Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2013

1009A4/ra

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

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Company No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD
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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 2013.

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.

CHANGE OF NAME

The Company changed its name from CIMB Aviva Assurance Berhad to Sun Life Malaysia Assurance Berhad on 19 August 2013 arising from the change in shareholders during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	74,255

DIVIDENDS

No dividends have been paid by the Company since the end of previous financial year.

At the forthcoming Annual General Meeting of the Company, a single-tier preference dividend in respect of the financial year ended 31 December 2013 of RM0.08 per preference share on 100,000,000 perpetual non-cumulative preference shares amounting to a preference dividend payable of RM8,000,000 will be proposed for shareholders' approval (the Proposed Dividend) subject always to the receipt of the requisite confirmation from Bank Negara Malaysia that it has no objection to the Proposed Dividend.

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.

DIRECTORS' REPORT (CONTINUED)

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
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (appointed as Chairman and Director on 13 May 2013)	4/4
Encik Mohd Yusof Bin Hussian (resigned as Chairman and Director on 13 May 2013)	3/3
Encik Pushpanathan A/L S.A. Kanagarayar	7/7
Encik Ooi Say Teng	7/7
Encik Renzo Christopher Viegas (appointed on 22 May 2013)	4/4
Dato' Mohd Shukri Bin Hussin (appointed on 22 May 2013)	4/4
Encik Ahmad Farouk Bin Mohamed (appointed on 22 May 2013)	4/4
Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz (appointed on 22 May 2013)	3/4
Encik Jose Isidro Navato Camacho (appointed on 23 May 2013)	3/4
Encik Roger David Steel (appointed on 8 November 2013)	1/1
Encik Peter William England (resigned on 22 May 2013)	2/3
Encik Izlan Bin Izhab (resigned on 22 May 2013)	3/3
Encik Allan Raymond Griffiths (resigned on 11 April 2013)	2/3
Cik Saw Teow Yam (resigned on 11 April 2013)	3/3
Encik Kevin David Strain (appointed on 9 May 2013 and resigned on 8 November 2013)	3/3

In accordance with Article 96 of the Company's Articles of Association, Y.Bhg. Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir, Y.Bhg. Dato' Mohd Shukri Bin Hussin and Encik Ooi Say Teng shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS (CONTINUED)

In accordance with Article 101 of the Company's Articles of Association, Encik Roger David Steel shall retire at the forthcoming Annual General Meeting and being eligible, offer himself 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 the Financial Services Act 2013 and Bank Negara Malaysia ("BNM") Guidelines in particular 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).

Audit Committee ("AC")

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

	Attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Independent Non-Executive Director) (appointed as Chairman on 29 May 2013)	2/2
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director) (resigned as Chairman on 29 May 2013)	4/4
Encik Roger David Steel (Non-Independent Non-Executive Director) (appointed on 26 November 2013)	1/1
Encik Mohd Yusof Bin Hussian (Independent Non-Executive Director) (resigned on 13 May 2013)	2/2
Encik Izlan Bin Izhab (Independent Non-Executive Director) (resigned on 22 May 2013)	2/2
Encik Kevin David Strain (Non-Independent Non-Executive Director) (appointed on 29 May 2013 and resigned on 8 November 2013)	1/1

The duties and responsibilities of the AC are as follows:

Financial Reporting

(i) Reviews with management and the External Auditor and makes recommendations to the Board of Directors on the approval of:
   - (a) The interim unaudited financial statements including the notes thereto; and
   - (b) The annual audited financial statements including the notes thereto.

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

External Auditor

(i) Reviews the independence of the External Auditor, including the requirements relating to such independence of the laws governing the Company and the applicable financial legislative and regulatory requirements;

(ii) Assesses the performance of the External Auditor and recommends to the Board the appointment or, if so determined by the Committee, the replacement of the External Auditor, subject to the approval of the shareholders;

(iii) Determines, reviews and approves the services to be performed by the External Auditor and the fees to be paid to the External Auditor for audit, audit-related and other services permitted by law;

(iv) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures and the resources that the External Auditor will devote to the audit; and

(v) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor.

Internal Control and Audit

(i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves the procedures;

(ii) Reviews management's reports on the effectiveness of the Company's disclosure controls and procedures and its internal control over financial reporting; and

(iii) Reviews with the management and the Head of Internal Audit:
  (a) The overall scope of the annual internal audit plan, including its coordination with the External Auditor's audit plan, and the adequacy of the resources available to the Head of Internal Audit; and
  (b) The effectiveness of the internal control procedures.

Governance

(i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Head of Internal Audit;

(ii) Ensures that the Head of Internal Audit has adequate authority, independence and resources to perform his mandate;

(iii) Ensures that an independent review of the Internal Audit function is conducted as needed;

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Governance (continued)

(iv) Discusses with the External Auditor the finance and control-related aspect of the material transactions that are being proposed by the Company;

(v) Reviews, and discusses with the External Auditor and Appointed Actuary such reports and regulatory returns of the Company as may be specified by law;

(vi) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities including management's responses and recommendations;

(vii) Discusses the qualifications for and determines whether a member of the Committee is a financial expert and in conjunction with the Remuneration and Nomination Committee ensures the on-going financial literacy of Committee members; and

(viii) Reviews any related party transactions and conflicts of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity.

Other

(i) Performs such other duties and exercises such powers as may, from time to time, be assigned to or vested in the Committee by the Board, and such other functions as may be required of an AC by law and regulations.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee ("RNC")

The composition of the RNC comprises Non-Executive Directors and the attendance of the RNC members at the meetings held during the financial year are indicated below:

	Attendance
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Independent Non-Executive Director) (appointed as Chairman on 29 May 2013)	2/2
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director) (appointed on 29 May 2013)	2/2
Encik Renzo Christopher Viegas (Non-Independent Non-Executive Director) (appointed on 29 May 2013)	2/2
Dato' Mohd Shukri Bin Hussin (Non-Independent Non-Executive Director) (appointed on 29 May 2013)	2/2
Encik Roger David Steel (Non-Independent Non-Executive Director) (appointed on 26 November 2013)	1/1
Encik Mohd Yusof Bin Hussian (Independent Non-Executive Director) (resigned on 13 May 2013)	1/1
Encik Izlan Bin Izhab (Independent Non-Executive Director) (resigned on 22 May 2013)	1/1
Encik Peter William England (Non-Independent Non-Executive Director) (resigned on 22 May 2013)	0/1
Encik Allan Raymond Griffiths (Non-Independent Non-Executive Director) (resigned on 11 April 2013)	0/1
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director) (resigned on 29 May 2013)	1/1
Encik Kevin David Strain (Non-Independent Non-Executive Director) (appointed on 29 May 2013 and resigned on 8 November 2013)	1/1

The duties and responsibilities of the RNC with regards to the nominating role are as follows:

(i) Establishing minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive and Independent Directors, and other core competencies required, through annual reviews;

(ii) Recommending and assessing the fitness and propriety of nominees for directorship, the Directors to fill Board Committees as well as nominees for the Chief Executive Officer position and the Company Secretary. This includes assessing the Directors and the Chief Executive Officer proposed for re-appointment before an application for approval is submitted to Bank Negara Malaysia;

(iii) Establishing a mechanism for formal assessment and assessing 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;

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee ("RNC") (continued)

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

(v) Ensuring that all Directors undergo appropriate induction programmes and receive continuous training;

(vi) Overseeing the appointments, management succession planning and performance evaluation of Key Senior Officers and recommending to the Board the removal of Key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities; and

(vii) To seek the services of such advisors or consultants as it deems necessary to fulfil its responsibilities.

