

— ANNUAL REPORT 2011 —

# A LIFE STORY

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD



## FOREWORD

**A Life Story** traces our footprints over the past year and features our growth and development alongside the people who matter most to us – our customers, distribution representatives, employees, partners and other stakeholders. Underpinned by our strong belief in the guiding principles that have taken us thus far, **A Life Story** also provides an insight into the directions in where we're heading and how we plan to do better.

## OUR MISSION

To make life great by providing financial security,  
and promoting good health and meaningful relationships.

## OUR VISION

To be the leading financial service provider in Asia,  
recognised for our excellence.

## OUR CORE VALUES

Integrity  
Initiative  
Involvement

## ETHOS

Great Eastern is always acting in the best interests of our customers with Fair Dealing as the basis of our business.

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## EPILOGUE

## PROLOGUE

# KEY FIGURES

PERFORMANCE HIGHLIGHTS FY2011

**Gross premiums** **RM 5,800.3**  
million

**Total assets** **RM 53,670.1**  
million

**Profit attributable to shareholders** **RM 515.5**  
million

**Shareholders' fund** **RM 929.2**  
million

**Distribution per share** **515<sup>(1)</sup>**  
sen

<sup>(1)</sup> This includes the interim dividend of 143 sen per ordinary share and a final dividend of 372 sen per ordinary share.

# CHAPTER 1

THE PEOPLE  
BEHIND THE STORY





# THE STORY BEGINS WITH THE CHAIRMAN

## CHAIRMAN'S STATEMENT

In 2011, our Malaysia story was one of good growth. We reinforced our position as the leading insurer in Malaysia amidst increasing competition and leveraged our 17,000-strong agency force, the largest in Malaysia, to outperform the industry on several fronts. Our deliberate focus to cater to the protection and savings needs of our customers by providing regular premium investment-linked products as well as endowment products proved successful.

Great Eastern Takaful Sdn Bhd (GETSB) scaled up its operations and celebrated its first anniversary.

Being a key member of the OCBC Group, we leveraged the Group synergies to grow our business, increase sales, reduce cost, eliminate duplication as well as to develop our talent pool.

### FINANCIAL PERFORMANCE

I am pleased to report that our total weighted new business premiums increased 12% to RM1.05 billion compared with last year's RM938 million, while our asset size grew 8.9% to RM53.7 billion from RM49.3 billion in 2010. Net profit attributable to shareholders grew 20.8% to RM515.5 million.

### DIVIDENDS

In view of the good performance of the Company in 2011 and its strong capital position, the Board had declared an interim dividend of RM1.43 per ordinary share, which was paid on 26 August 2011. As our position remained strong as at 31 December 2011, the Board has recommended a second and final dividend

of RM3.72 per ordinary share. This brings the total dividend payment for the financial year 2011 to RM5.15 per ordinary share.

### GROWING OUR BUSINESS

Our agency force continued to be a key distribution channel and contributed RM961 million in total weighted new business premium. To better cater to changing market and customer needs, initiatives were introduced to further build our agency force. Two key initiatives were the TarGETS (Towards active recruitment & Great Entrepreneur Talent Search) programme, focused on maximising the potential of each agent to achieve greater recruitment, and Business Opportunity Programme targeted at potential recruits. Through both, we succeeded in growing our force by 5,300 agents, a 15% increase compared with the previous year.

On the bancassurance front, our tie-up with OCBC Bank registered good growth of 18% in total weighted premium to RM54 million. We expanded our product range for bancassurance customers and introduced more regular premium products, namely MaxSave Gold, 1Micro Malaysia Protection Plan, and MaxSecure Life.

GETSB reported a strong take-up of Shariah compliant products, an encouraging start since its launch in December 2010. During the year, it stepped up efforts to build a dedicated and specialised Takaful agency force to better serve the Takaful segment.

### ENGAGING OUR CUSTOMERS

Customer engagement remained paramount and we continued to actively reach out to our customers through the traditional as well as enhanced digital platforms. Our road shows, public talks and Facebook initiatives were well-received and enabled us to actively engage and interact with our customers.

### AWARDS AND RECOGNITION

We were recognised for excellence on many fronts. These included the Trusted Brand Gold Award by Reader's Digest for the eighth consecutive year; the BrandLaureate Asia Pacific Best Brands – Top 10 Masters of Industry, Insurance Award four years in a row; the 100 Leading Graduate Employers 2011 Award by GTI Media; LOMA Educational Achievement Award; and the Honorary Award at the Top 50 Enterprise Award Malaysia

“ Our deliberate focus to cater to the protection and savings needs of our customers by providing regular premium investment-linked products as well as endowment products proved successful. ”

2011 from the Malaysian Entrepreneurs' Development Association.

We are also delighted that GETSB was awarded Best New Takaful Operator at the Islamic Business & Finance Awards in Dubai in December 2011.

### **GIVING BACK TO THE COMMUNITY**

Whilst delivering good financial results and gaining recognition are important, we also place great emphasis on being a socially responsible corporate citizen and enhancing the lives of those in the communities in which we operate.

We supported many worthy causes, with special focus on children. Our ChildrenCare activities raised RM228,000 for needy children while 13 deserving and talented young Malaysians received our Great Eastern Supremacy Scholarship to pursue their studies. To date, we have awarded RM5.4 million worth of scholarships for local and overseas tertiary education.

### **REGULATORY DEVELOPMENTS**

The Competition Act, which prohibits anti-competitive conduct and activities, was in force since 1 January 2012, and The Personal Data Protection Act, which governs the processing of personal data in commercial transactions, is set to come into force later in 2012. We fully support measures taken by the authorities to enhance industry standards and safeguard customers' interests, and will undertake the necessary measures to ensure full compliance. We believe these regulations will further enhance customer confidence, which bodes well for business growth.

### **LOOKING AHEAD**

The global economy is expected to grow at a much slower pace in 2012 and concerns remain high about the Eurozone sovereign debt crisis. While our investment performance may continue to be affected by volatility in the global financial markets, the outlook for our core insurance business

remains optimistic as Malaysia continues to offer strong long-term growth potential with its relatively low penetration rate of 43% for life insurance, rising per capita income and a fast-emerging middle class.

We will strive to maintain our pole position and be the industry benchmark, including excellence in customer experience. We will widen our product suite to meet our customers' evolving needs as well as the demands of a changing customer base and reward our customers with innovative products and best-in-class service. We will continue to develop our business through a disciplined strategy, centred on building quality and highly productive distribution channels. GETSB will continue to scale up its Takaful operations.

In 2012, we will be rolling out a series of marketing initiatives that will help us evolve Great Eastern into a more vibrant and exciting brand and enable us to better engage our customers in their journey with Great Eastern.

Investing in developing our people, as well as to attract and retain talent to drive organic and inorganic growth, will remain a key focus. We will continue to effectively engage and communicate with our staff as this is important to sustain our performance.

Given our strong financial position, the unique synergies we enjoy across the OCBC Group, our well-established multi-dimensional distribution channels, our dedicated employees, and the continued trust and confidence we enjoy from our policyholders, we are well-positioned to deliver profitable growth and sustained value for our shareholders.

“ Whilst delivering good financial results and gaining recognition are important, we also place great emphasis on being a socially responsible corporate citizen and enhancing the lives of those in the communities in which we operate. ”

“ We will widen our product suite to meet our customers’ evolving needs as well as the demands of a changing customer base and reward our customers with innovative products and best-in-class service. ”

**APPRECIATION**

I would like to express my appreciation to the Board of Directors for their valuable insights and wise counsel.

Datuk Fong Weng Phak who had served as a Director since April 2003 retired as a member of our Board of Directors at the Company’s Annual General Meeting on 27 March 2012. I wish to record my sincere gratitude to Datuk Fong for his invaluable contributions during his term of office.

The Board extends a warm welcome to our new Director Dato’ Ooi Sang Kuang, who was appointed on 6 April 2012. Dato’ Ooi brings with him a wealth of financial experience and expertise and we look forward to his contributions to the Company.

I would also like to congratulate Director and Chief Executive Officer, Dato Koh Yaw Hui, for being bestowed the Panglima Setia Bintang Sarawak (P.S.B.S.) by Tuan Yang Terutama Tun Datuk Patinggi Abang Haji Muhammad Salahuddin, Yang Di-Pertua Negeri Sarawak. Yaw Hui also did the Company proud by winning the Asia Pacific Entrepreneurship Award, the BrandLaureate Brand Icon Leadership Award and was also recognised as one of the top 10 Chinese economic talents at a ceremony in Beijing.

I would also like to commend the management and staff for their hard work and dedication. It would be remiss of me if I did not also acknowledge the strong support given by our partners, in particular the sales force from our agency and bancassurance channels, and other

stakeholders. To our loyal customers, a big thank you for your support and continued confidence in Great Eastern, and allowing us to be part of your life story.



**Fang Ai Lian (Mrs)**

Chairman  
11 May 2012



# WRITING THE NEXT CHAPTER

## CEO'S REVIEW

In 2011, the life insurance industry in Malaysia grew steadily amid the global economic turmoil and the mounting sovereign debt crisis in the European Union. Great Eastern Life Assurance (Malaysia) Berhad has not rested on its laurels since its centennial celebration as it strove to maintain its market leadership. We remained upbeat, backed by our strong fundamentals and very focused strategies, although being the industry leader, our mettle was severely tested. 2011 was also the year in which we prepared for the new challenges arising from financial liberalisation, and as more laws and regulations came into effect.

I am proud to inform our shareholders that Great Eastern Life Assurance (Malaysia) Berhad (Great Eastern) recorded a 12% growth in total weighted new business of RM1.05 billion compared to 2010. During the year, the Company's assets grew to RM53.7 billion, an increase of 8.9% from the prior year. For the financial year ended 31 December 2011, the Company achieved a net profit attributable to shareholders amounting to RM515.5 million, an increase of 20.8%.

### GROWING OUR DISTRIBUTION CHANNELS

The tied agency force remained our main distribution channel. During the year, we made sustained efforts to recruit a new breed of professional agents and focused on enhancing the productivity and professionalism of our agency. We launched key initiatives such as Go4More and TarGETS to steer the field force and unleash their potential, as well as recruit new agents. We also introduced our Master-It Series of specialised training modules to ensure that agents are well-versed to capitalise on the enormous market opportunities in Malaysia's life

insurance market as market penetration is still low at 43%. Under the TarGETS (Towards Active Recruitment and Great Entrepreneur Talent Search) programme, we carried out 224 TarGETS 1, 2 & 3 training modules nationwide in 4 languages, and in the process trained approximately 8,700. Some 7,000 prospects attended the nationwide Business Opportunity Programme (BOP), for which we invited renowned speakers to share their success stories in the industry. All these recruitment efforts led to a 15% increase in new recruits in 2011.

As part of our efforts in raising the professionalism and productivity of the field force, our Life Planning Advisor (LPA) programme produced a cumulative total of more than 2,000 graduates as we ended 2011. We also successfully conducted two "Business Solutions for Business Owners" seminars as part of our educational programmes in the key areas of Business Tax Planning, Corporate Debt Cancellation & Business Succession Planning for LPA's invited business owner clients and guests. It was also in 2011 that we recognised, for the first time, more than 200 LPA Excellence Achievers Awards (LEAA) qualifiers who contributed in elevating Great Eastern's LPA productivity to beat the industry average in terms of personal production. Meanwhile, Unit Sales Managers and Group Sales Managers have also benefited from the group's new skill-development programmes – Professional Leadership Series (PLS) and in-house LIMRA Agency Management Training Courses – aimed at strengthening competencies in recruitment, selection and agency management.

Meanwhile, the group's other up and coming distribution channel, Bancassurance, registered 18% growth in total weighted premium to RM54 million, mainly via our strategic partnership

with OCBC Bank. We also launched several regular premium products under Bancassurance. These products, MaxSave Gold, 1Micro Malaysia Protection Plan (1MMPP) and MaxSecure Life, helped to broaden our product range to meet the evolving needs of our customers.

Elsewhere, the Group Insurance Group Multi Benefit Insurance Scheme (GMBIS) Investment Linked Scheme and Employee Benefits combined contributed a 9% growth in total weighted premium to RM35 million for the 2011 financial year.

### REACHING OUT & ENGAGING OUR CUSTOMERS

As our valued customers are the pillars of our organisation, we have always taken pride in being able to deliver services par excellence at all times. Being in a business that essentially involves trust, we have always strived to be there for our customers. To understand our customers better, we actively engage with our close to 800,000 customers through our Customer Relationship Management (CRM) platform. As the profile of the Malaysian population is relatively young where the majority is below 44 years old, the initiatives that Great Eastern have embarked on are targeted at increasing awareness of the need for financial planning amongst the youth. These initiatives are in the form of a series of print advertisements in major newspapers that appeal to the younger working adults, on-ground customer engagement initiatives, road shows, carnival events and a series of Smart for Life Tea Talks which focused on relationship building and appreciation of family values. We also invited international speakers to share insightful relationship related topics with our customers.

Last year, the Company took a major step towards staying relevant in the Internet age and leveraging on the burgeoning use of the social media by launching our own Facebook page. The Great Eastern Malaysia Facebook page serves as an information platform to keep our policyholders, agents and the general public informed of what we are doing as well as the latest news and developments concerning the group.

In keeping with our move into the social media platform, we also launched Buddy Up, an online game aimed at young adults - especially the internet-savvy Generation Y - through Facebook, microblogs and other social media sites. Via this initiative, we encouraged customers to “buddy up” with their friends, rewarding participants with the most friends ‘recruited’ with holiday trips accompanied by 3 of their buddies. This customer engagement initiatives not only enabled us to interact with our customers but also to increase their awareness of financial planning as well as enhance their relationships with their loved ones.

Our marketing initiatives have not gone unnoticed. For the second consecutive year in 2011, the Company’s Information Technology division won the IBM ShareGuide Annual ICT Award (SGAM). This time, it was for the StarBuddy project under the “Business Intelligence” category. StarBuddy is a mobile platform that allows subscribing agents to access their customers’ information at their fingertips, so as to maximise their engagement with their customers as well as to serve them better. Extending our winning streak was our Customer Service Division, which emerged the Gold Award winner for the Best Call Centre Manager (Under 100 seats) category at the 12th Customer Relationship Management and Contact Centre Association Malaysia (CCAM) Annual Awards.

Our innovative product series are designed to meet our customers’ financial needs and provide financial protection. Our comprehensive series of products such as Smart Protection Series, Smart Investment Series or Smart Education Series allow our customers to choose a plan that is most suited to their needs as well as affordable according to their budgets.

### **A BRAND THAT GREW INTO A HOUSEHOLD NAME**

Last year was a year of many triumphs for Great Eastern as the group made another clean sweep of some notable industry awards. For the eighth year running, Great Eastern won the Reader’s Digest Trusted Brand Award Gold Category, thanks to its customers’ votes. The group also scooped up the BrandLaureate: Asia Pacific Best Brands award for the fourth consecutive year. The BrandLaureate award was for the Top 10 Masters of Industry, Insurance Award. On a more personal level, I was bestowed the BrandLaureate’s ICON Leadership Award for Transformational Leader, a recognition that I greatly appreciate and which I attribute to this great company.

### **OUR HUMAN CAPITAL MILESTONES**

In its recruitment of new talent, the group continued to focus on employer branding and bringing the brand direct to the campuses and college students. Our efforts have paid off as we clinched, for the third consecutive year, the title of Malaysia’s 100 Leading Graduate Employer 2011, and Leading Employer in the Insurance category. These awards would pave the way for the recruitment of exceptional talent who would one day be the future leaders of the Company.

We also held firm to our commitment in building our talent pool through training and development. We strongly encouraged our employees to sit for the LOMA (Life Office Management Association) examination as part of our efforts to build a staff force of true insurance professionals. Our relentless drive to promote the LOMA led to the group winning the LOMA 2011 Educational Achievement Award for the third consecutive year.

### **STRICT COMPLIANCE TO PROMOTE EFFECTIVENESS**

In mid-2011, we successfully implemented the Bloomberg system for pre-trade and post-trade checks to complement the existing monitoring of investment limits. Essentially, the system acts as a preventive measure blocking any potential transaction from breaching the investment limit and in the process, also enhances investment compliance.

As part of on-going efforts to make the product risk management process more efficient and effective, as well as align these with the Great Eastern Group’s expectations and market developments, we carried out a review of the Product Risk Assessment checklist. This is expected to enhance ownership by risk owners in managing product risk and facilitating discussions between risk owners and Risk Management & Compliance.

2011 also saw an escalation of efforts made to comply two new legislations which will be enforced in 2012, namely the Personal Data Protection Act, which regulate the processing of personal data; and the Competition Act, which is designed to protect the competitive process.

The Competition Act has since come into force on 1 January 2012. Among the

efforts made to facilitate compliance with these legislations include staff awareness programmes, the creation of a Privacy Officer, the development of a Competition Law policy and related protocols.

## **OUR ROLE AS A TRUE CORPORATE CITIZEN**

Being the largest and oldest company in the life insurance industry in Malaysia, we are always sensitive to the underprivileged around us. Each year, we channel a fair amount of funds via sponsorships and corporate philanthropy to a myriad of organisations, disaster-stricken victims and the needy within our community. It is with pride that I can say that this spirit of giving back to society cascades from the Management all the way to our employees and dedicated agency force.

The Company's on-going community project, ChildrenCare - launched 16 years ago - is a project close to the heart of every member of the Great Eastern family. To date, Great Eastern donated more than RM1.67 million to 174 children homes and special schools nationwide. The ChildrenCare activities in 2011 focused on "green" learning and organising educational trips for children to inculcate an appreciation for nature.

In addition to contributions and donations to underprivileged children and senior citizens, Great Eastern also recognises the need to nurture and develop young talent. In 2011, we gave away 13 Great Eastern Supremacy Scholarship Awards to promising students to pursue their studies in selected areas. To date, 97 students received scholarships worth a total of RM5.4 million with these awards. The Company also gave scholarships for local, regional and

overseas universities aimed at providing financial assistance to deserving applicants for selected field of studies.

## **THE OUTLOOK AS WE SEE IT**

Despite the slew of less than encouraging economic indicators from the world's major economies, we strongly believe that 2012 will be another good year for Great Eastern. The Government has unveiled its Financial Sector Blueprint 2012-2020 aimed at boosting the insurance industry and taking it to another level. We are, therefore, optimistic of a positive outlook, judging from our achievements in the previous year, and backed by growing affluence among the Malaysian population.

The Government's initiatives to introduce additional tax benefits for private pension funds and annuity insurance are also expected to benefit insurers as these incentives serve to encourage retirement planning. We expect to see demand for medical and health products remain strong as there is growing public awareness of the need to provide adequate insurance coverage to ensure that their loved ones are not left in financial distress, especially during times of economic uncertainty.

The contribution of bancassurance to the insurance industry has grown steadily although agency remains the key distribution channel. As such, the formation of strategic alliances between insurers and banks, a trend that is rapidly gaining momentum to tap on banks' distribution strength, will continue to propel the insurance market.

That said, the emergence of new Takaful players with very strong and established distribution capability like Great Eastern Takaful will contribute significantly to the

growth of the Takaful market in 2012 as they tap into the large under-insured Muslim market.

As the country's insurance penetration remains low, the growth potential of the industry is tremendous indeed. We see an acute shortage of talent in the actuarial, underwriting, claims, risk management and business development fields. We are also seeing intense competition for talent from abroad as well as outside the insurance industry, particularly from the banking sector, for expertise in the areas of risk management and business development. At Great Eastern, we will continue with our tradition of investing heavily in Human Capital, focusing on attracting the best young talent, developing and retaining these talents, as well as creating a conducive corporate environment where career professionals can thrive and maximise their potential.

Most of all, we are committed to helping our customers live longer and healthier lives. We pledge to continue to refine and sharpen our customer focus and will be launching a whole new customer proposition, which we believe will further enhance our services and take our customers' Great Eastern experience to new heights.



