFERRED TAXATION

	31.12.2012 RM'000	31.12.2011 RM'000
At 1 January 2012/1 July 2011	(414,642)	(422,428)
Recognised in:		
Income statement (Note 32)	(6,598)	(9,115)
Other comprehensive income (Note 32)	(7,822)	11,427
Insurance contract liabilities (Note 18)	(453)	5,472
Exchange differences	16	2
At 31 December	(429,499)	(414,642)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax shown in the balance sheet have been determined after appropriate offsetting.

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Presented after appropriate offsetting as follows:			
Deferred tax assets	13,422	14,661	17,457
Deferred tax liabilities	(442,921)	(429,303)	(439,885)
	(429,499)	(414,642)	(422,428)

19. DEFERRED TAXATION (CONT'D)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets

	Impairment on Receivables RM'000	Amortisation premiums RM'000	General insurance liabilities RM'000	Impairment on Investment RM'000	Others RM'000	Total RM'000
31.12.2012						
At 1 January 2012	10,683	-	769	3,209	-	14,661
Recognised in:						
Income statement	(4,135)	-	457	1,538	885	(1,255)
Translation differences	16	-	-	-	-	16
At 31 December 2012	6,564	-	1,226	4,747	885	13,422
31.12.2011						
At 1 July 2011	13,161	416	1,176	2,387	317	17,457
Recognised in:						
Income statement	(2,480)	(416)	(407)	822	(317)	(2,798)
Translation differences	2	-	-	-	-	2
At 31 December 2011	10,683	-	769	3,209	-	14,661

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19. DEFERRED TAXATION (CONT'D)

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	AFS Reserve RM'000	Non-Participating Fund Unallocated Surplus RM'000	Unit Linked RM'000	Total RM'000
31.12.2012							
At 1 January 2012	(682)	(13,580)	(44,060)	(40,070)	(328,479)	(2,432)	(429,303)
Recognised in:							
Income statement	404	7,878	(1,966)	-	(8,315)	(3,344)	(5,343)
Other comprehensive income	-	-	-	(7,822)	-	-	(7,822)
Insurance contract liabilities	-	-	-	(453)	-	-	(453)
At 31 December 2012	(278)	(5,702)	(46,026)	(48,345)	(336,794)	(5,776)	(442,921)
31.12.2011							
At 1 July 2011	(939)	(14,368)	(37,101)	(56,969)	(326,556)	(3,952)	(439,885)
Recognised in:							
Income statement	257	788	(6,959)	-	(1,923)	1,520	(6,317)
Other comprehensive income	-	-	-	11,427	-	-	11,427
Insurance contract liabilities	-	-	-	5,472	-	-	5,472
At 31 December 2011	(682)	(13,580)	(44,060)	(40,070)	(328,479)	(2,432)	(429,303)

20. INSURANCE PAYABLES

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Due to agents and intermediaries	42,009	44,629	42,565
Due to reinsurers and cedants	363,168	287,034	279,766
	405,177	331,663	322,331

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

21. OTHER PAYABLES

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Premium deposits	71,038	45,115	51,795
Dividend payable to policyholders	66,714	64,903	60,414
Amount due to related companies*			
- Ultimate holding company	358	3,554	-
- Holding company	1,620	3,628	2,435
- Other related companies	-	1	253
- Subsidiary	1,654	1,655	1,655
Amount due to stockbrokers	7,530	22,653	73,103
Sundry payables and accrued liabilities	143,441	119,683	143,117
	292,355	261,192	332,772

* Amount due to related companies is trade and non-trade in nature, unsecured, interest free and is repayable on demand.

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are payable within one year.

22. OPERATING REVENUE

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Gross premiums (Note 23)	2,770,388	1,243,361
Investment income (Note 25)	588,088	294,347
	3,358,476	1,537,708

23. NET EARNED PREMIUMS

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
(a) Gross Earned Premiums		
Life insurance contracts	1,374,656	674,737
General insurance contracts	1,395,732	568,624
Gross Premiums (Note 22)	2,770,388	1,243,361
Change in premium liabilities	59,875	65,790
Gross Earned Premiums	2,830,263	1,309,151
(b) Earned Premiums ceded to Reinsurers		
Life insurance contracts	(20,585)	(12,569)
General insurance contracts	(768,354)	(286,494)
Premiums ceded to reinsurers	(788,939)	(299,063)
Change in premium liabilities	(63,675)	(60,825)
Earned premiums ceded to reinsurers	(852,614)	(359,888)
Net Earned Premiums	1,977,649	949,263

24. FEE AND COMMISSION INCOME

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Reinsurance commission income	59,727	27,703

25. INVESTMENT INCOME

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	373,760	173,918
(ii) HFT		
Interest income	20,456	11,937
Dividend income		
- Quoted in Malaysia	11,794	5,994
- Quoted outside Malaysia	20	-
AFS Financial assets		
Interest income	57,795	25,176
Dividend income		
- Quoted in Malaysia	42,297	19,184
- Quoted outside Malaysia	486	1
- Unquoted in Malaysia	2,495	2,801
- Unit and property trusts	1,167	158
LAR		
Interest income	26,930	16,343
Interest income from financing receivables and other loans	19,253	10,326
Rental income	28,215	16,127
Accretion of discounts	8,364	14,982
Investment related expenses	(4,944)	(2,600)
	588,088	294,347

26. REALISED GAINS

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Realised gain on disposal of property, plant and equipment	102	-
Realised gain on disposal of investment properties	140	69
AFS financial assets		
Realised gains:		
- Malaysian government papers	701	-
- Equity securities	149,566	74,634
- Debts securities	13,909	1,541
- Irredemable convertible loan stocks	47	-
- Other investments	635	978
	164,858	77,153
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Realised gains:		
- Malaysian government papers	641	46
- Debts securities	89,438	11,881
	90,079	11,927
(ii) HFT		
Realised (losses)/gains:		
- Malaysian government papers	(93)	31
- Equity securities	18,841	2,640
- Debts securities	5,475	1,650
- Negotiable certificate of deposits	-	7,448
- Other investments	1,298	197
- Derivative asset	(19,542)	(387)
	5,979	11,579
TOTAL REALISED GAINS	261,158	100,728

27. FAIR VALUE (LOSSES)/GAINS

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
FVTPL - held for trading purposes	(2,193)	(32,444)
FVTPL- designated upon initial recognition	(33,211)	85,972
Total fair value gains on financial assets at FVTPL	(35,404)	53,528
Impairment losses on investments	(22,039)	(15,155)
Fair value (losses)/gains from financial assets	(57,443)	38,373
Investment properties	48,915	40
TOTAL FAIR VALUE (LOSSES)/GAINS	(8,528)	38,413

28. OTHER OPERATING REVENUE, NET

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Other income		
Unrealised gain on foreign exchange	44,001	16,052
Processing income	1,479	714
Reversal of impairment losses on receivables	24,940	2,904
Sundry income	3,176	1,477
	73,596	21,147
Other expenses		
Bad debts written off	(6,854)	(2,340)
Realised loss on foreign exchange	(2,730)	(1,226)
Sundry expenditure	(229)	(415)
	(9,813)	(3,981)
TOTAL OTHER OPERATING REVENUE, NET	63,783	17,166

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29. NET BENEFITS AND CLAIMS

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
(a) Gross Benefits and Claims Paid		
Insurance contracts:		
General	535,504	212,456
Life	1,286,373	489,109
	1,821,877	701,565
(b) Claims Ceded to Reinsurers		
Insurance contracts:		
General	(237,753)	(68,389)
Life	(11,036)	(7,488)
	(248,789)	(75,877)
(c) Gross Change in Contract Liabilities		
Insurance contracts:		
General	382,371	205,458
Life	306,936	291,362
	689,307	496,820
(d) Change in Contract Liabilities Ceded to Reinsurers		
Insurance contracts:		
General	(320,996)	(179,883)
Life	3,145	8
	(317,851)	(179,875)
NET BENEFITS AND CLAIMS	1,944,544	942,633

30. MANAGEMENT EXPENSES

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Employee benefits expense (a)	170,874	68,893
Directors' remuneration (b)	1,488	652
Auditors' remuneration:		
- statutory audits	805	765
- overprovision in prior year	(1)	(33)
- other services	67	32
Amortisation of intangible assets	9,544	1,976
Amortisation of prepaid land lease payments	303	152
Bank charges	9,571	3,293
Depreciation of property, plant and equipment	8,300	7,955
Fund management fees	1,556	8,698
Other management fees	3,096	546
Professional fees	3,106	7,707
Rental of offices/premises	3,740	1,935
Electronic data processing expenses	10,024	263
Outsourcing services	14,617	8,879
Postage & stamp duties	5,563	2,375
Printing & stationery	3,089	1,553
Promotional and marketing cost	14,608	8,092
Training expenses	4,360	1,568
Utilities, assessment and maintenance	8,718	1,097
Entertainment	1,976	1,127
Travelling expenses	4,295	2,234
Office facilities expenses	1,638	1,025
Legal fees	(108)	965
Other expenses	19,792	14,562
TOTAL MANAGEMENT EXPENSES	301,021	146,311

(a) **Employee benefits expense:**

Wages and salaries	121,339	46,483
EPF, CPF and TAP	18,398	7,445
SOCSO	632	292
Share-based compensation	5,966	6,536
Other benefits	24,539	8,137
	170,874	68,893

Included in employee benefits expense is remuneration receivable by the Chief Executive Officer (CEO) of RM363,673 (1.7.2011 to 31.12.2011:RM1,285,255) as disclosed in Note 30(c).

30. MANAGEMENT EXPENSES (CONT'D)

(b) Directors' remuneration:

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Executive:		
Salary, bonus and allowance	662	346
EPF	10	8
Fees	60	21
Share-based compensation	-	33
Other emoluments	155	62
Non executive:		
Fees	533	156
Allowance	68	26
	1,488	652

The number of directors whose total remuneration received from the Company during the year/period falls within the following bands is analysed below:

	Numbers of Directors 31.12.2012	31.12.2011
Executive director		
Above RM50,000	1	1
Non-executive directors		
Below RM50,000	3	7
Above RM50,000 to RM100,000	6	-

(c) The details of remuneration receivable by CEO during the year/period are as follows:

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Salary	276	276
Bonus	-	423
EPF	48	115
Share-based compensation	-	227
Other emoluments	26	23
Retirement gratuity	-	207
Benefits in kind	14	14
	364	1,285

31. FEE AND COMMISSION EXPENSES

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Costs incurred for the acquisition of insurance contracts expensed in the current financial year/period	209,153	104,831

32. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the year ended 31 December 2012 and 6 months ended 31 December 2011 are:

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000 (Restated)
Income Statement:		
Income tax:		
Current financial year/period provision		
- Malaysia	142,945	70,750
- Foreign	(22)	176
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 19)	6,598	9,115
(Over)/under provision of taxation in prior financial years	(9,465)	1,341
Income tax expense recognised in income statement	140,056	81,382
Statement of comprehensive income:		
Deferred income tax related to other comprehensive income:		
- Fair value changes on AFS investments	7,822	(11,427)

32. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December 2012 and 6 months ended 31 December 2011 are as follows:

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Income Statement:		
Profit before taxation	487,159	233,845
Taxation at Malaysian statutory tax rate of 25% (30.6.2011: 25%)	121,790	58,462
Effect of Section 110B tax credit set off	(13,674)	(7,167)
Business outside Malaysia taxed at 5%	(2,019)	(915)
Income not subject to tax	(9,713)	(2,399)
Expenses not deductible for tax purposes	53,137	32,060
(Over)/under provision of taxation in prior financial years	(9,465)	1,341
Tax expense for the financial year/period	140,056	81,382

The domestic income tax for shareholder's fund and general fund are calculated based on the corporate tax rate of 25% (1.7.2011 to 31.12.2011: 25%) of the estimated assessable profit for the financial year.