The duties and responsibilities of the RNC with regards to the remuneration role are as follows:

(i) Recommending a framework of remuneration for Directors, Chief Executive Officer and Key Senior Officers; and

(ii) Recommending specific remuneration packages for Directors, Chief Executive Officer and Key Senior Officers.

Risk Management Committee ("RMC")

The composition of the RMC comprises Non-Executive Directors of the Company and the attendance of the RMC members at the meetings held during the financial year are indicated below:

	Attendance
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director) (appointed as Chairman on 29 May 2013)	3/3
Dato' Mohd Shukri Bin Hussin (Non-Independent Non-Executive Director) (appointed on 29 May 2013)	3/3
Encik Roger David Steel (Non-Independent Non-Executive Director) (appointed on 26 November 2013)	1/1
Encik Allan Raymond Griffiths (Non-Independent Non-Executive Director) (resigned on 11 April 2013)	1/1
Encik Mohd Yusof Bin Hussian (Independent Non-Executive Director) (resigned on 13 May 2013)	1/1
Encik Izlan Bin Izhab (Independent Non-Executive Director) (resigned on 22 May 2013)	1/1
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director) (resigned on 29 May 2013)	1/1
Encik Ooi Say Teng (Non-Independent Non-Executive Director) (resigned on 12 April 2013)	1/1
Encik Kevin David Strain (Non-Independent Non-Executive Director) (appointed on 29 May 2013 and resigned on 8 November 2013)	2/2

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

The duties and responsibilities of the RMC are as follows:

Risk Management

(i) Reviewing and recommending risk management strategies, policies, risk tolerance and risk appetite for the Board's approval;

(ii) Reviewing at least annually and assessing the adequacy of and compliance with Risk Management Policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(iii) Ensuring adequate infrastructure, resources and systems are in place for an effective risk management;

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

(v) Reviewing and assessing on matters as recommended by the Executive Committee, for the Board's approval;

(vi) Monitoring the performance of the Enterprise Risk Management Committee ("ERMC"), the Asset and Liability Committee ("ALCO") and the Investment Committee ("IC") within the context of the Company's strategy, risk appetite and charter of the respective Committees;

(vii) Reviewing and assessing the results of the stress and scenario testing, before endorsing for approval by the Board. In addition, ensuring timely identification and continuous monitoring of suitable corrective action plans by the senior management in addressing the identified risks;

(viii) Reviewing annually key risk-related issues incorporated into the business plans; and

(ix) Through the processes set out in the Risk Management Policies, reviewing management's actions related to the product design.

Compliance

(i) Reviewing at least annually and approving changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;

(ii) Reviewing at least annually the adequacy of and compliance with the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption and fraud; and

(iii) Reviewing quarterly compliance reports presented to the Committee with respect to, among other things, compliance trends and themes on an enterprise-wide basis, regulatory reviews and the Company's compliance risks and programmes.

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

Governance

(i) Reviewing, at least annually, and approving changes to the statements of mandate, responsibility and authority of the Chief Risk Officer and the Chief Actuary.

Executive Committee ("EC")

The EC comprises an equal number of directors nominated by each of the shareholders (the Nominees), with a maximum of two Nominees from each shareholder. The attendance of the EC members at the meetings held during the financial year are indicated below:

	Attendance
Encik Ahmad Farouk Mohamed (appointed on 29 May 2013)	1/1
Encik Roger David Steel (appointed on 26 November 2013)	1/1
Encik Kevin David Strain (appointed on 29 May 2013 and resigned on 8 November 2013)	0/0

The duties and responsibilities of the EC are as follows:

(i) Reviewing and recommending for approval of the matters set out in the Shareholders Agreement before being tabled to the Risk Management Committee and subsequently to the Board of Directors for deliberation and approval;

(ii) Reviewing and recommending for approval of the matters set out in the Shareholders Agreement before being tabled to the Board of Directors for deliberation and approval; and

(iii) Performing such other duties and exercises and such other powers as may, from time to time, be assigned to or vested in the EC by the Board.

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, the 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 DURING THE FINANCIAL YEAR

On 12 April 2013, Renggis Ventures Sdn Bhd, a subsidiary of Khazanah Nasional Berhad, and Sun Life Assurance Company of Canada, a subsidiary of Sun Life Financial Inc., successfully completed the acquisition of Sun Life Malaysia Assurance Berhad (formerly known as CIMB Aviva Assurance Berhad).

HOLDING COMPANIES

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company and Khazanah Nasional Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

DIRECTORS' REPORT (CONTINUED)

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.

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR
CHAIRMAN

OOI SAY TENG
DIRECTOR

Kuala Lumpur
21 March 2014

Company No.	
197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

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

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Assurance Berhad (formerly known as CIMB Aviva Assurance Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 16 to 92 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 2013 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.

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR	OOI SAY TENG
CHAIRMAN	DIRECTOR

Kuala Lumpur
21 March 2014

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

I, Choong Yick Kheong, being the Officer primarily responsible for the financial management of Sun Life Malaysia Assurance Berhad (formerly known as CIMB Aviva Assurance Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 92 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.

CHOONG YICK KHEONG

Subscribed and solemnly declared by the abovenamed Choong Yick Kheong at Kuala Lumpur in Malaysia on 21 March 2014, before me.

COMMISIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)
(Company No. 197499 U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Sun Life Malaysia Assurance Berhad (formerly known as CIMB Aviva Assurance Berhad), which comprise the statement of financial position as at 31 December 2013 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 16 to 92.