**Dato Koh Yaw Hui**  
Chief Executive Officer  
11 May 2012

# BOARD OF DIRECTORS

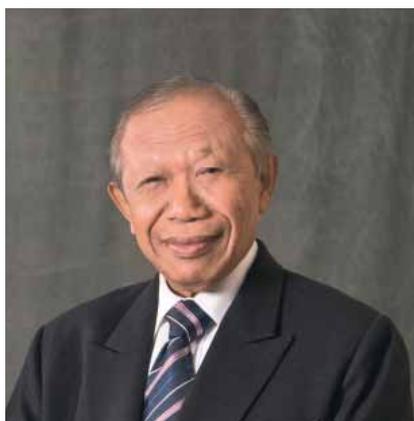
■ Mrs Fang Ai Lian –  
Chairman

Christopher Wei ■



■ Y Bhg  
Tan Sri Dato' Nasrudin Bin Bahari

Y Bhg ■  
Datuk Kamaruddin Bin Taib



■ Y Bhg  
Dato' Ooi Sang Kuang

Y Bhg ■  
Dato' Albert Yeoh Beow Tit



■ Y Bhg Dato Koh Yaw Hui

Lee Kong Yip ■



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mrs Fang Ai Lian (*Chairman*)  
Christopher Wei  
Y Bhg Tan Sri Dato' Nasrudin Bin Bahari  
Y Bhg Datuk Kamaruddin Bin Taib  
Y Bhg Dato' Ooi Sang Kuang (appointed w.e.f. 6 April 2012)  
Y Bhg Dato' Albert Yeoh Beow Tit  
Y Bhg Dato Koh Yaw Hui  
Lee Kong Yip

## AUDIT COMMITTEE

Y Bhg Dato' Albert Yeoh Beow Tit (*Chairman*)  
Mrs Fang Ai Lian  
Lee Kong Yip

## NOMINATING COMMITTEE

Lee Kong Yip (*Chairman*)  
Mrs Fang Ai Lian  
Christopher Wei  
Y Bhg Dato' Ooi Sang Kuang  
Y Bhg Dato' Albert Yeoh Beow Tit

## REMUNERATION COMMITTEE

Lee Kong Yip (*Chairman*)  
Mrs Fang Ai Lian  
Christopher Wei  
Y Bhg Dato' Ooi Sang Kuang

## BOARD RISK COMMITTEE

Lee Kong Yip (*Chairman*)  
Y Bhg Dato' Ooi Sang Kuang  
Y Bhg Dato' Albert Yeoh Beow Tit

## CHIEF EXECUTIVE OFFICER

Y Bhg Dato Koh Yaw Hui

## APPOINTED ACTUARY

Yap Chee Keong

## COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

## REGISTERED OFFICE

Level 20, Menara Great Eastern  
303 Jalan Ampang  
50450 Kuala Lumpur

## AUDITORS

Messrs Ernst & Young

## ENGAGEMENT PARTNER

Abdul Rauf Bin Rashid

# SENIOR MANAGEMENT TEAM



Seated, left to right :  
Standing, left to right :

Raymond Ong Eng Siew, Y Bhg Dato Koh Yaw Hui  
Chan Chee Wei, Song Hock Wan, Nicholas Kua Choo Ming, Yap Chee Keong,  
Audra Chung Kit Li, Liza Hanim Binti Zainal Abidin

**Y Bhg Dato Koh Yaw Hui**  
*Chief Executive Officer*

**Bruce Lee Yee Lam**  
*Executive Vice President & Head, Property and Corporate Services*

**Richard Lin Kwok Wing**  
*Chief Investment Officer*

**Raymond Ong Eng Siew**  
*Chief Financial Officer*

**Jeffrey Yem Voon Cheat**  
*Chief Operations Officer*

**Nicholas Kua Choo Ming** (Appointed w.e.f. 21 March 2012)  
*Chief Marketing Officer*

**Cheong Soo Ching**  
*Senior Vice President & Head, Risk Management and Compliance*

**Lee Pooi Hor**  
*Senior Vice President & Head, Information Technology*



**Seated, left to right :** Jeffrey Yem Voon Cheat, Bruce Lee Yee Lam  
**Standing, left to right :** Sophia Ch'ng Sok Heang, Cheong Soo Ching, Wong Wai Yean, Richard Lin Kwok Wing, Lenard Cheong Kea Wai, Lee Pooi Hor

**Song Hock Wan**

*Senior Vice President & Head, Customer Acquisition Division*

**Liza Hanim Binti Zainal Abidin**

*Senior Vice President & Company Secretary*

**Sophia Ch'ng Sok Heang**

*Senior Vice President & Head, Finance*

**Yap Chee Keong**

*Appointed Actuary*

**Chan Chee Wei**

*Senior Vice President & Head, Bancassurance*

**Wong Wai Yean**

*Vice President & Head, Group Insurance*

**Lenard Cheong Kea Wai**

*Vice President & Acting Head, Human Capital*

**Audra Chung Kit Li**

*Chief Internal Auditor*

# KEY FUNCTIONAL DIVISIONS

## CUSTOMER ACQUISITION DIVISION (AGENCY MANAGEMENT)

### **Song Hock Wan**

Senior Vice President & Head  
Customer Acquisition Division

### **Andy Ng Yen Heng**

Senior Vice President & Head  
Centre for Excellence

### **Daniel Toh Chee Piaw**

Vice President  
Agency Management

### **Sean Loo Ping Nam**

Vice President & Head  
Strategic Business Development Unit

### **Ibrahim Abdullah**

Assistant Vice President & Head -  
Business Support  
Takaful Business Development Unit

### **Hazzrie Abu Bakar**

Assistant Vice President & Head - Territory A  
Takaful Business Development Unit

### **Zulkifly Zaian**

Assistant Vice President & Head - Territory B  
Takaful Business Development Unit

### **Suresh Tanigajalam**

Senior Manager & Head  
Indian Business Development Unit

### **Selvamony Muniandy**

Senior Manager  
Agency Administration

### **Stephen Ng Yew Seng**

Senior Manager  
Events & Promotions

## BUSINESS DEVELOPMENT - REGIONAL

### **Koh Ken Yong**

Assistant Vice President & Head  
(Central Region 1)

### **Norizan Yahya**

Assistant Vice President & Head  
(Central Region 2)

### **Daniel Toh Chee Piaw**

Vice President & Head  
(Central Region 3)

### **Chew Ing Tiong**

Assistant Vice President & Head  
(Northern Region 1)

### **Ken Ong Kean Teik**

Assistant Vice President & Head  
(Northern Region 2)

### **Scott Wong Charng Yeon**

Senior Manager & Head  
(Sabah Region)

### **Ricky Voon Woo Kian**

Assistant Vice President & Head  
(Sarawak Region)

### **James Pang Shau Hwa**

Vice President & Head  
(Southern Region)

## BUSINESS DEVELOPMENT - BRANCHES

### **Brandon Lee Chi Ping**

Manager & Head  
(Alor Setar Branch)

### **Susan Tan San San**

Senior Manager & Head  
(Klang Branch)

### **Sham Irwan Isnin**

Manager & Head  
(Kota Bharu Branch)

### **Dickson Ow Siew Kay**

Manager & Head  
(KL Business Zone M)

### **Alex Hew Aik Thye**

Manager & Head  
(KL Business Zone G)

### **See Han Chung**

Manager & Head  
(Kuantan Branch)

### **Tan Chu Boon**

Manager & Head  
(Malacca Branch)

### **Alex Ch'ng Seet Loke**

Senior Manager & Deputy Head  
(Penang Branch)

### **Yap Hock Ban**

Senior Manager & Head  
(Seremban Branch)

## CHIEF MARKETING OFFICER'S OFFICE

### **Nicholas Kua Choo Ming**

Chief Marketing Officer

## MARKETING AND CUSTOMER MANAGEMENT

### **Kam Lee Lan**

Vice President & Head  
Marketing & Customer Management

## GROUP INSURANCE

### **Wong Wai Yeap**

Vice President & Head  
Group Insurance

## BANCASSURANCE

### **Chan Chee Wei**

Senior Vice President & Head  
Bancassurance

## ACTUARIAL

### Yap Chee Keong

Appointed Actuary  
Actuarial Department

## COMPANY SECRETARIAT / LEGAL

### Liza Hanim Binti Zainal Abidin

Senior Vice President & Company  
Secretary  
Secretariat and Legal

### Mazlin Haslinda Mohammed

Assistant Vice President & Head  
Legal

### Wendy Chin Loong Ying

Assistant Vice President  
Company Secretariat

## PROPERTY AND CORPORATE SERVICES

### Bruce Lee Yee Lam

Executive Vice President & Head  
Property & Corporate Services

### Kwon Yen May

Senior Manager  
Corporate Services

## CHIEF FINANCIAL OFFICER'S OFFICE

### Raymond Ong Eng Siew

Chief Financial Officer

### Sophia Ch'ng Sok Heang

Senior Vice President & Head  
Finance

### Mah Poon Keong

Vice President  
Finance

## PRODUCT MANAGEMENT

### Stanley Ng Wai Foong

Vice President & Head  
Product Management

## RISK MANAGEMENT & COMPLIANCE

### Cheong Soo Ching

Senior Vice President & Head  
Risk Management & Compliance

### Jane Lai Choy Chan

Vice President  
Compliance

## HUMAN CAPITAL

### Lenard Cheong Kea Wei

Vice President & Acting Head  
Human Capital

### Leong Pei Yee

Manager  
Corporate Communications

## INTERNAL AUDIT

### Audra Chung Kit Li

Chief Internal Auditor

## INFORMATION TECHNOLOGY

### Lee Pooi Hor

Senior Vice President & Head  
Information Technology

## INVESTMENT

### Richard Lin Kwok Wing

Chief Investment Officer

### Sum Leng Kuang

Senior Vice President  
Investment - Fixed Income

### Alexis Jong Kian Wei

Vice President  
Investment - Fixed Income

### Ong Boo Khoon

Manager  
Investment - Operations

## OPERATIONS

### Jeffrey Yem Voon Cheat

Chief Operations Officer  
Chief Operations Officer's Office

### Tess Tan Shiu Chin

Senior Vice President  
HealthCare Services

### Teo May Leng

Senior Vice President  
Customer Services, Branch Operations &  
Group Administration

### Lau Sok Im

Vice President  
Operations Support

### Lee Tat Fatt

Vice President  
New Business

### Thong Wai Yin

Vice President  
Life Claims

### Elsie Kok Lai Choo

Vice President  
Operations Planning

### Dr. CM Anne A/P CT Mathews

Medical Director

# 2011 AGENTS' HONOUR ROLL



**From left to right:**

**Gui Siew Luang**

*Top Unit Sales Manager*

**Toh Chun Shiong**

*Top Group Sales Manager*

**Gan Ai Ling**

*Top Agent*

### MASTER LEADER AWARD

Toh Chun Shiong

### TOP 3 GROUP SALES MANAGERS (WHOLE GROUP)

Name	Award
Toh Chun Shiong	Champion
Tan Lay Seong	1 <sup>st</sup> Runner up
Aun Soo Lim	2 <sup>nd</sup> Runner up

### TOP 3 GROUP SALES MANAGERS (DIRECT GROUP)

Name	Award
Toh Chun Shiong	Champion
Bennie Hoo Wei Chuan	1 <sup>st</sup> Runner up
Chong Shun Tseng	2 <sup>nd</sup> Runner up

### TOP 3 UNIT SALES MANAGERS

Name	Award
Gui Siew Luang	Champion
Bo Chin Hoong	1 <sup>st</sup> Runner up
Ching Hoy Pheng	2 <sup>nd</sup> Runner up

### TOP 3 PERSONAL PRODUCERS

Name	Award
Gan Ai Ling	Champion
Sue Yuet Moi	1 <sup>st</sup> Runner up
Ang Ching Yee	2 <sup>nd</sup> Runner up

### TOP 3 CAREER AGENTS

Name	Award
Heng Shoo Ju	Champion
Ng Sheau Fern	1 <sup>st</sup> Runner up
Goon Mei Lean	2 <sup>nd</sup> Runner up

### TOP 3 AGENTS

Name	Award
Gan Ai Ling	Champion
Ang Ching Yee	1 <sup>st</sup> Runner up
Lam Siew Miin	2 <sup>nd</sup> Runner up

### MDRT TOP OF THE TABLE QUALIFYING & LIFE

Name	Years
Kuan Sousa	15

### MDRT TOP OF THE TABLE

Name	Years
Amutha Karpanan	7
Gan Ai Ling	2

### MDRT COURT OF THE TABLE QUALIFYING & LIFE

Name	Years
Heng Shoo Ju	15,11 consecutive years COT
Kiu Siu Ung	15
Sue Yuet Moi	13
Cheng Wan Leng	12
Alex Aun Soo Lim	11Q 11L
Cheng Foong Ling	10, 7 consecutive years COT
Lee Tat Tseong	10

### MDRT COURT OF THE TABLE

Name	Years
Ching Kee Ling	6
Yeak Lan Yean	6
Ang Ching Yee	2
Francis Boy R Nathan	2

### QUARTER CENTURY CLUB & LIFE MEMBER

Name	Years
Robert Cheah	29 Years
Dato' Alex Teh Boon Sing	28 Years
G Satheesan	27 Years

### HONOUR ROLL

Name
Robert Cheah
G Satheesan
V Mahalingam
A Uthay Kumaran
Gan Sing Shoo
Lai Kok Fung

**MDRT QUALIFYING &  
LIFE MEMBERS**

<b>Name</b>	<b>Years</b>
V Mahalingam	20
A Uthay Kumaran	18
Kristy Law Kim Noi	15Q 17L
Cheah Har Mooi	15Q 16L
Lee Fong Thye	15
Lee Moi Chin	15
N Thiban	15
Agnes Tang Yet Kiew	13Q 14L
Lam Yee Fun	12Q 14L
Gui Siew Luang	12
Toh Chun Shiong	12
Low Kim Seng	11Q 12L
Cecilia Joseph Leo	11
Foo Kwai Kheng	11
Kho Siang Kit	11
Liew Siew Yun	11
Lim Chin Hong	11
Pua Lian Keng	11
Tan Choo Meng	11
Yau Kim Choy	11
Chong Ching Shon	10
Hoi Kooi Lian	10
Koh Ker Lik	10
Law Suok Ung	10
Ng Peck Hong	10
Ooi Siew Yeam	10
Selva Kumar P Karpanan	10

**MDRT LIFE MEMBER**

<b>Name</b>	<b>Years</b>
Robert Cheah	29
Dato' Alex Teh Boon Sing	28
G Satheesan	27
Chang Chee Kiang	24
Michael Cheong Moon Lam	21
Gan Sing Shoo	18
Tan Poo Hong	18
Lai Kok Fung	17
Cheong Kim Chee	15
Chiew Guo Chang	15
Yap Mee Len	15
Jackson Ting Hwong Sui	14
Jimmy Ng Bok Her	14
Datin Tan Po Moi	13
Chung Muh Sha	13
Fung Siew Hong	13
Kheng Kien Giap	13
Khoo Teck Leong	13
Leong Yuet Wan	13
Muhammad Malkit Bin Abdullah	13
Tan Kim Kok	13
Yu Siong Choo	13
Chung Nyok Voon	12
K R Raju	12
Liew Nyok Foong	12
Low Kim Seng	12
Phang Boon Chai	12
Tan Lay Seong	12
Ng Yoke Hwa	11
Tan Chai Siew	11
Tan Kim Siok	11

# CALENDAR OF EVENTS 2011



1. Gong Xi Fa Cai! Ushering in the year of the dragon.
2. Bringing smiles to orphans with a fun day out at the KL Bird Park.
3. A new building to serve the growing Sandakan branch.
4. A fresh new look for a professional customer service experience.

## JANUARY

- Launch of Great Secure Care
- Customer Service Call Centre Centralisation

## FEBRUARY

- Chinese New Year Celebration

## MARCH

- "Together We Experience Nature" ChildrenCare Activity
- Sandakan Branch Opening

## APRIL

- Launch of SmartEducate Saver
- Launch of Customer Service New Image

# CALENDAR OF EVENTS 2011



5



7



6



8



9

5. Going green starts young! Children were taught how to make enzyme mud balls.
6. Love beyond borders - Great Eastern extending a helping hand to assist earthquake and tsunami victims in Japan.
7. Director and CEO emerged as winner of the Top 10 Chinese Economic Talent Award.
8. Eight years in a row, Great Eastern has proven time and again that there are more reasons to trust the brand.
9. We grow together to go further.

## MAY

- Launch of Premier Heritage with OCBC

## JUNE

- Launch of Great Cash Wonder
- Japan Disaster Relief Mock Cheque Presentation
- CEO's Top 10 Chinese Economic Talent Award

- Winner of Reader's Digest Trusted Brand Gold Award
- "Great Eastern Goes Green With Effective Microorganism" ChildrenCare Activity

## JULY

- Life Planning Advisors Graduation



10



11



12



13



14



15

- 10. Celebrating 103 years of greatness!
- 11. We are Asian, we are family.
- 12. We're simply the best!
- 13. Full house at the inspiring talk on relationships.
- 14. A child picking a seed from an oil palm plant during an educational trip.
- 15. Staff celebrating their loyalty and excellent work done at the Annual Appreciation Award.

**AUGUST**

- Triple Joy Celebrations

**SEPTEMBER**

- Launch of Great Cash Gain

**OCTOBER**

- Annual Dinner and Dance 2011
- "ChildrenCare Agro-Adventure" ChildrenCare Activity
- "Great Eastern Decodes The Secret of Love" Tea Talk at Kuala Lumpur
- Annual Appreciation Award Ceremony



16



17



18



19

- 16. Double the celebration for Deepavali and Christmas!
- 17. Donating bags to school children in the rural areas of Sandakan.
- 18. Forty children from rural Kuala Selangor and Kuala Langat were treated to a fun-filled educational three-day camp in the city.
- 19. Another award to recognise the brand leadership of Great Eastern.

**NOVEMBER**

- Deepavali and Christmas Tree Lighting Ceremony
- School bags donation in Sandakan
- Winner of BrandLaureate Brand Icon Leadership Awards 2011

**DECEMBER**

- “Semarakkan Kasih, Terokai Dunia” ChildrenCare Activity

# CHAPTER 2

THE STORY TAKES A  
NEW DIRECTION





# WE'RE NOT JUST A LIFE INSURANCE COMPANY ANYMORE. WE'RE A LIFE COMPANY.

We all have the best intentions. To be better, do better, look better and live better.

Yet even our most noble intentions can fall short because of one simple reason.  
Life just gets in the way.

Which is why, at Great Eastern, we're changing the way we think about our customers.  
We're making it our responsibility, our intention, to do all we can to help people achieve  
their intentions.

To live healthier, live better and above all else, live longer.

Because in a world of 7 billion people, there will never be another you.

And we know that life insurance, no matter how great, can never replace what's lost.

So the more we can do to help every person achieve their intentions, the better it will be for  
those who mean so much to them.

To us, it simply means that we've moved beyond being just a life insurance company to  
being a Life Company. In terms of words, the change seems small, but in the way we think  
and feel about people, it's a completely new and exciting story.



# THE STORIES THAT MATTER MOST ARE BASED ON STRENGTH AND STABILITY.

In this age of continued uncertainty, people constantly search for stability. At Great Eastern, our firm business foundation, strong financial position and well-developed enterprise risk management framework will allow us to weather future investment volatility and generate long-term returns for our stakeholders.

## **Sustained Profitability**

A stable and profitable organisation during these times creates confidence for the future. Our net profit of RM515.5 million was driven by our strong underwriting performance.

## **Strongly Capitalised**

We remain strongly capitalised with Capital Adequacy Ratio at 288%, well above the Supervisory Target Capital Level of 130%.

## **Enhancing Returns to Shareholders**

In view of the company's performance in 2011, strong capital position and healthy long-term prospects, the Board has recommended a final dividend of RM3.72 per ordinary share. Including the interim dividend of RM1.43 per ordinary share that was paid on 26 August 2011, the total dividend payment to shareholders will amount to RM5.15 per ordinary share for financial year 2011.



# GROWTH THROUGH EVERY CHAPTER IN LIFE.

## Sustained Growth in New Sales and Long-Term Profitability

As people, we are constantly growing. In size, knowledge, awareness, and maturity. We never stop learning and adapting to changes around us. An organisation is no different. Our growth has been healthy since our birth over 103 years ago. In 2011, the company's total weighted new sales rose by 12% to RM1.05 billion from RM938 million last year.

Growth has always been a measure of our strength throughout our history.

## Growing with Great Eastern

Numbers are just one factor. Our 2.8 million policyholders enjoy consistent excellent customer service and benefit from our suite of well-designed, value-added protection, savings and investment products.

We enhanced our service delivery capabilities which materially reduced turnaround time, simplified processes and improved service standards.

Investing heavily in building our data analytics capabilities has enabled us to refine our customer engagement strategy and develop new and innovative offerings. In addition, our growth initiatives in the digital space provide a differentiated, unparalleled experience for our policyholders.



