Company No.	
197499	U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2012

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Company No.

197499	U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

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CIMB AVIVA ASSURANCE 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 engaged principally in the underwriting of life insurance and investment-linked business. There have been no significant changes in the principal activities of the Company during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	69,575

DIVIDENDS

A single-tier preference dividend in respect of financial year ended 31 December 2011 of RM0.08 per preference share on 100,000,000 perpetual non-cumulative preference shares amounting to RM8,000,000 was paid on 15 May 2012 to CIG Berhad and Aviva International Holdings Limited.

The Directors do not recommend any dividend for the financial year ended 31 December 2012.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) 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

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report and the attendance of the Directors at the Board Meetings held during the financial year are as follows:

	Attendance
Encik Mohd Yusof bin Hussian (Chairman)	12/12
Encik Izlan bin Izhab	11/12
Encik Peter William England	10/12
Encik Pushpanathan A/L S.A. Kanagarayar	11/12
Encik Allan Raymond Griffiths	11/12
Cik Saw Teow Yam	12/12
Encik Ooi Say Teng	10/12

In accordance with Article 96 of the Company's Articles of Association, Encik Pushpanathan A/L S.A. Kanagarayar and Cik Saw Teow Yam retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/003-2 on the Prudential Framework of Corporate Governance for Insurers and BNM/RH/GL/003-1 on Minimum Standards for Prudential Management of Insurers (Consolidated) issued by Bank Negara Malaysia.

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC")

The composition of the AC comprises all Independent Directors of the Company and the attendances of the AC members at the meetings held during the financial year are indicated below:

	Attendance
Encik Pushpanathan A/L S.A. Kanagarayar – Chairman (Independent Non-Executive Director)	8/8
Encik Mohd Yusof bin Hussian (Independent Non-Executive Director)	8/8
Encik Izlan bin Izhab (Independent Non-Executive Director)	7/8

The duties and responsibilities of the AC are as follows:

Governance

(i) To ensure that the internal audit function outsourced to the CIMB Group Internal Audit Division is effective with regard to audit objectives, professionalism, capacity and competency of the auditors;

(ii) To review the effectiveness of internal control, including the review and approval of the audit plan, audit charter and budget;

(iii) To ensure that the reporting relationships of the internal auditors do not impede the exercise of independent judgement by the internal auditors;

(iv) To review the scope of the internal audit procedures, which includes inter alia, the restriction to the conduct of audit and appropriateness of the risk assessment methodology;

(v) To ensure that all findings and recommendations are resolved effectively and in a timely manner;

(vi) To review and approve the fees structure of the CIMB Group's internal auditors; and

(vii) To meet with:
  (a) The CIMB Group Audit Committee at least twice a year; and
  (b) The Aviva Higher Growth Market ("HGM") Regional Internal Auditors as and when necessary.

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

External auditors

(i) To be responsible for the appointment of the external auditors, having particular regard to the external auditors' objectivity, performance and independence;

(ii) To review the provision of non-audit services by the external auditors;

(iii) To review the external auditors' audit plan, findings and recommendations; and

(iv) To meet with the external auditors at least twice a year without the presence of management; and

(v) To review and approve the fees structure of the external auditors.

Related party transactions and other matters

(i) To review any related-party transactions and conflicts of interest situations; and

(ii) To undertake any other functions as may be determined by the Board of Directors of the Company ("the Board") and reflected in its terms of reference.

Nominating and Remuneration Committee ("NRC")

The composition of the NRC comprises a majority of Independent Directors of the Company and the attendance of the NRC members at the meetings held during the financial year are indicated below:

	Attendance
Encik Izlan bin Izhab – Chairman (Independent Non-Executive Director)	5/5
Encik Mohd Yusof bin Hussian (Independent Non-Executive Director)	5/5
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	5/5
Encik Allan Raymond Griffiths (Non-Independent Non-Executive Director)	5/5
Encik Peter William England (Non-Independent Non-Executive Director)	5/5

The duties and responsibilities of the NRC are as follows:

(i) To establish the minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively;

(ii) To oversee the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required through annual reviews;

(iii) To assess and recommend the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the position of Chief Executive Officer. This would include assessing Directors and the Chief Executive Officer proposed for re-appointment, before applications for approvals are submitted to Bank Negara Malaysia;

CORPORATE GOVERNANCE (CONTINUED)

Nominating and Remuneration Committee ("NRC") (continued)

(iv) To establish a mechanism for formal assessment of the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer;

(v) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;

(vi) To ensure that all Directors undergo appropriate induction programmes and receive continuous training;

(vii) To oversee appointments, management succession planning and performance evaluation of key senior officers and recommend to the Board the removal of key senior officers if they were ineffective, errant and negligent in discharging their responsibilities; and

(viii) To recommend a remuneration framework and specific packages for Directors, Chief Executive Officer and key senior officers.

Board Risk Committee ("BRC")

The composition of the BRC comprises a majority of Independent Directors of the Company and the attendance of the BRC members at the meetings held during the financial year are indicated below:

	Attendance
Encik Pushpanathan A/L S.A. Kanagarayar – Chairman (Independent Non-Executive Director)	4/4
Encik Mohd Yusof bin Hussian (Independent Non-Executive Director)	4/4
Encik Izlan Izhab (Independent Non-Executive Director)	4/4
Encik Allan Raymond Griffiths (Non-Independent Non-Executive Director)	3/4
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	4/4

CORPORATE GOVERNANCE (CONTINUED)

Board Risk Committee ("BRC") (continued)

The duties and responsibilities of the BRC are as follows:

Governance

(i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval;

(ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risk as well as the extent to which these are operating effectively;

(iii) To ensure adequate infrastructure, resources and systems are in place for an effective risk management, i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;

(iv) To review the management's periodic reports on the risk exposure, risk portfolio composition and risk management activities; and

(v) To perform any other functions in relation to risk management as may be agreed by the BRC and the Board.

Risk Management

The Board recognises that risk management is an integral part of the Company's business objectives and is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has adopted a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Board Risk Committee ("BRC") with the primary responsibility of ensuring the effective functioning of the RMF. The BRC is supported by management-level committees; namely, the Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO") and Investment Committee ("IC") that provide key focus on operational, financial and insurance risks.

The RMF involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the achievement of the Company's business objectives. It provides the Board and the Management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Company's strategies and functional activities throughout the financial year.

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by specialist risk functions (the second line of defence). Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by CIMB Group Internal Audit Division (the third line of defence).

CORPORATE GOVERNANCE (CONTINUED)

Risk Management (continued)

To promote a consistent and rigorous approach to risk management, there exists a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As the business responds to changing market conditions and customer needs, the appropriateness of our risk policies is regularly monitored to ensure that they remain up-to-date.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in the notes to the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares, share options and debentures of its related companies are as follows:

		No. of ordinary shares of RM1 each			
CIMB Group Holdings Berhad	**EOP***	**At 1.1.2012**	**Acquired/ granted**	**(Sold)**	**At 31.12.2012**
Peter William England	EOP	57,078	92,090	(48,000)	101,168
Ooi Say Teng	EOP	7,000	-	-	7,000

* EOP is abbreviation for Equity Ownership Plan

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

		No. of debentures held		
CIMB NIAGA TBK - Subordinated Notes	**At 1.1.2012 IDR'000**	**Acquired/granted IDR'000**	**(Sold) IDR'000**	**At 31.12.2012 IDR'000**
Peter William England	1,500,000	-	-	1,500,000

The other Directors in office at the end of the financial year did not hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares and debentures or have beneficial interests in the shares, options over shares and debentures of its related companies during and at the end of the financial year.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR END

On 17 January 2013, Aviva Plc reached an agreement to sell its 49% interest in CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad (together "CIMB-Aviva") to Sun Life Assurance Company of Canada, a subsidiary of Sun Life Financial Inc. for a consideration of £152 million payable in cash.

On the same date, CIMB Group Holdings Berhad ("CIMB Group) also reached an understanding with Khazanah Nasional Berhad ("KNB") to sell its stake in CIMB-Aviva, for a total consideration of RM1,110 million. The purchase consideration will be satisfied by a cash component of RM1,066.5 million as well as shares worth RM43.5 million in a new insurance holding company, Renggis Ventures Sdn. Bhd, wholly owned by KNB. As a result, CIMB Group will retain an effective 2% interest in CIMB-Aviva.

The above sales transactions have not been completed at the date of this report as it is subject to approvals from the relevant regulatory authorities.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.

PUSHPANATHAN A/L S.A. KANAGARAYAR	OOI SAY TENG
DIRECTOR	DIRECTOR

Kuala Lumpur
29 March 2013

Company No.	
197499	U

CIMB AVIVA ASSURANCE BERHAD

(Incorporated in Malaysia)

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

We, Pushpanathan A/L S.A. Kanagarayar and Ooi Say Teng, being two of the Directors of CIMB Aviva Assurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 13 to 100 are drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of the financial performance and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

PUSHPANATHAN A/L S.A. KANAGARAYAR
DIRECTOR

OOI SAY TENG
DIRECTOR

Kuala Lumpur
29 March 2013

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

I, Yong Heng Thong @ Tony Yong, being the Officer primarily responsible for the financial management of CIMB Aviva Assurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 100 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.

YONG HENG THONG @ TONY YONG

Subscribed and solemnly declared by the abovenamed Yong Heng Thong @ Tony Yong at Kuala Lumpur in Malaysia on 29 March 2013, before me.

COMMISIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)
(Company No. 197499 U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CIMB Aviva Assurance Berhad, which comprise the statement of financial position as at 31 December 2012 of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and explanatory notes, as set out on pages 13 to 100.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965, and for such internal control as the Directors determine are 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 judgement, 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 the 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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB AVIVA ASSURANCE BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 197499 U)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2012 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("the Act") 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

As stated in Note 2 to the financial statements, CIMB Aviva Assurance Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, changes in equity and cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

This report is made solely to the members 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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/14 (J))
Chartered Accountant

Kuala Lumpur
29 March 2013

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
ASSETS				
Property and equipment	3	47,066	46,054	54,158
Financial assets	4	1,068,140	1,021,088	940,858
Loans and receivables	5	493,758	446,399	529,734
Reinsurance assets	6	66,989	83,641	100,541
Insurance receivables	7	5,765	5,582	2,534
Other receivables	8	6,018	44,435	50,413
Cash and bank balances		3,580	8,739	18,787
Current tax assets		10,879	3,884	2,366
Assets held for sale	9	-	361	-
TOTAL ASSETS		1,702,195	1,660,183	1,699,391
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES				
Share capital	10	342,000	342,000	342,000
Share premiums		16,000	16,000	16,000
Retained earnings/(accumulated losses)		44,748	23,158	(8,597)
Reserves		54,791	14,806	23,773
Total equity		457,539	395,964	373,176
Insurance contract liabilities	11	1,132,404	1,091,209	1,080,683
Insurance claims liabilities		14,992	12,437	13,372
Insurance payables	12	15,395	88,503	83,734
Redeemable convertible unsecured loan stocks	13	-	-	36,257
Other financial liabilities	14	29,247	43,056	46,002
Other payables	15	38,373	25,509	58,425
Deferred tax liabilities	16	14,245	3,505	7,742
Total liabilities		1,244,656	1,264,219	1,326,215
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		1,702,195	1,660,183	1,699,391

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

Company No.