The income tax for the life fund is calculated based on the statutory rate of 8% (1.7.2011 to 31.12.2011: 8%) of the estimated assessable investment income net of allowable deductions for the financial year.

In view of this, the Company has computed the deferred tax for shareholder's fund and general fund, and life fund based on the corporate tax rate of 25% and 8% respectively.

32. INCOME TAX EXPENSE (CONT'D)

Prior to the year of assessment 2008, Malaysians companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividend will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance Section 39 of the Finance Act, 2007.

Due to the changes in the single tier system, any distribution of dividend-in-species in respect of the ordinary shareholdings would be regarded as single tier dividend. The Section 108 accounts and tax exempt account will not be affected. There will be parallel existence of single tier system and imputation system until 31 December 2013.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholder as defined under the Finance Act, 2007.

Previously, investment income and gains from disposal of investments from the Life Fund would be taxed twice, once at a tax rate of 8% in the Life Fund and again at a tax rate of 25% when the surplus from the Life Fund is transferred to the Shareholder's Fund. In the Budget 2008 which was enacted via a Gazette Order on 21 April 2008, effective from year of assessment 2008 onwards insurers are permitted a set-off ("Section 110B credits") from the total amount of tax imposed on the Shareholder's Fund to overcome the incidence of double taxation.

Section 110B credits are governed by a specific Inland Revenue Board ("IRB") guideline issued on 5 November 2008 which details the computation of the said credits available to the Shareholdre's Fund of an insurer. Section 110B credits are applied before dividend tax credits when computing net tax payable to the IRB.

33. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year/period.

	1.1.2012 to 31.12.2012 sen	1.7.2011 to 31.12.2011 sen
Profit attributable to ordinary equity holders	347,103	152,463
Basic earnings per share (sen)	228.13	100.21

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

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

34. OPERATING LEASE COMMITMENTS

(a) Company as lessee

As at the date of the statement of financial position, the Company leases its office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for the leases with initial or remaining terms of one year or more are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Within 1 year	3,390	3,849	5,171
After 1 year but not more than 5 years	10,986	14,130	19,035
	14,376	17,979	24,206

34 OPERATING LEASE COMMITMENTS (CONT'D)

(b) Company as lessor

The Company has entered into operating lease agreements on its portfolio of investment properties. The leases have remaining lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The leases also include a clause that allows for early termination but requires the tenant to provide a replacement tenant or pay for the remaining unexpired lease period.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the date of statement of financial position but not recognised as receivables, are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Not later than 1 year	29,983	31,992	30,197
After 1 year but not more than 5 years	57,639	67,257	59,631
	87,622	99,249	89,828

Rental income on investment properties recognised in income statement during the financial year/period is disclosed in Note 25.

35. OTHER COMMITMENTS AND CONTINGENCIES

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Approved and contracted for:			
Property, plant and equipment	4,175	1,919	1,882
Intangible assets	9,359	14,016	17,622
	13,534	15,935	19,504
Approved and not contracted for:			
Property, plant and equipment	1,350	-	200

36. SIGNIFICANT RELATED PARTY DISCLOSURES

(i) Significant transactions of the Company with related parties during the financial year/period were as follows:

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Income/(expenses):		
Transactions with the ultimate holding company:		
Gross insurance premium income	5,866	2,157
Dividend income	1,496	679
Commissions and fees expenses	(78,250)	(40,099)
Interest income	32,240	17,020
Rental income	491	239
Other expenses	(2,712)	(1,267)
Transactions within holding company:		
Rental income	109	59
Other management fees	(5,804)	(3,209)
Shared service cost chargeback	419	289
Interim dividend	(350,329)	(180,299)
Transactions with other related companies within the MBB group:		
Gross insurance premium income	2	1
Rental income	9,909	5,738
Investment management fees	(1,556)	(8,698)
Other management fees	(54,781)	(22,822)
Shared service cost chargeback	70,953	32,509
Other expenses	(8,007)	(1,410)
Transactions with companies with significant influence over the MBB Group:		
Gross insurance premium income	21,482	11,450

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(ii) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following:

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Ultimate holding company:			
Fixed deposits and call deposits	525,765	550,742	451,170
Structured deposits	54,075	49,085	365,000
NCD & NICD	170,317	165,040	260,389
Corporate bonds	419,712	396,029	367,673
Bank balance	149,361	59,655	179,489
Income due and accrued	7,747	5,938	9,272
Outstanding premiums	9,355	9,861	11,691
Amount due (to)/from ultimate holding company	(358)	(3,554)	2,796
Sundry payables and accrued liabilities	(2,417)	(722)	(201)
Holding company:			
Amount due to holding company	(1,620)	(3,628)	(2,435)
Dividend payable	(350,329)	-	-
Other related companies over the MBB Group:			-
Outstanding premiums	171	(182)	411
Income and profits due and accrued	260	277	537
Amount due from other related companies	5,101	2,323	3,683
Amount due to other related companies	-	(1)	(253)
Sundry payables and accrued liabilities	-	(4,528)	(4,785)
Companies with significant influence over the MBB Group:			
Outstanding premiums	1,173	81	2,342
Subsidiary:			
Amount due to subsidiary	(1,654)	(1,655)	(1,655)

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(iii) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company are the Executive Directors and Chief Executive Officer.

The remuneration of the Executive Director and Chief Executive Officer were as follows:

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	938	1,045
- EPF	58	123
- Fees	60	21
- Share-based compensation	-	260
- Other staff benefits	195	99
Post employment benefits		
- Retirement gratuity	-	207
	1,251	1,755

37. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Ageas Holdings Berhad), being Etiqa Insurance Berhad ("EIB") and Etiqa Takaful Berhad ("ETB"), collectively known as the Maybank Ageas Group ("the Group"). A strong risk governance structure enhances the capabilities to align risk appetite and strategy, link risk with growth and return, make timely risk response decisions, minimise operational surprises and losses, seize opportunities and rationalise capital.

37. RISK MANAGEMENT FRAMEWORK (CONT'D)

The Framework also ensures that risks are properly and adequately identified, evaluated, monitored and reported, so as to safeguard and protect the assets of the Company and enable the Company to fulfill our obligations to its customers, shareholder, stakeholders and meeting the expectations of the regulators.

The Risk Management function was strengthened with the appointment of the Chief Risk Officer ("CRO") to the Senior Management Committee. The CRO will ensures an independent control function and makes risk management more strategic within the Group.

The Group's Risk Appetite principles are subject to Bank Negara Malaysia ("BNM") guidelines, International Standards Guideline on Risk Management issued by recognised organisational.

This Framework is set up to ensure that all significant risks are identified, assessed, monitored and managed in accordance with the interests of shareholders and is intended to guide all business conduct within the Group. It identifies three levels:

- Clear risk objectives and business strategy:
- Comprehensive Risk Management cycle; and
- Strong Risk Culture.

Clear Risk Objectives and Business Strategy

The Group's business is risk taking of nature and is intrinsic to how it creates value for its customers and shareholders. To ensure the Group delivers sustainable growth in shareholder value, the execution of business strategy is at all times kept within its risk tolerance to control the risk of insolvency. A clear business strategy is required together with explicit statements of which risks or events are tolerable or to be avoided at all times. The Risk Appetite is controlled by having consistent limits and policies in place for all relevant risks.

If risks are taken, they need to stay within the risk appetite as has been set by the Board. If risks and the potential losses associated with the risk are not tolerable, action must be taken.

37. RISK MANAGEMENT FRAMEWORK (CONT'D)

Comprehensive Risk Management Cycle

All key risks are identified and appropriately managed. An overview of major risk categories including Financial, Insurance, Operational risks and Strategic or industry-specific risk types describe the entire set of potential risks that should be used to ensure completeness. Key risks and key risk indicators are identified to track the most important developments and actions. Reporting is prepared with necessary limits including risk appetite or other relevant elements to support immediate monitoring.

Strong Risk Culture

The Policy Framework describes the risk management process and the control procedures ncessary to ensure risk management is effectively carried out. Monitoring is accomplished through ongoing management activities, separate evaluations, or both. Clear responsibilities and accountabilities are the cornerstone for good risk management and good governance in general.

Capital Management Objectives, Policies and Approach

The Capital Management Guideline sets a standard policy regarding the levels of capital to be maintained within the Group. The Capital Management Guideline adopts the regulatory capital requirements. For the Company, it is aligned with Capital Adequacy Ratio (CAR) defined in the RBC Framework.

The Capital Management Guideline defines the level of internal capital target which is reviewed on an annual basis. This is to ensure that the target capital level adequately reflects the risk profile of the portfolio as well as the risk tolerance. The guideline is supported by stress testing exercises conducted at least twice a year. The stress testing exercise is governed by the requirements established in the stress testing Guideline on Stress Testing for Insurers (BNM/RH/GL 003-23) issued by BNM.

Currently, the minimum CAR is set by BNM at 130%.

37. RISK MANAGEMENT FRAMEWORK (CONT'D)

Asset-Liability Management ("ALM")

The Asset-Liability Management Committee ("ALCO") is responsible to coordinate ongoing controls over the financial/investment risk position of each investment portfolio and the liability position of the Group.

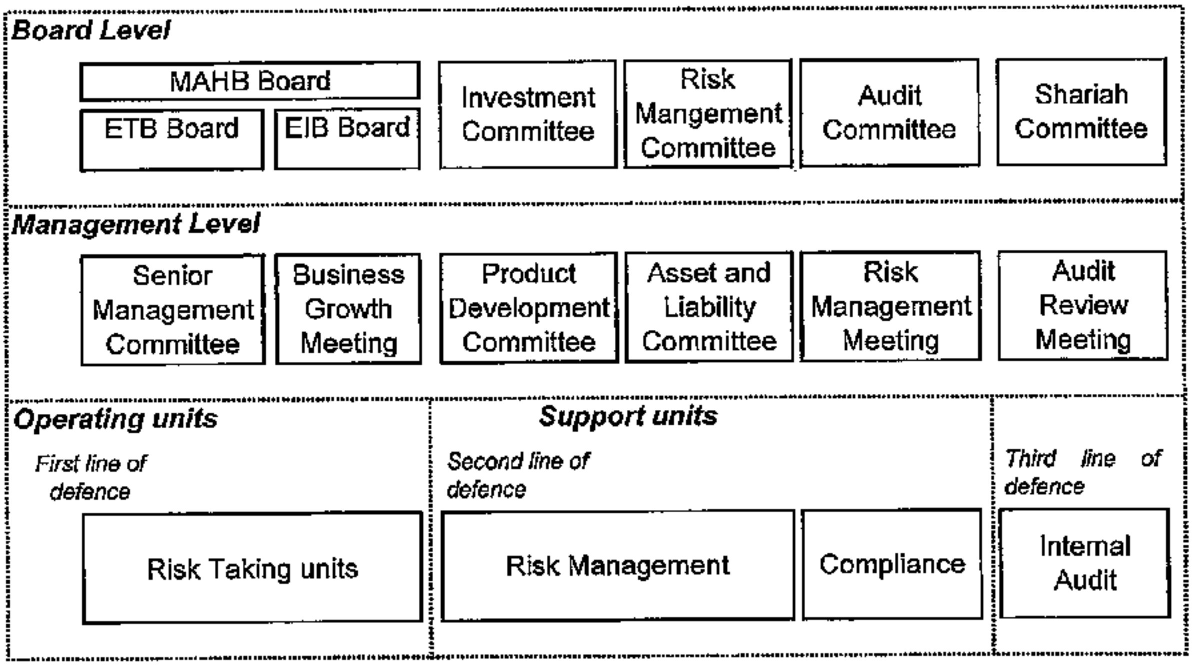
The ALCO is authorised to propose policies to the Risk Management Committee ("RMC") and the Investment Committee ("IC") and to propose the implementation program of investment activities. The ALCO is also responsible for carrying out Asset Liability Management ("ALM") studies, amongst other things.