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 the 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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the 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 2013 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

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
21 March 2014

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
Property and equipment	3	41,777	47,066
Financial assets	4	1,212,878	1,068,140
Loans and receivables	5	397,200	493,758
Reinsurance assets	6	82,798	66,989
Insurance receivables	7	4,662	5,765
Other receivables	8	7,377	6,018
Cash and bank balances		25,736	3,580
Current tax assets		24,634	10,879
TOTAL ASSETS		1,797,062	1,702,195
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	9	342,000	342,000
Share premiums		16,000	16,000
Retained earnings		50,568	44,748
Reserves		123,226	54,791
Total equity		531,794	457,539
Insurance contract liabilities	10	1,152,794	1,132,404
Insurance claims liabilities		11,526	14,992
Insurance payables	11	11,142	15,395
Other financial liabilities	12	20,551	29,247
Other payables	13	40,326	38,373
Deferred tax liabilities	14	28,929	14,245
Total liabilities		1,265,268	1,244,656
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		1,797,062	1,702,195

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

Company No.

197499	U

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Gross premiums		379,158	280,890
Premiums ceded to reinsurers		(46,818)	7,781
Net premiums		332,340	288,671
Investment income	15	59,191	56,033
Net fair value gains	16	-	15,336
Other operating income	17	3,970	18,970
Other income		63,161	90,339
Gross benefits and claims paid		(154,944)	(152,374)
Claims ceded to reinsurers		38,303	29,597
Gross change in contract liabilities		(55,842)	(41,195)
Change in contract liabilities ceded to reinsurers		12,354	(20,233)
Net claims		(160,129)	(184,205)
Net fair value losses	16	(22,414)	-
Fee and commission expense		(36,003)	(26,332)
Management expenses	18	(78,758)	(69,852)
Other operating expenses		(153)	-
Investment expenses		(1,285)	(1,057)
Net realised loss	19	-	(1)
Other expenses		(138,613)	(97,242)
Profit before taxation		96,759	97,563
Tax expense attributable to participating policyholders		(640)	(692)
Profit before taxation attributable to Shareholders		96,119	96,871
Taxation	20	(22,504)	(27,988)
Tax expense attributable to participating policyholders		640	692
Tax expense attributable to Shareholders		(21,864)	(27,296)
Net profit and total comprehensive income for the financial year		74,255	69,575
Earnings per share (sen)			
Basic	21	30.68	28.75

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

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Share capital RM'000	Share premium RM'000	Reserves* RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2013	342,000	16,000	54,791	44,748	457,539
Total comprehensive income for the financial year	-	-	68,435	5,820	74,255
At 31 December 2013	342,000	16,000	123,226	50,568	531,794
At 1 January 2012	342,000	16,000	14,806	23,158	395,964
Dividends	-	-	-	(8,000)	(8,000)
Total comprehensive income for the financial year	-	-	39,985	29,590	69,575
At 31 December 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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SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	74,255	69,575
Adjustments for:		
Gross change in contract liabilities	55,842	41,195
Change in contract liabilities ceded to reinsurers	(12,354)	20,233
Property and equipment		
- depreciation	5,815	4,078
- write off	1,205	50
- reversal of impairment	-	(2,185)
Loss on disposal of assets held for sale	-	1
Net fair value losses/(gains) on investments at fair value through profit or loss	22,414	(15,336)
Interest income	(52,963)	(52,181)
Dividend income	(5,761)	(3,282)
Rental income	(467)	(570)
Reversal of impairment on financial assets	-	(217)
Provision for/(reversal of) retirement benefits	8	(8)
Taxation	22,504	27,988
Profit from operations before changes in operating assets and liabilities	110,498	89,341
Decrease/(increase) in loans and receivables	96,509	(47,142)
(Increase)/decrease in receivables	(230)	38,208
Decrease in insurance claims liabilities	(6,921)	(1,026)
Decrease in payables	(11,004)	(74,132)
Purchase of investments	(825,462)	(377,477)
Proceeds from disposal and maturity of investments	623,895	346,263
	(12,715)	(25,965)
Investment income received:		
- Dividend	5,643	3,308
- Interest	51,975	51,679
- Rental	467	570
Taxation paid	(21,483)	(24,156)
Net cash generated from operating activities	23,887	5,436

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	2013 RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	7	-
Proceeds from disposal of assets held for sale	-	360
Purchase of property and equipment	(1,738)	(2,955)
Net cash used in investing activities	(1,731)	(2,595)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(8,000)
Net cash used in financing activities	-	(8,000)
Net increase/(decrease) in cash and cash equivalents	22,156	(5,159)
Cash and cash equivalents at beginning of the financial year	3,580	8,739
Cash and cash equivalents at end of the financial year	25,736	3,580
Cash and cash equivalents comprise:		
Cash and bank balances	25,736	3,580

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 Directors regard Renggis Ventures Sdn Bhd as the immediate holding company and Khazanah Nasional Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 March 2014.

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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company's financial year beginning on or after 1 January 2013 are as follows:

MFRSs/Interpretations	Effective Date
MFRS 7 "Financial Instruments: Disclosures"	1 January 2013
MFRS 13 "Fair Value Measurement"	1 January 2013
MFRS 101 "Presentation of items of other comprehensive income"	1 July 2012

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' 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.

- MFRS 13, 'Fair Value Measurement' 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.

- Amendment to MFRS 101 'Presentation of items of other comprehensive income' 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.

There were no material changes to the Company's accounting policies other than enhanced disclosures to the financial statements.

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

(i) Effective from 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. The amendment is not expected to have a material impact on the financial statements of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(ii) Effective date yet to be determined by the Malaysian Accounting Standards Board (“MASB”)

- MFRS 9, ‘Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities’, replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- The Company has yet to assess the full impact of MFRS 9 onto the Company’s accounting policies. The Company will also consider the impact of the remaining phases of MFRS 9 when completed by the MASB.

All other new amendments to the published standards and interpretations to existing standards issued by the MASB effective for financial periods subsequent to 1 January 2014 are not relevant to the Company.

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. In the current financial year, the Company has aligned the estimated useful lives of its property and equipment to Sun Life Financial Inc., the ultimate holding company of the Company's significant shareholder, which resulted in the following revision:

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

The revision was accounted for as a change in accounting estimate and the additional depreciation charge amounted to RM2,087,000 in the current financial year.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Financial assets (continued)

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.

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) 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)

(g) 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)

(g) 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.

(h) 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 occurs 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)

(i) 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 Financial Services Act, 2013 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 includes 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 surrenders; and
- bonus on DPF policy upon its declaration.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Life insurance underwriting results (continued)

Benefits, claims and expenses (continued)

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

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.

(j) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

Adjustments to the liabilities at each reporting date are recorded in the Life fund. Profits originating 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.

(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 Financial Services Act, 2013 and related regulation by the Company's Appointed Actuary.

Surpluses in the non-DPF fund arising during the financial 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Insurance contract liabilities (continued)

(ii) Unallocated surplus (continued)

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.

(l) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Other revenue recognition (continued)

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.

(m) 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)

(n) 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.

(o) 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)

(p) 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.

(q) 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.