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CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	Note	2012 RM'000	2011 RM'000
Gross premiums		280,890	252,877
Premiums ceded to reinsurers		7,781	(27,127)
Net premiums		288,671	225,750
Investment income	17	56,033	59,315
Net realised gains	18	-	240
Net fair value gains	19	15,336	20,646
Other operating income	20	18,970	8,432
Other income		90,339	88,633
Gross benefits and claims paid		(152,374)	(188,855)
Claims ceded to reinsurers		29,597	18,026
Gross change in contract liabilities		(41,195)	(10,526)
Change in contract liabilities ceded to reinsurers		(20,233)	(15,122)
Net claims		(184,205)	(196,477)
Fee and commission expense		(26,332)	(17,730)
Management expenses	21	(69,852)	(51,785)
Other operating expenses	22	(15,048)	(17,883)
Investment expenses		(1,057)	(1,119)
Interest expense on redeemable convertible unsecured loan stocks		-	(600)
Net realised loss	18	(1)	-
Other expenses		(112,290)	(89,117)
Profit before taxation		82,515	28,789
Taxation	23	(12,940)	(6,001)
Net profit for the financial year		69,575	22,788
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		69,575	22,788
Earnings per share (sen)			
Basic	24	28.75	9.42

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	Note	Share capital RM'000	Share premium RM'000	Non-distributable Reserves* RM'000	(Accumulated losses)/ retained earnings RM'000	Total RM'000
At 01.01.2011 - As previously reported		342,000	16,000	-	(8,597)	349,403
Effects on adoption of MFRS	2.4	-	-	23,773	-	23,773
At 01.01.2011 - Under MFRS		342,000	16,000	23,773	(8,597)	373,176
Total comprehensive income for the financial year		-	-	(8,967)	31,755	22,788
At 31.12.2011		342,000	16,000	14,806	23,158	395,964
At 01.01.2012 - As previously reported		342,000	16,000	-	23,158	381,158
Effects on adoption of MFRS	2.4	-	-	14,806	-	14,806
At 01.01.2012 - Under MFRS		342,000	16,000	14,806	23,158	395,964
Dividends	25	-	-	-	(8,000)	(8,000)
Total comprehensive income for the financial year		-	-	39,985	29,590	69,575
At 31.12.2012		342,000	16,000	54,791	44,748	457,539

* Reserves comprise unallocated surpluses from all funds other than the Participating Life fund (net of deferred tax). This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer the Life fund surplus to the Shareholders' fund.

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

Company No.

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CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	69,575	22,788
Adjustments for:		
Gross change in contract liabilities	41,195	10,526
Change in contract liabilities ceded to reinsurers	20,233	15,122
Property and equipment		
- depreciation	4,078	4,113
- gain on disposal	-	(240)
- write off	50	2,567
- (reversal of impairment)/impairment charge	(2,185)	5,106
Loss on disposal of assets held for sale	1	-
Accretion of discounts	-	(1,390)
Net fair value gain on investments at fair value through profit or loss	(15,336)	(20,646)
Interest income	(52,181)	(52,336)
Dividend income	(3,282)	(4,829)
Rental income	(570)	(760)
Reversal of impairment on financial assets	(217)	-
Interest expense on redeemable convertible unsecured loan stocks	-	600
Provision for retirement benefits	(8)	4
Taxation	12,940	6,001
Tax expense on investment income of Life fund and Investment-linked funds	15,048	7,726
Profit/(loss) from operations before changes in operating assets and liabilities	89,341	(5,648)
(Decrease)/increase in loans and receivables	(47,142)	83,341
Increase in receivables	38,208	2,869
(Decrease)/increase in insurance claims liabilities	(1,026)	843
Decrease in payables	(74,132)	(18,966)
Purchase of investments	(377,477)	(245,483)
Proceeds from disposal and maturity of investments	346,263	188,948
	(25,965)	5,904
Investment income received:		
- Dividend	3,308	4,890
- Interest	51,679	50,671
- Rental	570	760
Taxation paid	(24,156)	(18,445)
Net cash generated from operating activities	5,436	43,780

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		-	296
Proceeds from disposal of assets held for sales		360	-
Purchase of property and equipment		(2,955)	(4,099)
Net cash used in investing activities		(2,595)	(3,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	25	(8,000)	-
Redemption of redeemable convertible unsecured loan stocks		-	(36,371)
Interest paid on redeemable convertible unsecured loan stocks		-	(13,654)
Net cash used in financing activities		(8,000)	(50,025)
Net decrease in cash and cash equivalents		(5,159)	(10,048)
Cash and cash equivalents at beginning of the financial year		8,739	18,787
Cash and cash equivalents at end of the financial year		3,580	8,739
Cash and cash equivalents comprise:			
Cash and bank balances		3,580	8,739

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

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

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of life insurance and investment-linked business. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office and principal place of business of the Company is located at the 11th Floor, No.338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965.

These are the Company's first financial statements prepared in accordance with MFRS, including MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards". Subject to certain transition elections disclosed in note 2.1(a), the Company has consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 2.4 discloses the impact of the transition to MFRS on the Company's reported financial position, financial performance and cash flows. Subsequent to the transition in the financial reporting framework to MFRS on 1 January 2012, this restated comparative information prepared under the MFRS framework has not been audited. The restated comparative statements of financial position as at 31 December 2011, comparative statements of comprehensive income, changes in equity and cash flows for the year then ended prepared under the previous financial reporting framework, Financial Reporting Standards ("FRS") in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") pursuant to the Insurance Act, 1996, have been audited.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework ("the RBC Framework") as at the date of the statement of financial position.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(a) Effects of transition from FRS to MFRS

Unallocated surplus on the Non-participating Life fund

Under FRS, the Company recognised unallocated surplus of the Non-participating Life fund as part of actuarial insurance contract liabilities as required under the Guidelines on Financial Reporting for Insurers (BNM/RH/GL 003-28) issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

On adoption of MFRS, in accordance to MFRS 4 "Insurance Contracts" and the revised Financial Reporting Guidelines for Insurers ("revised Guidelines") issued by BNM on 21 February 2012, the Company treated the unallocated surplus of Non-participating Life fund from insurance contract liabilities as an equity component of the Company.

The impact of adopting this accounting policy to the Company is disclosed Note 2.4 to the financial statements.

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

The Company will apply the new standards, amendments to standards and interpretations in the following periods:

(i) Financial year beginning on/after 1 January 2013

MFRS 13 "Fair Value Measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective are as follows: (continued)

(i) Financial year beginning on/after 1 January 2013 (continued)

Amendment to MFRS 101 “Presentation of Items of Other Comprehensive Income” (effective from 1 July 2012) requires entities to separate items presented in ‘other comprehensive income’ (“OCI”) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

Amendment to MFRS 119 “Employee Benefits” (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

Amendment to MFRS 7 “Financial instruments: Disclosures” (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

(ii) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 “Financial instruments: Presentation” (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial year beginning on/after 1 January 2015

MFRS 9 “Financial instruments - classification and measurement of financial assets and financial liabilities” (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective are as follows: (continued)

(iii) Financial year beginning on/after 1 January 2015 (continued)

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

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

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

The Company has not completed the review of the adoption of the above accounting standards, amendments to published standards and interpretations to existing standards and as such, has not finalised any financial impact of the adoption of the above accounting standards.

2.2 Summary of significant accounting policies

(a) Property and equipment

All items of property 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 year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Property and equipment (continued)

Freehold land is not depreciated as it has an infinite life. Depreciation of other property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Furniture, fittings and renovation	5 – 10 years
Computer equipment	3 – 5 years
Office equipment	10 years
Motor vehicles	5 years
Buildings	50 years

Work-in-progress is not depreciable until the asset is ready for its intended use.

The residual values, useful lives 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 and equipment.

At each reporting date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(d) on impairment of assets.

An item of property 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 profit or loss.

(b) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL") and loans and other receivables ("LAR").

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Financial assets (continued)

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated as at fair value through profit or loss, 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.

The Company classifies assets acquired for the purpose of selling in the short term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Investments held by investment-linked-funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less impairment loss. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets on the date of the statement of financial position.

For investments in unit trusts and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at 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 financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Impairment

(i) Financial assets

The Company assesses at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, 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 (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recorded in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed as of the date of the statement of financial position.

If, in a subsequent financial 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. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Impairment (continued)

(ii) Non-financial assets (continued)

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the date of the statement of financial position. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(e) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

(f) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(g) Equity instruments

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares and preference shares classified as equity instrument are recognised as a liability and deducted from equity when they are declared.

Dividends for the financial year that are declared after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

Reserves

Unallocated surpluses from all funds other than the Participating Life fund, where the amounts of surplus are yet to be allocated or distributed to Shareholders by the end of the financial year, are classified as equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification

The Company issues contracts that transfer insurance risk or financial risk or both.

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 variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) 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 determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

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 insurance contracts after inception if insurance risk becomes significant.

Based on the Company's assessment, all contracts underwritten by the Company meet the definition of insurance contracts and accordingly are classified as insurance contracts.

Insurance 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:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

Surpluses in the DPF fund are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company however has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

Surpluses in the non-DPF fund arising during the year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held within insurance contract liabilities.

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 fair value through profit or loss. 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 fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are 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.

(i) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Life insurance underwriting results

The surplus transferable from the Life fund to the profit or loss is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 and the RBC Framework by the Company's Appointed Actuary. In the event the actuarial valuation indicates that a transfer is required from the Shareholder's fund, the transfer from the profit or loss to Life fund is made in the financial year of the actuarial valuation.

Gross premiums

Gross premiums includes premiums recognised in the Life fund and the Investment-linked fund. Gross premiums of the Life fund are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

Gross premiums of the Investment-linked fund is in respect of the 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. Net creation of units is recognised on a receipt basis.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and it is still within the grace period allowed for payment or covered by the cash surrender value of the policies.

Reinsurance premiums

Reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

Benefits, claims and expenses

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

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

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- 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;
- benefits payable under the Investment-linked fund are in respect of net cancellation of units and are recognised as surrender; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Life insurance underwriting results (continued)

Commission and agency expenses

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

(k) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(d).

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

(l) Insurance contract liabilities

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and the non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Part D of the RBC Framework and Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related Circulars issued by BNM relevant to the guidelines.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

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 the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in the Life fund. Profits originated from margins of adverse deviations on run-off contracts, are recognised in the Life fund over the life of the contract, whereas losses are fully recognised in the Life fund during the first year of run-off.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business (“PVIF”) by using an existing liability adequacy test.