# IT'S NOT WHAT YOU SAY. IT'S WHAT YOU DO THAT MATTERS.

At Great Eastern, we look at life insurance differently – because it's our belief that insurance products alone will never be enough to replace what matters most.

We acted on that belief by developing our Great Eastern 21 Days mobile app, a Health & Wellness portal full of valuable information and resources, Wellness Profiling and an industry-first Live Great loyalty programme that incentivises and rewards cardmembers for achieving their goals.

As we move into 2012, we are driven by our bold new purpose, one that has changed the way we look at the industry. Not just supporting our customers financially, but also to help them live better, healthier and most importantly, longer.



# THE MOST IMPORTANT PERSON IN ANY STORY IS YOU.

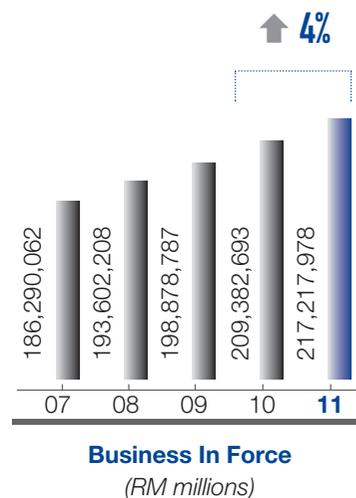
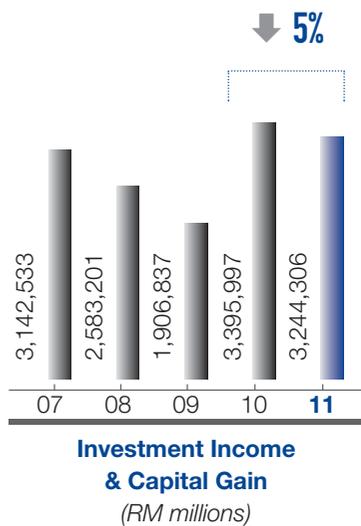
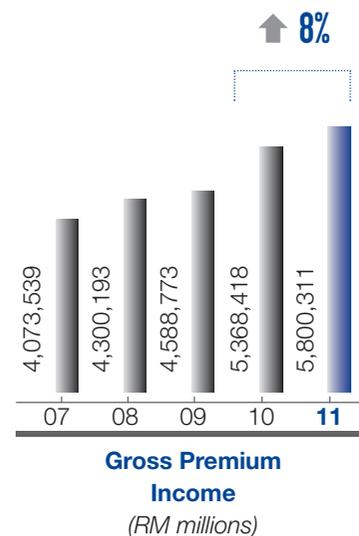
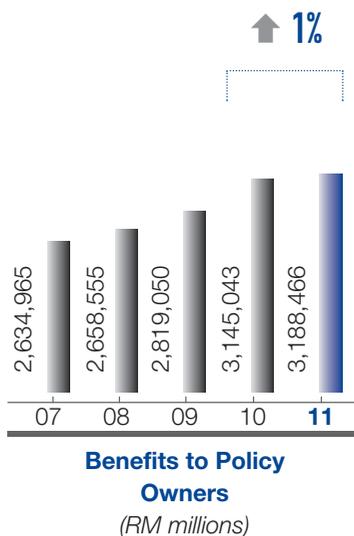
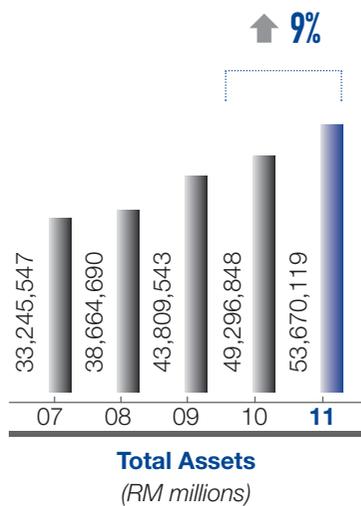
At the end of the day, there's no one more important than you. You're a parent, a son or daughter, husband or wife. To those around you, there will never be another you. In so many ways, you're irreplaceable. At Great Eastern, we truly believe that being there for the ones who need you most starts with achieving your intentions.

To eat better, get more exercise, or find work-life balance. That's why we are making it our intention to do all we can to help you live healthier, live better and most importantly, live longer.

Because we're not just a life insurance company anymore.

We're a life company.

# FINANCIAL SYNOPSIS 2011



# CHAPTER 3

THE STORY IN  
NUMBERS



## FINANCIAL STATEMENTS

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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 year ended 31 December 2011.

## PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of life insurance business.

There has been no significant change in the principal activity during the financial year.

## RESULTS

	<b>RM'000</b>
Net profit for the year	515,543

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

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

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2010 were as follows:

	<b>RM'000</b>
In respect of financial year ended 31 December 2010 as reported in the Directors' report of that year:	
Second and final single tier dividend of RM2.82 per ordinary share on 100,000,005 ordinary shares declared on 30 March 2011 and paid on 1 June 2011	282,000
In respect of financial year ended 31 December 2011:	
Interim single tier dividend of RM1.434 per ordinary share on 100,000,005 ordinary shares paid on 26 August 2011	143,400
	<u>425,400</u>

At the forthcoming Annual General Meeting ("AGM") of the Company, a second and final single tier dividend in respect of the financial year ended 31 December 2011 of RM3.72 (2010: RM2.82) per ordinary share on 100,000,005 ordinary shares, amounting to a dividend payable of RM372,000,018 (2010: RM282,000,014) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained earnings in the next financial year ending 31 December 2012.

## DIRECTORS

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

Mrs Fang Ai Lian (nee Ho Ai Lian) (Chairman)  
Mr Christopher Brian Wei (appointed on 21 April 2011)  
Y Bhg Tan Sri Dato' Nasrudin bin Bahari  
Y Bhg Datuk Fong Weng Phak  
Y Bhg Datuk Kamaruddin bin Taib  
Y Bhg Dato' Yeoh Beow Tit  
Y Bhg Dato Koh Yaw Hui  
Mr Lee Kong Yip

# DIRECTORS' REPORT

## DIRECTORS (CONT'D)

In accordance with Article 66 of the Company's Articles of Association, Datuk Kamaruddin bin Taib and Dato' Yeoh Beow Tit would retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Tan Sri Dato' Nasrudin bin Bahari would retire pursuant to Section 129(2) of the Companies Act, 1965 at the forthcoming AGM and offers himself for re-appointment in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next AGM of the Company.

Datuk Fong Weng Phak would retire pursuant to Section 129(2) of the Companies Act, 1965 and does not offer himself for re-appointment in accordance with Section 129(6) of the Companies Act, 1965 at the forthcoming AGM.

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 25(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 required to be disclosed under Section 169(8) of the Companies Act, 1965.

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") during the financial year were as follows:

	Shareholdings in which Directors have a direct interest			
	1.1.2011	Acquired	Disposed	31.12.2011
<b>a) Ordinary shares in the capital of OCBC Bank</b>				
Mrs Fang Ai Lian (nee Ho Ai Lian)	6,000	56,671	-	62,671
Y Bhg Tan Sri Dato' Nasrudin bin Bahari	19,556	729	-	20,285
Y Bhg Datuk Fong Weng Phak	80,052	4,437	-	84,489
Y Bhg Dato' Yeoh Beow Tit	440,527	15,222	(120,000)	335,749
Mr Lee Kong Yip	119,717	4,391	-	124,108
Y Bhg Dato Koh Yaw Hui	7,332	51,903	-	59,235
	Shareholdings in which Directors are deemed to have an interest			
	1.1.2011	Granted	Vested	31.12.2011
Y Bhg Dato' Yeoh Beow Tit	17,671	12,290	-	29,961 <sup>(1)</sup>
Y Bhg Dato Koh Yaw Hui	59,146	10,893	(45,349)	24,690 <sup>(2)</sup>

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS (CONT'D)

Notes:

- (1) Comprises deemed interest in 29,960 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over one (1) ordinary share granted under the OCBC Employee Share Purchase Plan.
- (2) Comprises deemed interest in 24,690 ordinary shares subject to award(s) under the OCBC Deferred Share Plan.

		Shareholdings in which Directors have a direct interest			
		1.1.2011	Acquired	Disposed	31.12.2011
<b>(b) 4.2% non cumulative non convertible Class G Preference Shares in OCBC Bank</b>					
	Y Bhg Datuk Fong Weng Phak	14,891	-	-	14,891
<b>(c) 5.1% non cumulative non convertible Class B Preference Shares in OCBC Bank</b>					
	Mrs Fang Ai Lian (nee Ho Ai Lian)	1,700	-	-	1,700

		Options held by Directors in their own name					
		Expiry Date	Exercise Price S\$	1.1.2011	Granted	Exercised	31.12.2011
<b>(d) Options to subscribe for ordinary shares in the capital of OCBC Bank</b>							
	Y Bhg Dato' Yeoh Beow Tit	13.3.2017	8.59	50,000	-	-	50,000
		13.3.2018	7.52	50,000	-	-	50,000
	Y Bhg Dato Koh Yaw Hui	7.4.2015	5.78	32,000	-	-	32,000
		22.5.2016	6.58	25,000	-	-	25,000
		13.3.2017	8.59	25,000	-	-	25,000
		13.3.2018	7.52	30,000	-	-	30,000
		15.3.2019	4.14	23,224	-	-	23,224
		14.3.2020	8.76	40,000	-	-	40,000
		13.3.2021	9.35	-	36,773	-	36,773

# DIRECTORS' REPORT

## CORPORATE GOVERNANCE

The Company has taken concerted steps to comply with Bank Negara Malaysia's guidelines BNM/RH/GL/003-2 on "Prudential Framework of Corporate Governance for Insurers" including the best practices referred to in the guideline. The Company is committed to the principles prescribed in this guideline to ensure public accountability at all times. Further details are disclosed on page 44 in the financial statements.

## OTHER STATUTORY INFORMATION

- (a) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

# DIRECTORS' REPORT

## OTHER STATUTORY INFORMATION (CONT'D)

- (g) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by Bank Negara Malaysia ("BNM").

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

## AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 January 2012.

Lee Kong Yip

Koh Yaw Hui

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

The Board of Directors of Great Eastern Life Assurance (Malaysia) Berhad (the "Company") recognises the importance of the overall governance of the Company and is committed to uphold good corporate governance practices in conformity with BNM Guidelines, BNM/RH/GL 003-2 on "Prudential Framework of Corporate Governance for Insurers" dated 18 April 2006 (the "Framework"). The Framework is divided into six main sections namely, Board Responsibility and Oversight, Management Accountability, Corporate Independence, Internal Controls and Operational Risk Management, Public Accountability and Fair Practices, and Financial Reporting. There are 33 principles in the Framework.

The Company adopts management practices that are consistent with the Framework. It has also complied with the prescriptive applications and most of the best practices principles prescribed in the Framework.

## PART A. BOARD RESPONSIBILITY AND OVERSIGHT

### BOARD'S CONDUCT OF ITS AFFAIRS, COMPOSITION AND BALANCE

The Company's Board of Directors (the "Board") has overall responsibility for leading the Company and providing strategic directions in terms of corporate objectives, monitoring performance goals, and business strategies for the Company.

The Board comprises 8 members, made up of 7 Non-Executive Directors and 1 Executive Director. A majority of the Non-Executive Directors are Independent Directors. The Independent Directors provide unbiased and independent views, advice and judgment on issues for the Board's deliberation. All Directors comply with the prescribed maximum limit for other directorships held.

The composition of the Board as at 31 December 2011 is as follows:

#### Members

#### Status of directorship

Mrs Fang Ai Lian (nee Ho Ai Lian) Chairman	Independent Non-Executive Director
Mr Christopher Brian Wei (appointed on 21 April 2011)	Non-Independent Non-Executive Director
Yg Bhg Tan Sri Dato' Nasrudin Bin Bahari	Independent Non-Executive Director
Yg Bhg Datuk Fong Weng Phak	Independent Non-Executive Director
Yg Bhg Datuk Kamaruddin Bin Taib	Independent Non-Executive Director
Yg Bhg Dato' Yeoh Beow Tit	Independent Non-Executive Director
Yg Bhg Dato Koh Yaw Hui	Non-Independent Executive Director
Mr Lee Kong Yip	Independent Non-Executive Director

The Board comprises professionals drawn from diverse backgrounds in insurance, banking, financial services, actuarial science, risk management, accounting and auditing providing the requisite blend of experience, expertise and perspectives. Collectively, they bring with them a wide range of skills and specialised knowledge required to oversee the Company's business operations. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, given the objectives and strategic direction of the Board Committees to discharge their responsibilities.

The appointment and re-appointment of Directors to the Company's Board has been approved by BNM. On a quarterly basis, the Directors are subject to an internal declaration to review their status of compliance with Part XII of the Insurance Regulations 1996 on their fulfilment of the minimum criteria of a "fit and proper person". The Fit and Proper Policy for Key Responsible Persons (the "KRP Policy") of the Company was established on 21 July 2011 in line with BNM Guidelines, BNM/RH/GL 018-3 Guidelines on Fit and Proper for Key Responsible Persons which came into effect on 10 March 2011. Pursuant to the KRP Policy, all Directors and the Chief Executive Officer ("CEO"), amongst others, are collectively referred to as Key Responsible Persons ("KRP"). Such KRPs, prior to or on appointment and thereafter on an annual basis, will need to declare that they remain Fit and Proper as defined in the said regulations and the KRP Policy.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D)

### BOARD'S CONDUCT OF ITS AFFAIRS, COMPOSITION AND BALANCE (CONT'D)

The Company's Articles of Association provide for one-third of the remaining directors to retire from office by rotation and if eligible, to be re-elected at the AGM of the Company. A Director who is over 70 years old is subject to re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965. Directors whose terms of appointment are close to expiry would be nominated for re-appointment/re-election in accordance with the provisions of BNM/RH/GL 003-01 on "Minimum Standards for Prudential Management of Insurers (Consolidated)". Re-appointments or re-elections of Directors are made with the prior approval of BNM.

The Board meets at least six times a year. The dates are scheduled in advance before the end of the preceding financial year. In addition to the scheduled meeting dates, the Board has agreed that additional meetings would be arranged to discuss any matters which require the Board's consideration. As at the end of the financial year, all Directors in office have complied with the 75% minimum attendance requirement at such meetings. In 2011, there were seven Board meetings and the Board is pleased to note that full attendances were recorded, as set out below:

Name	Number of Board Meetings	
	Attended	Percentage (%)
Mrs Fang Ai Lian (nee Ho Ai Lian) Chairman	7/7	100
Mr Christopher Brian Wei (appointed on 21 April 2011)	4/4	100
Yg Bhg Tan Sri Dato' Nasrudin Bin Bahari	7/7	100
Yg Bhg Datuk Fong Weng Phak	7/7	100
Yg Bhg Datuk Kamaruddin Bin Taib	7/7	100
Yg Bhg Dato' Yeoh Beow Tit	7/7	100
Yg Bhg Dato Koh Yaw Hui	7/7	100
Mr Lee Kong Yip	7/7	100

The Board has in place a formal and transparent procedure for the appointment and re-appointment of Directors and the CEO. Proposals for the appointment of new Directors to the Board, the CEO and the Key Senior Officers ("KSOs") are reviewed by the Nominating Committee ("NC"). After considering the nominees proposed by the NC, the Board appoints the Directors, the CEO and the KSOs.

Besides carrying out its fiduciary and statutory responsibilities, the Board approves the annual business and strategic plans of the Company. It oversees the management of the Company's business affairs, and regularly reviews the financial performance of the Company. Matters reserved for the Board's decision include corporate restructuring, major acquisition and disposal of assets by the Company, all material related party transactions, authority levels for the Company's core functions, outsourcing of core business functions and corporate policies on investment, underwriting, reinsurance, claims management and risk management. The Senior Management Team of the Company are invited to attend Board meetings to provide additional insights, views, advice and explanations, as appropriate.

The Directors have been issued with a Directors' Handbook on the Company, Code of Ethics for Directors and a full set of the guidelines and circulars issued by BNM since 1997. The Company's Directors have attended the Corporate Directors' Training Programme conducted under the auspices of the Companies Commission of Malaysia.

A newly appointed Director receives an in-house orientation and education training program which includes presentations by senior management staff of the various functions of the Company. The training serves to familiarise the Directors with the life insurance industry as well as the Company's business practices, accounting by funds, compliance controls, risks overview and corporate governance practices.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D)

### BOARD'S CONDUCT OF ITS AFFAIRS, COMPOSITION AND BALANCE (CONT'D)

The Company encourages continuous professional development for the benefit of Directors and on an on-going basis, Directors are kept abreast of the developments in the market place through attendance of relevant education programmes, seminars, talks on relevant subject fields, as well as circulation of business reading materials on a monthly basis. Most Directors have attended the Financial Institutions Directors' Education ("FIDE") Programme and they participate in on-going talks organised by The ICLIF Leadership and Governance Centre. Directors are also promptly updated with any policy issues, administrative changes and new regulatory developments as appropriate. The Company has made available resources for Directors to receive training in any specific area.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the CEO are distinct and separate, with clear division of responsibility between them to ensure an appropriate balance of authority, increased accountability and greater capacity of the Board for independent decision making. For the financial year ended 31 December 2011, the Company's Chairman, Mrs Fang Ai Lian (nee Ho Ai Lian) was an Independent Non-Executive Director; and the CEO of the Company was Y Bhg Dato Koh Yaw Hui. The Chairman and CEO are not related to each other.

The Company's Chairman leads the Board and fosters the Board's effectiveness. The Chairman, with the assistance of the Company Secretary, facilitates the convening of board meetings. She sets guidelines and monitors the flow of information from Management to the Board to ensure that all material information provided to the Directors is timely and clear, to facilitate the Board's consideration of such matters. Her responsibilities include facilitating robust discussions and deliberations in Board meetings, and encouraging constructive relations between Directors as well as between the Board and Management. She promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

The CEO manages the Company and oversees its business operations in accordance with the Group's strategy, plans and policies to achieve the corporate performance and financial goals, ensuring, inter alia, operational and organisational efficiency, profit performance and effective risk management.

The CEO manages the businesses of the Company and implements the Board's decisions, with the assistance of the Senior Management Team of the Company. Collectively they are responsible for the day-to-day operations and administration of the Company.

### ACCESS TO INFORMATION

Board members are provided with adequate and timely information and reports, including background explanatory information relating to matters brought before the Board, forecasts, regular internal financial statements of the Company and explanations of material variances between budgeted and actual results. The Directors have independent access to the advice and services of the Company Secretary and the Senior Management Team.

The Board Members are also provided with access to all information within the Company whether as a full board or in their individual capacity, in furtherance of their duties.

### BOARD COMMITTEES

"The Board has established specialised Board Committees to assist it in carrying out its responsibilities and oversight over the Company's operations more effectively. The Board Committees, namely the Audit Committee, Board Risk Committee, Nominating Committee and Remuneration Committee, examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making lies with the Board. Minutes of meetings of these Committees are tabled periodically at the regularly convened Board meetings.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D)

### AUDIT COMMITTEE

The Audit Committee ("AC") comprises the following three members, all of whom are Independent Non-Executive Directors:

Mr Lee Kong Yip - Chairman  
Mrs Fang Ai Lian (nee Ho Ai Lian)  
Yg Bhg Datuk Fong Weng Phak

The members of the AC are appropriately qualified to discharge their responsibilities as prescribed by the Framework. The AC is authorised by the Board to investigate any activity within its terms of reference.

The AC met six times during the financial year 2011 and these meetings were attended by all members. The AC carried out functions as specified in the Companies Act 1965, Insurance Act 1996, Insurance Regulations 1996, BNM Guidelines and other relevant guidelines and regulations.

The AC discharged the following functions:

- (a) Reviewed, with the internal and external auditors, their audit plans, their evaluation of the system of internal accounting controls, their audit findings and Management's response to those findings;
- (b) Reviewed the scope and results of the internal audit procedures and resources needed;
- (c) Reviewed, with the internal and external auditors, the effectiveness of the material internal controls including the financial controls of the Company;
- (d) Reviewed, with the external auditors, the quarterly financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon and thereafter submitted the audited financial statements to the Board for consideration and approval;
- (e) Reviewed the assistance given by the officers of the Company, including internal audit department, to the external auditors;
- (f) Reviewed the scope and results of the audit procedures and its cost effectiveness and reviewed the independence and objectivity of the external auditors before nominating the external auditors for re-appointment;
- (g) Reviewed related party transactions to ascertain that the terms of such transactions were at arm's length basis, on normal commercial terms and not prejudicial to the interests of the Company and its shareholder; and
- (h) Reviewed, with the external auditors and the Senior Management, the impact of new or proposed changes in accounting standards, policies or regulatory requirements on the financial statements.