Risk Governance Structure and Risk Organisation

The governance structure outlines the organisational structure, the hierarchy and the scope of responsibilities of all the Governance bodies involved in the risk management function.

The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Board of Directors ("Board"), the Risk Management Committee ("RMC") and the Risk Management Meeting ("RMM").

Governance is emphasised via various level of committees (Board, Management and Working levels). Each of the Committees have its own terms of reference, roles and responsibilities, specific duties and level of authority.



37. RISK MANAGEMENT FRAMEWORK (CONT'D)

Risk Governance Structure and Risk Organisation (Cont'd)

Risk management at the Group is organised centrally and is embedded in the business units. The Group's risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units and Internal Audit.

(i) Risk Taking Unit (First Line of Defence)

Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities. They are the first placed and operationally responsible to ensure that the Group does not suffer from unforeseen circumstances.

The business is responsible for managing the full risk taxonomy that relates its execution of business strategy and ranges from the CEO, Line Management and Business Managers to employees in the business lines.

(ii) Risk Control Unit (Second Line of Defence)

Risk Control units, through Risk Management and Compliance Department, are responsible for setting the risk management framework, adherence to it and developing tools and methodologies for the identification, measurement, monitoring and control.

In addition, the Risk Management Department has the responsibility to communicate and embed risk strategy, risk awareness and risk management within the entire organisation. The Compliance function has an overall assurance role in which it ensures that policies abide to any relevant external guidelines and requirements.

(iii) Internal Audit (Third Line of Defence)

Internal Audit checks and provides independent assurance of the effectiveness of the risk management approach, proper design and implementation of the risk management framework and observance of guidelines, policies and processes.

38. INSURANCE RISK

Insurance Risk relates to the inherent risk associated in the underwriting activities of Life and General business. Such risk includes the pricing risk, claims reserving, underwriting risk and reinsurance risk. Actuarial analysis are performed to control pricing, underwriting and reserving risks by intervening trends before benefits and claims become due for payment.

Reinsurance is placed to minimise certain insurance risk within the established risk parameters. Risks associated with reinsurance risk are the counterparty risk of reinsurers or retrocessionaires failing to honour their obligations. Claims processes are defined by approval authority as part of the control in place on financial exposure.

The Company has established appropriate guidelines and framework tide with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(A) Life Insurance

(i) The table below shows the concentration of actuarial liabilities by type of contract.

	31.12.2012			31.12.2011			1.7.2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Whole life	640,798	-	640,798	562,960	-	562,960	519,092	-	519,092
Endowment	5,628,038	-	5,628,038	5,501,001	-	5,501,001	5,392,486	-	5,392,486
Mortgage	998,475	(31,115)	967,360	988,053	(34,270)	953,783	973,553	(35,692)	937,861
Term assurance	383,497	-	383,497	352,767	-	352,767	341,935	-	341,935
Annuity	465,018	-	465,018	457,555	-	457,555	442,943	-	442,943
Others	32,152	-	32,152	35,151	-	35,151	44,224	-	44,224
Total	8,147,978	(31,115)	8,116,863	7,897,487	(34,270)	7,863,217	7,714,233	(35,692)	7,678,541

All of the life business was derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

38. INSURANCE RISK (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Key Assumptions

Material judgement is required in determining the insurance liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(a) Discount rate

The discount rate used for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies is the yield observed on the Malaysian Government Security ("MGS") of the appropriate duration. In the case of the total benefits liabilities of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income of the life fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes. Participating business includes participating annuity. The discount rate for the participating annuity is the gross rate as these funds are tax exempt.

(b) Mortality and morbidity rates

The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

38. INSURANCE RISK (CONT'D)

(A) Life Insurance (Cont'd)

(ii) Key Assumptions (Cont'd)

(c) <u>Lapse and surrender rates</u>

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

(d) <u>Expenses</u>

Assumptions on future expenses are best estimate after taking into consideration current expense levels and the expected expense inflation.

(iii) Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, surplus arising and equity.

The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in specific assumptions, the assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

38. INSURANCE RISK (CONT'D)

(A) Life Insurance (Cont'd)

(iii) Sensitivities (Cont'd)

	Change in Assumptions %	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Surplus Arising RM'000	Impact on Equity RM'000
<u>**Life Insurance**</u>					
31.12.2012					
Discount rate*	-1%	622,178	620,517	(620,517)	(29,496)
Mortality and morbidity rates	+/- 10% (adverse)	131,716	129,063	(129,063)	-
Lapse and surrender rates	+/- 10% (adverse)	34,138	34,203	(34,203)	-
Expenses	+10%	38,525	38,525	(38,525)	-
31.12.2011					
Discount rate*	-1%	641,781	639,937	(639,937)	(70,143)
Mortality and morbidity rates	+/- 10% (adverse)	132,199	129,284	(129,284)	(5,806)
Lapse and surrender rates	+/- 10% (adverse)	19,287	19,205	(19,205)	(6,929)
Expenses	+10%	38,597	38,597	(38,597)	(3,916)
1.7.2011					
Discount rate*	-1%	605,315	603,447	(603,447)	(56,991)
Mortality and morbidity rates	+/- 10% (adverse)	129,247	126,242	(126,242)	(1,431)
Lapse and surrender rates	+/- 10% (adverse)	18,867	18,770	(18,770)	(2,445)
Expenses	+10%	38,480	38,480	(38,480)	-

* excludes impact on fixed income

38. INSURANCE RISK (CONT'D)

(B) General Insurance

(i) The table below shows the concentration of premium by class of business.

	1.1.2012 to 31.12.2012			1.7.2011 to 31.12.2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia						
Motor	280,356	(9,134)	271,222	133,031	(4,102)	128,929
Fire	176,133	(75,537)	100,596	76,053	(41,005)	35,048
Marine, Aviation,Cargo and Transit	648,915	(624,663)	24,252	217,840	(211,851)	5,989
Miscellaneous	186,564	(44,974)	141,590	92,058	(24,667)	67,391
	1,291,968	(754,308)	537,660	518,982	(281,625)	237,357
Singapore and Brunei						
Motor	29,482	(1,020)	28,462	15,144	(569)	14,575
Fire	23,649	(5,436)	18,213	10,148	(1,810)	8,338
Marine, Aviation,Cargo and Transit	4,258	(1,154)	3,104	2,158	(531)	1,627
Miscellaneous	46,375	(6,436)	39,939	22,192	(1,959)	20,233
	103,764	(14,046)	89,718	49,642	(4,869)	44,773
Total	1,395,732	(768,354)	627,378	568,624	(286,494)	282,130

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(ii) Key Assumptions and Methods

The claim liabilities of the Company are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Accordingly, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

The assumptions used in the projection methodologies, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking into account, all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a liability range. In addition, the liabilities are estimated on an undiscounted basis and no curve-fitting methods have been applied in the estimation process.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process and by the estimation of explicit liability uncertainty distributions. The reserve estimation basis based on Bank Negara Malaysia's Risk-Based Capital Framework for Insurers requires all general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty.

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(ii) Key Assumptions and Methods (Cont'd)

There is a change in the methodology used in deriving the ULAE. Instead of using a conventional 50-50% rule in computing the ULAE liability, a loading is applied directly to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE. This approach is similar with the Singapore branch.

For Singapore branch, a loading is applied to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE.

Unallocated loss adjustment expense

	31.12.2012	31.12.2011
Change in unallocated loss adjustment expense to paid loss ratio (Exclude Singapore)	2.5%	5%

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iii) Sensitivities

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the general insurance fund's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and the fund.

General Insurance - Malaysia & Brunei businesses	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
31.12.2012					
Net Incurred Claims Ratio	+ 5%	68,285	27,363	(27,363)	(20,522)
	- 5%	(68,285)	(27,363)	27,363	20,522
31.12.2011					
Net Incurred Claims Ratio	+ 5%	29,391	12,348	(12,348)	(9,261)
	- 5%	(29,391)	(12,348)	12,348	9,261
1.7.2011					
Net Incurred Claims Ratio	+ 5%	52,731	24,257	(24,257)	(18,193)
	- 5%	(52,731)	(24,257)	24,257	18,193

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iii) Sensitivities (Cont'd)

General Insurance - Singapore business	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Profit before tax RM'000	Impact on equity RM'000
31.12.2012					
Net Incurred Claims Ratio	+ 5%	4,495	3,816	(3,816)	(2,862)
	- 5%	(4,495)	(3,816)	3,816	2,862
31.12.2011					
Net Incurred Claims Ratio	+ 5%	2,305	2,007	(2,007)	(1,505)
	- 5%	(2,305)	(2,007)	2,007	1,505
1.7.2011					
Net Incurred Claims Ratio	+ 5%	4,867	4,239	(4,239)	(3,179)
	- 5%	(4,867)	(4,239)	4,239	3,179

* impact on equity reflects adjustments for tax, when applicable

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

(iv) Claims development table

The following tables show the Malaysia business and Brunei branch, and Singapore branch estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims outstanding as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

Note: Certain prior years' estimated incurred claims are not available for Malaysia because of the merger of a few companies with different financial year ends.

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Gross Insurance Contract Liabilities

Malaysia and Brunei businesses	Before			As at 31 December					
Accident year	2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Estimate of gross cumulative claims for Malaysia:									
At the end of accident year		367,506	322,376	420,321	511,266	562,758	387,989	661,590	
1 year later		385,003	316,391	506,979	420,875	740,423	533,000		
2 years later		342,696	325,232	348,529	314,554	733,794			
3 years later		323,542	354,280	342,856	303,438				
4 years later		329,242	319,117	345,717					
5 years later		316,002	326,450						
6 years later		315,545							
Estimate of gross cumulative claims for Malaysia (A)		315,545	326,450	345,717	303,438	733,794	533,000	661,590	
Estimate of gross cumulative payments to date for Malaysia:									
At the end of accident year		108,937	112,073	131,993	137,944	141,508	121,264	232,686	
1 year later		222,358	206,981	230,652	229,309	324,251	247,258		
2 years later		255,489	243,267	285,343	273,022	399,692			
3 years later		277,699	282,164	319,168	285,531				
4 years later		291,347	288,056	329,271					
5 years later		293,753	295,458						
6 years later		295,552							
Gross cumulative payments for Malaysia (B)		295,552	295,458	329,271	285,531	399,692	247,258	232,686	
Gross outstanding claim liabilities for Malaysia (A) - (B)	146,146	19,993	30,992	16,446	17,907	334,102	285,742	428,904	1,280,232
Gross outstanding claim liabilities for Brunei and Treaty Inward									61,959
Unallocated loss adjustment expenses									8,150
Best estimate of gross claim liabilities									1,350,341
Provision for Risk Margin for Adverse Deviation									438,437
Gross Insurance Claims Liabilities as at 31 December 2012									1,788,778

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Malaysia and Brunei businesses	Before				As at 31 December				
	2006	2006	2007	2008	2009	2010	2011	2012	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims for Malaysia:									
At the end of accident year		241,945	225,839	241,450	351,437	366,444	237,790	292,415	
1 year later		240,044	219,925	207,650	226,824	257,410	239,355		
2 years later.		225,151	211,792	202,737	216,925	257,681			
3 years later		203,721	210,237	206,473	215,994				
4 years later		205,445	190,005	205,821					
5 years later		205,074	187,918						
6 years later		204,414							
Estimate of net cumulative claims for Malaysia (A)		204,414	187,918	205,821	215,994	257,681	239,355	292,415	
Estimate of net cumulative payments to date for Malaysia:									
At the end of accident year		95,909	86,172	107,506	116,191	129,136	104,809	116,919	
1 year later		172,519	157,931	175,155	180,244	215,832	197,826		
2 years later		188,772	170,887	187,774	199,988	239,685			
3 years later		194,805	177,066	195,233	207,208				
4 years later		199,019	181,078	199,193					
5 years later		200,908	182,516						
6 years later		201,743							
Net cumulative payments for Malaysia (B)		201,743	182,516	199,193	207,208	239,685	197,826	116,919	
Net outstanding claim liabilities for Malaysia (A) - (B)	5,674	2,671	5,402	6,628	8,786	17,996	41,529	175,496	264,182
Net outstanding claim liabilities for Brunei and Treaty Inward									61,819
Unallocated loss adjustment expenses									8,150
Best estimate of net claim liabilities									334,151
Provision for Risk Margin for Adverse Deviation									80,313
Net Insurance Claims Liabilities as at 31 December 2012									414,464