Any inadequacy is recorded in profit or loss, initially by impairing PVIF and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Insurance contract liabilities (continued)

(ii) Unallocated surplus

Surpluses of contract under the Participating Life fund are attributable to policyholders and shareholders and the amount and timing of distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provision of the Insurance Act, 1996 and related regulation by the Company's Appointed Actuary.

Surpluses in the non-DPF fund arising during the year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held within insurance contract liabilities.

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 fair value through profit or loss. 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 fair value through profit or loss.

(iii) Net asset value attributable to unit holders

The unit liability of investment-linked policy is equal to the net asset value of the Investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality, morbidity costs and expense charges.

(m) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Other revenue recognition (continued)

Interest income (continued)

Other interest income, including amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(n) Taxation

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 taxable profits for the financial year and is measured using the tax rates that have been enacted at the reporting date. Current tax is recognised in profit or loss.

Deferred tax is recognised in full, using the liability method. 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 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 reporting date.

Deferred tax is recognised as an income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(p) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post employment benefits

Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date together with adjustments for actuarial gains/losses and past service cost. The Company determines the present value of the defined benefit obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date. The defined benefit obligation calculated using the projected unit credit method, is determined using an actuarial valuation, considering the estimated market yields at the reporting date of the Company's Life fund's investments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the profit or loss immediately.

Defined contribution plan

The Company's contributions to the Employees' Provident Fund ("EPF"), the national defined contribution plan, are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(r) Other financial liabilities and insurance payables

Other liabilities and payables are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(s) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank balances and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Critical judgements made in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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:

Valuation of actuarial liabilities

The liability for life insurance contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount 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.

Estimates are also made as to future investment income arising from the assets backing the life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

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

Discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security ("MGS"). In the case of the total benefits liabilities of the participating policies, the discount rate is based on the historical yield and future investment outlook of the Participating fund, net of tax on investment income of the Life fund.

2.4 Effects of transition from FRS to MFRS

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliation from FRS to MFRS for the respective periods arising from transition elections as disclosed in Note 2.1(a) on equity and total comprehensive income at Company level.

The transition from FRS to MFRS had no effect on the reported cash flows generated by the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Effects of transition from FRS to MFRS (continued)

	As previously reported under "FRS" RM'000	Transition to MFRS RM'000	As restated RM'000	*Reclassification RM'000	Restated after reclassification RM'000
Statement of financial position					
As at 01.01.2011					
Assets					
Financial assets	953,953	-	953,953	(13,095)	940,858
Other receivables	51,091	-	51,091	(678)	50,413
Current tax assets	2,298	-	2,298	68	2,366
Equity					
Reserve	-	(23,773)	(23,773)	-	(23,773)
Liabilities					
Insurance contract liabilities	(1,123,274)	29,716	(1,093,558)	12,875	(1,080,683)
Other payables	(59,130)	-	(59,130)	705	(58,425)
Deferred tax liabilities	(1,924)	(5,943)	(7,867)	125	(7,742)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Effects of transition from FRS to MFRS (continued)

	As previously reported under "FRS" RM'000	Transition to MFRS RM'000	As restated RM'000	*Reclassification RM'000	Restated after reclassification RM'000
Statement of financial position					
As at 31.12.2011					
Assets					
Financial assets	1,034,885	-	1,034,885	(13,797)	1,021,088
Other receivables	44,865	-	44,865	(430)	44,435
Current tax assets	3,831	-	3,831	53	3,884
Equity					
Reserve	-	(14,806)	(14,806)	-	(14,806)
Liabilities					
Insurance contract liabilities	(1,123,503)	18,508	(1,104,995)	13,786	(1,091,209)
Other payables	(25,772)	-	(25,772)	263	(25,509)
Deferred tax assets/(liabilities)	72	(3,702)	(3,630)	125	(3,505)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Effects of transition from FRS to MFRS (continued)

	As previously reported under "FRS" RM'000	Transition to MFRS RM'000	As restated RM'000	*Reclassification RM'000	Restated after reclassification RM'000
Statement of comprehensive income					
As at 31.12.2011					
Total comprehensive income	31,755	(8,967)	22,788	-	22,788
Comprise of the following restatements:					
- Gross premium	257,306	-	257,306	(4,429)	252,877
- Net fair value gains	21,302	-	21,302	(656)	20,646
- Other operating income	9,089	-	9,089	(657)	8,432
- Gross benefits and claims paid	(193,611)	-	(193,611)	4,756	(188,855)
- Gross change in contract liabilities	(229)	(11,208)	(11,437)	911	(10,526)
- Management expenses	(51,795)	-	(51,795)	10	(51,785)
- Other operating expenses	(17,948)	-	(17,948)	65	(17,883)
- Taxation	(8,242)	2,241	(6,001)	-	(6,001)

* Reclassification is in relation to elimination of statement of financial position and statement of income of Investment-linked funds of CIMB Aviva Balanced Stable Fund, CIMB Aviva Balanced Moderate Fund and CIMB Aviva Balanced Aggressive Fund as these Investment-linked funds only invested in CIMB Aviva Growth Fund and CIMB Aviva Conservative Fund.

3 PROPERTY AND EQUIPMENT

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land RM'000	Buildings RM'000	Work-in-progress RM'000	Total RM'000
Cost								
At 01.01.2011	4,392	31,247	1,752	965	8,978	35,003	1,389	83,726
Additions	117	1,821	44	314	-	-	1,803	4,099
Disposals	-	-	-	(614)	-	-	-	(614)
Reclassification	(15)	2,019	15	-	-	-	(2,019)	-
Write off (note 21)	(1)	(2,912)	-	-	-	-	(949)	(3,862)
Assets held for sale (note 9)	-	-	-	-	(137)	(324)	-	(461)
At 31.12.2011	4,493	32,175	1,811	665	8,841	34,679	224	82,888
Additions	108	1,923	21	-	-	-	903	2,955
Reclassification	330	700	-	-	-	-	(1,030)	-
Write off (note 21)	-	-	-	-	-	-	(50)	(50)
At 31.12.2012	4,931	34,798	1,832	665	8,841	34,679	47	85,793

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land RM'000	Buildings RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 01.01.2011	2,411	22,959	1,151	710	-	2,337	-	29,568
Charge for the financial year (note 21)	322	3,127	127	215	-	322	-	4,113
Disposals	-	-	-	(558)	-	-	-	(558)
Write off (note 21)	-	(1,295)	-	-	-	-	-	(1,295)
Assets held for sale (note 9)	-	-	-	-	-	(78)	-	(78)
At 31.12.2011	2,733	24,791	1,278	367	-	2,581	-	31,750
Charge for the financial year (note 21)	311	3,245	96	98	-	328	-	4,078
At 31.12.2012	3,044	28,036	1,374	465	-	2,909	-	35,828

3 PROPERTY AND EQUIPMENT (CONTINUED)

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land RM'000	Buildings RM'000	Work-in-progress RM'000	Total RM'000
Accumulated impairment								
At 01.01.2011	-	-	-	-	-	-	-	-
Charge for the financial year (note 22)	-	-	-	-	-	5,106	-	5,106
Assets held for sale (note 9)	-	-	-	-	-	(22)	-	(22)
At 31.12.2011	-	-	-	-	-	5,084	-	5,084
Reversal for the financial year (note 20)	-	-	-	-	-	(2,185)	-	(2,185)
At 31.12.2012	-	-	-	-	-	2,899	-	2,899
Net carrying amount								
01.01.2011	1,981	8,288	601	255	8,978	32,666	1,389	54,158
31.12.2011	1,760	7,384	533	298	8,841	27,014	224	46,054
31.12.2012	1,887	6,762	458	200	8,841	28,871	47	47,066

4 FINANCIAL ASSETS

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Malaysian Government Securities	491,297	540,181	531,556
Cagamas	22,859	22,780	-
Unquoted corporate debt securities	389,115	285,223	232,399
Quoted equity securities	81,527	84,756	84,018
Unit trust funds	12,738	13,411	10,797
Negotiable instrument of deposits	27,407	33,435	35,546
Investment-linked funds	33,133	31,740	38,639
Unquoted equity securities	174	174	174
Accrued interest	9,890	9,388	7,729
	1,068,140	1,021,088	940,858

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

	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Fair value through profit or loss ("FVTPL") – designated upon initial recognition	(a)	1,058,250	1,011,700	884,494
Held-to-maturity financial assets ("HTM")	(b)	-	-	48,635
Accrued interest	(a)	9,890	9,388	7,729
		1,068,140	1,021,088	940,858

The following financial assets mature after 12 months:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
FVTPL – designated upon initial recognition	858,136	823,221	734,543

4 FINANCIAL ASSETS (CONTINUED)

		31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
(a)	FVTPL - designated upon initial recognition			
	Malaysian Government Securities	491,297	540,181	531,556
	Cagamas	22,859	22,780	-
	Unquoted corporate debt securities	389,115	285,223	183,764
	Quoted equity securities	81,527	84,756	84,018
	Unit trust funds	12,738	13,411	10,797
	Negotiable instrument of deposits	27,407	33,435	35,546
	Investment-linked funds	33,133	31,740	38,639
	Unquoted equity securities	174	174	174
	Accrued interest	9,890	9,388	7,729
		1,068,140	1,021,088	892,223
(b)	HTM			
	Amortised cost			
	Unquoted corporate debt securities - at cost	-	-	34,345
	Accretion of discounts	-	-	14,290
		-	-	48,635
	Fair value			
	Unquoted corporate debt securities	-	-	50,000

4 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	FVTPL RM'000	HTM RM'000	Total RM'000
At 01.01.2011	892,223	48,635	940,858
Purchases	245,483	-	245,483
Maturities	(30,700)	(50,025)	(80,725)
Disposals	(98,609)	-	(98,609)
Fair value gains recorded in:			
Profit or loss (note 19)	11,032	-	11,032
Accretion adjustment (note 17)	-	1,390	1,390
Movement in accrued interest	1,659	-	1,659
At 31.12.2011	1,021,088	-	1,021,088
Purchases	377,477	-	377,477
Maturities	(103,227)	-	(103,227)
Disposals	(226,886)	-	(226,886)
Fair value loss recorded in:			
Profit or loss (note 19)	(814)	-	(814)
Movement in accrued interest	502	-	502
At 31.12.2012	1,068,140	-	1,068,140

4 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2012:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
FVTPL				
31.12.2012				
Malaysian Government Securities	-	491,297	-	491,297
Cagamas	-	22,859	-	22,859
Unquoted corporate debt securities	-	389,115	-	389,115
Quoted equity securities	81,527	-	-	81,527
Unit trust funds	12,738	-	-	12,738
Negotiable instrument of deposits	-	27,407	-	27,407
Investment-linked funds	33,133	-	-	33,133
Unquoted equity securities	-	-	174	174
Accrued interest	-	9,890	-	9,890
	127,398	940,568	174	1,068,140