The AC has full and independent access to the Company's Senior Management and Internal Auditors. The AC also met with the external auditors, without the presence of Management. Adequate resources are made available to the AC to enable it to discharge its roles and responsibilities. The internal audit function is to provide an independent assurance on the adequacy, integrity, compliance and effectiveness of the Company's overall system of internal control it audits. The Chief Internal Auditor reports functionally to the AC and Group Chief Internal Auditor, and administratively to the CEO.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D)

### BOARD RISK COMMITTEE

The Board Risk Committee ("BRC") supports the Board in the overall risk management oversight of the Company and in ensuring that risk management processes and practices are in place and functioning effectively. The BRC comprises the following three members, all of whom are Independent Non-Executive Directors:

Yg Bhg Datuk Fong Weng Phak - Chairman  
Yg Bhg Dato' Yeoh Beow Tit  
Mr Lee Kong Yip

The BRC meets at least four times a year. The Committee met six times during the financial year 2011 and these meetings were attended by all members.

The BRC is responsible for the following:

#### **Governance & Oversight**

- (a) To review the overall risk management philosophy, in line with the overall corporate strategy and risk tolerance set and approved by the Board.
- (b) To review and endorse frameworks, policies, strategies and limits relating to the Company's risk management, investment management, asset-liability management and liability management activities for the Board's approval.
- (c) To endorse the Group Risk Management Charter outlining the fundamental principles, roles, responsibilities, authority and reporting line of the Risk Management and Compliance function for the Board's adoption.
- (d) To endorse the appointment of the Head of Risk Management and Compliance function.
- (e) To review and recommend risk tolerance levels (Risk Appetite Statement as well as Regulatory and Economic Capital Limits) for the Board's approval.
- (f) To oversee the establishment and implementation of approved frameworks, policies, strategies and limits; and where required, to approve deviations from approved frameworks and policies.
- (g) To review the adequacy of risk management practices for material risks, such as market, credit, liquidity, insurance, operational and compliance risks on a regular basis.
- (h) To review Management's frameworks and policies that govern the process for identifying, assessing and managing risks and review Management's performance against these frameworks and policies.
- (i) To review the adequacy of frameworks, policies, strategies and resources for the performance of risk management, investment management, asset-liability management and liability management activities.
- (j) To initiate any review and action as appropriate for prudent risk management.
- (k) To ensure that the risk management function has adequate infrastructure and resources; and that it is appropriately staffed with experienced and qualified employees who are sufficiently independent to perform their duties objectively.
- (l) To review the scope, effectiveness and objectivity of the risk management function.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D)

### BOARD RISK COMMITTEE (CONT'D)

#### **Risk Management**

- (m) To review reports to monitor and control the Company's risk exposures.
- (n) To review and endorse the annual Risk Disclosures for the Board's approval.

#### **Investment, Asset-liability & Liability Management**

- (o) To review and endorse for the Board's approval, the annual strategic asset allocation and tactical asset allocation limits; new asset class and complex structures; investment transactions; and new insurance product risks.
- (p) To undertake any other functions as directed/delegated by the Board.

### NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises the following five members, four of whom are Independent Non-Executive Directors:

Y Bhg Datuk Fong Weng Phak - Chairman  
Mrs Fang Ai Lian (nee Ho Ai Lian)  
Mr Christopher Brian Wei (appointed as a Member on 21 April 2011)  
Y Bhg Dato' Yeoh Beow Tit  
Mr Lee Kong Yip

The members of the NC possess the appropriate mix of skills and experience, and are appropriately qualified to discharge their responsibilities.

The NC meets at least once a year. The Committee met five times during the financial year 2011 and these meetings were attended by all members.

With the endorsement of the Board, the NC has established the minimum requirements for the Board and the CEO to perform their responsibilities effectively following statutory and regulatory requirements.

The NC is entrusted with the responsibility of proposing new nominees for appointment to the Board to ensure that nominations of new Directors are made in the best interest of the Company and its shareholder. Apart from nomination of new Directors, the NC is also responsible for proposing nominees for the positions of CEO and KSOs of the Company. The procedures for such nominations and appointments, including re-appointments, have been put in place and approved by the Board. These have been drawn up in line with the prescribed regulatory and legal requirements.

The NC also recommends the appointment, re-appointment and re-election of Directors to the Board and assesses the mix of skills, experience and competencies that Directors should bring to the Board. The NC makes recommendations to the Board on all such nominations of Directors as well as nominations to fill up Board Committees.

On an annual basis, the NC reviews the Board's structure, size and composition and makes recommendations to the Board with regards to any changes that are deemed necessary.

The NC has in place a mechanism to carry out the Board-approved process for assessing the effectiveness of the Board as a whole and of the Board Committees, and presents its findings to the Board. The Board's profile is reviewed on an annual basis, considering the current needs and aspirations of the Company. No Director was involved in the assessment of his own contribution to the effectiveness of the Board.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## **PART A. BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D)**

### **NOMINATING COMMITTEE (CONT'D)**

Whenever applicable and consistent with the prescribed Framework, the NC's recommendations would be made in consultation with the NC of the holding company, taking into consideration the contribution of the Directors and of the CEO and KSOs in discharging their duties for the benefit of the Company and of the Group.

The NC is also responsible to ensure all KRPs fulfil the fit and proper requirements, in line with the KRP Policy.

### **REMUNERATION COMMITTEE**

The Remuneration Committee ("RC") comprises the following four members, three of whom are Independent Non-Executive Directors:

Y Bhg Datuk Fong Weng Phak - Chairman

Mrs Fang Ai Lian (nee Ho Ai Lian)

Mr Christopher Brian Wei (appointed as a Member on 21 April 2011)

Mr Lee Kong Yip

The RC meets at least once a year. The Committee met three times during the financial year 2011 and these meetings were attended by all members.

A Board-approved Framework on Remuneration for Directors, CEO and KSOs is in place. The RC is charged with the overall responsibility of reviewing and recommending to the Board, the remuneration packages of Directors, the CEO and KSOs. This will ensure that the Company remains competitive in terms of compensation and is able to attract and retain the calibre needed to manage the Company successfully, while at the same time satisfying itself that the compensation packages are consistent with the prudent management of the Company's affairs.

Non-Executive Directors are paid Directors' fees which are recommended by the Board for approval at the Company's AGM.

The RC reviews the Directors' remuneration on an annual basis and makes recommendations to the Board for any changes. No Director was involved in deciding his own remuneration.

Whenever applicable and consistent with the Framework, the RC's recommendations will be made in consultation with the RC of the holding company, taking into consideration the contributions of the Directors and of the CEO and KSOs in discharging their duties for the benefit of the Company and of the Group.

## **PART B. MANAGEMENT ACCOUNTABILITY**

Whilst the Board is responsible for establishing the appropriate framework and policies within which the Company should operate, the Management is accountable for effecting such policies and responsible for accomplishing the Company's strategic objectives.

There is a clear division of responsibilities between top management positions. The Company has an organization structure that is well documented and clearly establishes the job description and authority limits of the senior management, line management and executive employees. Significant changes to the organization structure including, amongst others, the Senior Management Team, Invitees and other Heads of Departments are communicated to the staff.

The Authority Grid of the Company, which essentially is a culmination of the various authority limits delegated to the Board as well as the CEO, is in place. The Grid covers business strategy and growth, including capital requirements and investment vehicles, people, risk, donations, appointment of consultants and operational matters such as balance sheet management, transaction approvals and write-offs.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## **PART B. MANAGEMENT ACCOUNTABILITY (CONT'D)**

All disclosures of interests in credit facilities and property under Sections 54 and 55 of the Insurance Act, 1996, were made by the Directors and relevant officers of the Company. All Tender, Investment activities and related-party transactions of the Company were conducted at arm's length and on commercial terms.

All policies relating to underwriting, claims, reinsurance and corporate communications were approved by the Board. The policies on corporate communications and reinsurance are reviewed annually.

## **PART C. CORPORATE INDEPENDENCE**

The Company has met all the requirements of BNM/RH/GL 003-3 (Consolidated) in respect of related party transactions of a material nature. All material related party transactions are disclosed in the audited financial statements in accordance with FRS 124. Please refer to Note 32 in the Company's financial statements. The Board has set a more stringent requirement, in that all related party transactions irrespective of materiality must be submitted to the Audit Committee for review prior to their submission to the Board for approval/notation.

## **PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT**

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and that the Company has effective and efficient operations, risk management and internal controls, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and stakeholders' interests.

The Investment authority limits for exposure are set at various levels with limits, which are more stringent than the statutory/regulatory limits prescribed, as set out in the Authority Grid. The Company has complied with the limits pursuant to BNM's Guidelines on Risk-Based Capital Framework for Insurers. Investment limits and transactions are monitored by the Compliance Department.

A Reinsurance Management Strategy ("RMS") for the insurance risks covered by the Company is in place. The RMS defines the responsibility of the Board/Management in managing and operating the reinsurance programme. Ceding of risks must comply with the Company Limit Framework and waivers from Group Office are required for breaches of limits.

The Company has established a Group Information Security Policy and Information Security Standards to protect the confidentiality, integrity and availability of the Company's computerized data.

All new life insurance products are governed by the Company's Product Development and Pricing Policy. All products launched by the Company will require prior approvals by a Management Committee and Group Actuarial. All new life insurance products launched in 2011 have been certified by the Appointed Actuary. A product risk assessment also forms part of the process for new product approvals which includes considerations on risks relating to pricing, investment, marketing and support for the product.

Actuarial Department, together with Investment and Risk Management Departments, conducts half-yearly stress tests to ascertain the Company's financial condition under various risk scenarios.

The Directors, CEO and Senior Management of the Company are committed to maintaining a risk-conscious culture in the Company. The GEH Enterprise Risk Management Framework and other supplementary risk management frameworks have been adopted and they provide broad guiding principles and the minimum standards on risk management. The Framework also affirms the role and responsibilities for risk management and establishes the monitoring and reporting requirements, which are all aimed at embedding sound risk management practices and culture within the business and ensuring that the Company continues to expand its business with the right risk management discipline, practices and processes in place. Some initiatives undertaken include the bi-monthly Enterprise Risk Dashboard, quarterly common internal audit findings, fraud and complaints summary reports which are submitted to the Board of Directors and monthly limits report on investments submitted to the Asset Liability Committee.

The disclosures of the Company's risk management policies are set out under Note 33 in the Company's financial statements.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## **PART D. INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT (CONT'D)**

### **INTERNAL AUDIT**

The Company has an Internal Audit Department, which assists the Audit Committee in discharging its duties and responsibilities. The requirements of the BNM Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL 013-4) have been met. The Audit Committee reviews the yearly internal audit plan and the audit reports and follow-up actions on audit observations made by the Internal Auditors.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective actions, where necessary, are taken in a timely manner. All audit reports are submitted to the Audit Committee, CEO and Management of the unit being audited within one month of completion of field work. Audit findings and recommendations are communicated to Senior Management and monitored until all audit findings are followed-up and resolved. The activities of the Audit Committee are submitted annually to BNM.

In terms of segregation of duties, procedures are in place to ensure that staff are not assigned with potential conflicting responsibilities, relating to amongst others, approvals, disbursements and administration of policies, premium or investment matters.

## **PART E. PUBLIC ACCOUNTABILITY AND FAIR PRACTICES**

The Company recognises that it is responsible for maintaining a strong public accountability and promotion of fair practices. It has in place procedures and operational policies which are communicated to the employees to ensure compliance with the "Provisions Relating To Policies" under Part XII of the Insurance Act, 1996. The staff are required to comply with the Company's internal policy and with the Code of Ethics and Conduct issued by the Life Insurance Association of Malaysia ("LIAM") as well as the circulars of BNM. The members of the field force similarly adhere to the circulars and directives in the form of Agency Rules & Regulations issued by the Company, the applicable Code of Ethics and Conduct issued by LIAM as well as circulars of BNM.

To further promote a healthy work culture, the Company enforces a block leave policy, has introduced a "Work-Life Balance" programme, and reinforces corporate values through employee-related activities. The Company discourages siblings and spouses from working together in the same department or handling similar functions. For the general public and policyholders' convenience, information about the Company, products, customer service and ChildrenCare (a corporate social initiative of the Company) is made available on the Great Eastern website at [www.greasternlife.com](http://www.greasternlife.com). This user-friendly website enables policyholders to check on the status of their policy via eConnect, a useful and informative online access to policyholders in reaching the Company any time of the day.

Members of the public are made aware of avenues for which they can appeal against the Company's practices or decisions by alerting them, via the policy contracts, to the existence of the Financial Mediation Bureau and BNM's Customer Services Bureau. This is in compliance with the requirements of BNM/RH/GL 003-9 on claims settlement practices.

The BNM Guidelines on Unfair Practices in Insurance Business, BNM/RH/GL 003-6 was issued as part of a cohesive effort to promote higher standards of transparency, professionalism, greater market discipline and accountability in the conduct of the insurance business and protection of policy owners. The Company has implemented measures to enhance compliance of requirements prescribed in BNM/RH/GL 003-6. As part of its commitment to provide effective and fair services, a Complaint Handling Unit has been established in accordance with the BNM's Guideline on Complaints Handling where the unit acts as a single point of contact for customers to lodge a complaint as well as to ensure that complaints are resolved in a fair and consistent manner.

All sales illustrations, marketing materials and policy contracts for products are in compliance with the regulatory requirements and filed with BNM.

With the establishment of an Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Framework by the Company in ensuring compliance with relevant AML/CFT national laws, regulations and guidelines, the Company is constantly enhancing its AML/CFT measures, focusing on areas relating to Know Your Customer/Customer Due Diligence ("KYC/CDD") at the stage of acceptance of new business. The robust KYC/CDD standards and processes in place act as a barrier in safeguarding the Company's interest by minimising the risk for the Company from being used as a platform for money laundering or terrorist financing activities.

# CORPORATE GOVERNANCE

AS REFERRED TO IN THE DIRECTORS' REPORT

## **PART F. FINANCIAL REPORTING**

The Board has overall oversight responsibility, and exercises due care and diligence in ensuring that the Company's accounting records are properly kept. It also ensures that the Company's financial statements are prepared and audited in accordance with approved accounting standards and in compliance with the regulatory and statutory requirements in Malaysia so as to give a true and fair view of the Company's financial position.

The Board and the Audit Committee are provided with regular comprehensive information on the financial reports, any variances and analyses of the financial data of the Company.

On a monthly basis, the business and operational performance reports are submitted to the Senior Management Team for review and minutes of the various risk oversight committees are tabled at the Board Risk Committee, Asset Liability Committee and the Board, as appropriate.

The abbreviated financial statements of the Company are published in the national press and copies are also displayed at all branch offices and posted on the Company's website.

# STATEMENT BY DIRECTORS

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

We, Lee Kong Yip and Koh Yaw Hui, being two of the Directors of Great Eastern Life Assurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 56 to 129 are drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 January 2012.

Lee Kong Yip

Koh Yaw Hui

# STATUTORY DECLARATION

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

I, Ong Eng Siew Raymond, being the officer primarily responsible for the financial management of Great Eastern Life Assurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 56 to 129 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed Ong Eng Siew Raymond  
at Kuala Lumpur in the Federal Territory  
on 30 January 2012

Ong Eng Siew Raymond

Before me,

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Great Eastern Life Assurance (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 129.

### **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 Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia, 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.

### **Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

## REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

## OTHER MATTERS

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Abdul Rauf bin Rashid  
No. 2305/05/12(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
30 January 2012

# BALANCE SHEET

AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
<b>ASSETS</b>			
Property and equipment	3	499,718	530,958
Investment properties	4	519,400	510,585
Prepaid land lease payments	5	17,897	18,043
Investments	6	51,785,862	47,378,458
Malaysian government securities		7,635,832	8,150,412
Debt securities		23,240,601	22,162,921
Equity securities		12,659,031	12,279,472
Unit and property trust funds		461,262	333,978
Loans		4,059,084	3,977,633
Deposits with financial institutions		3,717,168	457,552
Embedded derivatives		12,884	16,490
Reinsurance assets	7	67,370	57,395
Insurance receivables	8	259,809	287,902
Other receivables	9	379,953	485,838
Cash and bank balances		140,110	27,669
<b>TOTAL ASSETS</b>		<b>53,670,119</b>	<b>49,296,848</b>
<b>EQUITY</b>			
Share capital	10	100,000	100,000
Retained earnings		811,823	721,680
Available-for-sale fair value reserves		17,407	15,529
<b>TOTAL EQUITY</b>		<b>929,230</b>	<b>837,209</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	11	50,764,144	46,625,778
Derivative financial liabilities	12	18,796	-
Agents' retirement benefits	13	564,165	515,111
Deferred tax liabilities	14	550,864	527,021
Other financial liabilities	15	14,204	94,550
Insurance payables	16	191,387	178,519
Provision for taxation		126,931	71,891
Other payables	17	510,398	446,769
<b>TOTAL LIABILITIES</b>		<b>52,740,889</b>	<b>48,459,639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>53,670,119</b>	<b>49,296,848</b>

The Balance Sheet of the Company by funds is disclosed in Note 37.

The accompanying notes form an integral part of the financial statements

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
<b>Operating revenue</b>	18	<b>7,861,972</b>	7,217,122
<b>Gross earned premiums</b>	19(a)	<b>5,800,311</b>	5,368,418
<b>Premiums ceded to reinsurers</b>	19(b)	<b>(114,935)</b>	(102,990)
<b>NET EARNED PREMIUMS</b>		<b>5,685,376</b>	5,265,428
<b>Investment income</b>	20	<b>2,061,661</b>	1,848,704
<b>Realised gains and losses</b>	21	<b>374,077</b>	559,673
<b>Fair value gains and losses</b>	22	<b>818,186</b>	1,016,358
<b>(Increase)/decrease in provision for impairment of:</b>			
Quoted investments		<b>(9,618)</b>	4,264
Unquoted investments		-	(33,002)
Insurance receivables		<b>(1,762)</b>	(4,584)
Other receivables		<b>(71)</b>	29
<b>Fee and commission income</b>	23	<b>49,836</b>	44,075
<b>Other operating revenue</b>		<b>5,251</b>	651
<b>OTHER REVENUE</b>		<b>3,297,560</b>	3,436,168
<b>Gross benefits and claims paid</b>	24(a)	<b>(3,188,466)</b>	(3,145,043)
<b>Claims ceded to reinsurers</b>	24(b)	<b>68,153</b>	59,610
<b>Gross change in contract liabilities</b>	24(c)	<b>(3,749,563)</b>	(3,632,212)
<b>Change in contract liabilities ceded to reinsurers</b>	24(d)	<b>(7,151)</b>	9,678
<b>NET BENEFITS AND CLAIMS</b>		<b>(6,877,027)</b>	(6,707,967)
<b>Fee and commission expense</b>		<b>(869,681)</b>	(877,935)
<b>Management expenses</b>	25	<b>(360,771)</b>	(313,302)
<b>Other operating expenses</b>		<b>(62)</b>	(2,897)
<b>OTHER EXPENSES</b>		<b>(1,230,514)</b>	(1,194,134)
<b>Profit before taxation</b>		<b>875,395</b>	799,495
<b>Taxation</b>	26	<b>(359,852)</b>	(372,890)
<b>Net profit for the year</b>		<b>515,543</b>	426,605
<b>Earnings per share (sen)</b>			
<b>Basic and diluted</b>	27	<b>516</b>	427

The Income Statement of the Company by funds is disclosed in Note 37.