(r) 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 any future periods. 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 of its determination and increased with a margin for risk and adverse deviation.

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 Malaysian industry 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.

3 PROPERTY AND EQUIPMENT

	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2012	4,493	32,175	1,811	665	43,520	224	82,888
Additions	108	1,923	21	-	-	903	2,955
Reclassification	330	700	-	-	-	(1,030)	-
Write off	-	-	-	-	-	(50)	(50)
At 31 December 2012/ 1 January 2013	4,931	34,798	1,832	665	43,520	47	85,793
Additions	231	439	44	356	-	668	1,738
Disposals	-	(9)	-	-	-	-	(9)
Reclassification	374	291	-	-	-	(665)	-
Write off	(2,913)	(13,542)	(1,352)	-	-	-	(17,807)
At 31 December 2013	2,623	21,977	524	1,021	43,520	50	69,715

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (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 and buildings RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2012	2,733	24,791	1,278	367	2,581	-	31,750
Charge for the financial year (note 18)	311	3,245	96	98	328	-	4,078
At 31 December 2012/ 1 January 2013	3,044	28,036	1,374	465	2,909	-	35,828
Charge for the financial year (note 18)	367	4,793	322	206	127	-	5,815
Disposals	-	(2)	-	-	-	-	(2)
Write off	(2,276)	(13,062)	(1,264)	-	-	-	(16,602)
At 31 December 2013	1,135	19,765	432	671	3,036	-	25,039

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 and buildings RM'000	Work-in-progress RM'000	Total RM'000
Accumulated impairment							
At 1 January 2012	-	-	-	-	5,084	-	5,084
Reversal for the financial year (note 17)	-	-	-	-	(2,185)	-	(2,185)
At 31 December 2012/ 31 December 2013	-	-	-	-	2,899	-	2,899
Net carrying amount							
31 December 2012	1,887	6,762	458	200	37,712	47	47,066
31 December 2013	1,488	2,212	92	350	37,585	50	41,777

4 FINANCIAL ASSETS

	2013 RM'000	2012 RM'000
Malaysian Government Securities	398,624	491,297
Cagamas	21,954	22,859
Unquoted corporate debt securities	492,604	389,115
Quoted equity securities	124,582	81,527
Unit trust funds	102,932	12,738
Negotiable instrument of deposits	25,624	27,407
Investment-linked funds	35,457	33,133
Unquoted equity securities	174	174
Accrued interest	10,927	9,890
	1,212,878	1,068,140

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

	2013 RM'000	2012 RM'000
Fair value through profit or loss ("FVTPL") – designated upon initial recognition	1,201,951	1,058,250
Accrued interest	10,927	9,890
	1,212,878	1,068,140

The following financial assets mature after 12 months:

	2013 RM'000	2012 RM'000
FVTPL – designated upon initial recognition	859,265	858,136

4 FINANCIAL ASSETS (CONTINUED)

	2013 RM'000	2012 RM'000
(a) FVTPL - designated upon initial recognition		
Malaysian Government Securities	398,624	491,297
Cagamas	21,954	22,859
Unquoted corporate debt securities	492,604	389,115
Quoted equity securities	124,582	81,527
Unit trust funds	102,932	12,738
Negotiable instrument of deposits	25,624	27,407
Investment-linked funds	35,457	33,133
Unquoted equity securities	174	174
Accrued interest	10,927	9,890
	1,212,878	1,068,140

(b) Carrying values of financial assets

	FVTPL/Total RM'000
At 1 January 2012	1,021,088
Purchases	377,477
Maturities	(103,227)
Disposals	(226,886)
Fair value losses recorded in:	
Profit or loss (note 16)	(814)
Movement in accrued interest	502
At 31 December 2012/1 January 2013	1,068,140
Purchases	825,462
Maturities	(293,425)
Disposals	(319,774)
Fair value losses recorded in:	
Profit or loss (note 16)	(33,110)
Elimination of Shareholders' fund investment in investment-linked funds (note 10)	(35,452)
Movement in accrued interest	1,037
At 31 December 2013	1,212,878

4 FINANCIAL ASSETS (CONTINUED)

(c) 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 2013:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
FVTPL				
2013				
Malaysian Government Securities	-	398,624	-	398,624
Cagamas	-	21,954	-	21,954
Unquoted corporate debt securities	-	492,604	-	492,604
Quoted equity securities	124,582	-	-	124,582
Unit trust funds	102,932	-	-	102,932
Negotiable instrument of deposits	-	25,624	-	25,624
Investment-linked funds	35,457	-	-	35,457
Unquoted equity securities	-	-	174	174
Accrued interest	-	10,927	-	10,927
	262,971	949,733	174	1,212,878

4 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
FVTPL				
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

There are no transfers between Level 1 and 2 during the financial year.

The reconciliation of Level 3 fair value hierarchy is as follows:

	2013 RM'000	2012 RM'000
1 January/31 December	174	174

5 LOANS AND RECEIVABLES

	2013 RM'000	2012 RM'000
Policy loans	9,470	10,010
Mortgage loans	-	291
Other secured loans	38	880
	9,508	11,181
Allowance for impairment losses (note 26(a))	-	(725)
	9,508	10,456
Fixed and call deposits with licensed financial institutions	387,321	482,882
Accrued interest	371	420
	387,692	483,302
	397,200	493,758
Receivable within 12 months	387,692	483,302
Receivable after 12 months	9,508	10,456
	397,200	493,758

6 REINSURANCE ASSETS

	2013 RM'000	2012 RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	8,261	4,806
- insurance contract liabilities (note 10)	74,537	62,183
	82,798	66,989

7 INSURANCE RECEIVABLES

	2013 RM'000	2012 RM'000
Due premiums including agents/brokers and co-insurers balances	4,662	5,765
Receivable within 12 months	4,662	5,765
Gross amounts of recognised financial assets	6,167	20,637
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(1,505)	(14,872)
Net amounts of financial assets presented in the statement of financial position	4,662	5,765

8 OTHER RECEIVABLES

	2013 RM'000	2012 RM'000
Amount due from fund manager/brokers	3,882	1,668
Amount due from related parties	-	1,400
Deposits receivable	285	232
Dividend receivable	329	211
Subscription to LIAM shares	2,147	2,147
Other receivables	734	360
	7,377	6,018
Receivable within 12 months	5,230	3,871
Receivable after 12 months	2,147	2,147
	7,377	6,018

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 SHARE CAPITAL

	2013 Number of shares '000	2013 Nominal value RM'000	2012 Number of shares '000	2012 Nominal value RM'000
Authorised				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	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
	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
Perpetual non-cumulative preference shares of RM1 each:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	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.