4 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
FVTPL				
31.12.2011				
Malaysian Government Securities	-	540,181	-	540,181
Cagamas	-	22,780	-	22,780
Unquoted corporate debt securities	-	285,223	-	285,223
Quoted equity securities	84,756	-	-	84,756
Unit trust funds	13,411	-	-	13,411
Negotiable instrument of deposits	-	33,435	-	33,435
Investment-linked funds	31,740	-	-	31,740
Unquoted equity securities	-	-	174	174
Accrued interest	-	9,388	-	9,388
	129,907	891,007	174	1,021,088
01.01.2011				
Malaysian Government Securities	-	531,556	-	531,556
Unquoted corporate debt securities	-	232,399	-	232,399
Quoted equity securities	84,018	-	-	84,018
Unit trust funds	10,797	-	-	10,797
Negotiable instrument of deposits	-	35,546	-	35,546
Investment-linked funds	38,639	-	-	38,639
Unquoted equity securities	-	-	174	174
Accrued interest	-	7,729	-	7,729
	133,454	807,230	174	940,858

5 LOANS AND RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Policy loans	10,010	10,008	9,470
Mortgage loans	291	242	305
Other secured loans	880	895	895
	11,181	11,145	10,670
Allowance for impairment losses (note 30(a))	(725)	(942)	(942)
	10,456	10,203	9,728
Fixed and call deposits with licensed financial institutions	482,882	435,776	519,592
Accrued interest	420	420	414
	483,302	436,196	520,006
	493,758	446,399	529,734
Receivable within 12 months	483,302	436,196	520,006
Receivable after 12 months	10,456	10,203	9,728
	493,758	446,399	529,734

6 REINSURANCE ASSETS

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Reinsurance of insurance contracts			
- insurance claims liabilities	4,806	1,225	3,003
- insurance contract liabilities (note 11)	62,183	82,416	97,538
	66,989	83,641	100,541

7 INSURANCE RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Due premiums including agents/brokers and co-insurers balances	5,765	5,582	2,534
Receivable within 12 months	5,765	5,582	2,534

8 OTHER RECEIVABLES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Amount due from fund manager	1,668	635	1,651
Amount due from related parties	1,400	40,871	38,739
Deposits receivable	232	98	248
Dividend receivable	211	237	298
Subscription to LIAM shares	2,147	2,147	2,147
Other receivables	360	447	7,330
	6,018	44,435	50,413
Receivable within 12 months	3,871	42,288	48,266
Receivable after 12 months	2,147	2,147	2,147
	6,018	44,435	50,413

Amount due from related parties are unsecured, interest free and has no fixed repayment terms.

The carrying amounts disclosed above approximate fair values at the date of statement of financial position.

9 ASSETS HELD FOR SALE

	Freehold land RM'000	Building RM'000	Total RM'000
Cost			
At 01.01.2011	-	-	-
Transfer from property and equipment (note 3)	137	324	461
At 31.12.2011	137	324	461
Disposal	(137)	(324)	(461)
At 31.12.2012	-	-	-
Accumulated depreciation			
At 01.01.2011	-	-	-
Transfer from property and equipment (note 3)	-	78	78
At 31.12.2011	-	78	78
Disposal	-	(78)	(78)
At 31.12.2012	-	-	-
Accumulated impairment			
At 01.01.2011	-	-	-
Transfer from property and equipment (note 3)	-	22	22
At 31.12.2011	-	22	22
Disposal	-	(22)	(22)
At 31.12.2012	-	-	-
Net carrying amount			
01.01.2011	-	-	-
31.12.2011	137	224	361
31.12.2012	-	-	-

The assets held for sale in the financial year ended 31 December 2011 are in respect of self-occupied properties where a Sales and Purchase agreement had been signed. The transaction has been completed during the year with a loss on disposal of RM1,000 being recognised in the statement of comprehensive income.

10 SHARE CAPITAL

	31.12.2012		31.12.2011		01.01.2011	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RM'000	'000	RM'000	'000	RM'000
Authorised						
Ordinary shares of RM1 each:						
- At beginning/end of the financial year	250,000	250,000	250,000	250,000	250,000	250,000
Perpetual non-cumulative preference shares of RM1 each:						
- At beginning/end of the financial year	100,000	100,000	100,000	100,000	100,000	100,000
	350,000	350,000	350,000	350,000	350,000	350,000
Issued and fully paid						
Ordinary shares of RM1 each:						
- At beginning/end of the financial year	242,000	242,000	242,000	242,000	242,000	242,000
Perpetual non-cumulative preference shares of RM1 each:						
- At beginning/end of the financial year	100,000	100,000	100,000	100,000	100,000	100,000
	342,000	342,000	342,000	342,000	342,000	342,000

Features of the Perpetual Non-Cumulative Preference Shares ("PPS")

The PPS is a subordinated and unsecured obligation of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The PPS does not represent any fixed charge on the earnings of the Company and shall carry no voting rights at any general meeting of the ordinary shareholders of the Company.

The PPS confers the holder the right to receive a non-cumulative gross dividend of 8% per annum, payable annually in arrears on the anniversary of the issue date of the PPS. The payment of dividend under the PPS is at the Company's discretion.

The PPS is not convertible to ordinary shares of the Company and the tenure of the PPS is perpetual and can only be redeemed after year 2013 at the sole option of the Company subject to Bank Negara Malaysia's approval.

11 INSURANCE CONTRACT LIABILITIES

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

	31.12.2012			31.12.2011			01.01.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities	1,043,686	(62,183)	981,503	993,870	(82,416)	911,454	977,523	(97,538)	879,985
Unallocated surplus	224	-	224	515	-	515	221	-	221
Net asset value attributable to unitholders	88,494	-	88,494	96,824	-	96,824	102,939	-	102,939
	1,132,404	(62,183)	1,070,221	1,091,209	(82,416)	1,008,793	1,080,683	(97,538)	983,145

11 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 01.01.2012	1,091,209	(82,416)	1,008,793
Projected changes of inforce policies			
Premium income	66,665	(36,444)	30,221
Expense and commission	(16,715)	139	(16,576)
Benefits	(147,685)	35,304	(112,381)
Interest on cashflows	27,283	(1,563)	25,720
Others	(6,880)	4,957	(1,923)
Experience variance on inforce policies	6,956	27	6,983
Reserve for new policies	82,635	(8,048)	74,587
Assumption changes			
Discount rate	11,578	(874)	10,704
Lapse rates	6,293	(111)	6,182
Restructuring of reinsurance arrangement	-	27,666	27,666
Expense reserve	15,532	-	15,532
Other changes	4,154	(820)	3,334
Movement in unallocated surplus	(291)	-	(291)
Movement in net asset value attributable to unitholders	(8,330)	-	(8,330)
At 31.12.2012	1,132,404	(62,183)	1,070,221

11 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 01.01.2011	1,080,683	(97,538)	983,145
Projected changes of inforce policies			
Premium income	44,373	(10,155)	34,218
Expense and commission	(12,670)	35	(12,635)
Benefits	(156,840)	15,650	(141,190)
Interest on cashflows	22,225	(1,820)	20,405
Others	4,382	302	4,684
Experience variance on inforce policies	8,153	1,609	9,762
Reserve for new policies	85,942	(3,437)	82,505
Assumption changes			
Discount rate	15,651	(1,501)	14,150
Lapse rates	165	(82)	83
Other changes	4,966	14,521	19,487
Movement in unallocated surplus	294	-	294
Movement in net asset value attributable to unitholders	(6,115)	-	(6,115)
At 31.12.2011	1,091,209	(82,416)	1,008,793

12 INSURANCE PAYABLES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Due to agents and intermediaries	1,915	1,660	2,953
Due to reinsurers and cedants	13,480	86,843	80,781
	15,395	88,503	83,734
Payable within 12 months	15,395	88,503	83,734

The carrying amounts disclosed above approximate fair values at the date of statement of financial position.

13 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Costs	-	-	34,345
Accretion of discounts	-	-	1,912
Net book value	-	-	36,257

On 7 March 2006, the Company issued a RM36,370,948, 5-year Redeemable Convertible Unsecured Loan Stock ("RCULS") at a nominal value of RM1 each to its holding company, CIG Berhad. The RCULS was issued in consideration for the transfer of an amount of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") detachable coupon (at 7.5% per annum) issued by the ultimate holding company, CIMB Group Holdings Berhad, to CIG Berhad which was subsequently transferred to the Company as a capital injection in 2005.

The maturity date of the RCULS was extended from 7 March 2011 to 27 May 2011 to coincide with the maturity date of the ICULS at the request of CIG Berhad. On 27 May 2011, the Company fully redeemed the RCULS at its nominal value together with all interest unpaid up to the date of the redemption amounting to RM13,654,000.

14 OTHER FINANCIAL LIABILITIES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Recoveries received on an impaired bond	12,611	11,022	11,022
Outstanding purchases of investment securities	471	114	6,525
Unprocessed proposals	3,286	16,785	19,306
Others	12,879	15,135	9,149
	29,247	43,056	46,002
Payable within 12 months	16,636	32,034	34,980
Payable after 12 months	12,611	11,022	11,022
	29,247	43,056	46,002

Recoveries received on an impaired bond are pre-judgement collection which is pending for final judgement under litigation.

The carrying amounts disclosed above approximate fair values at the date of statement of financial position.