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Gross insurance Contract Liabilities

Singapore business	Before 2006				As at 31 December				
Accident year	**2006 RM'000**	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**Total RM'000**
Estimate of gross cumulative claims for Singapore:									
At the end of accident year		27,262	31,776	38,980	94,206	93,502	72,476	58,346	
1 year later		62,516	68,282	86,679	88,674	93,140	68,808		
2 years later		64,022	70,164	90,051	89,462	87,064			
3 years later		65,156	72,189	92,056	91,913				
4 years later		66,008	76,190	93,502					
5 years later		66,930	77,968						
6 years later		68,528							
Estimate of gross cumulative claims for Singapore (A)		68,528	77,968	93,502	91,913	87,064	68,808	58,346	
Estimate of gross cumulative payments to date for Singapore:									
At the end of accident year		19,573	23,819	23,884	32,059	25,856	15,938	13,989	
1 year later		47,189	50,493	63,010	59,595	52,265	34,290		
2 years later		54,827	61,542	75,954	69,209	61,396			
3 years later		61,204	66,932	83,278	78,893				
4 years later		63,408	70,423	88,630					
5 years later		65,172	75,539						
6 years later		67,688							
Gross cumulative payments (B)		67,688	75,539	88,630	78,893	61,396	34,290	13,989	
Gross outstanding claim liabilities (A) - (B)	1,463	840	2,429	4,872	13,020	25,668	34,518	44,357	127,167
Gross outstanding claim liabilities for business from									
Alpha Reinsurance									5,138
Unallocated loss adjustment expenses									2,861
Best estimate of gross claim liabilities									135,166
Provision for Risk Margin for Adverse Deviation									16,093
Translation differences									(1)
Gross Insurance Claims Liabilities as at 31 December 2012									151,258

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Singapore business	Before				As at 31 December				
	2006	2006	2007	2008	2009	2010	2011	2012	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims for Singapore:									
At the end of accident year		54,009	58,886	74,787	89,048	83,463	63,447	53,815	
1 year later		57,392	65,263	81,722	83,587	86,276	62,030		
2 years later		59,142	67,485	85,051	83,267	80,899			
3 years later		61,863	69,282	87,234	85,647				
4 years later		62,709	72,497	88,678					
5 years later		64,109	74,144						
6 years later		65,731							
Estimate of net cumulative claims for Singapore (A)		65,731	74,144	88,678	85,647	80,899	62,030	53,815	
Estimate of net cumulative payments to date for Singapore:									
At the end of accident year		19,541	23,651	22,679	29,945	24,349	14,836	12,577	
1 year later		45,870	48,482	59,759	55,571	48,864	31,582		
2 years later		52,892	59,291	72,523	64,422	57,878			
3 years later		59,169	64,600	79,138	73,557				
4 years later		60,760	68,067	84,153					
5 years later		62,481	71,796						
6 years later		64,921							
Net cumulative payments (B)		64,921	71,796	84,153	73,557	57,878	31,582	12,577	
Net outstanding claim liabilities (A) - (B)	579	810	2,348	4,525	12,090	23,021	30,448	41,238	115,059
Net outstanding claim liabilities for business from Alpha Reinsurance									5,138
Unallocated loss adjustment expenses									2,589
Best estimate of net claim liabilities									122,786
Provision for Risk Margin for Adverse Deviation									13,824
Translation differences									(1)
Net Insurance Claims Liabilities as at 31 December 2012									136,609

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Gross Insurance Contract Liabilities

Malaysia and Brunei businesses	Before 2005	2005	2006	2007	As at 31 December 2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of gross cumulative claims for Malaysia:									
At the end of accident year		347,856	367,506	322,376	420,321	511,266	562,758	387,989	
1 year later		512,103	385,003	316,391	506,979	420,875	740,423		
2 years later		473,225	342,696	325,232	348,529	314,554			
3 years later		464,911	323,542	354,280	342,856				
4 years later		439,303	329,242	319,117					
5 years later		474,545	316,002						
6 years later		453,754							
Estimate of gross cumulative claims for Malaysia (A)		453,754	316,002	319,117	342,856	314,554	740,423	387,989	
Estimate of gross cumulative payments to date for Malaysia:									
At the end of accident year		91,693	108,937	112,073	131,993	137,944	141,508	121,264	
1 year later		192,905	222,358	206,981	230,652	229,309	324,251		
2 years later		235,098	255,489	243,267	285,343	273,022			
3 years later		252,810	277,699	282,164	319,168				
4 years later		262,689	291,347	288,056					
5 years later		330,288	293,753						
6 years later		336,876							
Gross cumulative payments for Malaysia (B)		336,876	293,753	288,056	319,168	273,022	324,251	121,264	
Gross outstanding claim liabilities for Malaysia (A) - (B)	65,858	116,878	22,249	31,061	23,688	41,532	416,172	266,725	984,163
Gross outstanding claim liabilities for Brunei and Treaty Inward									47,854
Unallocated loss adjustment expenses									28,919
Best estimate of gross claim liabilities									1,060,936
Provision for Risk Margin for Adverse Deviation									336,580
Gross Insurance Claims Liabilities as at 31 December 2011									1,397,516

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Malaysia and Brunei businesses	Before				As at 31 December				
	2005	2005	2006	2007	2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims for Malaysia:									
At the end of accident year		230,554	241,945	225,839	241,450	351,437	366,444	237,790	
1 year later		211,195	240,044	219,925	207,650	226,824	257,410		
2 years later		199,750	225,151	211,792	202,737	216,925			
3 years later		194,496	203,721	210,237	206,473				
4 years later		182,789	205,445	190,005					
5 years later		182,542	205,074						
6 years later		180,446							
Estimate of net cumulative claims for Malaysia (A)		180,446	205,074	190,005	206,473	216,925	257,410	237,790	
Estimate of net cumulative payments to date for Malaysia:									
At the end of accident year		89,978	95,909	86,172	107,506	116,191	129,136	104,809	
1 year later		153,715	172,519	157,931	175,155	180,244	215,832		
2 years later		166,231	188,772	170,887	187,774	199,988			
3 years later		171,019	194,805	177,066	195,233				
4 years later		175,189	199,019	181,078					
5 years later		177,110	200,908						
6 years later		178,106							
Net cumulative payments for Malaysia (B)		178,106	200,908	181,078	195,233	199,988	215,832	104,809	
Net outstanding claim liabilities for Malaysia (A) - (B)	6,619	2,340	4,166	8,927	11,240	16,937	41,578	132,981	224,788
Net outstanding claim liabilities for Brunei and Treaty Inward									51,011
Unallocated loss adjustment expenses									8,174
Best estimate of net claim liabilities									283,973
Provision for Risk Margin for Adverse Deviation									65,573
Net Insurance Claims Liabilities as at 31 December 2011									349,546

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Gross insurance Contract Liabilities

Singapore business	Before				As at 31 December				
	2005	2005	2006	2007	2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of gross cumulative claims for Singapore:									
At the end of accident year		N/A	27,262	31,776	38,980	94,206	93,502	72,476	
1 year later		52,554	62,516	68,282	86,679	88,674	93,140		
2 years later		50,557	64,022	70,164	90,051	89,462			
3 years later		49,521	65,156	72,189	92,056				
4 years later		50,456	66,008	76,190					
5 years later		51,320	66,930						
6 years later		51,412							
Estimate of gross cumulative claims for Singapore (A)		51,412	66,930	76,190	92,056	89,462	93,140	72,476	
Estimate of gross cumulative payments to date for Singapore:									
At the end of accident year		18,559	19,573	23,819	23,884	32,059	25,856	15,938	
1 year later		37,868	47,189	50,493	63,010	59,595	52,265		
2 years later		43,593	54,827	61,542	75,954	69,209			
3 years later		46,520	61,204	66,932	83,278				
4 years later		48,877	63,408	70,423					
5 years later		50,042	65,172						
6 years later		50,758							
Gross cumulative payments (B)		50,758	65,172	70,423	83,278	69,209	52,265	15,938	
Gross outstanding claim liabilities (A) - (B)	410	654	1,758	5,767	8,778	20,253	40,875	56,538	135,033
Gross outstanding claim liabilities for business from									
Alpha Reinsurance									5,020
Unallocated loss adjustment expenses									3,037
Best estimate of gross claim liabilities									143,090
Provision for Risk Margin for Adverse Deviation									17,057
Translation differences									-
Gross Insurance Claims Liabilities as at 31 December 2011									160,147

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Singapore business	Before 2005	2005	2006	2007	As at 31 December 2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims for Singapore:									
At the end of accident year		42,258	54,009	58,886	74,787	89,048	83,463	63,447	
1 year later		44,270	57,392	65,263	81,722	83,587	86,276		
2 years later		44,008	59,142	67,485	85,051	83,267			
3 years later		45,517	61,863	69,282	87,234				
4 years later		46,802	62,709	72,497					
5 years later		47,411	64,109						
6 years later		47,846							
Estimate of net cumulative claims for Singapore (A)		47,846	64,109	72,497	87,234	83,267	86,276	63,447	
Estimate of net cumulative payments to date for Singapore:									
At the end of accident year		16,213	19,541	23,651	22,679	29,945	24,349	14,836	
1 year later		34,568	45,870	48,482	59,759	55,571	48,864		
2 years later		40,054	52,892	59,291	72,523	64,422			
3 years later		42,960	59,169	64,600	79,138				
4 years later		45,326	60,760	68,067					
5 years later		46,531	62,481						
6 years later		47,441							
Net cumulative payments (B)		47,441	62,481	68,067	79,138	64,422	48,864	14,836	
Net outstanding claim liabilities (A) - (B)	384	405	1,628	4,430	8,096	18,845	37,412	48,611	119,811
Net outstanding claim liabilities for business from Alpha Reinsurance									5,020
Unallocated loss adjustment expenses									2,696
Best estimate of net claim liabilities									127,527
Provision for Risk Margin for Adverse Deviation									12,626
Translation differences									(1)
Net Insurance Claims Liabilities as at 31 December 2011									140,152

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Gross Insurance Contract Liabilities

Malaysia and Brunei businesses	Before 2005				As at 30 June				
Accident year	**2005 RM'000**	**2005 RM'000**	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**Total RM'000**
Estimate of gross cumulative claims for Malaysia:									
At the end of accident year		664,798	430,845	327,662	323,911	545,600	385,501	663,692	
1 year later		573,613	487,390	356,101	379,571	402,815	436,698		
2 years later		546,334	471,837	347,237	343,889	347,644			
3 years later		519,648	461,290	361,200	331,195				
4 years later		484,231	467,120	352,793					
5 years later		486,999	486,561						
6 years later		476,705							
Estimate of gross cumulative claims for Malaysia (A)		476,705	486,561	352,793	331,195	347,644	436,698	663,692	
Estimate of gross cumulative payments to date for Malaysia:									
At the end of accident year		139,666	124,522	140,644	125,546	147,139	132,148	134,355	
1 year later		373,986	247,587	240,523	209,588	249,830	281,027		
2 years later		411,156	276,324	286,884	259,761	287,408			
3 years later		430,814	287,895	312,340	308,245				
4 years later		437,875	293,450	319,428					
5 years later		444,518	361,060						
6 years later		446,424							
Gross cumulative payments for Malaysia (B)		446,424	361,060	319,428	308,245	287,408	281,027	134,355	
Gross outstanding claim liabilities for Malaysia (A) - (B)	65,914	30,281	125,501	33,365	22,949	60,236	155,670	529,337	1,023,253
Gross outstanding claim liabilities for Brunei and Treaty Inward									39,058
Unallocated loss adjustment expenses									29,636
Best estimate of gross claim liabilities									1,091,947
Provision for Risk Margin for Adverse Deviation									98,304
Gross Insurance Claims Liabilities as at 1 July 2011									1,190,251