10 INSURANCE CONTRACT LIABILITIES

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

	2013			2012		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities	1,097,749	(74,537)	1,023,212	1,043,686	(62,183)	981,503
Unallocated surplus	-	-	-	224	-	224
Net asset value attributable to unitholders	55,045	-	55,045	88,494	-	88,494
	1,152,794	(74,537)	1,078,257	1,132,404	(62,183)	1,070,221

10 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2013	1,132,404	(62,183)	1,070,221
Projected changes of inforce policies			
Premium income	84,398	(41,220)	43,178
Expense and commission	(19,897)	127	(19,770)
Benefits	(146,314)	39,243	(107,071)
Interest on cashflows	27,916	(1,856)	26,060
Others	(10,006)	7,395	(2,611)
Experience variance on inforce policies	10,955	(4,819)	6,136
Reserve for new policies	142,670	(14,836)	127,834
Assumption changes			
Discount rate	(40,486)	3,008	(37,478)
Lapse rates	320	-	320
Expense reserve	2,000	-	2,000
Other changes	2,507	604	3,111
Movement in unallocated surplus	(224)	-	(224)
Movement in net asset value attributable to unitholders	2,003	-	2,003
	55,842	(12,354)	43,488
Elimination of Shareholders' fund investment in investment-linked funds (note 4(b))	(35,452)	-	(35,452)
At 31 December 2013	1,152,794	(74,537)	1,078,257

10 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 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)
	41,195	20,233	61,428
At 31 December 2012	1,132,404	(62,183)	1,070,221

11 INSURANCE PAYABLES

	2013 RM'000	2012 RM'000
Due to agents and intermediaries	3,230	1,915
Due to reinsurers and cedants	7,912	13,480
	11,142	15,395
Payable within 12 months	11,142	15,395

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

Gross amounts of recognised financial liabilities	12,647	30,267
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(1,505)	(14,872)
Net amounts of financial liabilities presented in the statement of financial position	11,142	15,395

There are no financial liabilities subjected to an enforceable master netting arrangement or similar agreement on financial instruments are received as collateral, nor any cash collateral pledged or received as at 31 December 2013 (2012: nil).

12 OTHER FINANCIAL LIABILITIES

	2013 RM'000	2012 RM'000
Recoveries received on an impaired bond	12,611	12,611
Outstanding purchases of investment securities	1,007	471
Unprocessed proposals	2,171	3,286
Others	4,762	12,879
	20,551	29,247
Payable within 12 months	7,940	16,636
Payable after 12 months	12,611	12,611
	20,551	29,247

Recoveries received on an impaired bond are pre-judgement collections which are pending a final judgement under litigation.

12 OTHER FINANCIAL LIABILITIES (CONTINUED)

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

13 OTHER PAYABLES

	2013 RM'000	2012 RM'000
Amount due to a related party	2,177	-
Cash in suspense	8,146	17,571
Deposits	82	82
Provision for retirement benefits	51	43
Accrual for bonus	13,059	11,927
Accrual for electronic data processing expenses	1,173	683
Accrued expenses	13,878	5,836
Others	1,760	2,231
	40,326	38,373

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

	2013 RM'000	2012 RM'000
At beginning of the financial year	43	51
Provision/(reversal) for the financial year	8	(8)
At end of the financial year	51	43
Payable after 12 months	51	43

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

	2013 %	2012 %
Discount rate	3.6	3.2
Expected rate of salary increase	7.0	5.0

14 DEFERRED TAX LIABILITIES

	2013 RM'000	2012 RM'000
At January	14,245	3,505
Recognised in:		
Profit or loss (note 20)	14,684	10,740
At December	28,929	14,245
Current	49	182
Non-current	28,880	14,063
	28,929	14,245

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:

	2013 RM'000	2012 RM'000
Deferred tax liabilities	32,916	14,285
Deferred tax assets	(3,987)	(40)
	28,929	14,245

14 DEFERRED TAX LIABILITIES (CONTINUED)

	Accelerated depreciation RM'000	Revaluation- financial assets RM'000	Reserves RM'000	Total RM'000
Deferred tax liabilities/(assets)				
At 1 January 2012	653	(850)	3,702	3,505
Recognised in:				
Profit or loss (note 20)	(66)	810	9,996	10,740
At 31 December 2012/ 1 January 2013	587	(40)	13,698	14,245
Recognised in:				
Profit or loss (note 20)	(427)	(3,947)	19,058	14,684
At 31 December 2013	160	(3,987)	32,756	28,929

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

	2013 RM'000	2012 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting)		
Financial assets	(3,987)	(40)
Offsetting	3,987	40
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
Property and equipment	160	587
Reserves	32,756	13,698
	32,916	14,285
Offsetting	(3,987)	(40)
Deferred tax liabilities (after offsetting)	28,929	14,245

15 INVESTMENT INCOME

	2013 RM'000	2012 RM'000
Rental income	467	570
Financial assets at FVTPL - designated upon initial recognition		
Interest income	38,647	39,080
Dividend income		
- equity securities quoted in Malaysia	5,744	3,264
- equity securities unquoted in Malaysia	17	18
LAR interest income	14,316	13,101
	59,191	56,033

16 NET FAIR VALUE (LOSSES)/GAINS

	2013 RM'000	2012 RM'000
Financial assets at FVTPL		
- designated upon initial recognition		
Unrealised losses (note 4(b))	(33,110)	(814)
Realised gains:		
- Malaysian Government Securities	107	2,277
- Quoted equity securities	8,837	10,133
- Unquoted corporate debt securities	1,593	3,609
- Investment-linked funds	159	131
	(22,414)	15,336

17 OTHER OPERATING INCOME

	2013 RM'000	2012 RM'000
Recoveries from impaired bonds	1,701	2,195
Reversal of impairment on freehold building (note 3)	-	2,185
Reversal of impairment on financial asset (note 26(a))	-	217
Realised gain on foreign exchange	-	71
Others	2,269	14,302
	3,970	18,970

18 MANAGEMENT EXPENSES

	2013 RM'000	2012 RM'000
Employee benefits expense (note 18(a))	32,544	31,261
Directors' fees and allowance (note 18(b))	665	273
Auditors' remuneration:		
- current financial year	336	436
- under accrual in respect of prior financial years	-	57
Electronic data processing expenses	6,535	3,788
Advertising expenses	15,592	9,926
Depreciation of property and equipment (note 3)	5,815	4,078
Write off of property and equipment	1,205	50
Rental expenses	246	166
PIDM levy	1,135	1,656
Telephone and postage expenses	1,557	1,584
Recharges cost to Aviva Asia Private Limited	-	4,343
Others	13,128	12,234
	78,758	69,852

(a) Employee benefits expense

	2013 RM'000	2012 RM'000
Salaries and bonus	25,973	25,103
Defined benefit plan	8	-
Defined contribution plan	3,656	3,836
Expatriate allowances	512	211
Other staff benefits	2,395	2,111
	32,544	31,261

18 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

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

	2013 RM'000	2012 RM'000
Executive:		
Salaries and bonus	1,459	2,051
Defined contribution plan	204	287
Benefits-in-kind	22	206
	1,685	2,544
Non-executive:		
Fees and allowance	665	273
	2,350	2,817
Represented by:		
Directors' fees and allowance	665	273
Amount included in employee benefits expense	1,663	2,338
Estimated monetary value of benefits-in-kind	22	206

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

19 NET REALISED LOSS

	2013 RM'000	2012 RM'000
Loss on disposal of assets held for sale	-	(1)

The assets held for sale were in respect of self-occupied properties with Sales and Purchase agreement signed in 2011. The sale transaction was completed in 2012 with a loss on disposal of RM1,000 being recognised in the statement of comprehensive income.