15 OTHER PAYABLES

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Interest payable on RCULS	-	-	13,168
Amount due to a related party	-	193	193
Cash in suspense	17,571	7,956	8,146
Deposits	82	79	331
Provision for retirement benefits	43	51	47
Provision for unit pricing	-	1,469	7,350
Accrual for bonus	11,927	9,615	4,121
Accrual for electronic data processing expenses	683	2,229	5,930
Accrued expenses	5,836	2,970	13,155
Others	2,231	947	5,984
	38,373	25,509	58,425

15 OTHER PAYABLES (CONTINUED)

The carrying amounts disclosed above approximate fair value at the date of statement of financial position and all amounts are payable within one year except for provision for retirement benefits as disclosed below:

Provision for retirement benefits

	31.12.2012 RM'000	31.12.2011 RM'000
At beginning of the financial year	51	47
(Reversal)/provision for the financial year	(8)	4
At end of the financial year	43	51
Payable after 12 months	43	51

The principal actuarial assumptions used in respect of the Company's provision for retirement benefits were as follows:

	31.12.2012 %	31.12.2011 %
Discount rate	3.2	3.4
Expected rate of salary increase	5.0	5.0

16 DEFERRED TAX LIABILITIES

	31.12.2012 RM'000	31.12.2011 RM'000
At January	3,505	7,742
Recognised in:		
Profit or loss (note 23)	11,022	(5,371)
Other operating expenses (note 22)	(282)	1,134
At December	14,245	3,505
Current	182	3,481
Non-current	14,063	24
	14,245	3,505

16 DEFERRED TAX LIABILITIES (CONTINUED)

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 taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Deferred tax liabilities	14,285	4,355	7,742
Deferred tax assets	(40)	(850)	-
	14,245	3,505	7,742

	Accelerated depreciation	Revaluation-financial assets	Reserves	Total
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities/(assets)				
At 01.01.2011	728	1,071	5,943	7,742
Recognised in:				
Profit or loss (note 23)	-	(3,130)	(2,241)	(5,371)
Other operating expenses (note 22)	(75)	1,209	-	1,134
At 31.12.2011	653	(850)	3,702	3,505
Recognised in:				
Profit or loss (note 23)	-	1,026	9,996	11,022
Other operating expenses (note 22)	(66)	(216)	-	(282)
At 31.12.2012	587	(40)	13,698	14,245

16 DEFERRED TAX LIABILITIES (CONTINUED)

The composition of deferred tax assets/liabilities before and after appropriate offsetting, is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Subject to income tax:			
Deferred tax assets (before offsetting)			
Financial assets	(40)	(850)	-
	(40)	(850)	-
Offsetting	40	850	-
Deferred tax assets (after offsetting)	-	-	-
Deferred tax liabilities (before offsetting)			
Financial assets	-	-	1,071
Property and equipment	587	653	728
Reserves	13,698	3,702	5,943
	14,285	4,355	7,742
Offsetting	(40)	(850)	-
Deferred tax liabilities (after offsetting)	14,245	3,505	7,742

17 INVESTMENT INCOME

	31.12.2012 RM'000	31.12.2011 RM'000
Rental income	570	760
HTM financial assets		
Accretion of discounts (note 4)	-	1,390
Financial assets at FVTPL - designated upon initial recognition		
Interest income	39,080	36,303
Dividend income		
- equity securities quoted in Malaysia	3,264	4,829
- equity securities unquoted in Malaysia	18	-
LAR interest income	13,101	16,033
	56,033	59,315

18 NET REALISED (LOSS)/GAINS

	31.12.2012 RM'000	31.12.2011 RM'000
Loss on disposal of assets held for sale	(1)	-
Gain on disposal of property and equipment	-	240

19 NET FAIR VALUE GAINS/(LOSSES)

	31.12.2012 RM'000	31.12.2011 RM'000
Financial assets at FVTPL - designated upon initial recognition		
Unrealised (losses)/gains (note 4)	(814)	11,032
Realised gains:		
- Malaysian Government Securities	2,277	-
- quoted equity securities	10,133	7,434
- unquoted corporate debt securities	3,609	-
- Investment-linked funds	131	3,035
Realised losses:		
- unquoted corporate debt securities	-	(803)
- negotiable instrument of deposits	-	(52)
	15,336	20,646

20 OTHER OPERATING INCOME

	31.12.2012 RM'000	31.12.2011 RM'000
Recoveries from impaired bonds	2,195	3,820
Reversal of impairment on freehold building (note 3)	2,185	-
Reversal of impairment on financial asset (note 30(a))	217	-
Realised gain on foreign exchange	71	2
Others	14,302	4,610
	18,970	8,432

21 MANAGEMENT EXPENSES

	31.12.2012 RM'000	31.12.2011 RM'000
Employee benefits expense (note 21(a))	31,261	27,778
Directors' fees and allowance (note 21(b))	273	240
Auditors' remuneration:		
- current financial year	436	431
- under accrual in respect of prior financial years	57	214
Electronic data processing expenses	3,788	1,936
Advertising expenses	9,926	2,650
Depreciation of property and equipment (note 3)	4,078	4,113
Write off of property and equipment (note 3)	50	2,567
Rental expenses	166	147
PIDM levy	1,656	528
Telephone and postage expenses	1,584	1,142
Recharges cost to Aviva Asia Private Limited	4,343	-
Others	12,234	10,039
	69,852	51,785

21 MANAGEMENT EXPENSES (CONTINUED)

		31.12.2012 RM'000	31.12.2011 RM'000
(a)	Employee benefits expense		
	Salaries and bonus	25,103	23,873
	Defined benefit plan	-	4
	Contributions to defined contribution plan, EPF	3,836	1,434
	Expatriate allowances	211	454
	Other staff benefits	2,111	2,013
		31,261	27,778

(b) Directors' remuneration

The details of remuneration received and receivable by Directors during the financial year are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Executive:		
Salaries and bonus	2,051	1,220
Post employment benefits	287	161
Benefits-in-kind	206	337
	2,544	1,718
Non-executive:		
Fees and allowance	273	240
	2,817	1,958
Represented by:		
Directors' fees and allowance	273	240
Amount included in employee benefits expense	2,338	1,381
Estimated monetary value of benefits-in-kind	206	337

The Executive Director is the former Chief Executive Officer of the Company.

The income tax for the Life fund and investment-linked funds of the insurance business is calculated based on the tax rate of 8% (2011: 8%) of the assessable investment income, net of allowable deductions for the financial year.

22 OTHER OPERATING EXPENSES

	31.12.2012 RM'000	31.12.2011 RM'000
Tax expense on investment income of Life fund and Investment-linked funds:		
- Current tax	8,097	6,592
- Underprovision in previous financial years	7,233	-
- Deferred tax (note 16)	(282)	1,134
Impairment of property and equipment (note 3)	-	5,106
Others	-	5,051
	15,048	17,883

23 TAXATION

	31.12.2012 RM'000	31.12.2011 RM'000
Tax expense on the profit for the financial year:		
Income tax:		
Current tax	5,637	11,371
Deferred tax (note 16)	11,022	(5,371)
	16,659	6,000
(Over)/under provision in prior financial years	(3,719)	1
	12,940	6,001

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to the effective income tax rate of the Company is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Profit before taxation	82,515	28,789
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	20,629	7,197
Section 110B tax credit set off	(3,970)	(1,679)
Expenses not deductible for tax purposes	-	482
(Over)/under provision in prior financial years	(3,719)	1
Tax expense for the financial year	12,940	6,001

24 EARNINGS PER SHARE

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

	31.12.2012	31.12.2011
Profit attributable to ordinary equity holders (RM'000)	69,575	22,788
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	28.75	9.42

Diluted earnings per share are not presented as there are no dilutive potential ordinary shares as at the reporting date.

25 DIVIDENDS

	Sen per share (net of tax)	Total amount RM'000
Dividend paid:		
In respect of financial year ended 31 December 2011:		
Single-tier preference dividend of RM0.08 per share on 100,000,000 perpetual non-cumulative preference shares	8.0	8,000

26 CAPITAL COMMITMENTS

	31.12.2012 RM'000	31.12.2011 RM'000
Capital expenditure		
Approved but not contracted for:		
Property and equipment	-	907
Approved and contracted for:		
Property and equipment	478	933

27 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Company, are as follows:

Company	Country of incorporation	Relationship
CIMB Group Holdings Berhad ("CIMBG")	Malaysia	Ultimate holding company of a significant shareholder
CIG Berhad ("CIGB")	Malaysia	Significant shareholder
Aviva International Holdings Limited ("AIHL")	United Kingdom	Significant shareholder
Aviva Asia Private Limited ("APPL")	Singapore	Subsidiary of a significant shareholder
CIMB Bank Berhad ("CIMB Bank")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Investment Bank Berhad ("CIMB")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Principal Asset Management Berhad ("CIMB Principal")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Wealth Advisor Berhad ("CWAB")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Islamic Bank Berhad ("CIBB")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Aviva Takaful Berhad ("CATB")	Malaysia	Common shareholders and directors
Key management personnel		*

* Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company comprised the executive committee members of the Company.

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on terms and conditions negotiated between the related parties.

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year:

	31.12.2012 RM'000	31.12.2011 RM'000
(Income)/expenses		
Premiums received from CIMB Bank and CIMB Principal	(1,183)	(1,177)
Interest earned from deposits in CIMB Bank	(3,354)	(466)
Commission paid to CIMB Bank, CIMB and CWAB	22,086	26,778
Rental income received from CIMB Bank and CATB	(508)	(687)
Shared service expenses charged to CATB	(17,950)	(13,479)
Reinsurance claim recoveries from CATB	(169)	(1,067)
Interest expense on RCULS paid to CIGB	-	600
Recharges of cost paid to AAPL and CIMB Bank	4,650	4,520
Investment management fee paid to CIMB Principal	585	646
Internal audit fees paid to CIMBG	595	578

Included in the statement of financial position of the Company are significant related party balances, represented by the following:

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Amount due from other related companies within CIMB Group Holdings Berhad:			
Bank balances	2,844	8,245	18,595
Fixed and call deposits with financial institutions	27,544	15,152	44,319
Investment-linked funds	27,407	33,435	35,546
Quoted equity securities	2,445	7,715	8,849
Amount due from related parties	1,400	40,678	38,546

Amount due from related parties are unsecured, non-interest bearing and have no fixed repayment terms.

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

Total compensation paid and payable to the Company's key management personnel during the financial year was as follows:

	31.12.2012	31.12.2011
	RM'000	RM'000
Salaries and other short-term employee benefits	7,249	5,119
Post-employment benefits	910	602
	8,159	5,721

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM398,568 (2011 : RM604,380).

28 RISK MANAGEMENT FRAMEWORK

(a) Risk management

The Board recognises that risk management is an integral part of the Company's business objectives and is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has adopted a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Board Risk Committee ("BRC") with the primary responsibility of ensuring the effective functioning of the RMF. The BRC is supported by management-level committees; namely, the Risk Management Committee ("RMC") and Asset and Liability Committee ("ALCO"), that provides key focus on operational risk and financial and insurance risks.

The RMF involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the achievement of the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Company's strategies and functional activities throughout the financial year.

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by specialist risk functions (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the CIMB Group Internal Audit division (the third line of defence).

28 RISK MANAGEMENT FRAMEWORK (continued)

(a) Risk management (continued)

To promote a consistent and rigorous approach to risk management, we have a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As our business responds to changing market conditions and customer needs, the management regularly monitors the appropriateness of the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management

Capital management risk is defined as the risk of having an insufficient capital base, which undermines execution of strategic objectives, reduces the ability of a company to cope with losses not anticipated, and reduces confidence of the market, policyholders and creditors.

The Company's capital management objective is to maintain effective capital management processes and a prudent level of capital resources, consistent with the risk appetite agreed by the Board from time to time. It is designed to provide the principles to ensure the efficient management of capital whereby capital resources must be managed in a way which optimises returns to shareholders whilst safeguarding the interests of other stakeholders and the regulator.

The capital management strategy of the Company is to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of shareholders and maintain the level of capital as required under the Risk-Based Capital Framework by BNM.