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Malaysia and Brunei businesses	Before				As at 30 June				
	2005	2005	2006	2007	2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims for Malaysia:									
At the end of accident year		239,151	263,218	227,142	218,328	225,983	222,173	243,170	
1 year later		199,893	222,594	225,650	209,971	230,620	235,887		
2 years later		195,532	213,758	211,663	206,647	221,020			
3 years later		189,085	204,541	212,962	199,645				
4 years later		182,288	206,241	207,488					
5 years later		184,140	202,221						
6 years later		181,531							
Estimate of net cumulative claims for Malaysia (A)		181,531	202,221	207,488	199,645	221,020	235,887	243,170	
Estimate of net cumulative payments to date for Malaysia:									
At the end of accident year		78,718	104,955	102,351	98,405	121,271	115,161	121,723	
1 year later		147,901	168,131	170,180	163,165	183,624	193,246		
2 years later		161,087	184,373	185,132	179,238	195,946			
3 years later		169,243	191,044	191,375	186,225				
4 years later		172,132	194,744	195,653					
5 years later		176,083	197,965						
6 years later		177,327	-	-	-	-	-	-	
Net cumulative payments for Malaysia (B)		177,327	197,965	195,653	186,225	195,946	193,246	121,723	
Net outstanding claim liabilities for Malaysia (A) - (B)	7,943	4,205	4,255	11,836	13,421	25,074	42,642	121,447	230,823
Net outstanding claim liabilities for Brunei and Treaty Inward									37,446
Unallocated loss adjustment expenses									8,424
Best estimate of net claim liabilities									276,693
Provision for Risk Margin for Adverse Deviation									42,755
Net Insurance Claims Liabilities as at 1 July 2011									319,448

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Gross insurance Contract Liabilities

Singapore business	Before 2005	2005	2006	2007	As at 30 June 2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of gross cumulative claims for Singapore:									
At the end of accident year		n/a	25,873	29,378	38,430	49,974	46,328	36,454	
1 year later		48,588	59,332	63,129	86,542	86,815	94,255		
2 years later		46,741	60,761	65,029	88,873	88,825			
3 years later		45,783	62,313	66,211	89,990				
4 years later		47,239	63,470	69,145					
5 years later		47,923	62,906						
6 years later		47,499							
Estimate of gross cumulative claims for Singapore (A)		47,499	62,906	69,145	89,990	88,825	94,255	36,454	
Estimate of gross cumulative payments to date for Singapore:									
At the end of accident year		17,158	18,576	22,021	23,546	31,869	6,158	4,591	
1 year later		35,010	44,785	46,683	62,120	51,124	41,987		
2 years later		40,303	52,035	56,896	69,684	64,166			
3 years later		43,008	58,084	59,941	78,390				
4 years later		45,189	59,868	62,754					
5 years later		46,168	60,647						
6 years later		46,628							
Gross cumulative payments (B)		46,628	60,647	62,754	78,390	64,166	41,987	4,591	
Gross outstanding claim liabilities (A) - (B)	667	871	2,260	6,391	11,600	24,659	52,268	31,862	130,578
Gross outstanding claim liabilities for business from Alpha Reinsurance									9,748
Unallocated loss adjustment expenses									2,706
Best estimate of gross claim liabilities									143,032
Provision for Risk Margin for Adverse Deviation									18,922
Translation differences									-
Gross Insurance Claims Liabilities as at 1 July 2011									161,954

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38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Analysis of claims development - Net of Reinsurance

Singapore business	Before			As at 30 June					
	2005	2005	2006	2007	2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims for Singapore:									
At the end of accident year		39,069	51,258	54,441	73,732	88,519	78,871	34,380	
1 year later		40,929	54,469	60,337	80,568	83,090	86,079		
2 years later		40,687	56,130	62,392	83,850	83,104			
3 years later		42,081	58,711	64,053	85,401				
4 years later		43,269	59,514	65,834					
5 years later		43,832	60,205						
6 years later		44,223							
Estimate of net cumulative claims for Singapore (A)		44,223	60,205	65,834	85,401	83,104	86,079	34,380	
Estimate of net cumulative payments to date for Singapore:									
At the end of accident year		14,636	18,137	21,616	22,320	29,767	5,846	3,909	
1 year later		31,705	43,070	44,608	58,877	47,624	39,315		
2 years later		36,926	49,719	54,600	66,199	59,810			
3 years later		39,630	55,677	57,601	74,394				
4 years later		41,817	56,852	60,587					
5 years later		42,771	58,123						
6 years later		43,468							
Net cumulative payments (B)		43,468	58,123	60,587	74,394	59,810	39,315	3,909	
Net outstanding claim liabilities (A) - (B)	646	755	2,083	5,247	11,008	23,293	46,765	30,471	120,268
Net outstanding claim liabilities for business from Alpha Reinsurance									9,241
Unallocated loss adjustment expenses									2,490
Best estimate of net claim liabilities									131,999
Provision for Risk Margin for Adverse Deviation									12,676
Translation differences									-
Net Insurance Claims Liabilities as at 1 July 2011									144,675

38. INSURANCE RISK (CONT'D)

(B) General Insurance (Cont'd)

(iv) Claims development table (Cont'd)

Prior to 2009, gross valuation was only performed at the middle of each year. Thus the estimated cumulative claims for year 2008 and prior were based on gross premium earned in the first half of the year only (i.e. up to 30 June only).

Subsequent to 2009, gross valuation was performed as at the end of the year. Thus, the estimated cumulative claims from year 2009 to 2012 represents estimate of expected claims to be paid on gross premium earned up to 31 December.

39. FINANCIAL RISKS

(i) Credit Risk

The Company's credit risk arises through investments in fixed income instruments, fixed and call deposits, corporate loans and contracts with reinsurance counterparties.

However, the main contributor to credit risk arises from transactions related to the Company's positions in debt securities, mainly corporate bonds. The Company faces default risk when the counterparties fail to meet contractual payment obligations.

Financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The Company measures and manages the credit risk following the philosophy and principles below:
(a) Actively aims to prevent undue concentration by ensuring it holds a diversified and marketable credit portfolio;
(b) Asset management research team adopts a prudent position in the selection of fixed income investments;
(c) Establishes limites on maximum credit exposures. The credit limit for a counterparty is based on the counterparty credit quality and is aligned to risk appetite; and
(d) Uses Key Risk Indicators ("KRI") to alert the management on impending problems in a timely manner.

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39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreement.

	31.12.2012			31.12.2011			1.7.2011		
	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000	Insurance and Shareholder's Fund RM'000	Unit-Linked RM'000	Total RM'000
LAR									
Fixed and call deposits	636,634	289,801	926,435	1,035,933	242,432	1,278,365	1,058,708	67,661	1,126,369
AFS financial investments									
Equity securities	1,616,275	-	1,616,275	1,247,891	-	1,247,891	1,357,681	-	1,357,681
MGS/GII/MGGB^	60,170	-	60,170	311,248	-	311,248	310,772	-	310,772
Irredemable loan stocks	22,574	-	22,574	-	-	-	-	-	-
Other debt securities, structured products and NCDs	1,407,952	-	1,407,952	882,189	-	882,189	775,376	-	775,376
Unit and property trust funds	155,956	-	155,956	58,353	-	58,353	34,384	-	34,384
Financial investments at FVTPL									
(i) Designated upon initial recognition									
MGS/GII/MGGB^	470,719	-	470,719	1,618,187	-	1,618,187	1,564,197	-	1,564,197
Other debt securities, structured products and NCDs	7,503,808	-	7,503,808	6,068,338	-	6,068,338	5,933,390	-	5,933,390
(ii) Held- for- trading (HFT)									
Equity securities	-	412,342	412,342	-	357,295	357,295	-	361,829	361,829
MGS/GII/MGGB^	-	75,240	75,240	-	38,542	38,542	-	7,581	7,581
Other debt securities, structured products and NCDs	-	595,462	595,462	-	639,548	639,548	-	722,689	722,689
Unit and property trust funds	-	18,392	18,392	-	21,636	21,636	-	22,025	22,025
Financing receivables	266,379	-	266,379	276,092	-	276,092	311,916	-	311,916
Reinsurance assets	1,691,599	-	1,691,599	1,437,421	-	1,437,421	1,318,371	-	1,318,371
Insurance receivables	386,074	-	386,074	278,332	-	278,332	289,934	-	289,934
Other receivables	239,280	9,017	248,297	156,554	13,740	170,294	155,215	9,485	164,700
Derivative assets	419	269	688	(348)	33,355	33,007	-	41,782	41,782
Cash and bank balances	141,436	1,016	142,452	128,792	580	129,372	256,149	520	256,669
	14,599,275	1,401,539	16,000,814	13,498,982	1,347,128	14,846,110	13,366,093	1,233,572	14,599,665

^ MGS/GII/MGGB are government securities and government guaranteed debts.

The financial effect of collateral (quantification of the extent to which collateral mitigates credit risk) held for financing receivables of the Company is at 86% (31.12.2011:98% and 1.7.2011:87%).

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39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Credit Exposure by rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired						
	*Investment grade RM'000 A to AAA	*Non-Investment grade RM'000 B to BBB	Not Rated RM'000	Unit-linked RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2012							
LAR							
Fixed and call deposits	625,711	-	10,923	289,801	-	-	926,435
AFS financial investments							
Equity securities	-	-	-	-	-	1,616,275	1,616,275
MGS/GII/MGGB^	31,779	-	28,391	-	-	-	60,170
Irredemable loan stocks	-	-	-	-	-	22,574	22,574
Other debt securities, structured products and NCDs	1,151,325	-	256,627	-	-	-	1,407,952
Unit and property trust funds	-	-	-	-	-	155,956	155,956
Financial investments at FVTPL							
(i) Designated upon initial recognition							
MGS/GII/MGGB^	-	-	470,719	-	-	-	470,719
Other debt securities, structured products and NCDs	6,543,145	-	960,663	-	-	-	7,503,808
(ii) Held- for- trading (HFT)							
Equity securities	-	-	-	412,342	-	-	412,342
MGS/GII/MGGB^	-	-	-	75,240	-	-	75,240
Other debt securities, structured products and NCDs	-	-	-	595,462	-	-	595,462
Unit and property trust funds	-	-	-	18,392	-	-	18,392
Financing receivables	-	-	3,060	-	1,004	262,315	266,379
Reinsurance assets	-	-	1,422,776	-	-	268,823	1,691,599
Insurance receivables^^	255	22	344,444	-	41,353	-	386,074
Other receivables	85,218	75	18,542	9,017	-	135,445	248,297
Derivative assets	-	-	419	269	-	-	688
Cash and bank balances	141,370	-	66	1,016	-	-	142,452
	8,578,803	-	3,516,630	1,401,539	42,357	2,461,388	16,000,814