20 TAXATION

	2013 RM'000	2012 RM'000
Tax expense on the profit for the financial year:		
Income tax:		
Current tax	7,782	13,734
Deferred tax (note 14)	14,684	10,740
	22,466	24,474
Underprovision in prior financial years	38	3,514
	22,504	27,988

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:

	2013 RM'000	2012 RM'000
Profit before taxation attributable to Shareholders	96,119	96,871
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	24,030	24,218
Income not subject to tax	(1,124)	(1,200)
Expenses not deductible for tax purposes	2,420	4,189
Section 110B tax credit set off	(3,500)	(3,425)
Underprovision in prior financial years	38	3,514
Tax expense attributable to participating policyholders	640	692
Tax expense for the financial year	22,504	27,988

21 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.

	2013	2012
Profit attributable to ordinary equity holders (RM'000)	74,255	69,575
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	30.68	28.75

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

22 CAPITAL COMMITMENTS

	2013 RM'000	2012 RM'000
Capital expenditure		
Approved and contracted for:		
Property and equipment	-	478

23 SIGNIFICANT RELATED PARTY DISCLOSURES

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

Company	Country of incorporation	Relationship
Khazanah Nasional Berhad ("KNB")	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd ("ACAP")	Malaysia	Penultimate holding company
Renggis Ventures Sdn Bhd ("RV")	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada ("SLACC")	Canada	Significant shareholder
Sun Life Financial Inc. ("SLF")	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad ("CIMBG")	Malaysia	Associate of the ultimate holding company
CIG Berhad ("CIGB")	Malaysia	Associate of the ultimate holding company and shareholder of the immediate holding company
CIMB Bank Berhad ("CIMB Bank")	Malaysia	Associate of the ultimate holding company
CIMB Investment Bank Berhad ("CIMB")	Malaysia	Associate of the ultimate holding company
CIMB Principal Asset Management Berhad ("CIMB Principal")	Malaysia	Associate of the ultimate holding company
CIMB Wealth Advisor Berhad ("CWAB")	Malaysia	Associate of the ultimate holding company
CIMB Islamic Bank Berhad ("CIBB")	Malaysia	Associate of the ultimate holding company
Sun Life Malaysia Takaful Berhad ("SLMTB")	Malaysia	Fellow subsidiary and common shareholders
Key management personnel		*

23 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

* 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 of the Board of Directors, Chief Executive Officer and the management committee members of the Company.

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:

	2013 RM'000	2012 RM'000
(Income)/expenses		
Premiums received from CIMB Bank and CIMB Principal	(1,779)	(1,183)
Interest earned from deposits in CIMB Bank	(471)	(3,354)
Commission paid to CIMB Bank, CIMB and CWAB	34,630	22,086
Rental income received from CIMB Bank and SLMTB	(499)	(508)
Shared service expenses charged to SLMTB	(29,434)	(17,950)
Reinsurance claim recoveries from SLMTB	-	(169)
Recharges of cost paid to SLACC and CIMB Bank	1,631	307
Investment management fee paid to CIMB Principal	627	585
Internal audit fees paid to CIMBG	247	595

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

	2013 RM'000	2012 RM'000
Amount due from/(to) other related companies within Khazanah Nasional Berhad:		
Bank balances	25,248	2,844
Fixed and call deposits with financial institutions	21,156	27,544
Negotiable instrument of deposits	25,624	27,407
Quoted equity securities	3,223	2,445
Amount due (to)/ from related parties	(2,177)	1,400

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

23 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:

	2013 RM'000	2012 RM'000
Salaries and other short-term employee benefits	6,386	7,249
Defined contribution plan	749	910
Fees and allowance	665	273
	7,800	8,432

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM55,700 (2012: RM398,568).

24 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 put in place a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Risk Management Committee ("RMC") with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee ("ERMC"), the Asset and Liability Committee ("ALCO") and the Investment Committee that provides oversight responsibilities on operational, financial and insurance risks management in facilitating the optimisation of the risk and return profile of the Company.

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 the 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 Internal Audit division (the third line of defence).

24 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

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 RMC has been established to assist the Board in its oversight of risk and risk management in the Company. The RMC 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.

24 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.

25 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.

25 INSURANCE RISK (CONTINUED)

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

	2013			2012		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Whole life	(35,199)	(592)	(35,791)	(35,886)	(604)	(36,490)
Term assurance	173,079	(8,622)	164,457	98,254	(3,676)	94,578
Endowment	316,396	(679)	315,717	343,807	(594)	343,213
Mortgage	566,750	(64,644)	502,106	552,847	(56,489)	496,358
Others	76,723	-	76,723	84,664	(820)	83,844
	1,097,749	(74,537)	1,023,212	1,043,686	(62,183)	981,503

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:

25 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 the 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 4.38% 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 2013.

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

25 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 3.8% 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.

25 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
2013					
Mortality/morbidity	+10	55,458	15,120	(15,120)	(11,945)
Expenses	+10	7,996	7,996	(7,996)	(6,317)
Lapse and surrender rates	+10	3,968	5,446	(5,446)	(4,302)
Discount rate	-1	72,804	67,558	(67,558)	(53,371)
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)

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

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

26 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 policyholders 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD
(formerly known as CIMB Aviva Assurance Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

26 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.