The accompanying notes form an integral part of the financial statements

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 RM'000	2010 RM'000
<b>Net profit for the year</b>	<b>515,543</b>	426,605
<b>Other comprehensive income:</b>		
<b>AVAILABLE-FOR-SALE FAIR VALUE RESERVES:</b>		
Net gain arising during the year	<b>7,204</b>	18,314
Net realised gain transferred to Income Statement (Note 21)	<b>(4,638)</b>	(5,197)
	<b>2,566</b>	13,117
<b>Tax effects thereon</b>	<b>(688)</b>	(3,681)
	<b>1,878</b>	9,436
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>517,421</b>	436,041

The accompanying notes form an integral part of the financial statements

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	← Non-Distributable →		Distributable	
	Share Capital RM'000	Available- for-sale Fair Value Reserves RM'000	Retained Earnings RM'000	Total Equity RM'000
<b>At 1 January 2010</b>	100,000	6,127	944,641	1,050,768
Effects due to adoption of FRS 139	-	(34)	-	(34)
<b>At 1 January 2010 (restated)</b>	100,000	6,093	944,641	1,050,734
<b>Total comprehensive income for the year</b>	-	9,436	426,605	436,041
<b>Transfer from General Insurance fund</b>	-	-	434	434
<b>Dividends paid during the year (Note 28)</b>	-	-	(650,000)	(650,000)
<b>At 31 December 2010</b>	100,000	15,529	721,680	837,209
<b>At 1 January 2011</b>	<b>100,000</b>	<b>15,529</b>	<b>721,680</b>	<b>837,209</b>
<b>Total comprehensive income for the year</b>	-	<b>1,878</b>	<b>515,543</b>	<b>517,421</b>
<b>Dividends paid during the year (Note 28)</b>	-	-	<b>(425,400)</b>	<b>(425,400)</b>
<b>At 31 December 2011</b>	<b>100,000</b>	<b>17,407</b>	<b>811,823</b>	<b>929,230</b>

The accompanying notes form an integral part of the financial statements

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
<b>Operating Activities</b>			
Cash used in operating activities	29	(1,253,738)	(869,244)
Dividend/distribution income received		523,106	329,199
Interest/profit income received		1,500,090	1,435,065
Rental income on investment properties received		62,377	61,993
Agents' retirement benefits paid		(26,885)	(23,666)
Income tax paid		(241,922)	(306,564)
<b>Net cash flow from operating activities</b>		<b>563,028</b>	<b>626,783</b>
<b>Investing Activities</b>			
Proceeds from disposal of property and equipment		86	15
Proceeds from disposal of investment properties		6,462	-
Purchase of property and equipment		(21,463)	(31,887)
Purchase of investment properties		(11,315)	(416)
<b>Net cash flows used in investing activities</b>		<b>(26,230)</b>	<b>(32,288)</b>
<b>Financing Activity</b>			
Dividends paid to equity holders		(424,357)	(648,945)
<b>Net cash flows used in financing activity</b>		<b>(424,357)</b>	<b>(648,945)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>112,441</b>	<b>(54,450)</b>
Cash and cash equivalents at beginning of year		27,669	82,119
<b>Cash and cash equivalents at end of year</b>		<b>140,110</b>	<b>27,669</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances		140,110	27,669

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 1. CORPORATE INFORMATION

The Company is an unquoted public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The principal activity of the Company is the underwriting of life insurance business.

There has been no significant change in the nature of the principal activity during the financial year.

The immediate holding company is Great Eastern Capital (Malaysia) Sdn Bhd, a company incorporated in Malaysia. The intermediate holding company is Great Eastern Life Assurance Company Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 January 2012.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The financial statements comply with the Financial Reporting Standards ("FRS"), as modified by BNM Guidelines and the Companies Act, 1965 in Malaysia, the Insurance Act, 1996 and Guidelines/Circulars issued by BNM.

At the beginning of the current financial year, the Company had adopted the new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2011, as described fully in Note 2.3.

The financial statements of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the balance sheet date.

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

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use. Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the profit or loss in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Property and Equipment and Depreciation (Cont'd)

Depreciation of property and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for freehold land and capital work in progress. The annual depreciation rates are:

Buildings - Owner occupied properties	2 %
Office furniture and fittings	10 %
Computer equipment	20 - 33 %
Software development costs	10 %
Motor vehicles	20 %
Office machinery	20 %
Building plant and equipment	6 - 7 %

Leasehold buildings are depreciated over their estimated useful lives or over the remaining lease term of the leasehold land on which the building resides, if the remaining lease term of the leasehold land is shorter than the estimated useful life of the building.

Software development costs are incurred for the development of software for the life assurance administration system and the distribution channel management system. These costs are classified as part of property and equipment and depreciated over a period of 10 years on a straight line basis from the date of system commissioning.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss.

Included in the Life Fund's property and equipment are freehold land, and leasehold and freehold buildings occupied for own use for the operations of the Company. Leasehold land are classified as prepaid lease payments as described in Note 2.2(l).

#### (b) Investments and Financial Assets

The Company classifies its investments into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are classified as fair value through profit or loss where the Company's documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis.

The available-for-sale category is used when the relevant liabilities (including shareholder's funds) are passively managed and/or carried at amortised cost. 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.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Investments and Financial Assets (Cont'd)

##### (i) FVTPL

Assets stated at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL. For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset liability mismatch, 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.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

Financial assets classified as FVTPL include fixed income securities, derivatives and embedded derivatives.

Investments under unit-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategy and mandate.

Derivatives are financial instruments or contracts where its values vary according to changes in interest rate, foreign exchange rate, credit spread or other variables. Embedded derivatives are hybrid financial instruments that include a non-derivative host contract.

##### (ii) LAR

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

##### (iii) AFS Financial Assets

AFS are non-derivative financial assets not classified in any of the preceding asset categories.

After initial recognition, AFS are remeasured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in the fair value reserve in the Statement of Comprehensive Income or Insurance Contract Liabilities, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in the profit or loss. The cumulative gain or loss previously recognised in equity is recognised in the profit or loss when the financial asset is derecognised.

#### (c) Financial Liabilities and Insurance Payables

Financial liabilities and insurance payables within the scope of FRS 139 and FRS 4 respectively are recognised on the balance sheet when the Company becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Financial Liabilities and Insurance Payables (Cont'd)

##### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains and losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Company have not designated any financial liabilities as at fair value through profit or loss.

##### (ii) Other financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the profit or loss.

#### (d) Fair value of Financial Assets at FVTPL and AFS

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

For investments in quoted unit and real estate investment trusts, fair value is determined by reference to published net asset values. Investments in equity that do not have quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost.

For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, the estimated fair values is based on the average prices obtained from three Banks which are principal dealers.

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

#### (e) Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Impairment of Financial Assets (Cont'd)

##### **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 discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

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

##### **Assets Carried at Cost**

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

##### **AFS Financial Assets**

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

#### (f) Financial Instruments: Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset expired.
- The Company retains the contractual rights to receive cash flows from the asset but has assumed an obligation to pay them in the full without material delay to a third party.
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) Financial Instruments: Derecognition of Financial Assets and Liabilities (Cont'd)

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit or loss. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

#### (g) Investment Properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the Revenue Account in the year in which they arise.

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

#### (h) Impairment of Non-Financial Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the profit or loss in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the profit or loss. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in 2.2(f) have been met.

#### (j) Insurance Contract

##### (i) Product Classification

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 transfer significant financial risk. 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 rates, 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.

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.

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

- (i) likely to be a significant portion of the total contractual benefits;
- (ii) 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 funds can be distributed on an approximate 90/10 basis in accordance with the Insurance Act, 1996 to the policyholders and the shareholder respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contracts 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.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Insurance Contract (Cont'd)

##### (i) Product Classification (Cont'd)

For the purpose of product classification, the Company adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Company defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of this balance sheet.

##### (ii) Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

- (a) Life Assurance fund contract liabilities comprising:
  - Participating Fund contract liabilities;
  - Non Participating Fund contract liabilities; and
  - Investment Linked Fund contract liabilities
- (b) Reinsurance contracts

##### (iii) Life Assurance Contract Liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are based on regulatory guidelines. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserve as the case may be, are recognised in the Revenue Account of the respective funds.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits and expected future management and distribution expenses, less the present value of future gross consideration 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 non-unit liabilities of investment-linked policies.

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 fund 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 policyholders, are set as the liabilities if the accumulated amount is higher than the amounts as calculated using the gross premium valuation method.

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

Adjustments to the liabilities at each reporting date are recorded in Revenue Account. Profits originating from margins of adverse deviations on run-off contracts, are recognised in Revenue Account over the life of the contract, whereas losses are fully recognised in Revenue Account during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Insurance Contract (Cont'd)

##### (iii) Life Assurance Contract Liabilities (Cont'd)

The Company issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Company to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Company.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Company. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical cost incurred upon occurrence of the insured event.

Contracts which transfer significant insurance risk alone from policyholders to the Company are commonly known as investment linked policies. As part of the pricing for these contracts, the Company includes certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

A significant portion of insurance contracts issued by the Company contain discretionary participating features. These contracts are classified as participating policies. In addition to the guaranteed benefits payable upon occurrence of an insured event associated with human life such as death or disability, the contract entitles the policyholder to receive benefits which could vary according to investment performance of the fund. The Company does not recognise the guaranteed portion separately from the discretionary participating feature.

The valuation of insurance contract liabilities is determined according to the Insurance Act and Regulations 1996, BNM's RBC Framework for Insurers and FRS 4 (Insurance Contracts). The RBC Framework for Insurers issued by BNM meets the requirement of Liability Adequacy Test under FRS 4.

The Company performs liability adequacy tests on its life insurance liabilities to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the profit or loss.

#### (k) Reinsurance Contracts

The Company cedes insurance risk in the normal course of its life insurance business. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive part or all outstanding amounts due under the terms of the contract.

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 or liabilities are derecognised when the contractual rights are extinguished or expired.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (l) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

##### (ii) Finance Leases - the Company as Lessee

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

Buildings held under finance leases are recognised as assets in the Balance Sheet of the Company and measured in accordance with FRS 116 - Property, Plant and Equipment and FRS 140 - Investment Properties.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.2(a) and investment properties as described in Note 2.2(g).

##### (iii) Operating Leases - the Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Long term prepaid lease payments refer to leases with an unexpired period of fifty years or more.

##### (iv) Operating Leases - the Company as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(n)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis on the lease term.

#### (m) 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.

##### (i) Gross Premium Income

Premium is recognised as soon as the amount of the premium can be reliably measured. First year premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premium not received on due date are recognised as revenue in the profit or loss and reported as outstanding premiums in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (m) Life Insurance Underwriting Results (Cont'd)

##### (ii) Reinsurance Premiums

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

##### (iii) Creation of units

Net creation of units is recognised on a receipt basis.

##### (iv) Commission and Agency Expenses

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

##### (v) Claims and Policy Benefits

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or when the insurer is notified.

Policy benefits are recognised in the accounts when the policyholder exercises the option to deposit the cash bonus and survival benefit with the Company when the benefits fall due. Policy benefits bear fixed interest rates as determined by the Company from time to time.

Claims and provisions for claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (b) 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.

#### (n) 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. Revenue is measured at the fair value of consideration received or receivable.

Interest on loans are recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, income is recognised on a receipt basis until all arrears have been paid.

Other interest is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on a receipt basis until all arrears have been paid.

Dividend is recognised when the right to receive payment is established.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (n) Other Revenue Recognition (Cont'd)

All sales of investments are recognised on their trade dates i.e., the date the Company commits to sell the assets. Gains or losses arising from the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are credited or charged to the profit or loss.

#### (o) Fees and Commission Income

Fees and commission income comprise mainly of management fee and reinsurance commission income. Management fee includes income earned from provision of investment management services for investment linked businesses. These fees income is recognised as revenue over the period in which the services are rendered. If the fees are for services to be provided in future periods, then they are deferred and recognised over those future periods.

#### (p) Agents' Retirement Benefits

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions in the respective Life Assurance Sales Representative's Agreements ("Agreements").

The terms and conditions of the Agreements stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Company shall allocate to the agent a deferred benefit/retirement benefit.

The deferred benefit/retirement benefit accumulated as at the end of each year shall continue to accrue interest calculated at the dividend rate as announced by the Employees' Provident Fund for that year.

The accrued deferred benefit shall only become payable provided the Agreements has been in force for certain continuous contract years with the Company and the agent has attained the minimum age stipulated in the Agreements.

#### (q) Foreign Currencies

##### (i) Functional and Presentation Currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

##### (ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in the profit or loss for the year.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (q) Foreign Currencies (Cont'd)

##### (ii) Foreign Currency Transactions (Cont'd)

The principal exchange rates of foreign currency ruling at balance sheet date used are as follows:

	2011 RM	2010 RM
Singapore Dollar	2.44	2.40
United States Dollar	3.17	3.08
British Pound	4.92	4.75
Australian Dollar	3.22	3.13
Hong Kong Dollar	0.41	0.40

#### (r) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

#### (s) Employee Benefits

##### (i) Short term benefits

Wages, salaries, bonus and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

#### (t) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances excluding fixed deposits and repurchase agreements, which have an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (u) 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 balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision is discounted using a current pre-tax rate that reflects the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

### 2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

	<b>Effective for annual periods beginning on or after</b>
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
FRS 3: Business Combination	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1: Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Company except for those discussed below:

#### Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2, Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurement is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 33.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 TRANSITION TO MALAYSIAN FINANCIAL REPORTING STANDARDS FRAMEWORK ("MFRS FRAMEWORK")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012.

The Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Company has established a project team to plan and manage the adoption of the MFRS Framework.

The Company has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in this financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Company considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

### 2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

#### (a) Critical Judgements Made in Applying Accounting Policies

The following are judgements made by management in the process of applying the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

##### (i) Classification Between Investment Properties and Property and Equipment

The Company has developed certain criteria based on FRS 140 Investment Property in making judgement whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

##### (ii) Impairment of AFS Financial Assets

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

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

#### (a) Critical Judgements Made in Applying Accounting Policies (Cont'd)

##### (iii) Insurance Contract Classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Company. The Company exercises judgement about the level of insurance risk transferred. 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. These additional benefits include claims liability and assessment costs, but exclude loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable.

##### (iv) Impairment of Receivables

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

Where there is objective evidence of impairment, the Company will recognised the impairment loss in the profit or loss.

##### (v) Judgement of Finance or Operating lease

The Company has entered into commercial property leases on its investment properties and certain self-occupied properties. The Company evaluate whether the land and buildings are finance or operating leases based on terms and condition of the lease arrangement. The Company will treat the arrangement as an operating lease based on the following:

- (i) The land titles do not pass to the Company.
- (ii) The rentals paid to the landlord for the commercial properties are increased to market rent at regular intervals and the Company does not participate in the residual value of the building.

#### (b) Key Sources of Estimation Uncertainty

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

##### (i) Depreciation of Property and Equipment

The costs of a building's equipment are depreciated on a straight line basis over the asset's estimated useful lives. The Company estimates the useful lives of these equipment to be within 15 to 20 years. These are common life expectancies for a building's equipment.

The cost of self-occupied properties is depreciated on a straight-line basis. The Company estimates the useful lives to be 50 years.

##### (ii) Valuation of Life Insurance Contract Liabilities

The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Company will ultimately be required to pay as claims.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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

##### (ii) Valuation of Life Insurance Contract Liabilities (Cont'd)

For life insurance contracts, estimates are made for future deaths, disabilities, morbidities, voluntary terminations, investment returns and administration expenses. The Company relies on standard industry and reinsurance tables which represent historical experiences, and makes appropriate adjustments for its respective risk exposures in deriving the mortality, disability and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance fund contract liabilities.

##### (iii) Agents' Retirement Benefits

Provision for agent's retirement benefit is calculated in accordance with the terms and conditions of the agreement, which stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Company shall allocate to the agent a deferred benefit/retirement benefit. Interest will be accrued based on an estimated rate at the end of the financial year on the deferred benefit/retirement benefit accumulated with adjustment made subsequent to the year end when the dividend rate is declared by the Employees' Provident Fund ("EPF"). Additional provision is made to cover estimated liability for future benefits payable in the event of death or total and permanent disablement of the eligible agents and the estimates are made for future deaths, disabilities, investment returns and benefits payable. The agent's retirement benefit shall become vested and payable upon fulfilment of the stipulated conditions.

Judgement is required to estimate the provision to be made, based upon the likely fulfilment of the conditions and occurrence of the claimable event.

At each reporting year, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the provision.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 3. PROPERTY AND EQUIPMENT

	Freehold Land RM'000	Buildings- Owner Occupied Properties RM'000	Capital Work-in- Progress RM'000	Motor Vehicles RM'000	Office Machinery RM'000	Office Furniture and Fittings RM'000	Computer Equipment RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2011	13,861	394,002	3,786	1,699	75,516	52,426	346,113	887,403
Additions	-	13	2,659	471	592	1,035	16,693	21,463
Disposal	-	-	-	(265)	-	-	(200)	(465)
Reclassification	-	11	(576)	-	-	587	(22)	-
Write-offs	-	-	(177)	-	-	-	(2)	(179)
At 31 December 2011	13,861	394,026	5,692	1,905	76,108	54,048	362,582	908,222

### Accumulated Depreciation and Impairment

At 1 January 2011	-	93,517	-	1,240	50,774	29,220	181,694	356,445
Disposal	-	-	-	(265)	-	-	(197)	(462)
Depreciation charge for the year	-	7,884	-	254	5,299	4,518	34,566	52,521
At 31 December 2011	-	101,401	-	1,229	56,073	33,738	216,063	408,504

### Net Book Value

At 31 December 2011	13,861	292,625	5,692	676	20,035	20,310	146,519	499,718
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	Freehold Land RM'000	Buildings- Owner Occupied Properties RM'000	Capital Work-in- Progress RM'000	Motor Vehicles RM'000	Office Machinery RM'000	Office Furniture and Fittings RM'000	Computer Equipment RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2010	13,861	393,574	1,215	1,699	74,368	49,884	321,110	855,711
Additions	-	179	3,965	-	742	1,309	25,692	31,887
Disposal	-	-	-	-	(13)	-	-	(13)
Reclassification	-	249	(1,262)	-	419	1,233	(639)	-
Transfer to investment properties (Note 4)	-	-	(97)	-	-	-	-	(97)
Write-offs	-	-	(35)	-	-	-	(50)	(85)
At 31 December 2010	13,861	394,002	3,786	1,699	75,516	52,426	346,113	887,403

### Accumulated Depreciation and Impairment

At 1 January 2010	-	85,623	-	1,026	45,335	24,749	148,155	304,888
Disposal	-	-	-	-	(9)	-	-	(9)
Depreciation charge for the year	-	7,894	-	214	5,448	4,471	33,539	51,566
At 31 December 2010	-	93,517	-	1,240	50,774	29,220	181,694	356,445

### Net Book Value

At 31 December 2010	13,861	300,485	3,786	459	24,742	23,206	164,419	530,958
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# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 3. PROPERTY AND EQUIPMENT (CONT'D)

Included in property and equipment of the Life fund are the cost of fully depreciated assets which are still in use amounting to RM119,416,368 (2010: RM101,803,081).

Included in property and equipment of the Life fund are properties with a total net book value amounting to RM18,872,245 (2010: RM20,957,949), for which title deeds are still in the process of being transferred to the Life Fund.

## 4. INVESTMENT PROPERTIES

	2011 RM'000	2010 RM'000
<b>At 1 January</b>	<b>510,585</b>	502,485
Additions	<b>11,315</b>	416
Transfer from property and equipment (Note 3)	-	97
Disposals	<b>(4,714)</b>	-
Fair value gains (Note 22)	<b>2,214</b>	7,587
<b>At 31 December</b>	<b>519,400</b>	510,585

Investment properties are stated at fair value, which has been determined based on valuations performed by an external independent valuer. The fair value gains are recorded in profit or loss.