39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Credit Exposure by rating (Cont'd)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired						
31.12.2011	*Investment grade RM'000 A to AAA	*Non-investment grade RM'000 B to BBB	Not Rated RM'000	Unit-linked RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
LAR							
Fixed and call deposits	976,267	-	59,666	242,432	-	-	1,278,365
AFS financial investments							
Equity securities	-	-	-	-	-	1,247,891	1,247,891
MGS/GII/MGGB^	83,267	-	227,981	-	-	-	311,248
Other debt securities, structured products and NCDs	817,916	-	64,273	-	-	-	882,189
Unit and property trust funds	-	-	-	-	-	58,353	58,353
Financial investments at FVTPL							
(i) Designated upon initial recognition							
MGS/GII/MGGB^	376,246	-	1,241,941	-	-	-	1,618,187
Other debt securities, structured products and NCDs	6,023,924	-	44,414	-	-	-	6,068,338
(ii) Held-for-trading (HFT)							
Equity securities	-	-	-	357,295	-	-	357,295
MGS/GII/MGGB^	-	-	-	38,542	-	-	38,542
Other debt securities, structured products and NCDs	-	-	-	639,548	-	-	639,548
Unit and property trust funds	-	-	-	21,636	-	-	21,636
Financing receivables	-	-	12,609	-	639	262,844	276,092
Reinsurance assets	-	-	1,104,923	-	-	332,498	1,437,421
Insurance receivables^^	3,798	1,325	229,834	-	43,375	-	278,332
Other receivables	66,529	-	15,343	13,740	-	74,682	170,294
Derivative assets	-	-	(348)	33,355	-	-	33,007
Cash and bank balances	128,345	-	447	580	-	-	129,372
	8,476,292	1,325	3,001,083	1,347,128	44,014	1,976,268	14,846,110

39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Credit Exposure by rating (Cont'd)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired						
	*Investment grade RM'000	*Non-investment grade RM'000	Not Rated RM'000	Unit-linked RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
1.7.2011	A to AAA	B to BBB					
LAR							
Fixed and call deposits	983,325	6,728	68,655	67,661	-	-	1,126,369
AFS financial investments							
Equity securities	-	-	-	-	-	1,357,881	1,357,881
MGS/GII/MGGB^	20,278	-	290,494	-	-	-	310,772
Other debt securities, structured products and NCDs	713,105	50	62,221	-	-	-	775,376
Unit and property trust funds	-	-	-	-	-	34,384	34,384
Financial investments at FVTPL							
(i) Designated upon initial recognition							
MGS/GII/MGGB^	376,783	-	1,187,414	-	-	-	1,564,197
Other debt securities, structured products and NCDs	5,888,831	346	44,213	-	-	-	5,933,390
(ii) Held- for- trading (HFT)							
Equity securities	-	-	-	361,829	-	-	361,829
MGS/GII/MGGB^	-	-	-	7,581	-	-	7,581
Other debt securities, structured products and NCDs	-	-	-	722,689	-	-	722,689
Unit and property trust funds	-	-	-	22,025	-	-	22,025
Financing receivables	-	-	10,223	-	3,565	298,128	311,916
Reinsurance assets	-	-	925,048	-	-	393,323	1,318,371
Insurance receivables^^	4,466	8	233,872	-	51,588	-	289,934
Other receivables	86,493	-	33,261	9,485	-	35,461	164,700
Derivative assets	-	-	-	41,782	-	-	41,782
Cash and bank balances	255,841	-	308	520	-	-	256,669
	8,329,122	7,132	2,855,709	1,233,572	55,153	2,118,977	14,599,665

* Based on ratings assigned by external rating agencies including RAM and MARC
^ MGS/GII/MGGB are government securities and government guaranteed debts which is classified as not rated category.
^^ Insurance receivables from agents/insurers/reinsurers licensed under the Insurance Act, 1996 generally falls under not rated category.

39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Age Analysis of Financial Assets Past-Due But Not Impaired

	Past due but not impaired				Past due and impaired			Total
	< 90 days	91 to 180 days	> 180 days	Total	Original carrying amount	Allowance for impairment	Net carrying amount	
31.12.2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AFS financial investments								
- Debt securities	-	-	-	-	12,263	(12,263)	-	-
Financing receivables	135	7	862	1,004	2,376	(2,376)	-	1,004
Insurance receivables	23,716	4,290	13,347	41,353	28,440	(28,440)	-	41,353
Other receivables	-	-	-	-	773	(773)	-	-
	23,851	4,297	14,209	42,357	43,852	(43,852)	-	42,357
31.12.2011								
AFS financial investments								
- Debt securities	-	-	-	-	14,363	(14,363)	-	-
Financing receivables	159	21	459	639	1,889	(1,889)	-	639
Insurance receivables	33,396	8,219	1,760	43,375	50,187	(50,187)	-	43,375
Other receivables	-	-	-	-	4,534	(4,534)	-	-
	33,555	8,240	2,219	44,014	70,973	(70,973)	-	44,014
1.7.2011								
AFS financial investments								
- Debt securities	-	-	-	-	15,957	(15,957)	-	-
Financing receivables	580	199	2,091	2,870	2,425	(1,730)	695	3,565
Insurance receivables	35,462	15,593	533	51,588	56,556	(56,556)	-	51,588
Other receivables	-	-	-	-	1,290	(1,290)	-	-
	36,042	15,792	2,624	54,458	76,228	(75,533)	695	55,153

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39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Reconciliation of allowance account

Movements in allowances for impairment for financial assets are as follows:

	AFS - Debt securities RM'000	Financing receivables RM'000	Insurance receivables RM'000	Other receivables RM'000	Total RM'000
31.12.2012					
At 1 January 2012	14,363	1,889	50,187	4,534	70,973
Reclassification	-	-	365	(365)	-
Allowance (recovered)/made during the year	(2,100)	487	(22,031)	(3,396)	(27,040)
Amount written off	-	-	(81)	-	(81)
At 31 December 2012	12,263	2,376	28,440	773	43,852
31.12.2011					
At 1 July 2011	15,957	1,730	56,556	1,290	75,533
Allowance (recovered)/made during the year	(1,594)	159	(6,307)	3,244	(4,498)
Amount written off	-	-	(62)	-	(62)
At 31 December 2011	14,363	1,889	50,187	4,534	70,973

39. FINANCIAL RISKS (CONT'D)

(i) Credit Risk (Cont'd)

Collateral

The main types of collateral obtained by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Policy/automatic premium loans	Cash value of policies
Corporate loans	Charges over properties being financed and bank guarantees
Secured staff loans	Charges over residential properties and vehicles

(ii) Liquidity Risk

Liquidity risk is the risk that arises from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss. It is the risk that an entity will encounter difficulties in meeting obligations associated with financial instruments.

The objective of liquidity risk management is to safeguard the counterparties ability to meet all payments when they come due. Liquidity risk management will ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawal, claims and the maturity liabilities.

The Company measures and manages the liquidity risk following the philosophy and principles below:
(a) Actively monitors the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform; and
(b) The Company's investment strategies ensure that the attributable investment limits set takes care of reasonable liquidity requirements at all times.

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39. FINANCIAL RISKS (CONT'D)

(ii) Liquidity Risk (Cont'd)

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Premium liabilities and the reinsurers' share of premium liabilities have been excluded form the analysis as there are no contractual obligations to make payments on these liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

31.12.2012	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
LAR	926,435	926,435	-	-	-	926,435
AFS	3,262,927	55,704	483,338	1,325,411	1,795,424	3,659,877
FVTPL	9,075,963	563,671	2,941,720	6,808,979	-	10,314,370
Financing receivables	266,379	233,820	16,871	73,584	-	324,275
Reinsurance assets*	1,422,776	828,433	510,913	71,915	-	1,411,261
Insurance receivables	386,074	386,074	-	-	-	386,074
Other receivables	248,297	136,558	-	-	101,975	238,533
Derivative assets	688	419	269	-	-	688
Cash and bank balances	142,452	142,452	-	-	-	142,452
Total financial and insurance assets	15,731,991	3,273,566	3,953,111	8,279,889	1,897,399	17,403,965
Insurance contract liabilities*	11,501,737	3,516,603	3,921,670	7,916,445	-	15,354,718
Insurance payables	405,177	405,177	-	-	-	405,177
Other payables	292,355	292,355	-	-	-	292,355
Dividend payable	350,329	350,329	-	-	-	350,329
Total financial and insurance liabilities	12,549,598	4,564,464	3,921,670	7,916,445	-	16,402,579

* Excluded premium liabilities, AFS reserves and unallocated surplus.

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39. FINANCIAL RISKS (CONT'D)

(ii) **Liquidity Risk (Cont'd)**

Maturity Profiles (Cont'd)

31.12.2011	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
LAR	1,278,365	1,282,129	231	-	-	1,282,360
AFS	2,499,681	67,491	545,606	921,610	1,306,244	2,840,951
FVTPL	8,743,546	370,251	3,660,700	6,391,382	378,931	10,801,264
Financing receivables	276,092	232,930	22,117	29,816	-	284,863
Reinsurance assets*	1,104,923	629,455	412,393	67,465	-	1,109,313
Insurance receivables	278,332	278,332	-	-	-	278,332
Other receivables	170,294	123,794	-	-	46,500	170,294
Derivative assets	33,007	-	33,168	187	-	33,355
Cash and bank balances	129,372	129,372	-	-	-	129,372
Total financial and insurance assets	14,513,612	3,113,754	4,674,215	7,410,460	1,731,675	16,930,104
Insurance contract liabilities*	10,834,089	2,625,722	4,322,365	8,147,601	-	15,095,688
Insurance payables	331,663	331,663	-	-	-	331,663
Other payables	261,192	261,192	-	-	-	261,192
Total financial and insurance liabilities	11,426,944	3,218,577	4,322,365	8,147,601	-	15,688,543

* Excluded premium liabilities, AFS eserves and unallocated surplus.

ETIQA INSURANCE BERHAD
(Incorporated in Malaysia)

39. FINANCIAL RISKS (CONT'D)

(ii) Liquidity Risk (Cont'd)

Maturity Profiles (Cont'd)

1.7.2011	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:						
LAR	1,126,369	1,139,398	1,013	-	-	1,140,411
AFS	2,478,213	84,215	580,069	739,367	1,392,065	2,795,716
FVTPL	8,611,711	781,656	3,628,979	6,085,238	383,853	10,879,726
Financing receivables	311,916	267,167	27,325	34,275	-	328,767
Reinsurance assets*	925,048	496,691	368,671	67,342	-	932,704
Insurance receivables	289,934	289,934	-	-	-	289,934
Other receivables	164,700	129,239	-	-	35,461	164,700
Derivative assets	41,782	41,401	381	-	-	41,782
Cash and bank balances	256,669	256,669	-	-	-	256,669
Total financial and insurance assets	14,206,342	3,486,370	4,606,438	6,926,222	1,811,379	16,830,409
Insurance contract liabilities*	10,339,560	2,455,932	4,152,916	8,294,984	-	14,903,832
Insurance payables	322,331	322,331	-	-	-	322,331
Other payables	332,772	332,772	-	-	-	332,772
Total financial and insurance liabilities	10,994,663	3,111,035	4,152,916	8,294,984	-	15,558,935

* Excluded premium liabilities, AFS eserves and unallocated surplus.

39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of three (3) types of risk:
(a) currency risk;
(b) interest rate risk; and
(c) equity price risk

The Company has three key features in its market risk management practices and policies.

First, a Company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable.

Second, the Company's policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company's risk management policy after taking the cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Third, strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues unit-linked investment policies in a number of its products. In the unit-linked business, the policyholder bear the investment risk on the assets held in the unit-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analysis disclosed for each component of market risk in the following pages do not include analyses on the impact of such risks on the investment-linked funds.

39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk (Cont'd)

(a) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Insurance Act, 1996, and hence, primarily denominated in the same currency (the local "RM") as its insurance and investment contract.