2013	Life and Shareholders' funds	Investment-linked funds	Total
	RM'000	RM'000	RM'000
LAR			
Fixed and call deposits	381,620	5,701	387,321
Loans	9,508	-	9,508
Accrued interest	369	2	371
Financial assets at FVTPL – designated upon initial recognition			
Malaysian Government Securities	397,617	1,007	398,624
Cagamas	21,954	-	21,954
Quoted equity securities	105,026	19,556	124,582
Unit trust funds	102,932	-	102,932
Unquoted corporate debt securities	489,238	3,366	492,604
Investment-linked funds	35,457	-	35,457
Negotiable instrument of deposits	-	25,624	25,624
Unquoted equity securities	174	-	174
Accrued interest	10,643	284	10,927
Reinsurance assets	82,798	-	82,798
Insurance receivables	4,662	-	4,662
Other receivables	6,911	466	7,377
Cash and bank balances	25,657	79	25,736
	1,674,566	56,085	1,730,651

26 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)

2012	Life and Shareholders' funds RM'000	Investment-linked funds RM'000	Total 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

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NOTES TO THE FINANCIAL STATEMENTS
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26 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	
2013	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	241,844	135,289	4,487	-	-	-	5,701	-	-	387,321
Loans	-	-	-	-	9,470	-	-	38	-	9,508
Accrued interest	314	55	-	-	-	-	2	-	-	371
Financial assets at FVTPL										
- designated upon initial recognition										
Malaysian Government Securities	-	-	-	-	397,617	-	1,007	-	-	398,624
Cagamas	21,954	-	-	-	-	-	-	-	-	21,954
Quoted equity securities	-	-	-	-	-	105,026	19,556	-	-	124,582
Unit trust funds	-	-	-	-	-	102,932	-	-	-	102,932
Unquoted corporate debt securities	22,543	204,828	-	-	261,867	-	3,366	-	-	492,604
Investment-linked funds	-	-	-	-	-	35,457	-	-	-	35,457
Negotiable instrument of deposits	-	-	-	-	-	-	25,624	-	-	25,624
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Accrued interest	866	2,172	-	-	7,605	-	284	-	-	10,927
Reinsurance assets	-	59,604	2	-	23,192	-	-	-	-	82,798
Insurance receivables	-	-	-	-	4,662	-	-	-	-	4,662
Other receivables	-	-	-	-	6,911	-	466	-	-	7,377
Cash and bank balances	25,170	-	-	-	487	-	79	-	-	25,736
	312,691	401,948	4,489	-	711,811	243,589	56,085	38	-	1,730,651

26 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	
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

26 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Age analysis of financial assets past due but not impaired

	< 180 days RM'000	> 180 days RM'000	Total RM'000
2013			
Loan and receivables	-	38	38
2012			
Loan and receivables	-	155	155

Impaired financial assets

As at 31 December 2013, impaired financial assets comprised of loans and receivables arising from commercial loans of nil (2012: RM725,000) 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:

	2013 RM'000	2012 RM'000
At beginning of the financial year	725	942
Reversal of impairment (note 17)	-	(217)
Write off against loans and receivables	(725)	-
At end of the financial year (note 5)	-	725

26 FINANCIAL RISKS (CONTINUED)

(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.

26 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

2013	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	387,321	381,941	-	-	-	-	-	5,701	387,642
Loans	9,508	9,508	-	-	-	-	-	-	9,508
Accrued interest	371	369	-	-	-	-	-	2	371
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysian Government Securities	398,624	55,838	31,026	180,842	222,865	43,592	-	1,007	535,170
Cagamas	21,954	1,186	2,372	17,131	8,124	-	-	-	28,813
Quoted equity securities	124,582	-	-	-	-	-	105,025	19,556	124,581
Unit trust funds	102,932	-	-	-	-	-	102,932	-	102,932
Unquoted corporate debt securities	492,604	73,636	103,243	128,548	314,600	60,901	-	3,366	684,294
Investment-linked funds	35,457	-	-	-	-	-	35,457	-	35,457
Negotiable instrument of deposits	25,624	-	-	-	-	-	-	25,624	25,624
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Accrued interest	10,927	10,643	-	-	-	-	-	284	10,927
Reinsurance assets	82,798	12,193	15,431	13,793	49,613	22,808	1,125	-	114,963
Insurance receivables	4,662	4,662	-	-	-	-	-	-	4,662
Other receivables	7,377	6,911	-	-	-	-	-	466	7,377
Cash and bank balances	25,736	25,657	-	-	-	-	-	79	25,736
Total assets	1,730,651	582,544	152,072	340,314	595,202	127,301	244,713	56,085	2,098,231

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26 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
2013 (continued)									
Insurance contract liabilities	1,152,794	179,408	182,215	182,504	623,122	287,324	61,886	55,045	1,571,504
Insurance claims liabilities	11,526	11,526	-	-	-	-	-	-	11,526
Insurance payables	11,142	11,142	-	-	-	-	-	-	11,142
Other financial liabilities	20,551	20,551	-	-	-	-	-	-	20,551
Other payables	40,326	39,971	-	-	-	-	-	355	40,326
Total liabilities	1,236,339	262,598	182,215	182,504	623,122	287,324	61,886	55,400	1,655,049

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26 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

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	25,310	77,306	36,981	356,912	164,659	-	1,027	662,195
Cagamas	22,859	1,186	2,372	2,372	18,870	5,199	-	-	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	74,146	67,491	57,126	250,559	44,652	-	28,130	522,104
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	7,079	11,305	10,591	41,044	18,882	820	-	89,721
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	622,218	158,474	107,070	667,385	233,392	100,395	89,611	1,978,545

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26 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
2012 (continued)									
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

26 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 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) Interest rate risk

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.

26 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	2013	
Change in variables	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000
+ 100 basis points	(1,004)	(753)
- 100 basis points	2,871	2,153

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

* 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.

(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.

26 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

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.

		2013
Change in variables	Impact on profit before taxation	Impact on equity*
	RM'000	RM'000
Market price		
+ 20%	44,309	33,232
- 20%	(44,309)	(33,232)

		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)

* 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.

26 FINANCIAL RISKS (CONTINUED)

(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 RMC and ERMC monitor and oversee the implementation of the Policy to ensure that the risk management process is in place and functioning effectively.

27 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2013, as prescribed under the Risk Based Capital Framework is provided below:

	2013 RM'000	2012 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	342,000	342,000
Share premium	16,000	16,000
Retained earnings	50,568	44,748
Eligible contract liabilities	159,754	72,602
	568,322	475,350
Tier 2 Capital		
Amounts added to capital	(4,297)	(5,366)
Total capital available	564,025	469,984

28 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life and Shareholders' funds in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996.