(c) Governance and regulatory framework

The risk management policies identify the risks inherent in different elements of the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks and (where the risk is material) the minimum standards of control the Company is expected to maintain. From a risk management governance perspective, the BRC has been established to assist the Board in its oversight of risk and risk management in the Company. The BRC reports and recommends to the Board on the risk management strategies, policies, risk tolerance levels, review and assess the adequacy of the risk management policies and framework, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively. The BRC is supported by management-level committees; namely, the Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO") and Investment Committee ("IC"), that provides key focus on operational, financial and insurance risks.

28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Asset-Liability Management ("ALM") framework

The Company's ALM modelling is based on a projection of both assets and liabilities into the future. The Company monitors its asset and liability matching positions through monthly interest rate sensitivity tests and low risk government bonds management. The Company's investment policy requires that assets match as closely as possible with liabilities of the appropriate amount, type and duration to minimise ALM risk. It is a requirement of the policy to match the duration within a maximum deviation of one (1) year. At times this may either not be possible due to lack of availability of assets or not desirable if additional risk is required to make returns sufficient to meet policy owner guarantees.

29 INSURANCE RISK

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

The Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing financial advisory services coupled with insurance protection, the Company has to manage risks such as mortality (the death of policyholder), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer excessive risk exposures, using appropriate actuarial techniques as well as other mitigation measures.

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, sharing best practices in the setting of lapse assumptions, product design requirements, experience monitoring and required management actions.

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through the product cycle development process, financial analysis and pricing.

29 INSURANCE RISK (CONTINUED)

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

	31.12.2012			31.12.2011			01.01.2011		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Whole life	(35,886)	(604)	(36,490)	16,345	(379)	15,966	15,028	(237)	14,791
Term assurance	98,254	(3,676)	94,578	69,098	(5,144)	63,954	60,219	(6,066)	54,153
Endowment	343,807	(594)	343,213	353,890	(595)	353,295	363,127	(492)	362,635
Mortgage	552,847	(56,489)	496,358	530,664	(76,298)	454,366	499,522	(90,743)	408,779
Others	84,664	(820)	83,844	23,873	-	23,873	39,627	-	39,627
	1,043,686	(62,183)	981,503	993,870	(82,416)	911,454	977,523	(97,538)	879,985

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the 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 other published information. 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:

29 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Discount rate

Risk free discount rate is used to discount the cash flows for corresponding durations for non-participating and investment-linked policy liabilities calculation and participating insurance fund policies where only the guaranteed benefits are considered.

These risk free rates from durations of 1 to 15 years are the Malaysian Government Securities (“MGS”) yields taken from Bond Web, which is a recognised bond pricing agency in Malaysia. As the MGS yields are only available for terms of 1, 2, 3, 5, 7, 10 and 15 years, the yields in between these terms are interpolated.

For durations of 15 years or more, market yield with 15 years term to maturity are used.

The risk free rates employed are gross of tax on investment income of the life fund.

Fund-based yield

Fund-based yield is used in the valuation of actuarial liabilities for participating fund to discount the cash flows for corresponding durations where total guaranteed and non-guaranteed benefits are considered.

A flat gross fund-based yield of 4.2% per annum is assumed for all durations. This is derived based on the expected long term investment return of the participating fund as at 31 December 2012.

The Fund-based rates employed are deducted for tax on investment income of the life fund.

29 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Mortality and morbidity

Best estimate assumptions are based on the Company's recent experience studies. Mortality assumption used for the Company's major product is 70% of the industry's mortality table with provision of risk margin for adverse deviaton ("PRAD") of 10%.

Lapse rate

Best estimate assumptions are based on the Company's recent experience studies. Depending on the product's feature, PRAD is set at 25% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of the Company. An inflation rate of 3.5% per annum is adopted for each policy expense. Maintenance expense overrun for future years have been capitalised and set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked Funds' future growth rate

The MGS rates, net of tax is used to estimate the growth rate assumption of the unit value of the investment-linked funds.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be 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.

29 INSURANCE RISK (CONTINUED)

Sensitivities (continued)

	Change in best estimate assumptions	Impact on gross actuarial liabilities	Impact on net actuarial liabilities	Impact on profit before tax	Impact on equity*
	%	RM'000	RM'000	RM'000	RM'000
31.12.2012					
Mortality/morbidity	+10	49,652	11,563	(11,563)	(9,250)
Expenses	+10	7,127	7,127	(7,127)	(5,702)
Lapse and surrender rates	+10	2,438	3,801	(3,801)	(3,041)
Discount rate	-1	71,699	66,429	(66,429)	(53,143)
31.12.2011					
Mortality/morbidity	+10	46,244	26,905	(26,905)	(21,524)
Expenses	+10	5,822	5,822	(5,822)	(4,658)
Lapse and surrender rates	+10	1,264	2,053	(2,053)	(1,642)
Discount rate	-1	66,061	60,120	(60,120)	(48,096)
01.01.2011					
Mortality/morbidity	+10	42,760	25,568	(25,568)	(20,454)
Expenses	+10	5,252	5,252	(5,252)	(4,202)
Lapse and surrender rates	+10	(433)	(272)	272	(218)
Discount rate	-1	63,586	57,674	(57,674)	(46,139)

* Impact on equity reflects adjustments for tax, where applicable.

In the sensitivity analysis above, the impact from changes in best estimate assumptions for the life fund is retained within the insurance contract liabilities.

The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

30 FINANCIAL RISKS

(a) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations of the principal and/or interest. Exposure to such risk arises primarily from default risk of corporate bonds purchased.

The Company manages the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Company is also exposed to credit risk through the use of reinsurance. Reinsurance arrangements are only placed with providers who meet the Company's counterparty credit standards.

The Company only purchases corporate bonds of high credit standing (with minimum rating of AA) as rated by authorised rating agencies. The Company also actively monitors and considers the risk of fall in the value of fixed interest securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Investment Guidelines of the Company.

The method used in monitoring the credit risk exposure to the Company did not change from the previous financial year.

The Company has not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to certificateholders are linked to the performance and value of the assets that back those liabilities and shareholders have no direct exposure to any credit risk in these assets. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

31.12.2012	Life and Shareholders' funds	Investment-linked funds	Total
	RM'000	RM'000	RM'000
LAR			
Fixed and call deposits	478,408	4,474	482,882
Loans	11,181	-	11,181
Accrued interest	419	1	420
Allowance for impairment losses	(725)	-	(725)
Financial assets at FVTPL – designated upon initial recognition			
Malaysian Government Securities	490,270	1,027	491,297
Cagamas	22,859	-	22,859
Quoted equity securities	53,530	27,997	81,527
Unit trust funds	12,738	-	12,738
Unquoted corporate debt securities	360,985	28,130	389,115
Investment-linked funds	33,133	-	33,133
Negotiable instrument of deposits	-	27,407	27,407
Unquoted equity securities	174	-	174
Accrued interest	9,580	310	9,890
Reinsurance assets	66,989	-	66,989
Insurance receivables	5,765	-	5,765
Other receivables	5,757	261	6,018
Cash and bank balances	3,576	4	3,580
	1,554,639	89,611	1,644,250

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. (continued)

31.12.2011	Life and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
LAR			
Fixed and call deposits	429,037	6,739	435,776
Loans	11,145	-	11,145
Accrued interest	419	1	420
Allowance for impairment losses	(942)	-	(942)
Financial assets at FVTPL – designated upon initial recognition			
Malaysian Government Securities	539,135	1,046	540,181
Cagamas	22,780	-	22,780
Quoted equity securities	55,402	29,354	84,756
Unit trust funds	13,411	-	13,411
Unquoted corporate debt securities	257,675	27,548	285,223
Investment-linked funds	31,740	-	31,740
Negotiable instrument of deposits	-	33,435	33,435
Unquoted equity securities	174	-	174
Accrued interest	9,099	289	9,388
Reinsurance assets	83,641	-	83,641
Insurance receivables	5,582	-	5,582
Other receivables	44,155	280	44,435
Cash and bank balances	8,733	6	8,739
	1,511,186	98,698	1,609,884

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. (continued)

01.01.2011	Life and Shareholders' funds	Investment-linked funds	Total
	RM'000	RM'000	RM'000
HTM financial assets Debt securities	48,635	-	48,635
LAR			
Fixed and call deposits	503,188	16,404	519,592
Loans	10,670	-	10,670
Accrued interest	411	3	414
Allowance for impairment losses	(942)	-	(942)
Financial assets at FVTPL – designated upon initial recognition			
Malaysian Government Securities	530,497	1,059	531,556
Quoted equity securities	56,655	27,363	84,018
Unit trust funds	10,797	-	10,797
Unquoted corporate debt securities	159,539	24,225	183,764
Investment-linked funds	38,639	-	38,639
Negotiable instrument of deposits	-	35,546	35,546
Unquoted equity securities	174	-	174
Accrued interest	7,427	302	7,729
Reinsurance assets	100,541	-	100,541
Insurance receivables	2,534	-	2,534
Other receivables	48,596	1,817	50,413
Cash and bank balances	18,787	-	18,787
	1,536,148	106,719	1,642,867

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit 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					Not subject	Investment-	Past due but	Past due	
31.12.2012	AAA	AA	A	BBB	Not rated	to credit risk	linked funds	not impaired	and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR										
Fixed and call deposits	365,312	110,681	2,415	-	-	-	4,474	-	-	482,882
Loans	-	-	-	-	10,301	-	-	155	725	11,181
Accrued interest	338	81	-	-	-	-	1	-	-	420
Allowance for impairment losses	-	-	-	-	-	-	-	-	(725)	(725)
Financial assets at FVTPL										
- designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	490,270	-	1,027	-	-	491,297
Cagamas	22,859	-	-	-	-	-	-	-	-	22,859
Quoted equity securities	-	-	-	-	-	53,530	27,997	-	-	81,527
Unit trust funds	-	-	-	-	-	12,738	-	-	-	12,738
Unquoted corporate debt securities	40,978	46,560	2,296	-	271,151	-	28,130	-	-	389,115
Investment-linked funds	-	-	-	-	-	33,133	-	-	-	33,133
Negotiable instrument of deposits	-	-	-	-	-	-	27,407	-	-	27,407
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Accrued interest	541	556	8	-	8,475	-	310	-	-	9,890
Reinsurance assets	-	47,315	5	-	19,669	-	-	-	-	66,989
Insurance receivables	-	-	-	-	5,765	-	-	-	-	5,765
Other receivables	-	-	-	-	5,757	-	261	-	-	6,018
Cash and bank balances	3,427	-	-	-	149	-	4	-	-	3,580
	433,455	205,193	4,724	-	811,537	99,575	89,611	155	-	1,644,250

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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. (continued)