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

The Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

(b) Interest Rate Risk

Interest rate risk is the risk that the value or future cashflows of a financial instrument will fluctuate because of changes in market interest rate.

Interest rate risks arise from exposures to interest rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities.

The Company measures and manages the interest rate risk following mainly three philosophies and principles.

(a) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
(b) Set forth the benchmark for asset duration in line with risk appetite; and
(c) Use Key Risk Indicators ("KRI") to alert the organisation to impending problems in a timely manner.

39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk (Cont'd)

(b) Interest Rate Risk (Cont'd)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity or contract liability, and implicitly, profit before tax. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk but to demonstrate the impact, variables are examined on an individual basis. It should be noted that movements in these variables are non-linear.

Funds	Changes in variables	31.12.2012 Impact on Profit/ Surplus Before Tax RM'000	31.12.2012 Impact on Equity*/ Contract Liability RM'000	31.12.2011 Impact on Profit/ Surplus Before Tax RM'000	31.12.2011 Impact on Equity*/ Contract Liability RM'000	1.7.2011 Impact on Profit/ Surplus Before Tax RM'000	1.7.2011 Impact on Equity*/ Contract Liability RM'000
Shareholders	+100 basis points	-	(48,714)	-	(30,669)	-	(19,570)
	-100 basis points	-	48,714	-	30,669	-	19,570
General	+100 basis points	-	(15,823)	-	(17,377)	-	(18,942)
	-100 basis points	-	15,823	-	17,377	-	18,942
Life	+100 basis points	(466,404)	(172,798)	(405,934)	(150,018)	(404,066)	(157,448)
	-100 basis points	466,404	172,798	405,934	150,018	404,066	157,448

* Impact on equity is after tax of 25%

(c) Equity Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk (Cont'd)

(c) Equity Price Risk (Cont'd)

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Company's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM.

The Company complied with BNM stipulated limits during the financial year and had no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables being held constant, showing the impact on equity or insurance fund. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk but to demonstrate the impact, variables are examined on an individual basis. It should be noted that movements in these variables are non-linear.

Funds	Market Indices	Changes in variables	31.12.2012 Impact on Equity*/ Contract Liability RM'000	31.12.2011 Impact on Equity*/ Contract Liability RM'000	1.7.2011 Impact on Equity*/ Contract Liability RM'000
Shareholder's	Bursa Malaysia	+10%	42,264	19,454	25,500
		-10%	(42,264)	(19,454)	(25,500)
General	Bursa Malaysia	+10%	7,074	6,757	9,482
		-10%	(7,074)	(6,757)	(9,482)
Life	Bursa Malaysia	+10%	116,951	125,875	142,610
		-10%	(116,951)	(125,875)	(142,610)

* Impact on equity is after tax of 25%

39. FINANCIAL RISKS (CONT'D)

(iii) Market Risk (Cont'd)

(iv) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Company puts in place controls to mitigate operational risks. If these controls fail to perform, they can cause damage to reputation, have legal or regulatory implications and can lead to financial loss. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) Cash and Cash Equivalents and Other Receivables/Payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing Receivables

Financing receivables are granted at interest rates which are comparable with the rates offered on similar instruments in the market and to counter parties with similar credit profile. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance Receivables and Payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(r) and 2.2(y) . The carrying amounts approximate fair values due to the short-term maturity of these financial instruments.

(iv) Financial Instruments

Financial instruments as at 31 December 2011 have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(f) and 2.2(g). The carrying amounts and fair values of the investments are disclosed in Notes 9, 10 and 14 to the financial statements.

Description of Overall Fair Value Framework

The Company has an established framework and policies which provides guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuations of financial instruments.

The valuations of financial instruments are performed either based on quoted prices in active markets at which an arm's length transaction would be likely to occur or using valuation techniques. Fair values of financial instruments can be assessed using observable inputs or unobservable inputs where one or more significant inputs are unobservable. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(iv) Investments (Cont'd)

Description of Overall Fair Value Framework (Cont'd)

Valuation adjustment is an integral part of valuation process. Valuation adjustment reflects the uncertainty in valuations for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustments, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

In addition, the Company continuously enhances its design and validation methodologies and processes used to produce valuations. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for its intended use.

Description of Overall Definition of the Fair Value Hierarchy

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified into following hierarchy/level:

- Level 1 : Active Market – quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on an exchange.

- Level 2 : No Active Market – Valuation techniques using observable input

  Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

  Examples of level 2 financial instruments include corporate and government

- Level 3 : No Active Market – Valuation techniques using unobservable input

  Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2.

  Examples of level 3 instruments include corporate bonds in illiquid markets and structured and embedded derivatives.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(a) Fair Value Disclosures Based on 3-Level Hierarchy

31.12.2012

	Valuation techniques used: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	Total RM'000
Assets				
AFS financial investments				
Equity securities	1,514,023	-	-	1,514,023
MGS/GII /MGGB^	-	60,170	-	60,170
Other debt securities, structured products and NCDs	-	1,369,557	38,395	1,407,952
Irredeemable Loan Stock	22,574	-	-	22,574
Unit and property trust funds	101,654	-	-	101,654
Financial investments at FVTPL				
(i) Designated upon initial recognition				
MGS/GII /MGGB^	-	470,719	-	470,719
Other debt securities, structured products and NCDs	-	7,285,684	218,124	7,503,808
(ii) Held- for- trading (HFT)				
Equity securities	412,342	-	-	412,342
MGS/GII /MGGB^	-	75,240	-	75,240
Other debt securities, structured products and NCDs	-	328,957	266,505	595,462
Unit and property trust funds	18,392	-	-	18,392
Derivative assets	-	-	688	688
Total assets	2,068,985	9,590,327	523,712	12,183,024
Liabilities				
Derivative Liabilities	-	-	-	-
Total liabilities	-	-	-	-

^ MGS/GII/MGGB are government securities and government guaranteed debts.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(a) Fair Value Disclosures Based on 3-Level Hierarchy (Cont'd)

31.12.2011

	Valuation techniques used: Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	Total RM'000
Assets				
AFS financial investments				
Equity securities	1,137,635	-	-	1,137,635
MGS/GII /MGGB^	-	311,248	-	311,248
Other debt securities, structured products and NCDs	-	825,682	56,507	882,189
Unit and property trust funds	50,490	-	-	50,490
Financial investments at FVTPL				
(i) Designated upon initial recognition				
MGS/GII /MGGB^	-	1,618,187	-	1,618,187
Other debt securities, structured products and NCDs	-	5,782,140	286,198	6,068,338
(ii) Held- for- trading (HFT)				
Equity securities	357,295	-	-	357,295
MGS/GII /MGGB^	-	38,542	-	38,542
Other debt securities, structured products and NCDs	-	639,548	-	639,548
Unit and property trust funds	21,636	-	-	21,636
Derivative assets	-	-	33,355	33,355
Total assets	1,567,056	9,215,347	376,060	11,158,463
Liabilities				
Derivative Liabilities	-	-	(348)	(348)
Total liabilities	-	-	(348)	(348)

^ MGS/GII/MGGB are government securities and government guaranteed debts.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(a) Fair Value Disclosures Based on 3-Level Hierarchy (Cont'd)

1.7.2011

	Valuation techniques used:			
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	Total RM'000
Assets				
AFS financial investments				
Equity securities	1,246,761	-	-	1,246,761
MGS/GII /MGGB^	-	310,772	-	310,772
Other debt securities, structured products and NCDs	-	721,068	54,308	775,376
Unit and property trust funds	19,180	-	-	19,180
Financial investments at FVTPL				
(i) Designated upon initial recognition				
MGS/GII /MGGB^	-	1,564,197	-	1,564,197
Other debt securities, structured products and NCDs	-	5,657,027	276,363	5,933,390
(ii) Held- for- trading (HFT)				
Equity securities	361,829	-	-	361,829
MGS/GII /MGGB^	-	7,581	-	7,581
Other debt securities, structured products and NCDs	-	722,689	-	722,689
Unit and property trust funds	22,025	-	-	22,025
Derivative assets	-	-	41,782	41,782
Total assets	1,649,795	8,983,334	372,453	11,005,582
Liabilities				
Derivative Liabilities	-	-	-	-
Total liabilities	-	-	-	-

Unquoted equities securities and unquoted unit and property trust fund of RM102,252,080 and RM54,302,280 (31.12.2011:RM110,256,016 and RM7,862,971; 1.7.2011:RM110,919,683 and RM15,204,682) respectively as disclosed in Note 9 are not included in the above analysis as they are carried at cost.

^ MGS/GII/MGGB are government securities and government guaranteed debts.

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(b) Reconciliation of level 3 fair value hierarchy

31.12.2012

	AFS RM'000	Designated at FVTPL RM'000	HFT RM'000	Derivative assets RM'000	Derivative liabilities RM'000	Total RM'000
At 1 January 2012	56,507	286,198	-	33,355	(348)	375,712
Recognised in Income Statement:						
Realised gain/(loss)	829	-	-	(20,907)	348	(19,730)
Fair value gain/(loss)	-	11,926	-	(23,313)	-	(11,387)
Recognised in Other Comprehensive Income:						
Fair value gain	1,059	-	-	-	-	1,059
Translation differences	-	-	-	6,671	-	6,671
Purchases	-	-	266,505	5,005	-	271,510
Sales	(20,000)	(80,000)	-	(123)	-	(100,123)
At 31 December 2012	38,395	218,124	266,505	688	-	523,712
Total gains/(losses) recognised in Income Statement for financial instruments measured at fair value at the end of the reporting period	-	11,926	-	(23,313)	-	(11,387)
Total gains recognised in Other Comprehensive Income for financial instruments measured at fair value at the end of the reporting year	1,059	-	-	-	-	1,059

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(b) Reconciliation of level 3 fair value hierarchy

31.12.2011

	AFS RM'000	Designated at FVTPL RM'000	HFT RM'000	Derivative assets RM'000	Derivative liabilities RM'000	Total RM'000
At 1 July 2011	54,308	276,363	-	41,782	-	372,453
Recognised in Income Statement:						
Fair value gain/(loss)	-	9,835	-	(10,238)	(348)	(751)
Recognised in Other Comprehensive Income:						
Fair value gain	2,199	-	-	-	-	2,199
Translation differences	-	-	-	1,811	-	1,811
At 31 December 2011	56,507	286,198	-	33,355	(348)	375,712
Total gains/(losses) recognised in Income Statement for financial instruments measured at fair value at the end of the reporting period	-	9,835	-	(10,238)	(348)	(751)
Total gains recognised in Other Comprehensive Income for financial instruments measured at fair value at the end of the reporting period	2,199	-	-	-	-	2,199

41. DIVIDENDS

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Recognised during the financial year/period:		
Dividends on ordinary shares:		
- Interim dividend for the year ended 31 December 2012: 307 sen per share, net of tax at 25% (6 months ended 31 December 2011: 158 sen per share, net of tax at 25%)	350,329	180,299

The directors do not recommend the payment of any final dividend in respect of the current financial period.

42. SUBSEQUENT EVENT

On 20 December 2012, the Company has obtained BNM's approval on the proposed issuance of its RM500.0 million Subordinated Bond. Subject to the requirements as specified in the RBC Framework, the Subordinated Bond will qualify as a Tier 2 Capital.

The issuance of the Subordinated Bond is currently pending approval from the Securities Commission Malaysia ("SC").