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

Statement of financial position by Funds as at 31 December 2013

	Shareholders' Fund		Life Fund		Elimination		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Property and equipment	-	-	41,777	47,066	-	-	41,777	47,066
Financial assets	334,288	164,658	914,042	903,482	(35,452)	-	1,212,878	1,068,140
Loans and receivables	133,868	225,700	263,332	268,058	-	-	397,200	493,758
Reinsurance assets	-	-	82,798	66,989	-	-	82,798	66,989
Insurance receivables	-	-	4,662	5,765	-	-	4,662	5,765
Other receivables	71,053	70,064	7,323	6,018	(70,999)	(70,064)	7,377	6,018
Cash and bank balances	44	25	25,692	3,555	-	-	25,736	3,580
Current tax assets	23,937	11,201	697	(322)	-	-	24,634	10,879
Total assets	563,190	471,648	1,340,323	1,300,611	(106,451)	(70,064)	1,797,062	1,702,195

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28 INSURANCE FUNDS (CONTINUED)

Statement of financial position by Funds as at 31 December 2013 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	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
Share premiums	16,000	16,000	-	-	-	-	16,000	16,000
Retained earnings	50,568	44,748	-	-	-	-	50,568	44,748
Reserves	123,226	54,791	-	-	-	-	123,226	54,791
Total equity	531,794	457,539	-	-	-	-	531,794	457,539
Liabilities								
Insurance contract liabilities	-	-	1,188,246	1,132,404	(35,452)	-	1,152,794	1,132,404
Insurance claims liabilities	-	-	11,526	14,992	-	-	11,526	14,992
Insurance payables	-	-	11,142	15,395	-	-	11,142	15,395
Other financial liabilities	-	-	20,551	29,247	-	-	20,551	29,247
Other payables	-	-	111,325	108,437	(70,999)	(70,064)	40,326	38,373
Deferred tax liabilities	31,396	14,109	(2,467)	136	-	-	28,929	14,245
Total liabilities	31,396	14,109	1,340,323	1,300,611	(106,451)	(70,064)	1,265,268	1,244,656
Total equity, policyholders' funds and liabilities	563,190	471,648	1,340,323	1,300,611	(106,451)	(70,064)	1,797,062	1,702,195

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

28 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the financial year ended 31 December 2013

	Shareholders' Fund		Life Fund		Total	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross premiums	-	-	379,158	280,890	379,158	280,890
Premiums ceded to reinsurers	-	-	(46,818)	7,781	(46,818)	7,781
Net premiums	-	-	332,340	288,671	332,340	288,671
Investment income	13,453	9,205	45,738	46,828	59,191	56,033
Net fair value gains	-	2,850	-	12,486	-	15,336
Other operating income	1,596	1,745	2,374	17,225	3,970	18,970
Other income	15,049	13,800	48,112	76,539	63,161	90,339
Gross benefits and claims paid	-	-	(154,944)	(152,374)	(154,944)	(152,374)
Claims ceded to reinsurers	-	-	38,303	29,597	38,303	29,597
Gross change in contract liabilities	-	-	(55,842)	(41,195)	(55,842)	(41,195)
Change in contract liabilities ceded to reinsurers	-	-	12,354	(20,233)	12,354	(20,233)
Net claims	-	-	(160,129)	(184,205)	(160,129)	(184,205)

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28 INSURANCE FUNDS (CONTINUED)

Statement of comprehensive income by Funds for the financial year ended 31 December 2013 (continued)

	Shareholders' Fund		Life Fund		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net fair value losses	(7,101)	-	(15,313)	-	(22,414)	-
Fee and commission expense	-	-	(36,003)	(26,332)	(36,003)	(26,332)
Management expenses	-	-	(78,758)	(69,852)	(78,758)	(69,852)
Other operating expenses	-	-	(153)	-	(153)	-
Investment expenses	-	-	(1,285)	(1,057)	(1,285)	(1,057)
Net realised loss	-	-	-	(1)	-	(1)
Other expenses	(7,101)	-	(131,512)	(97,242)	(138,613)	(97,242)
Profit before taxation	7,948	13,800	88,811	83,763	96,759	97,563
Tax expense attributable to participating policyholders	-	-	(640)	(692)	(640)	(692)
Transfer from life fund	87,046	68,715	(87,046)	(68,715)	-	-
Profit before taxation attributable to Shareholders	94,994	82,515	1,125	14,356	96,119	96,871
Taxation	(20,739)	(12,940)	(1,765)	(15,048)	(22,504)	(27,988)
Tax expense attributable to participating policyholders	-	-	640	692	640	692
Tax expense attributable to Shareholders	(20,739)	(12,940)	(1,125)	(14,356)	(21,864)	(27,296)
Net profit for the financial year	74,255	69,575	-	-	74,255	69,575

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28 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2013

	Shareholders' Fund		Life Fund		Total	
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from:						
Operating activities	19	8,024	23,868	(2,588)	23,887	5,436
Investing activities	-	-	(1,731)	(2,595)	(1,731)	(2,595)
Financing activities	-	(8,000)	-	-	-	(8,000)
Cash and cash equivalents:						
Net increase/(decrease) in cash and cash equivalents	19	24	22,137	(5,183)	22,156	(5,159)
At beginning of the financial year	25	1	3,555	8,738	3,580	8,739
At end of the financial year	44	25	25,692	3,555	25,736	3,580

29 INVESTMENT-LINKED FUNDS

Investment-linked funds' statement of financial position as at 31 December 2013

	2013 RM'000	2012 RM'000
Assets		
Financial assets	85,289	84,871
Loans and receivables	5,703	4,475
Other receivables	466	261
Cash and bank balances	79	4
Total assets	91,537	89,611
Liabilities		
Other financial liabilities	-	278
Other payables	355	220
Current tax liabilities	262	338
Deferred tax liabilities	423	281
Total liabilities	1,040	1,117
Net asset value	90,497	88,494

Investment-linked funds' statement of comprehensive income for the financial year ended 31 December 2013

	2013 RM'000	2012 RM'000
Investment income	2,352	2,469
Net fair value gains	5,016	2,245
Other operating income	-	1
	7,368	4,715
Management expenses	(773)	(775)
Investment expenses	(417)	(345)
Profit before taxation	6,178	3,595
Taxation	(502)	(364)
Net profit for the financial year	5,676	3,231

29 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 Sun Life Malaysia Balanced Stable Fund (formerly known as CIMB Aviva Balanced Stable Fund), Sun Life Malaysia Balanced Moderate Fund (formerly known as CIMB Aviva Balanced Moderate Fund) and Sun Life Malaysia Balanced Aggressive Fund (formerly known as CIMB Aviva Balanced Aggressive Fund) which have been eliminated as these funds only invested in Sun Life Malaysia Growth Fund (formerly known as CIMB Aviva Growth Fund) and Sun Life Malaysia Conservative Fund (formerly known as CIMB Aviva Conservative Fund):

Statement of financial position

	2013 RM'000	2012 RM'000
Assets		
Financial assets	13,723	12,780
Other receivables	192	205
Total assets	13,915	12,985
Liabilities		
Other payables	46	33
Current tax liabilities	48	50
Deferred tax liabilities	193	133
Total liabilities	287	216
Net asset value	13,628	12,769

Statement of comprehensive income

	2013 RM'000	2012 RM'000
Net fair value gains	1,352	720
Investment expenses	(11)	(11)
Profit before taxation	1,341	709
Taxation	(108)	(57)
Net profit for the financial year	1,233	652