	Neither past-due nor impaired					Not subject	Investment-	Past due but	Past due	
31.12.2011	AAA	AA	A	BBB	Not rated	to credit risk	linked funds	not impaired	and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAR										
Fixed and call deposits	13,574	209,574	133,467	-	72,422	-	6,739	-	-	435,776
Loans	-	-	-	-	10,032	-	-	171	942	11,145
Accrued interest	6	254	12	-	147	-	1	-	-	420
Allowance for impairment losses	-	-	-	-	-	-	-	-	(942)	(942)
Financial assets at FVTPL										
- designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	539,135	-	1,046	-	-	540,181
Cagamas	22,780	-	-	-	-	-	-	-	-	22,780
Quoted equity securities	-	-	-	-	-	55,402	29,354	-	-	84,756
Unit trust funds	-	-	-	-	-	13,411	-	-	-	13,411
Unquoted corporate debt securities	63,512	54,509	21,158	-	118,496	-	27,548	-	-	285,223
Investment-linked funds	-	-	-	-	-	31,740	-	-	-	31,740
Negotiable instrument of deposits	-	-	-	-	-	-	33,435	-	-	33,435
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Accrued interest	915	691	322	-	7,171	-	289	-	-	9,388
Reinsurance assets	-	30,955	976	-	51,710	-	-	-	-	83,641
Insurance receivables	-	-	-	-	5,582	-	-	-	-	5,582
Other receivables	-	-	-	-	44,155	-	280	-	-	44,435
Cash and bank balances	8,642	-	-	-	91	-	6	-	-	8,739
	109,429	295,983	155,935	-	848,941	100,727	98,698	171	-	1,609,884

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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. (continued)

	Neither past-due nor impaired					Not subject	Investment-	Past due but	Past due	
01.01.2011	AAA	AA	A	BBB	Not rated	to credit risk	linked funds	not impaired	and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
HTM financial assets										
Debt securities	-	48,635	-	-	-	-	-	-	-	48,635
LAR										
Fixed and call deposits	-	210,683	163,508	128,997	-	-	16,404	-	-	519,592
Loans	-	-	-	-	9,704	-	-	24	942	10,670
Accrued interest	-	172	134	105	-	-	3	-	-	414
Allowance for impairment losses	-	-	-	-	-	-	-	-	(942)	(942)
Financial assets at FVTPL										
- designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	530,497	-	1,059	-	-	531,556
Quoted equity securities	-	-	-	-	-	56,655	27,363	-	-	84,018
Unit trust funds	-	-	-	-	-	10,797	-	-	-	10,797
Unquoted corporate debt securities	68,358	60,904	20,266	3,985	6,026	-	24,225	-	-	183,764
Investment-linked funds	-	-	-	-	-	38,639	-	-	-	38,639
Negotiable instrument of deposits	-	-	-	-	-	-	35,546	-	-	35,546
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Accrued interest	736	656	218	43	5,774	-	302	-	-	7,729
Reinsurance assets	-	28,257	2,358	-	69,926	-	-	-	-	100,541
Insurance receivables	-	-	-	-	2,534	-	-	-	-	2,534
Other receivables	-	-	-	-	48,596	-	1,817	-	-	50,413
Cash and bank balances	101	18,609	-	-	77	-	-	-	-	18,787
	69,195	367,916	186,484	133,130	673,134	106,265	106,719	24	-	1,642,867

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Age analysis of financial assets past due but not impaired

	<30 days RM'000	30 to 60 days RM'000	60 to 91 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000
31.12.2012						
Loans and receivables	-	-	-	-	155	155
31.12.2011						
Loans and receivables	-	-	-	-	171	171
01.01.2011						
Loans and receivables	-	1	-	9	14	24

30 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Impaired financial assets

As at 31 December 2012, impaired financial assets comprised of loans and receivables arising from commercial loans of RM725,000 (2011: RM725,000, 2010: RM725,000) and mortgage loans granted to former employees of the Company amounting to nil (2011: RM217,000, 2010: RM217,000) which have been fully provided for impairment losses. No collateral is held as security for these impaired assets. A reconciliation of the allowance for impairment losses for loans and receivables is as follows:

	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
At beginning of the year	942	942	942
Reversal of impairment (note 20)	(217)	-	-
At the end of the year (note 5)	725	942	942

(b) Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Investment Department of the Company manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company has a strong liquidity position and seeks to maintain sufficient financial resources to meet its obligations as they fall due.

The method used in monitoring the liquidity risk did not change from the previous financial year.

Maturity profiles

The table below summarises the maturity profile of the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities which are presented with their expected cash flows.

The Investment-linked funds are the assets of the Investment-linked contracts backing the Investment-linked policyholders' account in the insurance contract liabilities.

Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column. Repayments which are subject to notice are treated as if such notice were to be given immediately.

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

31.12.2012	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
LAR									
Fixed and call deposits	482,882	478,944	-	-	-	-	-	4,474	483,418
Loans	10,456	10,456	-	-	-	-	-	-	10,456
Accrued interest	420	419	-	-	-	-	-	1	420
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysian Government Securities	491,297	5,028	43,185	-	596,058	17,966	-	1,027	663,264
Cagamas	22,859	-	-	-	29,999	-	-	-	29,999
Quoted equity securities	81,527	-	-	-	-	-	53,530	27,997	81,527
Unit trust funds	12,738	-	-	-	-	-	12,738	-	12,738
Unquoted corporate debt securities	389,115	68,146	56,469	49,616	286,597	66,522	-	28,130	555,480
Investment-linked funds	33,133	-	-	-	-	-	33,133	-	33,133
Negotiable instrument of deposits	27,407	-	-	-	-	-	-	27,407	27,407
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Accrued interest	9,890	9,580	-	-	-	-	-	310	9,890
Reinsurance assets	66,989	66,989	-	-	-	-	-	-	66,989
Insurance receivables	5,765	5,765	-	-	-	-	-	-	5,765
Other receivables	6,018	5,757	-	-	-	-	-	261	6,018
Cash and bank balances	3,580	3,576	-	-	-	-	-	4	3,580
Total assets	1,644,250	654,660	99,654	49,616	912,654	84,488	99,575	89,611	1,990,258

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31.12.2012									
Insurance contract liabilities	1,132,404	171,251	165,307	143,252	568,152	242,907	71,761	88,494	1,451,124
Insurance claims liabilities	14,992	14,992	-	-	-	-	-	-	14,992
Insurance payables	15,395	15,395	-	-	-	-	-	-	15,395
Other financial liabilities	29,247	28,969	-	-	-	-	-	278	29,247
Other payables	38,373	38,152	-	-	-	-	-	220	38,372
Total liabilities	1,230,411	268,759	165,307	143,252	568,152	242,907	71,761	88,992	1,549,130

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

31.12.2011	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
LAR									
Fixed and call deposits	435,776	429,409	-	-	-	-	-	6,739	436,148
Loans	10,203	10,203	-	-	-	-	-	-	10,203
Accrued interest	420	419	-	-	-	-	-	1	420
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysian Government Securities	540,181	15,255	50,246	-	662,625	18,256	-	1,046	747,428
Cagamas	22,780	-	-	-	31,189	-	-	-	31,189
Quoted equity securities	84,756	-	-	-	-	-	55,402	29,354	84,756
Unit trust funds	13,411	-	-	-	-	-	13,411	-	13,411
Unquoted corporate debt securities	285,223	44,538	103,089	50,403	150,970	-	-	27,548	376,548
Investment-linked funds	31,740	-	-	-	-	-	31,740	-	31,740
Negotiable instrument of deposits	33,435	-	-	-	-	-	-	33,435	33,435
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Accrued interest	9,388	9,099	-	-	-	-	-	289	9,388
Reinsurance assets	83,641	83,641	-	-	-	-	-	-	83,641
Insurance receivables	5,582	5,582	-	-	-	-	-	-	5,582
Other receivables	44,435	44,155	-	-	-	-	-	280	44,435
Cash and bank balances	8,739	8,733	-	-	-	-	-	6	8,739
Total assets	1,609,884	651,034	153,335	50,403	844,784	18,256	100,727	98,698	1,917,237

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
31.12.2011									
Insurance contract liabilities	1,091,209	200,812	158,314	143,107	558,973	211,985	53,029	96,824	1,423,044
Insurance claims liabilities	12,437	12,437	-	-	-	-	-	-	12,437
Insurance payables	88,503	88,503	-	-	-	-	-	-	88,503
Other financial liabilities	43,056	43,019	-	-	-	-	-	37	43,056
Other payables	25,509	24,470	-	-	-	-	-	1,039	25,509
Total liabilities	1,260,714	369,241	158,314	143,107	558,973	211,985	53,029	97,900	1,592,549

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

01.01.2011	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
HTM financial assets									
Debt securities	48,635	48,635	-	-	-	-	-	-	48,635
LAR									
Fixed and call deposits	519,592	503,579	-	-	-	-	-	16,404	519,983
Loans	9,728	9,728	-	-	-	-	-	-	9,728
Accrued interest	414	411	-	-	-	-	-	3	414
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysian Government Securities	531,556	-	43,071	58,639	616,711	37,364	-	1,059	756,844
Quoted equity securities	84,018	-	-	-	-	-	56,655	27,363	84,018
Unit trust funds	10,797	-	-	-	-	-	10,797	-	10,797
Unquoted corporate debt securities	183,764	66,609	77,123	50,360	77,369	-	-	24,225	295,686
Investment-linked funds	38,639	-	-	-	-	-	38,639	-	38,639
Negotiable instrument of deposits	35,546	-	-	-	-	-	-	35,546	35,546
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Accrued interest	7,729	7,427	-	-	-	-	-	302	7,729
Reinsurance assets	100,541	100,541	-	-	-	-	-	-	100,541
Insurance receivables	2,534	2,534	-	-	-	-	-	-	2,534
Other receivables	50,413	48,596	-	-	-	-	-	1,817	50,413
Cash and bank balances	18,787	18,787	-	-	-	-	-	-	18,787
Total assets	1,642,867	806,847	120,194	108,999	694,080	37,364	106,265	106,719	1,980,468

30 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Investment-linked funds RM'000	Total RM'000
01.01.2011									
Insurance contract liabilities	1,080,683	217,300	147,848	142,918	550,670	220,890	38,686	102,939	1,421,251
Insurance claims liabilities	13,372	13,372	-	-	-	-	-	-	13,372
Insurance payables	83,734	83,734	-	-	-	-	-	-	83,734
Redeemable convertible unsecured loan stocks	36,257	36,257	-	-	-	-	-	-	36,257
Other financial liabilities	46,002	46,002	-	-	-	-	-	-	46,002
Other payables	58,425	55,547	-	-	-	-	-	2,878	58,425
Total liabilities	1,318,473	452,212	147,848	142,918	550,670	220,890	38,686	105,817	1,659,041

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and interest rates.

The Company manages market risk by adopting close asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However where any mismatch is within the Company's appetite, the impact is monitored through economic capital measures such as the RBC Framework.

Volatility in market prices is the Company's largest market risk exposure. The Company monitors market price movements through regular stress/sensitivity testing and constant supervision.

The method used in monitoring market risk did not change from the previous financial year.

(i) <u>Interest rate risk</u>

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

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed rate instruments expose the Company to fair value interest risk.