43. CONTINGENT LIABILITY

On 22 October 2012, the Company and fellow subsidary had terminated the services of a service provider on the grounds that they had not complied with the services required of them under the service level agreement between the service provider and the Company and fellow subsidiary. On 28 November 2012, the service provider had, via its solicitors, issued a letter of demand against the Company and fellow subsidiary for a particular sum, alledged to be amounts owing to the service provider for outstanding claims by Medical providers. In respect of the amounts claimed by the service provider, management is of the opinion that the claimed amounts were not substantiated and, thus, no payments were made. The Company and fellow subsidiary's solicitors had advised management that the Company and fellow subsidiary had a reasonable defence against the claim until such time as sufficient evidence is given by the service provider to support the claimed amounts. Accordingly, management of the Company and fellow subsidiary are of the view that an accrual for the claimed amounts is not necessary at this juncture, as the alleged amounts are not substantiated by documentary evidence.

44. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2012, as prescribed under the RBC Framework is provided below:

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Eligible Tier 1 Capital			
Share capital (paid up)	152,151	152,151	152,151
Reserves, including retained earnings	3,718,355	3,683,005	3,696,119
	3,870,506	3,835,156	3,848,270
Tier 2 Capital			
Revaluation reserve	11,647	11,647	11,887
Available for sale reserve	264,666	216,809	318,293
Currency translation reserve	12,561	937	2,632
	288,874	229,393	332,812
Amount deducted from Capital	(75,605)	(74,135)	(53,788)
Total Capital Available	4,083,775	3,990,414	4,127,294

45. COMPARATIVE FIGURES

Certain comparative figures have been restated following the changes in accounting policies as stated in Note 2.4.

Reconciliation of statement of financial position for comparative periods and previously reported balances are as follows:-

(a) Statement of financial position as at 1 July 2011

	FRS as at 30.6.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 1.7.2011 RM'000
Equity			
AFS reserve	61,978	71,515	133,493
Retained earnings	1,308,919	979,671	2,288,590
Liabilities			
Insurance contract liabilities	13,037,119	(1,393,952)	11,643,167
Deferred tax liabilities	79,662	342,766	422,428

(b) Statement of financial position as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 31.12.2011 RM'000
Equity			
AFS reserve	51,578	48,572	100,150
Retained earnings	1,275,555	985,439	2,260,994
Liabilities			
Insurance contract liabilities	13,384,756	(1,373,500)	12,011,256
Deferred tax liabilities	75,153	339,489	414,642

45. COMPARATIVE FIGURES (CONT'D)

Reconciliation of income statement and the statement of comprehensive income for the comparative period and previously reported balances are as follows:

(a) Income statement for the six months period ended 31 December 2011

	FRS as at 31.12.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 31.12.2011 RM'000
Total profit for the period	146,695	5,768	152,463
Comprise of the following restatements:			
Gross change in contract liabilities	(504,511)	7,691	(496,820)
Taxation	(79,459)	(1,923)	(81,382)

(b) Statement of comprehensive income for the six months period ended 31 December 2011

	FRS as at 31.12.2011 RM'000	Increase/ (Decrease) RM'000	MFRS as at 31.12.2011 RM'000
Net gain on AFS financial assets:			
- Gain on fair value changes	4,866	50,825	55,691
- Transfer to profit or loss upon disposal	(19,045)	(81,416)	(100,461)
Tax effect relating to AFS financial assets	3,779	7,648	11,427

The change in accounting policy resulted in the following restatements:

(a) reclassification of unallocated surplus and AFS reserve (net of deferred tax) of non-Par fund previously held within insurance contract liabilities to retained profits and AFS reserve retrospectively; and

(b) recognition of corresponding deferred tax on unallocated surplus of non-Par fund and AFS reserve.

46. INSURANCE FUNDS

The Company's principal activities are organised by funds and segregated into Shareholder's, General and Life funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

The Company's Statement of Financial Position and Income Statement have been further analysed by funds.

The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as Unit-linked products.

The General insurance businesses offer general insurance products which include Motor, Fire, Marine, Aviation and Transit ("MAT"), Health & Surgical and Miscellanous products.

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2012

	Total			Shareholder's and General Fund			Life Fund		
	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Assets:									
Property, plant and equipment	111,087	110,304	111,889	62,510	64,220	64,289	48,577	46,084	47,600
Investment properties	569,704	515,070	516,360	45,464	34,600	35,890	524,240	480,470	480,470
Prepaid land lease payments	20,341	20,644	20,796	10,113	10,266	10,343	10,228	10,378	10,453
Intangible assets	25,827	28,462	24,502	1,835	634	148	23,992	27,828	24,354
Investment in associate	152	152	152	152	152	152		-	-
Investments	13,265,325	12,521,592	12,216,293	2,322,616	1,920,156	1,862,356	10,942,709	10,601,436	10,353,937
Financing receivables	266,379	276,092	311,916	10,677	12,922	29,242	255,702	263,170	282,674
Reinsurance assets	1,691,599	1,437,421	1,318,371	1,657,786	1,400,463	1,281,405	33,813	36,958	36,966
Insurance receivables	386,074	278,332	289,934	355,041	247,107	240,618	31,033	31,225	49,316
Other receivables	248,297	170,294	164,700	76,415	44,910	46,909	171,882	125,384	117,791
Derivative assets	688	33,007	41,782	23	(19)	-	665	33,026	41,782
Current tax assets	6,602	97,439	97,441	4,302	83,364	83,365	2,300	14,075	14,076
Cash and bank balances	142,452	129,372	256,669	72,188	88,044	177,737	70,264	41,328	78,932
Total Assets	16,734,527	15,618,181	15,370,805	4,619,122	3,906,819	3,832,454	12,115,405	11,711,362	11,538,351

46. INSURANCE FUNDS (CONT'D)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONT'D)
AS AT 31 DECEMBER 2012

	Total			Shareholder's and General Fund			Life Fund		
	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Equity and liabilities:									
Share capital	152,151	152,151	152,151	152,151	152,151	152,151	-	-	-
Reserves	2,422,190	2,391,456	2,454,330	2,422,190	2,391,456	2,454,330	-	-	-
	2,574,341	2,543,607	2,606,481	2,574,341	2,543,607	2,606,481	-	-	-
Insurance contract liabilities	12,665,407	12,011,256	11,643,167	2,532,135	2,209,637	2,069,969	10,133,272	9,801,619	9,573,198
Deferred tax liabilities	429,499	414,642	422,428	373,306	353,103	359,491	56,193	61,539	62,937
Insurance payables	405,177	331,663	322,331	378,684	303,829	296,580	26,493	27,834	25,751
Other payables[1]	292,355	261,192	332,772	(1,617,917)	(1,544,439)	(1,534,415)	1,910,272	1,805,631	1,867,187
Dividend payable	350,329	-	-	350,329	-	-	-	-	-
Current tax liabilities	17,419	55,821	43,626	28,244	41,082	34,348	(10,825)	14,739	9,278
Total Liabilities	14,160,186	13,074,574	12,764,324	2,044,781	1,363,212	1,225,973	12,115,405	11,711,362	11,538,351
Total equity and liabilities	16,734,527	15,618,181	15,370,805	4,619,122	3,906,819	3,832,454	12,115,405	11,711,362	11,538,351

[1] - Included in other payables is the amounts due to life, general and investment-linked funds which are unsecured, not subject to any interest elements and are repayable on demand.

Inter fund balances	-	-	-	(1,708,351)	(1,631,582)	(1,494,015)	1,708,351	1,631,582	1,494,015

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46. INSURANCE FUNDS (CONT'D)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Total		Shareholder's Fund		General Fund		Life Fund	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Operating revenue	3,358,476	1,537,708	54,489	21,504	1,426,514	586,303	1,877,473	929,901
Gross earned premiums	2,830,263	1,309,151	-	-	1,455,607	634,414	1,374,656	674,737
Premiums ceded to reinsurers	(852,614)	(359,888)	-	-	(832,029)	(347,319)	(20,585)	(12,569)
Net earned premiums	1,977,649	949,263	-	-	623,578	287,095	1,354,071	662,168
Fee and commission income	59,727	27,703	-	-	55,718	25,163	4,009	2,540
Investment income	588,088	294,347	54,489	21,504	30,781	17,679	502,818	255,164
Realised gains	261,158	100,728	21,072	13,332	18,672	5,783	221,414	81,613
Fair value gains/(losses)	(8,528)	38,413	7,081	(3,560)	441	(46)	(16,050)	42,019
Other operating revenue/(expenses)	63,783	17,166	(26)	147	11,533	5,874	52,276	11,145
Other revenue	964,228	478,357	82,616	31,423	117,145	54,453	764,467	392,481
Gross benefits and claims paid	(1,821,877)	(701,565)	-	-	(535,504)	(212,456)	(1,286,373)	(489,109)
Claims ceded to reinsurers	248,789	75,877	-	-	237,753	68,389	11,036	7,488
Gross change to contract liabilities	(689,307)	(496,820)	-	-	(382,371)	(205,458)	(306,936)	(291,362)
Change in contract liabilities ceded to reinsurers	317,851	179,875	-	-	320,996	179,883	(3,145)	(8)
Net benefits and claims	(1,944,544)	(942,633)	-	-	(359,126)	(169,642)	(1,585,418)	(772,991)
Management expenses	(301,021)	(146,311)	(2,943)	(8,818)	(165,091)	(73,194)	(132,987)	(64,299)
Fee and commission expenses	(209,153)	(104,831)	-	-	(124,874)	(57,269)	(84,279)	(47,562)
Other expenses	(510,174)	(251,142)	(2,943)	(8,818)	(289,965)	(130,463)	(217,266)	(111,861)
Profit before tax	487,159	233,845	79,673	22,605	91,632	41,443	315,854	169,797
Transfer from Revenue Accounts								
- General Funds	-	-	65,394	30,666	(65,394)	(30,666)	-	-
- Life DPF Funds			8,600	3,600		-	(8,600)	(3,600)
- Life Non-DPF Funds	-	-	263,255	134,691	-	-	(263,255)	(134,691)
Taxation	(140,056)	(81,382)	(69,819)	(39,099)	(26,238)	(10,777)	(43,999)	(31,506)
Net profit/Surplus after tax	347,103	152,463	347,103	152,463	-	-	-	-

46. INSURANCE FUNDS (CONT'D)

STATEMENT OF CASH FLOWS BY FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Total		Shareholder's Fund		General Fund		Life Fund	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Cash flows from:								
Operating activities	788,042	155,180	385,275	338,168	14,080	(171,144)	388,687	(11,844)
Investing activities	(774,962)	(102,178)	(384,102)	(157,465)	(31,109)	81,047	(359,751)	(25,760)
Financing activity	-	(180,299)		(180,299)	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	13,080	(127,297)	1,173	404	(17,029)	(90,097)	28,936	(37,604)
Cash and cash equivalents:								
Cash and cash equivalents at beginning of financial year/period	129,372	256,669	761	357	87,283	177,380	41,328	78,932
Cash and cash equivalents at end of financial year/period	142,452	129,372	1,934	761	70,254	87,283	70,264	41,328

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47. INVESTMENT-LINKED FUND STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	31.12.2012 RM'000	31.12.2011 RM'000	1.7.2011 RM'000
Assets:			
Investments	1,391,237	1,299,453	1,181,785
Other receivables	9,017	13,740	9,485
Derivative assets	269	33,355	41,782
Cash and bank balances	1,016	580	520
Total Assets	1,401,539	1,347,128	1,233,572
Liabilities:			
Deferred tax liabilities	5,776	2,432	3,952
Other payables	36,165	19,471	20,162
Current tax liabilities	4,832	3,127	1,762
Total Liabilities	46,773	25,030	25,876
Net asset value of funds (Note 18)	1,354,766	1,322,098	1,207,696

INVESTMENT-LINKED FUND INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Investment income	36,936	18,295
Realised gains	6,304	11,579
Fair value losses	(2,960)	(32,444)
Other operating revenue	34,104	8,180
Other revenue	74,384	5,610
Management expenses	(49)	(14)
Other expenses	(49)	(14)
Profit before tax	74,335	5,596
Taxation	(5,948)	(869)
Net profit/surplus after tax	68,387	4,727