## 5. PREPAID LAND LEASE PAYMENTS

	2011 RM'000	2010 RM'000
<b>Long term leasehold land</b>		
<b>At 1 January</b>	<b>18,043</b>	18,189
Amortisation for the year	<b>(146)</b>	(146)
<b>At 31 December</b>	<b>17,897</b>	18,043

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 6. INVESTMENTS

	31 December 2011				31 December 2010			
	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
Malaysian government securities	61,242	7,520,046	54,544	7,635,832	99,640	8,007,389	43,383	8,150,412
Debt securities	377,375	22,368,978	494,248	23,240,601	371,471	21,220,052	571,398	22,162,921
Equity securities	26,481	11,148,443	1,484,107	12,659,031	21,306	10,709,553	1,548,613	12,279,472
Unit and property trust funds	3,761	333,948	123,553	461,262	-	268,857	65,121	333,978
Loans	30	4,059,054	-	4,059,084	-	3,977,633	-	3,977,633
Deposits with financial institutions	30,000	2,863,148	824,020	3,717,168	650	259,802	197,100	457,552
Embedded derivatives	130	3,935	8,819	12,884	50	6,830	9,610	16,490
	<b>499,019</b>	<b>48,297,552</b>	<b>2,989,291</b>	<b>51,785,862</b>	<b>493,117</b>	<b>44,450,116</b>	<b>2,435,225</b>	<b>47,378,458</b>

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

LAR	30,030	6,922,202	824,020	7,776,252	650	4,237,435	197,100	4,435,185
AFS	468,859	11,482,391	-	11,951,250	492,417	10,978,410	-	11,470,827
FVTPL	130	29,892,959	2,165,271	32,058,360	50	29,234,271	2,238,125	31,472,446
	<b>499,019</b>	<b>48,297,552</b>	<b>2,989,291</b>	<b>51,785,862</b>	<b>493,117</b>	<b>44,450,116</b>	<b>2,435,225</b>	<b>47,378,458</b>

The following  
investments  
mature after 12  
months:

LAR	-	587,855	-	587,855	-	632,140	-	632,140
AFS	388,765	-	-	388,765	428,144	-	-	428,144
FVTPL	-	26,656,922	530,835	27,187,757	-	25,263,249	589,209	25,852,458
	<b>388,765</b>	<b>27,244,777</b>	<b>530,835</b>	<b>28,164,377</b>	<b>428,144</b>	<b>25,895,389</b>	<b>589,209</b>	<b>26,912,742</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 6. INVESTMENTS (CONT'D)

### (a) LAR

	31 December 2011				31 December 2010			
	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At Amortised cost/</b>								
<b>Cost:</b>								
Fixed and call								
deposits with:								
Licensed banks	30,000	2,845,220	824,020	3,699,240	650	252,820	197,100	450,570
Others	-	17,928	-	17,928	-	6,982	-	6,982
Policy loans	-	3,471,111	-	3,471,111	-	3,345,416	-	3,345,416
Mortgage loans	-	585,375	-	585,375	-	586,955	-	586,955
Secured loans	-	2,557	-	2,557	-	45,248	-	45,248
Unsecured loans	30	11	-	41	-	14	-	14
	<b>30,030</b>	<b>6,922,202</b>	<b>824,020</b>	<b>7,776,252</b>	650	4,237,435	197,100	4,435,185
<b>At Fair Value:</b>								
Fixed and call								
deposits with:								
Licensed banks	30,000	2,845,220	824,020	3,699,240	650	252,820	197,100	450,570
Others	-	17,928	-	17,928	-	6,982	-	6,982
Policy loans	-	3,471,111	-	3,471,111	-	3,345,416	-	3,345,416
Mortgage loans	-	616,946	-	616,946	-	608,319	-	608,319
Secured loans	-	2,557	-	2,557	-	49,007	-	49,007
Unsecured loans	30	11	-	41	-	14	-	14
	<b>30,030</b>	<b>6,953,773</b>	<b>824,020</b>	<b>7,807,823</b>	650	4,262,558	197,100	4,460,308

The fair values of the LAR have been established by comparing current market interest rates for similar financial instruments to the rates offered when the LAR were first recognised together with appropriate market credit adjustments.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 6. INVESTMENTS (CONT'D)

### (b) AFS

	31 December 2011				31 December 2010			
	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At Fair Value:</b>								
Equity securities:								
Quoted in Malaysia	26,189	9,224,447	-	9,250,636	21,014	8,818,383	-	8,839,397
Quoted outside								
Malaysia	-	1,815,580	-	1,815,580	-	1,723,725	-	1,723,725
Malaysian government securities	61,242	-	-	61,242	99,640	-	-	99,640
Debt securities:								
Unquoted in Malaysia	377,375	-	-	377,375	371,471	-	-	371,471
Unit and property trust funds:								
Quoted in Malaysia	3,761	252,421	-	256,182	-	180,206	-	180,206
Quoted outside								
Malaysia	-	81,527	-	81,527	-	88,651	-	88,651
	<b>468,567</b>	<b>11,373,975</b>	<b>-</b>	<b>11,842,542</b>	<b>492,125</b>	<b>10,810,965</b>	<b>-</b>	<b>11,303,090</b>
<b>At Cost:</b>								
Equity securities:								
Unquoted in Malaysia	292	108,416	-	108,708	292	167,445	-	167,737
	<b>468,859</b>	<b>11,482,391</b>	<b>-</b>	<b>11,951,250</b>	<b>492,417</b>	<b>10,978,410</b>	<b>-</b>	<b>11,470,827</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 6. INVESTMENTS (CONT'D)

### (c) FVTPL

	31 December 2011				31 December 2010			
	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At Fair Value:</b>								
<b>Held-for-Trading:</b>								
Equity securities:								
Quoted in Malaysia	-	-	1,470,789	1,470,789	-	-	1,535,584	1,535,584
Quoted outside Malaysia	-	-	13,318	13,318	-	-	13,029	13,029
Embedded derivatives	130	3,935	8,819	12,884	50	6,830	9,610	16,490
Malaysian government securities	-	-	54,544	54,544	-	-	43,383	43,383
Debt securities:								
Quoted in Malaysia	-	-	-	-	-	-	70	70
Unquoted in Malaysia	-	-	494,248	494,248	-	-	571,328	571,328
Unit and property trust funds:								
Quoted in Malaysia	-	-	122,536	122,536	-	-	63,927	63,927
Quoted outside Malaysia	-	-	1,017	1,017	-	-	1,194	1,194
	<b>130</b>	<b>3,935</b>	<b>2,165,271</b>	<b>2,169,336</b>	<b>50</b>	<b>6,830</b>	<b>2,238,125</b>	<b>2,245,005</b>
<b>Designated upon initial recognition:</b>								
Malaysian government securities	-	7,520,046	-	7,520,046	-	8,007,389	-	8,007,389
Debt securities:								
Quoted in Malaysia	-	-	-	-	-	6,599	-	6,599
Quoted outside Malaysia	-	244,276	-	244,276	-	-	-	-
Unquoted in Malaysia	-	21,993,266	-	21,993,266	-	21,213,453	-	21,213,453
Unquoted outside Malaysia	-	131,436	-	131,436	-	-	-	-
	-	<b>29,889,024</b>	-	<b>29,889,024</b>	-	<b>29,227,441</b>	-	<b>29,227,441</b>
	<b>130</b>	<b>29,892,959</b>	<b>2,165,271</b>	<b>32,058,360</b>	<b>50</b>	<b>29,234,271</b>	<b>2,238,125</b>	<b>31,472,446</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 7. REINSURANCE ASSETS

Life Fund	2011 RM'000	2010 RM'000
Reinsurance of insurance contracts (Note 11)	<b>67,370</b>	57,395

## 8. INSURANCE RECEIVABLES

Life Fund	2011 RM'000	2010 RM'000
Due premiums including agents/brokers and co-insurers balances	<b>265,443</b>	290,893
Due from reinsurers and cedants	<b>1,177</b>	2,100
Allowance for impairment	<b>(6,811)</b>	(5,091)
	<b>259,809</b>	287,902

Movement in allowance accounts:

At 1 January	<b>5,091</b>	507
Charged for the year	<b>1,762</b>	4,584
Written off	<b>(42)</b>	-
At 31 December	<b>6,811</b>	5,091

## 9. OTHER RECEIVABLES

	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At 31 December 2011</b>				
Income due and accrued	<b>5,215</b>	<b>354,247</b>	<b>8,882</b>	<b>368,344</b>
Allowance for impairment	-	(221)	-	(221)
Other receivables	<b>836</b>	<b>8,786</b>	-	<b>9,622</b>
Amount due from related companies	<b>2,208</b>	-	-	<b>2,208</b>
	<b>8,259</b>	<b>362,812</b>	<b>8,882</b>	<b>379,953</b>
<b>Receivable after 12 months</b>	<b>18</b>	<b>4,906</b>	-	<b>4,924</b>
<b>At 31 December 2010</b>				
Income due and accrued	4,090	447,881	21,433	473,404
Allowance for impairment	-	(150)	-	(150)
Other receivables	1,039	8,870	-	9,909
Amount due from related companies	2,675	-	-	2,675
	7,804	456,601	21,433	485,838
Receivable after 12 months	18	4,882	-	4,900

Related companies in these financial statements refer to companies within the OCBC Group.

The amount due from related company is unsecured, interest-free and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 9. OTHER RECEIVABLES (CONT'D)

	2011 RM'000	2010 RM'000
Movement in allowance accounts:		
At 1 January	150	179
Charged for the year	71	-
Reversal of impairment loss	-	(29)
At 31 December	<b>221</b>	150

## 10. SHARE CAPITAL

	2011		2010	
	No. of Shares (‘000)	RM'000	No. of Shares (‘000)	RM'000
<b>Authorised:</b>				
Ordinary shares of RM1 each				
At beginning and end of year	<b>500,000</b>	<b>500,000</b>	500,000	500,000
<b>Issued and Paid-up:</b>				
Ordinary shares of RM1 each				
At beginning and end of year	<b>100,000</b>	<b>100,000</b>	100,000	100,000

## 11. INSURANCE CONTRACT LIABILITIES

Life Fund	31 December 2011			31 December 2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	3,956,840	(24,230)	3,932,610	3,479,616	(21,407)	3,458,209
Actuarial liabilities	32,043,929	(43,000)	32,000,929	29,297,652	(35,988)	29,261,664
Other reserves - TIPS*	337,940	(139)	337,801	-	-	-
Unallocated surplus	7,475,741	-	7,475,741	7,329,476	-	7,329,476
Available-for-sale fair value reserves	4,002,715	-	4,002,715	4,105,438	-	4,105,438
Net asset value attributable to unitholders	2,946,979	-	2,946,979	2,413,596	-	2,413,596
	<b>50,764,144</b>	<b>(67,370)</b>	<b>50,696,774</b>	46,625,778	(57,395)	46,568,383

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 11. INSURANCE CONTRACT LIABILITIES (CONT'D)

	With DPF RM'000	Gross Without DPF RM'000	Total RM'000	With DPF RM'000	Reinsurance Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2011	41,826,550	4,799,228	46,625,778	(10,786)	(46,609)	(57,395)	46,568,383
Premiums received (Note 19)	3,728,758	2,071,553	5,800,311	(59,164)	(55,771)	(114,935)	5,685,376
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 24)	(2,426,480)	(761,986)	(3,188,466)	24,975	43,178	68,153	(3,120,313)
Policy movements	2,220,279	111,340	2,331,619	-	(2,313)	(2,313)	2,329,306
Interest rate	580	72,247	72,827	-	(793)	(793)	72,034
Adjustments due to changes in assumptions:							
Mortality/morbidity	1,418	2,221	3,639	-	2,337	2,337	5,976
Expenses	228,879	44,822	273,701	-	(6,244)	(6,244)	267,457
Lapse	84,598	1,697	86,295	-	-	-	86,295
Others	18,108	(39,914)	(21,806)	-	-	-	(21,806)
Other reserves - TIPS*	323,266	14,674	337,940	-	(139)	(139)	337,801
Claims benefit experience variation	470,172	7,052	477,224	34,087	9,872	43,959	521,183
Net asset value attributable to unitholders	-	155,387	155,387	-	-	-	155,387
Available-for-sale fair value reserves	(96,009)	(15,424)	(111,433)	-	-	-	(111,433)
Unallocated surplus	(1,160,116)	(927,466)	(2,087,582)	-	-	-	(2,087,582)
Deferred tax effects:							
Available-for-sale fair value reserves	7,500	1,210	8,710	-	-	-	8,710
At 31 December 2011	45,227,503	5,536,641	50,764,144	(10,888)	(56,482)	(67,370)	50,696,774

\* Takaful and Insurance Protection System ("TIPS") is a reserve for future statutory premium payable to Perbadanan Insurance Deposit Malaysia ("PIDM") for future liabilities

Note : Policy benefits bears interest at 5% (2010: 5%) per annum

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 11. INSURANCE CONTRACT LIABILITIES (CONT'D)

	With DPF RM'000	Gross Without DPF RM'000	Total RM'000	With DPF RM'000	Reinsurance Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2010	37,200,312	4,007,563	41,207,875	(9,101)	(56,876)	(65,977)	41,141,898
Premiums received (Note 19)	3,567,172	1,801,246	5,368,418	(58,105)	(44,885)	(102,990)	5,265,428
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 24)	(2,501,994)	(643,049)	(3,145,043)	24,740	34,870	59,610	(3,085,433)
Policy movement	1,718,084	117,084	1,835,168	-	1,020	1,020	1,836,188
Interest rate	(95)	42,243	42,148	-	(255)	(255)	41,893
Adjustments due to changes in assumptions:							
Mortality/morbidity	(11,812)	(12,770)	(24,582)	-	9,781	9,781	(14,801)
Expenses	74,152	1,744	75,896	-	-	-	75,896
Lapse	(4,577)	(226)	(4,803)	-	(868)	(868)	(5,671)
Others	41,288	-	41,288	-	-	-	41,288
Claims benefit experience variation	395,414	(17,656)	377,758	31,680	10,604	42,284	420,042
Net asset value attributable to unitholders	-	297,461	297,461	-	-	-	297,461
Available-for-sale fair value reserves	1,544,138	8,783	1,552,921	-	-	-	1,552,921
Unallocated surplus	(1,284,324)	(810,260)	(2,094,584)	-	-	-	(2,094,584)
Deferred tax effects:							
Available-for-sale fair value reserves	(123,769)	(1,429)	(125,198)	-	-	-	(125,198)
Others (partial bonus restoration)	1,212,561	8,928	1,221,489	-	-	-	1,221,489
Transfer to Shareholder's fund	-	(434)	(434)	-	-	-	(434)
<b>At 31 December 2010</b>	<b>41,826,550</b>	<b>4,799,228</b>	<b>46,625,778</b>	<b>(10,786)</b>	<b>(46,609)</b>	<b>(57,395)</b>	<b>46,568,383</b>

Note : Policy benefits bear interest at 5% (2010: 5%) per annum

Included in the unallocated surplus component of the Company's insurance contract liabilities is an amount of RM363,970,321 (2010: RM393,151,624), being the accumulated surplus of the Non Par Fund of the Company less the estimated actuarial liabilities for the Fund (collectively referred to as the "Non Par unallocated surplus"). In accordance with FRS 4 and the Framework for Preparation and Presentation of Financial Statements ("FRS Framework"), the Non Par unallocated surplus does not meet the definition of a liability, that is, a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow of economic benefits as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par Fund after consideration of all liabilities. In addition, in accordance with FRS 139, the AFS reserves of the life insurance fund of the Company, amounting to RM4,002,715,416 (2010: RM4,105,438,285), should be accounted for as equity.

In accordance with the requirements of Guidelines issued by BNM, the Company has continued to classify the Non Par unallocated surplus and the AFS reserves of the life insurance fund as insurance contract liabilities. These are modifications to the FRS which had been approved by BNM under Section 90 of the Insurance Act 1996. Had the Company applied the requirements of the Standards and the FRS Framework, the insurance contract liabilities of the Company would have been lower by RM4,366,685,737 (2010: RM4,498,589,909); consequently, the retained profits and AFS reserves of the Company would have been higher by RM363,970,321 (2010: RM393,151,624) and RM4,002,715,416 (2010: RM4,105,438,285) respectively.

## 12. DERIVATIVE FINANCIAL LIABILITIES

Life Fund	2011		2010	
	Notional Principal RM'000	Derivative Financial Liabilities RM'000	Notional Principal RM'000	Derivative Financial Liabilities RM'000
Derivatives held for trading:				
Currency swaps	362,240	18,796	-	-

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 13. AGENTS' RETIREMENT BENEFITS

Life Fund	2011 RM'000	2010 RM'000
At beginning of year	515,111	466,220
Provision for the year	75,942	72,557
Utilised during the year	(26,888)	(23,666)
At end of year	564,165	515,111
Payable after 12 months	417,731	390,515

## 14. DEFERRED TAXATION

	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At 1 January 2010</b>	3,094	309,406	7,927	320,427
Recognised in:				
Profit or loss (Note 26)	914	60,824	15,977	77,715
Other comprehensive income	3,681	-	-	3,681
Insurance contract liabilities	-	125,198	-	125,198
<b>At 31 December 2010</b>	7,689	495,428	23,904	527,021
Recognised in:				
Profit or loss (Note 26)	407	34,573	(3,115)	31,865
Other comprehensive income	688	-	-	688
Insurance contract liabilities	-	(8,710)	-	(8,710)
<b>At 31 December 2011</b>	<b>8,784</b>	<b>521,291</b>	<b>20,789</b>	<b>550,864</b>

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.

	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>At 31 December 2010</b>				
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	7,689	502,604	23,904	534,197
Deferred tax assets	-	(7,176)	-	(7,176)
	7,689	495,428	23,904	527,021
<b>At 31 December 2011</b>				
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	8,784	528,934	20,789	558,507
Deferred tax assets	-	(7,643)	-	(7,643)
	<b>8,784</b>	<b>521,291</b>	<b>20,789</b>	<b>550,864</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 14. DEFERRED TAXATION (CONT'D)

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

### Deferred Tax Liabilities

	Fair value of investment properties RM'000	Fair value of investments assets RM'000	Accelerated capital allowance on property and equipment RM'000	Accretion of discounts on investments RM'000	Total RM'000
<b>Shareholder's Fund</b>					
<b>At 1 January 2011</b>	-	8,206	-	(517)	7,689
<b>Recognised in other comprehensive income</b>	-	688	-	-	688
<b>Recognised in income statement</b>	-	50	-	357	407
<b>At 31 December 2011</b>	-	8,944	-	(160)	8,784
At 1 January 2010	-	4,124	-	(1,030)	3,094
Recognised in other comprehensive income	-	3,681	-	-	3,681
Recognised in income statement	-	401	-	513	914
At 31 December 2010	-	8,206	-	(517)	7,689
<b>Life Fund</b>					
<b>At 1 January 2011</b>	14,786	473,964	13,854	-	502,604
<b>Recognised in other comprehensive income</b>	-	(8,710)	-	-	(8,710)
<b>Recognised in income statement</b>	178	36,438	(1,576)	-	35,040
<b>At 31 December 2011</b>	14,964	501,692	12,278	-	528,934
At 1 January 2010	14,179	284,995	15,098	-	314,272
Recognised in other comprehensive income	-	125,198	-	-	125,198
Recognised in income statement	607	63,771	(1,244)	-	63,134
At 31 December 2010	14,786	473,964	13,854	-	502,604
<b>Unit-linked</b>					
<b>At 1 January 2011</b>	-	23,904	-	-	23,904
<b>Recognised in income statement</b>	-	(3,115)	-	-	(3,115)
<b>At 31 December 2011</b>	-	20,789	-	-	20,789
At 1 January 2010	-	7,927	-	-	7,927
Recognised in income statement	-	15,977	-	-	15,977
At 31 December 2010	-	23,904	-	-	23,904

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 14. DEFERRED TAXATION (CONT'D)

### Deferred Tax Assets

	Provision for impairment of investments RM'000	Total RM'000
<b>Life Fund</b>		
<b>At 1 January 2011</b>	<b>(7,176)</b>	<b>(7,176)</b>
<b>Recognised in income statement</b>	<b>(467)</b>	<b>(467)</b>
<b>At 31 December 2011</b>	<b>(7,643)</b>	<b>(7,643)</b>
At 1 January 2010	(4,866)	(4,866)
Recognised in income statement	(2,310)	(2,310)
At 31 December 2010	(7,176)	(7,176)

## 15. OTHER FINANCIAL LIABILITIES

	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2011</b>				
<b>Deposits received from reinsurers</b>	-	892	-	892
<b>Outstanding purchases of investment securities</b>	<b>1,241</b>	<b>1,787</b>	<b>10,284</b>	<b>13,312</b>
	<b>1,241</b>	<b>2,679</b>	<b>10,284</b>	<b>14,204</b>
<b>31 December 2010</b>				
Deposits received from reinsurers	-	885	-	885
Outstanding purchases of investment securities	499	87,561	5,605	93,665
	499	88,446	5,605	94,550

The carrying amounts disclosed above approximate fair value at the balance sheet date. All amounts are payable within one year.