The Company's interest risk policy requires management to manage the risk by maintaining an appropriate mix of instruments with variable risks and tenure. The policy also requires management to manage the maturities of interest-bearing financial assets and liabilities. Interest on floating rate instruments will be re-priced at intervals of not more than one (1) year. Interest on fixed rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Company has no significant concentration of interest rate risk.

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

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	31.12. 2012	
Change in variables	Impact on profit before taxation RM'000	Impact on equity* RM'000
+ 100 basis points	(3,527)	(2,645)
- 100 basis points	2,748	2,061

	31.12. 2011	
Change in variables	Impact on profit before taxation RM'000	Impact on equity* RM'000
+ 100 basis points	(7,465)	(5,599)
- 100 basis points	8,526	6,395

	01.01.2011	
Change in variables	Impact on profit before taxation RM'000	Impact on equity* RM'000
+ 100 basis points	(7,435)	(5,576)
- 100 basis points	8,528	6,396

* Impact on equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year.

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) 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), 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.

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 price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in the country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM's stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation (due to changes in fair value of financial assets whose changes in fair values are recorded in the profit or loss) and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	31.12. 2012	
Change in variables	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000
Market price		
+ 20%	15,354	11,515
- 20%	(15,354)	(11,515)

30 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

Change in variables	31.12. 2011 Impact on profit before taxation RM'000	Impact on equity* RM'000
Market price		
+ 20%	1,738	1,303
- 20%	(1,738)	(1,303)

Change in variables	01.01.2011 Impact on profit before taxation RM'000	Impact on equity* RM'000
Market price		
+ 20%	1,646	1,234
- 20%	(1,646)	(1,234)

* Impact on equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year.

(d) Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company has in place an operational risk policy ("the Policy") which outlines the approach in managing operational risks. From the governance perspective, the BRC and RMC monitor and oversee the implementation of the Policy to ensure that the risk management process is in place and functioning effectively.

31 REGULATORY CAPITAL REQUIREMENTS

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

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	342,000	342,000	342,000
Share premium	16,000	16,000	16,000
Retained earnings/(accumulated losses)	44,748	23,158	(8,597)
Eligible contract liabilities	72,602	22,600	34,077
	475,350	403,758	383,480
Tier 2 Capital			
Eligible reserves	-	-	2,924
Amounts added to capital	(5,366)	1,259	(1,210)
Total capital available	469,984	405,017	385,194

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32 INSURANCE FUNDS

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

The Company's statement of financial position and statement of comprehensive income have been further analysed by funds which are as follows:

Statement of financial position by Funds as at 31 December 2012

	Shareholders' Fund			Life Fund			Elimination			Total		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets												
Property and equipment	-	-	-	47,066	46,054	54,158	-	-	-	47,066	46,054	54,158
Financial assets	164,658	106,916	160,908	903,482	914,172	779,950	-	-	-	1,068,140	1,021,088	940,858
Loans and receivables	225,700	152,217	135,670	268,058	294,182	394,064	-	-	-	493,758	446,399	529,734
Reinsurance assets	-	-	-	66,989	83,641	100,541	-	-	-	66,989	83,641	100,541
Insurance receivables	-	-	-	5,765	5,582	2,534	-	-	-	5,765	5,582	2,534
Other receivables	70,064	143,847	139,904	6,018	44,430	50,408	(70,064)	(143,842)	(139,899)	6,018	44,435	50,413
Cash and bank balances	25	1	1	3,555	8,738	18,786	-	-	-	3,580	8,739	18,787
Current tax assets	11,201	(3,929)	(4,855)	(322)	7,813	7,221	-	-	-	10,879	3,884	2,366
Assets held for sale	-	-	-	-	361	-	-	-	-	-	361	-
Total assets	471,648	399,052	431,628	1,300,611	1,404,973	1,407,662	(70,064)	(143,842)	(139,899)	1,702,195	1,660,183	1,699,391

32 INSURANCE FUNDS (CONTINUED)

Statement of financial position by Funds as at 31 December 2012 (continued)

	Shareholders' Fund			Life Fund			Elimination			Total		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	342,000	342,000	342,000	-	-	-	-	-	-	342,000	342,000	342,000
Share premiums	16,000	16,000	16,000	-	-	-	-	-	-	16,000	16,000	16,000
Retained earnings	44,748	23,158	(8,597)	-	-	-	-	-	-	44,748	23,158	(8,597)
Reserves	54,791	14,806	23,773	-	-	-	-	-	-	54,791	14,806	23,773
Total equity	457,539	395,964	373,176	-	-	-	-	-	-	457,539	395,964	373,176
Liabilities												
Insurance contract liabilities	-	-	-	1,132,404	1,091,209	1,080,683	-	-	-	1,132,404	1,091,209	1,080,683
Insurance claims liabilities	-	-	-	14,992	12,437	13,372	-	-	-	14,992	12,437	13,372
Insurance payables	-	-	-	15,395	88,503	83,734	-	-	-	15,395	88,503	83,734
Redeemable convertible unsecured loan stocks	-	-	36,257	-	-	-	-	-	-	-	-	36,257
Other financial liabilities	-	-	-	29,247	43,056	46,002	-	-	-	29,247	43,056	46,002
Other payables	-	-	13,736	108,437	169,351	184,588	(70,064)	(143,842)	(139,899)	38,373	25,509	58,425
Deferred tax liabilities	14,109	3,088	8,459	136	417	(717)	-	-	-	14,245	3,505	7,742
Total liabilities	14,109	3,088	58,452	1,300,611	1,404,973	1,407,662	(70,064)	(143,842)	(139,899)	1,244,656	1,264,219	1,326,215
Total equity, policyholders' funds and liabilities	471,648	399,052	431,628	1,300,611	1,404,973	1,407,662	(70,064)	(143,842)	(139,899)	1,702,195	1,660,183	1,699,391

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32 INSURANCE FUNDS (CONTINUED)

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

	Shareholders' Fund		Life Fund		Total	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross premiums	-	-	280,890	252,877	280,890	252,877
Premiums ceded to reinsurers	-	-	7,781	(27,127)	7,781	(27,127)
Net premiums	-	-	288,671	225,750	288,671	225,750
Investment income	9,205	9,840	46,828	49,475	56,033	59,315
Net realised gains	-	-	-	240	-	240
Net fair value gains	2,850	2,758	12,486	17,888	15,336	20,646
Other operating income	1,745	-	17,225	8,432	18,970	8,432
Other income	13,800	12,598	76,539	76,035	90,339	88,633
Gross benefits and claims paid	-	-	(152,374)	(188,855)	(152,374)	(188,855)
Claims ceded to reinsurers	-	-	29,597	18,026	29,597	18,026
Gross change in contract liabilities	-	-	(41,195)	(10,526)	(41,195)	(10,526)
Change in contract liabilities ceded to reinsurers	-	-	(20,233)	(15,122)	(20,233)	(15,122)
Net claims	-	-	(184,205)	(196,477)	(184,205)	(196,477)

32 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income for the financial year ended 31 December 2012 (continued)

	Shareholders' Fund		Life Fund		Total	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fee and commission expense	-	-	(26,332)	(17,730)	(26,332)	(17,730)
Management expenses	-	-	(69,852)	(51,785)	(69,852)	(51,785)
Other operating expenses	-	(1)	(15,048)	(17,882)	(15,048)	(17,883)
Investment expenses	-	-	(1,057)	(1,119)	(1,057)	(1,119)
Interest expense on redeemable convertible unsecured loan stocks	-	(600)	-	-	-	(600)
Net realized loss	-	-	(1)	-	(1)	-
Other expenses	-	(601)	(112,290)	(88,516)	(112,290)	(89,117)
Profit from operations	13,800	11,997	68,715	16,792	82,515	28,789
Transfer from life fund	68,715	16,792	(68,715)	(16,792)	-	-
Profit before taxation	82,515	28,789	-	-	82,515	28,789
Taxation	(12,940)	(6,001)	-	-	(12,940)	(6,001)
Net profit for the financial year	69,575	22,788	-	-	69,575	22,788

32 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2012

	Shareholders' Fund		Life Fund		Total	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:						
Operating activities	8,024	36,257	(2,588)	7,523	5,436	43,780
Investing activities	-	-	(2,595)	(3,803)	(2,595)	(3,803)
Financing activities	(8,000)	(36,257)	-	(13,768)	(8,000)	(50,025)
Cash and cash equivalents:						
Net increase/(decrease) in cash and cash equivalents	24	-	(5,183)	(10,048)	(5,159)	(10,048)
At beginning of the financial year	1	1	8,738	18,786	8,739	18,787
At end of the financial year	25	1	3,555	8,738	3,580	8,739

33 INVESTMENT-LINKED FUNDS

Investment-linked Funds' statement of financial position as at 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
Assets			
Financial assets	84,871	91,672	88,495
Loans and receivables	4,475	6,740	16,407
Other receivables	261	280	1,817
Cash and bank balances	4	6	-
Total assets	89,611	98,698	106,719
Liabilities			
Other financial liabilities	278	37	-
Other payables	220	1,039	2,878
Current tax liabilities	338	471	453
Deferred tax liabilities	281	327	449
Total liabilities	1,117	1,874	3,780
Net asset value	88,494	96,824	102,939

Investment-linked fund's statement of comprehensive income for the financial year ended 31 December 2012

	2012 RM'000	2011 RM'000
Investment income	2,469	2,243
Net fair value gains	2,245	3,315
Other operating income	1	1,751
	4,715	7,309
Management expenses	(775)	(878)
Investment expenses	(345)	(265)
Profit before taxation	3,595	6,166
Taxation	(364)	(445)
Net profit for the financial year	3,231	5,721

32 INVESTMENT-LINKED FUNDS (CONTINUED)

The statement of financial position and statement of comprehensive income of Investment-linked funds have been adjusted for the following assets, liabilities and net asset value of CIMB Aviva Balanced Stable Fund ("CABS"), CIMB Aviva Balanced Moderate Fund ("CABM") and CIMB Aviva Balanced Aggressive Fund ("CABA") which have been eliminated as these funds only invested in CIMB Aviva Growth Fund and CIMB Aviva Conservative Fund:-

Statement of financial position	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000
Assets			
Financial assets	12,780	13,797	13,095
Other receivables	205	430	678
Total assets	12,985	14,227	13,773
Liabilities			
Other payables	33	263	705
Current tax liabilities	50	53	68
Deferred tax liabilities	133	125	125
Total liabilities	216	441	898
Net asset value	12,769	13,786	12,875

Statement of comprehensive income	2012	2011
	RM'000	RM'000
Net fair value gains	720	656
Other operating income	-	657
	720	1,313
Management expenses	-	(10)
Investment expenses	(11)	-
Other operating expenses	-	(13)
Profit before taxation	709	1,290
Taxation	(57)	(52)
Net profit for the financial year	652	1,238