## 16. INSURANCE PAYABLES

	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2011</b>			
<b>Due to reinsurers</b>	<b>49,123</b>	-	<b>49,123</b>
<b>Due to agents and intermediaries</b>	<b>142,264</b>	-	<b>142,264</b>
	<b>191,387</b>	-	<b>191,387</b>
<b>31 December 2010</b>			
Due to reinsurers	31,662	-	31,662
Due to agents and intermediaries	146,857	-	146,857
	178,519	-	178,519

The carrying amounts disclosed above approximate fair value at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 17. OTHER PAYABLES

	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2011</b>				
Accrued expenses	12	59,763	73	59,848
Deposits from tenants	-	16,608	-	16,608
Dividends payable	133,358	-	-	133,358
Premium suspense	-	40,091	-	40,091
Advance premium	-	151,044	-	151,044
Amount due to ultimate holding company	1,843	-	-	1,843
Amount due to intermediate holding company	2,304	-	-	2,304
Amount due to holding company	564	-	-	564
Others	-	80,463	24,275	104,738
<b>Total payables</b>	<b>138,081</b>	<b>347,969</b>	<b>24,348</b>	<b>510,398</b>

### 31 December 2010

Accrued expenses	32	61,957	36	62,025
Deposits from tenants	-	15,438	-	15,438
Dividends payable	132,316	-	-	132,316
Premium suspense	-	36,870	-	36,870
Advance premium	-	128,455	-	128,455
Amount due to ultimate holding company	1,628	-	-	1,628
Amount due to intermediate holding company	589	-	-	589
Amount due to holding company	574	-	-	574
Others	-	50,192	18,682	68,874
<b>Total payables</b>	<b>135,139</b>	<b>292,912</b>	<b>18,718</b>	<b>446,769</b>

The amounts due to the holding, intermediate holding and ultimate holding companies are unsecured, interest-free and are repayable on demand.

## 18. OPERATING REVENUE

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2011</b>			
Gross premiums (Note 19(a))	-	5,800,311	5,800,311
Investment income (Note 20)	24,726	2,036,935	2,061,661
	<b>24,726</b>	<b>7,837,246</b>	<b>7,861,972</b>
<b>31 December 2010</b>			
Gross premiums (Note 19(a))	-	5,368,418	5,368,418
Investment income (Note 20)	28,330	1,820,374	1,848,704
	<b>28,330</b>	<b>7,188,792</b>	<b>7,217,122</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 19. NET EARNED PREMIUMS

Life Fund	2011 RM'000	2010 RM'000
<b>(a) Gross Premiums</b>		
Life insurance contract (Note 11)	<b>5,800,311</b>	5,368,418
<b>(b) Premiums Ceded</b>		
Life insurance contract	<b>(114,935)</b>	(102,990)
<b>Net Earned Premiums</b>	<b>5,685,376</b>	5,265,428

## 20. INVESTMENT INCOME

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2011</b>			
Rental income from properties	-	48,180	48,180
Financial assets at FVTPL - held for trading purposes:			
Interest income	-	18,918	18,918
Dividend income:			
- equity securities quoted in Malaysia	-	79,295	79,295
- equity securities quoted outside Malaysia	-	574	574
Financial assets at FVTPL - designated upon initial recognition:			
Interest income	-	1,125,637	1,125,637
Financial assets at AFS:			
Interest income	21,619	-	21,619
Dividend income:			
- equity securities quoted in Malaysia	1,525	378,484	380,009
- equity securities quoted outside Malaysia	-	73,204	73,204
- equity securities unquoted in Malaysia	100	9,573	9,673
LAR interest income	-	245,262	245,262
Cash and cash equivalents interest income	1,482	57,808	59,290
	<b>24,726</b>	<b>2,036,935</b>	<b>2,061,661</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 20. INVESTMENT INCOME (CONT'D)

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2010</b>			
Rental income from properties	-	46,756	46,756
Financial assets at FVTPL - held for trading purposes:			
Interest income	-	17,498	17,498
Dividend income:			
- equity securities quoted in Malaysia	-	48,268	48,268
- equity securities quoted outside Malaysia	-	335	335
Financial assets at FVTPL - designated upon initial recognition:			
Interest income	-	1,056,678	1,056,678
Financial assets at AFS:			
Interest income	25,480	-	25,480
Dividend income:			
- equity securities quoted in Malaysia	641	301,633	302,274
- equity securities quoted outside Malaysia	-	39,506	39,506
- equity securities unquoted in Malaysia	20	10,222	10,242
LAR interest income	-	249,721	249,721
Cash and cash equivalents interest income	2,189	49,757	51,946
	28,330	1,820,374	1,848,704

Included in rental income from investment properties is contingent rent for the year amounting to RM740,000 (2010: RM570,000). Contingent rental arrangements are computed based on sales or profit achieved by tenants.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 21. REALISED GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2011</b>			
<b>Property and equipment</b>			
Realised gains	-	83	83
<b>Investment properties</b>			
Realised gains	-	1,748	1,748
<b>AFS financial assets</b>			
<b>Realised gains:</b>			
<b>Equity securities:</b>			
- quoted in Malaysia	(609)	353,761	353,152
- quoted outside Malaysia	-	(66,359)	(66,359)
<b>Debt securities:</b>			
- unquoted in Malaysia	5,247	-	5,247
<b>Total realised gains for AFS financial assets</b>	<b>4,638</b>	<b>287,402</b>	<b>292,040</b>
<b>FVTPL financial assets</b>			
<b>Realised gains:</b>			
<b>Debt securities:</b>			
- quoted in Malaysia	-	122	122
- unquoted in Malaysia	-	114,080	114,080
<b>Realised losses:</b>			
<b>Equity securities:</b>			
- quoted in Malaysia	-	(33,219)	(33,219)
- quoted outside Malaysia	-	(169)	(169)
<b>Embedded securities:</b>			
- quoted in Malaysia	(347)	(261)	(608)
<b>Total realised (losses)/gains for FVTPL</b>	<b>(347)</b>	<b>80,553</b>	<b>80,206</b>
	<b>4,291</b>	<b>369,786</b>	<b>374,077</b>
<b>31 December 2010</b>			
<b>Property and equipment</b>			
Realised gains	-	11	11
<b>AFS financial assets</b>			
<b>Realised gains:</b>			
<b>Equity securities:</b>			
- quoted in Malaysia	3,431	362,011	365,442
- quoted outside Malaysia	-	15,943	15,943
<b>Debt securities:</b>			
- unquoted in Malaysia	1,766	-	1,766
<b>Total realised gains for AFS financial assets</b>	<b>5,197</b>	<b>377,954</b>	<b>383,151</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 21. REALISED GAINS AND LOSSES (CONT'D)

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2010</b>			
<b>FVTPL financial assets</b>			
Realised gains:			
Equity securities:			
- quoted in Malaysia	-	68,008	68,008
- quoted outside Malaysia	-	279	279
Embedded securities:			
- quoted in Malaysia	2	4,991	4,993
Debt securities:			
- unquoted in Malaysia	-	103,231	103,231
Total realised gains for FVTPL	2	176,509	176,511
	5,199	554,474	559,673

## 22. FAIR VALUE GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2011</b>			
<b>Investment properties (Note 4)</b>	<b>-</b>	<b>2,214</b>	<b>2,214</b>
<b>Financial investments - FVTPL</b>	<b>16</b>	<b>815,956</b>	<b>815,972</b>
	<b>16</b>	<b>818,170</b>	<b>818,186</b>
<b>31 December 2010</b>			
Investment properties (Note 4)	-	7,587	7,587
Financial investments - FVTPL	(4)	1,008,775	1,008,771
	(4)	1,016,362	1,016,358

## 23. FEES AND COMMISSION INCOME

Life Fund	2011 RM'000	2010 RM'000
Policyholder administration and investment management services	29,857	22,591
Reinsurance commission income	19,979	21,484
Fees and commission income related to insurance contracts	49,836	44,075

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 24. NET BENEFITS AND CLAIMS

Life Fund	2011 RM'000	2010 RM'000
<b>(a) Gross Benefits and Claims Paid</b>		
Life insurance contracts:		
Death	<b>(256,105)</b>	(240,325)
Maturity	<b>(638,843)</b>	(841,526)
Surrender	<b>(771,866)</b>	(711,268)
Cash bonus	<b>(685,771)</b>	(563,421)
Others	<b>(835,881)</b>	(788,503)
	<b>(3,188,466)</b>	(3,145,043)
<b>(b) Claims Ceded to Reinsurers</b>		
Life insurance contracts	<b>68,153</b>	59,610
<b>(c) Gross Change in Contract Liabilities</b>		
Life insurance contracts	<b>(3,749,563)</b>	(3,632,212)
<b>(d) Change in Contract Liabilities Ceded to Reinsurers</b>		
Life insurance contracts	<b>(7,151)</b>	9,678

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 25. MANAGEMENT EXPENSES

	Note	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2011</b>				
Employee benefits expense	25(a)	-	148,193	148,193
Directors' remuneration	25(b)	-	895	895
Auditor's remuneration:				
- statutory audits		11	478	489
- other services		-	56	56
Depreciation of property and equipment	3	-	52,521	52,521
Amortisation of prepaid land lease payments	5	-	146	146
Rental of properties		-	8,999	8,999
Operating lease payment		-	593	593
Others		258	148,621	148,879
		<b>269</b>	<b>360,502</b>	<b>360,771</b>
<b>(a) Employee Benefits Expense</b>				
Wages and salaries		-	121,426	121,426
Short term accumulating compensated absences		-	(78)	(78)
Social security contributions		-	867	867
Defined contribution plans - EPF		-	18,884	18,884
Other employee benefits expense		-	7,094	7,094
		-	148,193	148,193
<b>(b) Directors' Remuneration</b>				
The details of remuneration receivable by Directors during the year are as follows:				
<b>Executive:</b>				
Salaries and other emoluments		-	1,398	1,398
Bonus		-	691	691
Estimated money value of benefits-in-kind		-	31	31
		-	2,120	2,120
<b>Non-executive:</b>				
Fees		-	895	895
		-	3,015	3,015
<b>Represented by:</b>				
Directors' fees		-	895	895
Amount included in Employee Benefits Expense		-	2,120	2,120

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 25. MANAGEMENT EXPENSES (CONT'D)

	Note	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2010</b>				
Employee benefits expense	25(a)	-	140,730	140,730
Directors' fees	25(b)	-	618	618
Auditor's remuneration:				
- statutory audits		14	463	477
- other services		-	42	42
Depreciation of property and equipment	3	-	51,566	51,566
Amortisation of prepaid land lease payments	5	-	146	146
Rental of properties		-	11,117	11,117
Operating lease payment		-	545	545
Others		16	108,045	108,061
		30	313,272	313,302
<b>(a) Employee Benefits Expense</b>				
Wages and salaries		-	117,616	117,616
Short term accumulating compensated absences		-	248	248
Social security contributions		-	804	804
Defined contribution plans - EPF		-	13,816	13,816
Other employee benefits expense		-	8,246	8,246
		-	140,730	140,730
<b>(b) Directors' Remuneration</b>				
The details of remuneration receivable by Directors during the year are as follows:				
Executive:				
Salaries and other emoluments		-	1,355	1,355
Bonus		-	260	260
Estimated money value of benefits-in-kind		-	31	31
		-	1,646	1,646
Non-executive:				
Fees		-	618	618
Total directors' remuneration		-	2,264	2,264
Represented by:				
Directors' fees		-	618	618
Amount included in Employee Benefits Expense		-	1,646	1,646

The remuneration, including benefits-in-kind, attributable to the CEO, who is the Director of the Company amounted to RM2,120,000 (2010: RM1,646,000).

The directors' fees are subject to the recommendation of the Remuneration Committee to the Board of Directors for endorsement and approval by shareholder at the AGM.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 25. MANAGEMENT EXPENSES (CONT'D)

### (b) Directors' Remuneration (cont'd)

The number of Directors whose total remuneration received from the Company during the year that fall within the following bands is analysed below:

	Number of Directors	
	2011	2010
<b>Executive Director</b>		
RM1,250,001 - RM1,300,000	-	-
RM1,300,001 - RM1,700,000	-	1
RM1,700,001 - RM2,200,000	<b>1</b>	-
<b>Non-Executive Directors</b>		
Below RM50,000	-	2
RM50,001 - RM100,000	<b>2</b>	1
RM100,001 - RM150,000	<b>1</b>	2
RM150,001 - RM200,000	<b>2</b>	1
above RM200,000	<b>1</b>	-

## 26. TAXATION

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2011</b>			
<b>Current income tax:</b>			
Malaysian income tax	160,577	201,662	362,239
Double taxation relief	(31,541)	-	(31,541)
	<b>129,036</b>	<b>201,662</b>	<b>330,698</b>
<b>Deferred tax:</b>			
Relating to origination and reversal of temporary differences (Note 14)	407	31,458	31,865
<b>Over provision in previous years:</b>			
Malaysian income tax	-	(2,711)	(2,711)
	<b>129,443</b>	<b>230,409</b>	<b>359,852</b>
<b>31 December 2010</b>			
<b>Current income tax:</b>			
Malaysian income tax	134,763	178,236	312,999
Double taxation relief	(16,092)	-	(16,092)
	118,671	178,236	296,907
<b>Deferred tax:</b>			
Relating to origination and reversal of temporary differences (Note 14)	914	76,801	77,715
<b>Over provision in previous years:</b>			
Malaysian income tax	(1,732)	-	(1,732)
	<b>117,853</b>	<b>255,037</b>	<b>372,890</b>

Domestic income tax for general business and shareholder's fund is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 26. TAXATION (CONT'D)

The Malaysian tax charge on the life insurance business is based on the method prescribed under the Income Tax Act, 1967 for life business. The income tax for the life fund is calculated based on tax rate of 8% of the assessable income for the year.

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

The Company did not elect for the irrevocable option to disregard the 108 balance as at 31 December 2007.

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

	Shareholder's Fund RM'000	Life Fund RM'000	Total RM'000
<b>31 December 2011</b>			
<b>Profit before taxation</b>	<b>644,986</b>	<b>230,409</b>	<b>875,395</b>
<b>Taxation at Malaysian statutory tax rate of 25%</b>	<b>161,247</b>	<b>-</b>	<b>161,247</b>
<b>Taxation at Malaysian statutory tax rate of 8%</b>	<b>-</b>	<b>18,433</b>	<b>18,433</b>
<b>Income not subject to tax</b>	<b>(325)</b>	<b>(115,687)</b>	<b>(116,012)</b>
<b>Expenses not deductible for tax purposes</b>	<b>62</b>	<b>330,374</b>	<b>330,436</b>
<b>Over provision in prior years</b>	<b>-</b>	<b>(2,711)</b>	<b>(2,711)</b>
<b>Double tax set-off</b>	<b>(31,541)</b>	<b>-</b>	<b>(31,541)</b>
<b>Tax expense for the year</b>	<b>129,443</b>	<b>230,409</b>	<b>359,852</b>
<b>31 December 2010</b>			
Profit before taxation	544,458	255,037	799,495
Taxation at Malaysian statutory tax rate of 25%	136,115	-	136,115
Taxation at Malaysian statutory tax rate of 8%	-	20,403	20,403
Income not subject to tax	(447)	(94,510)	(94,957)
Expenses not deductible for tax purposes	8	329,144	329,152
Under provision in prior years	(1,732)	-	(1,732)
Double tax set-off	(16,091)	-	(16,091)
Tax expense for the year	117,853	255,037	372,890

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

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

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 26. TAXATION (CONT'D)

	2011 RM'000	2010 RM'000
<b>Unit-linked</b>		
Current income tax:		
Malaysian income tax	11,034	7,944
Under provision in prior years	26	-
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	(3,115)	15,977
	<b>7,945</b>	23,921

The Malaysian tax charge on the investment-linked business is based on the method prescribed under the Income Tax Act, 1967 for life business.

A reconciliation of income tax expense applicable to surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Unit-Linked Funds is as follows:

	2011 RM'000	2010 RM'000
Surplus before taxation	163,332	321,382
Taxation at Malaysian statutory tax rate of 8%	13,066	25,711
Income not subject to tax	(5,166)	(1,793)
Expenses not deductible for tax purposes	19	3
Under provision in prior years	26	-
Tax expense for the year	<b>7,945</b>	23,921

## 27. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributed to ordinary equity holder of the Company by the weighted average number of ordinary shares in issue during the year.

	2011 RM'000	2010 RM'000
Profit attributable to ordinary equity holder	515,543	426,605
Weighted average number of shares in issue	100,000	100,000
Basic earnings per share (sen)	<b>516</b>	427

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of this financial statements.

## 28. DIVIDENDS

	2011 RM'000	2010 RM'000
<b>Recognised during the financial year:</b>		
Dividend on ordinary shares:		
- Interim single tier dividend for 2011: RM1.434 (2010: RM1.445) per share	143,400	144,500
- Final single tier dividend for 2010: RM2.82 (2009: RM5.055) per share	282,000	505,500
	<b>425,400</b>	650,000
Proposed but not recognised as a liability as at 31 December:		
- Final single tier dividend for 2011: RM3.72 (2010: RM2.82) per share	372,000	282,000

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 28. DIVIDENDS (CONT'D)

At the forthcoming AGM of the Company, a second and final single tier dividend in respect of the financial year ended 31 December 2011 of RM3.72 (2010: RM2.82) per ordinary share on 100,000,005 ordinary shares, amounting to a dividend payable of RM372,000,018 (2010: RM282,000,014) will be proposed for shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation from retained earnings in the next financial year ending 31 December 2012.

## 29. CASH FLOWS

	2011 RM'000	2010 RM'000
<b>Profit before taxation</b>	<b>875,395</b>	799,495
Investment income	<b>(2,111,600)</b>	(1,901,170)
Realised gains recorded in profit and loss	<b>(374,077)</b>	(559,673)
Fair value gains recorded in profit and loss	<b>(818,186)</b>	(1,016,358)
Purchases of FVTPL financial investments	<b>(13,245,723)</b>	(11,552,704)
Proceeds from disposals/maturities of FVTPL financial investments	<b>13,576,291</b>	9,237,822
Purchases of AFS financial investments	<b>(2,194,763)</b>	(2,695,410)
Proceeds from disposals/maturities of AFS financial investments	<b>1,894,009</b>	822,921
(Increase)/decrease in LAR	<b>(3,341,068)</b>	1,866,994
<b>Non-cash items:</b>		
Depreciation of property and equipment	<b>52,521</b>	51,566
Amortisation of prepaid land lease payments	<b>146</b>	146
Net accretion of discounts	<b>(3,113)</b>	-
Impairment losses on financial investments	<b>9,618</b>	28,738
Provision for agents' retirement benefits	<b>75,942</b>	72,557
Property and equipment write-off	<b>179</b>	85
Realised foreign exchange loss on receipts of dividend	<b>1</b>	-
Realised foreign exchange loss/(gain) on disposal of investments	<b>(3,331)</b>	1,778
Unrealised derivative forward foreign exchange	<b>(1,170)</b>	-
Transfer from Insurance Contract Liabilities to Shareholder's fund	<b>-</b>	434
<b>Changes in working capital:</b>		
(Increase)/Decrease in reinsurance assets	<b>(9,975)</b>	8,583
Decrease/(Increase) in insurance receivables	<b>28,093</b>	(20,881)
Decrease/(Increase) in other receivables	<b>98,208</b>	(124,252)
Increase in insurance contract liabilities	<b>4,241,083</b>	3,990,180
(Decrease)/Increase in other financial liabilities	<b>(80,346)</b>	78,741
Increase in insurance payables	<b>12,868</b>	37,380
Increase in other payables	<b>65,260</b>	3,784
Cash used in operations activities	<b>(1,253,738)</b>	(869,244)

The Company classifies the 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 contract, net of the cash flows for payments of benefits and claim incurred for insurance contracts, which are respectively treated under operating activities.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 30. OPERATING LEASE ARRANGEMENTS

The Company (as lessor) has entered into operating lease agreements on its investment properties portfolio and certain self-occupied properties. These leases have remaining lease term of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease payments/receivable under operating lease contracted for as at the balance sheet date but not recognised as receivables, are as follows:

	2011 RM'000	2010 RM'000
<b>(a) The Company as lessee</b>		
Not later than 1 year	132	53
Later than 1 year and not later than 5 years	701	1,418
	<b>833</b>	1,471
<b>(b) The Company as lessor</b>		
Not later than 1 year	11,021	16,108
Later than 1 year and not later than 5 years	93,179	54,164
	<b>104,200</b>	70,272

The lease payments and rental income including contingent rent recognised in profit or loss during the financial year are described in Note 25 and Note 20 respectively.

## 31. CAPITAL COMMITMENTS

	2011 RM'000	2010 RM'000
<b>Capital expenditure</b>		
Approved and contracted for:		
- Investment properties	484	5,289
- Property and equipment	6,309	13,442
Approved but not contracted for:		
Investment properties	95,569	95,569
	<b>102,362</b>	114,300

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 32. RELATED PARTY DISCLOSURES

(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:

	2011 RM'000	2010 RM'000
<b>Transactions with related parties during the year:</b>		
Property rentals received (note ii)		
- OCBC Bank (Malaysia) Berhad	738	1,028
- Overseas Assurance Corporation (Malaysia) Berhad	1,604	1,547
- Great Eastern Takaful Malaysia Sdn Bhd	607	-
- E2 Power Sdn Bhd	264	-
Service charges paid (note iii)		
- OCBC Bank (Malaysia) Berhad	32,388	26,762
- E2 Power Limited	168	98
- Pacific Mutual Fund Bhd	414	350
Service charges received		
- Overseas Assurance Corporation (Malaysia) Berhad	3,893	1,984
- Great Eastern Takaful Malaysia Sdn Bhd	3,498	-
Premium paid (note i)		
- Overseas Assurance Corporation (Malaysia) Berhad	2,356	2,360
Premium received (note i)		
- Overseas Assurance Corporation (Malaysia) Berhad	164	155
- E2 Power Sdn Bhd	186	130
- OCBC Bank (Malaysia) Berhad	518	365
- OCBC Al-Amin Bank Berhad	21	-
Commission received		
- Overseas Assurance Corporation (Malaysia) Berhad	359	353
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	18,720	10,455
- OCBC Securities Private Limited	993	857
- PAC Lease Sdn Bhd	77	42
Disposal of unit trust		
- Pacific Mutual Fund Bhd	-	280
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	42,667	32,358
Dividend income from preference shares (note v)		
- OCBC Bank (Malaysia) Berhad	4,510	4,510
Bank charges		
- OCBC Bank (Malaysia) Berhad	1,017	690
Employee Share Purchase Plan		
- Overseas Chinese Banking Corporation Ltd.	520	-
Employee Share Option Scheme paid		
- Overseas Chinese Banking Corporation Ltd.	-	1,874
Charges for group services (note vi)		
- Great Eastern Life Assurance Company Limited	15,365	16,455

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 32. RELATED PARTY DISCLOSURES (CONT'D)

- (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 (Cont'd):

	2011 RM'000	2010 RM'000
<b>Balances with related parties at period end:</b>		
Investment in preference shares (note v)		
- OCBC Bank (Malaysia) Berhad	<b>100,000</b>	100,000
Investment in redeemable subordinated bonds		
- OCBC Bank (Malaysia) Berhad	<b>290,000</b>	290,000
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	<b>5,733</b>	13,412
Fixed deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	<b>1,303,019</b>	367,176
- OCBC Al-Amin Bank Berhad	<b>44,625</b>	-
Structured deposits		
- OCBC Bank (Malaysia) Berhad	-	473,376
Investment in unit trust		
- Pacific Mutual Fund Bhd	-	20,000
- Lion Global Investors Limited	<b>833</b>	989
Amount due from related companies:		
- Great Eastern General Insurance Sdn Bhd	<b>18</b>	18
- Overseas Assurance Co (Malaysia) Berhad	<b>894</b>	358
- Great Eastern Takaful Sdn Bhd	<b>1,295</b>	2,299
Amount due to ultimate holding company:		
- Overseas Chinese Banking Corporation Ltd	<b>1,843</b>	1,628
Amount due to intermediate holding company:		
- Great Eastern Life Assurance Company Limited	<b>1,779</b>	429
- Great Eastern Holdings Company Limited	<b>526</b>	160
Amount due to holding company:		
- Great Eastern Capital (M) Sdn Bhd	<b>564</b>	574

Related companies are companies within the OCBC group:

- (i) The sale and purchase of insurance policies to related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.
- (ii) Rental of property to related parties are made according to normal market prices, terms and conditions.
- (iii) Payment of service charges to related parties are made according to normal market prices.
- (iv) The interest income arose mainly from investment in fixed deposits and repurchase agreements which are made according to prevailing market rates, terms and conditions.
- (v) The dividend income arose from investment in OCBC Bank (Malaysia) Bhd preference shares which are made according to arms length terms and conditions. The investment in OCBC (Malaysia) Bhd preference shares amounting to RM100 million was approved by the Board.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 32. RELATED PARTY DISCLOSURES (CONT'D)

Related companies are companies within the OCBC group (Cont'd):

- (vi) With effect from June 2010, Great Eastern Holdings Limited had allocated its Group function cost to all its subsidiaries including to the Company based on allocation rates approved by Group function heads.

### (b) Compensation of Key Management Personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2011 RM'000	2010 RM'000
Short-term employee benefits	3,725	3,538
Post-employments benefits:		
Defined contribution plan - EPF	579	131
	<b>4,304</b>	3,669
Share-based payment (in units)	50,697	43,000
Included in the total key management personnel are:		
Directors' remuneration (Note 25(b))	<b>3,015</b>	2,264

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES

### Governance Framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall not shy away from taking risk, but shall:

- Always operate within the risk appetite set by the Board; and
- Ensure commensurate reward for any risk taken.

The Risk Management Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Committee ("BRC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management activities are undertaken by the following Management Committees comprising the Chief Executive Officer and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset-Liability Committee ("ALC")
- Product Development Committee ("PDC")

The SMT is responsible for providing leadership, direction and oversight with regards to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, ie. Group standards and guidelines.

The ALC is responsible for assisting the SMT in balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. The ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, ie. Group standards and guidelines.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

### Regulatory Framework

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policies rests with the Board of Directors ("Board"). The Board exercises oversight on the investments to safeguard the interests of the policyholders and shareholder.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Capital Management Framework

The Company's capital management policy is to create shareholder value, deliver sustainable returns to shareholder, maintain a strong capital position with optimum buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

Under the Risk-Based Capital Framework, the insurer has to maintain a capital adequacy level that is commensurate with its risk profiles. The minimum capital requirement under the Risk-based Capital Framework regulated by Bank Negara Malaysia (BNM) is 130%.

The principal activities of the Company are the provision of financial services coupled with insurance protection against risks such as mortality and morbidity (health, critical illness, disability and personal accident).

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For examples, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

The following sections provide details regarding the Company's exposure to risks and the objectives, policies and processes for the management of these risks.

Risks inherent in the insurance business include, but are not limited to the following:

### Insurance Risk

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of risk include policy cancellation and policy claims.

The Company utilises reinsurance to manage the mortality and morbidity risks. The Company's reinsurance management strategy and policy are reviewed annually by the ALC and BRC, and approved by the Board. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses.

Only reinsurers meeting a minimum credit rating of S&P "A-" are considered when deciding on which reinsurers to reinsure the Company's risk. The Company limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

The SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

A substantial portion of the Company's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonuses and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholder.

Stress Testing ("ST") is performed twice a year. The purpose of the ST is to test the solvency of the life fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns and lapse rates.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Insurance Risk (Cont'd)

Table 33(A): The table below shows the concentration of life insurance contract liabilities by type of contract as at the balance sheet date, net of reinsurance:

Life Fund	Net of reinsurance		Total RM'000
	With DPF RM'000	Without DPF RM'000	
<b>31 December 2011</b>			
Whole Life	22,949,592	3,185,213	26,134,805
Endowment	6,593,948	1,333,931	7,927,879
Term	(3,306)	233,763	230,457
Accident and Health	9,816	129,942	139,758
Annuity	-	1,399	1,399
Others	840,300	11,111	851,411
<b>Total</b>	<b>30,390,350</b>	<b>4,895,359</b>	<b>35,285,709</b>
<b>31 December 2010</b>			
Whole Life	20,560,198	2,548,074	23,108,272
Endowment	6,375,758	1,297,489	7,673,247
Term	(4,069)	203,931	199,862
Accident and Health	10,160	124,012	134,172
Annuity	-	1,498	1,498
Others	571,171	(12,962)	558,209
<b>Total</b>	<b>27,513,218</b>	<b>4,162,042</b>	<b>31,675,260</b>

The sensitivity analysis below shows the impact of changes in key parameters on the value of policy liabilities, and hence on the profit before taxation and equity.

Sensitivity analysis produced are based on parameters set out as follows:

#### Change in Assumptions

(a) Scenario 1 – Mortality & Major Illness	+ 25% for all future years
(b) Scenario 2 – Mortality & Major Illness	- 25% for all future years
(c) Scenario 3 – Health & Disability	+ 25% for all future years
(d) Scenario 4 – Health & Disability	- 25% for all future years
(e) Scenario 5 – Lapse & Surrender rates	+ 25% for all future years
(f) Scenario 6 – Lapse & Surrender rates	- 25% for all future years
(g) Scenario 7 – Expenses	+ 30% for all future years

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Insurance Risk (Cont'd)

Table 33(B): The table below shows the insurance risk sensitivity analysis on the policy liabilities, profit before taxation and equity:

RM '000	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
<b>31 December 2011</b>							
Gross impact	(128,429)	131,514	(31,872)	26,057	(1,917)	4,462	(14,626)
Reinsurance ceded	-	-	-	-	-	-	-
<b>Net impact</b>	<b>(128,429)</b>	<b>131,514</b>	<b>(31,872)</b>	<b>26,057</b>	<b>(1,917)</b>	<b>4,462</b>	<b>(14,626)</b>
<b>31 December 2010</b>							
Gross impact	(122,142)	132,691	(28,228)	23,843	(8,698)	11,181	(14,809)
Reinsurance ceded	-	-	-	-	-	-	-
<b>Net impact</b>	<b>(122,142)</b>	<b>132,691</b>	<b>(28,228)</b>	<b>23,843</b>	<b>(8,698)</b>	<b>11,181</b>	<b>(14,809)</b>

The above table demonstrates the sensitivity of the Company's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant. The effect of sensitivity analysis on reinsurance ceded is not material. The method used and significant assumptions made for deriving sensitivity information above did not change from previous year.

### Market and Credit Risk

Market risk arises when the market value of assets and liabilities fluctuates according to market conditions. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future investment earnings of the insurance operations as well as shareholder's equity.

The Company is exposed to market risk in the Shareholder's Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risk resulting from changes in interest rates and currency exchange rates, volatility in equity price, as well as other risks like credit and liquidity risks are briefly described as follows:

#### (a) Interest rate risk (including asset liability mismatch)

The Company is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholder's Fund and the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholder's Fund has exposure to investments in fixed income instruments but no exposure to insurance policies liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of cash flows for the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk, which is managed and monitored by the ALC. On the other hand, the Insurance Funds is likely to incur economic loss when interest rates drop since the duration of policyholders' liabilities are generally longer than the duration of the fixed income assets.

Under the regulations governed by BNM, the liability cash flows with duration less than 15 years are discounted using zero-coupon spot yield of Malaysia Government Securities (MGS) with matching duration while the liability cash flows with duration of 15 years or more are discounted using zero coupon spot yield of MGS with 15 years term to maturity. As a result, the non-participating funds could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

#### (b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% with no country limit, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. Most of the foreign currency risk comes from our investment in Singapore, which are long-term in nature with good dividends on purchase cost. The percentage exposure is small. (Refer to Table 33(C))

#### (c) Equity price risk

Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Company through its investments in the Shareholder's Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk.

Equity price risk also exists in investment linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. A robust monitoring process is in place to manage equity risk by activating appropriate risk transfer strategies to limit the downside risk at certain predetermined levels. Limits are set for single security holdings as a percentage of equity holdings.

#### (d) Credit spread risk

Exposure to credit spread risk exists in the Company's investments in bonds. Credit spread is the difference between the corporate yields against risk-free rate of the same tenure. When spreads widen, it generally implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of the Company's bond portfolio.

#### (e) Alternative investment risk

The Company is exposed to alternative investment risk through the investments in direct real estate that it owns through real estate and infrastructure. Due to the special nature of this risk, every property deal is reviewed by the BRC regardless of its value, but subject to the approval by the Board. The ALC assists in deliberating matters relating to property, including real estate guidelines, risk management, performance, expenditure, operations and facilities management.

#### (f) Commodity risk

The Company does not have any direct exposure to commodity risk.

#### (g) Cash flow and liquidity risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations at reasonable cost when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates. (Refer to Table 33(D1)&(D2))

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

#### (h) Credit risk

The Company is exposed to credit risk through (i) investment in bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivatives transactions, reinsurance contracts and money market placements. For all three types of exposures, financial loss may materialize as a result of credit default by the borrower or counterparty. For investment in bonds, financial loss may materialize as a result of the widening credit spread or downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the Credit Risk Committee ("CRC"), which in turn reports to the ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information. (Refer to Table 33(E1)&(E2)).

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

The Company issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

The loans in the Company's portfolio are generally secured by collateral with maximum loan to value ratio of 70% predominantly.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, request additional collateral when needed and performs an impairment valuation, whenever applicable. The fair value of collateral, held by the company as lender, for which it is entitled to sell or pledge in the event of default is as follows:

RM'000	Type of Collateral	Carrying Amount of Loans	Fair Value of Collateral
<b>31 December 2011</b>			
<b>Mortgage loans</b>	<b>Properties</b>	<b>585,375</b>	<b>2,722,281</b>
<b>Secured loans</b>	<b>Others</b>	<b>2,557</b>	<b>2,568</b>
<b>Policy loans</b>	<b>Cash value of policies</b>	<b>3,471,111</b>	<b>6,798,340</b>
		<b>4,059,043</b>	<b>3,977,633</b>
<b>31 December 2010</b>			
Mortgage loans	Properties	586,955	2,687,288
Secured loans	Bankers' guarantees	42,500	42,500
	Others	2,748	2,762
Policy loans	Cash value of policies	3,345,416	6,504,885
		<b>3,977,619</b>	<b>9,237,435</b>

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

#### (i) Concentration risk

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC.

#### (j) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, these variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the profit or loss, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after tax and the effect on changes in fair value of financial assets held in Shareholder's Funds.

RM (millions)	31 December 2011		31 December 2010	
	Impact on Profit After Taxation	Impact on Equity*	Impact on Profit After Taxation	Impact on Equity*
<b>Change in variables</b>				
a) <u>Equity</u>				
+/-20% - STI	0.0	+/-0.5	0.0	+/-0.4
- KLCI	0.0	+/-22.6	0.0	+/-28.2
b) <u>Alternative Investment</u>				
+/-10%	+/-9.9	+/-10.2	+/-9.3	+/-9.3
c) <u>Foreign Currency</u>				
+/-5%	+/-0.3	+/-0.3	+/-0.6	+/-0.6
d) <u>Interest Rate</u>				
Yield curve +100 bps	-21.1	-38.7	-84.4	-104.7
Yield curve -100 bps	-4.5	13.1	80.6	96.7
e) <u>Credit Spread</u>				
Spread +/-100 bps	-/+87.6	-/+101.4	-/+66.8	-/+78.2

\* The impact on equity reflects the after tax impact, when applicable.

#### Operational And Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- Laws, regulations and rules governing insurance business and financial activities undertaken by the Company
- Codes of practice promoted by industry associations
- Internal standards and guidelines

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

#### Operational And Compliance Risk (Cont'd)

The day-to-day management of operational and compliance risk is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors operational and compliance issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Audit Committee.

Table 33(C): The table below shows the foreign exchange position of the Company's financial assets and liabilities by major currencies.

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
<b>31 December 2011</b>					
<b>Assets</b>					
<b>Investments</b>					
Malaysian government securities	7,635,832	-	-	-	7,635,832
Debt securities	22,864,889	244,276	131,436	-	23,240,601
Equity securities	10,830,133	1,650,550	2,671	175,677	12,659,031
Unit and property trust funds	378,676	82,586	-	-	461,262
Loans	4,059,084	-	-	-	4,059,084
Deposits with financial institutions	3,717,168	-	-	-	3,717,168
Embedded derivatives	12,884	-	-	-	12,884
Reinsurance assets	67,370	-	-	-	67,370
Insurance receivables	259,809	-	-	-	259,809
Other receivables	379,745	-	13	195	379,953
Cash and bank balances	11,005	56,184	37	72,884	140,110
<b>Liabilities</b>					
Insurance contract liabilities	50,764,144	-	-	-	50,764,144
Agents' retirement benefits	564,165	-	-	-	564,165
Other financial liabilities	14,204	-	-	-	14,204
Insurance payables	191,387	-	-	-	191,387
Other payables	510,398	-	-	-	510,398

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(C): The table below shows the foreign exchange position of the Company's financial assets and liabilities by major currencies. (Cont'd).

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
<b>31 December 2010</b>					
<b>Assets</b>					
Investments					
Malaysian government securities	8,150,412	-	-	-	8,150,412
Debt securities	22,162,921	-	-	-	22,162,921
Equity securities	10,542,717	1,572,014	2,779	161,962	12,279,472
Unit and property trust funds	244,133	89,845	-	-	333,978
Loans	3,977,633	-	-	-	3,977,633
Deposits with financial institutions	457,552	-	-	-	457,552
Embedded derivatives	16,490	-	-	-	16,490
Reinsurance assets	57,395	-	-	-	57,395
Insurance receivables	287,902	-	-	-	287,902
Other receivables	483,588	-	573	1,677	485,838
Cash and bank balances	20,356	5,097	6	2,210	27,669
<b>Liabilities</b>					
Insurance contract liabilities	46,625,778	-	-	-	46,625,778
Agents' retirement benefit	515,111	-	-	-	515,111
Other financial liabilities	94,550	-	-	-	94,550
Insurance payables	178,519	-	-	-	178,519
Other payables	446,769	-	-	-	446,769

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(D1): The following table shows the maturity profile of the Company's financial liabilities and the expected recovery or settlement of financial assets based on contractual undiscounted cash flow basis.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

	Carrying value RM'000	Up to a Year*	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
<b>31 December 2011</b>						
<b>Financial investments:</b>						
LAR	7,776,252	3,755,364	491,264	239,428	3,471,111	7,957,167
AFS	11,951,250	66,321	184,777	299,907	11,512,632	12,063,637
FVTPL	32,058,360	4,417,113	11,255,650	26,459,187	1,618,784	43,750,734
Reinsurance assets	67,370	5,687	42,479	19,204	-	67,370
Insurance receivables	259,809	258,632	1,177	-	-	259,809
Other receivables	379,953	293,763	2,004	2,920	81,266	379,953
Cash and bank balances	140,110	140,110	-	-	-	140,110
<b>Total assets</b>	<b>52,633,104</b>	<b>8,936,990</b>	<b>11,977,351</b>	<b>27,020,646</b>	<b>16,683,793</b>	<b>64,618,780</b>
<b>Insurance contract liabilities:</b>						
With DPF	45,227,503	223,707	2,445,908	27,720,731	14,837,157	45,227,503
Without DPF	5,536,641	683,222	204,000	1,104,301	3,545,118	5,536,641
Agents' retirement benefit	564,165	146,434	107,863	309,868	-	564,165
Other financial liabilities	14,204	13,312	892	-	-	14,204
Insurance payables	191,387	142,264	49,123	-	-	191,387
Other payables	510,398	493,790	16,608	-	-	510,398
<b>Total liabilities</b>	<b>52,044,298</b>	<b>1,702,729</b>	<b>2,824,394</b>	<b>29,134,900</b>	<b>18,382,275</b>	<b>52,044,298</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(D1) (Cont'd)

	Carrying value RM'000	Up to a Year*	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
<b>31 December 2010</b>						
Financial investments:						
LAR	4,435,185	493,205	627,232	148,014	3,345,416	4,613,867
AFS	11,470,827	61,335	181,568	353,295	10,999,715	11,595,913
FVTPL	31,472,446	5,094,892	10,460,619	25,850,393	1,628,348	43,034,252
Reinsurance assets	57,395	4,779	36,670	15,946	-	57,395
Insurance receivables	287,902	285,802	2,100	-	-	287,902
Other receivables	485,838	403,202	1,980	2,920	77,736	485,838
Cash and bank balances	27,669	27,669	-	-	-	27,669
<b>Total assets</b>	<b>48,237,262</b>	<b>6,370,884</b>	<b>11,310,169</b>	<b>26,370,568</b>	<b>16,051,215</b>	<b>60,102,836</b>
Insurance contract liabilities:						
With DPF	41,826,550	3,307,725	1,868,298	25,652,573	10,997,954	41,826,550
Without DPF	4,799,228	3,228,003	146,650	987,614	436,961	4,799,228
Agents' retirement benefit	515,111	124,596	106,301	284,214	-	515,111
Other financial liabilities	94,550	93,665	885	-	-	94,550
Insurance payables	178,519	146,857	31,662	-	-	178,519
Other payables	446,769	431,331	15,438	-	-	446,769
<b>Total liabilities</b>	<b>47,860,727</b>	<b>7,332,177</b>	<b>2,169,234</b>	<b>26,924,401</b>	<b>11,434,915</b>	<b>47,860,727</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(D2): The following table shows the current/non current classification of assets and liabilities.

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2011</b>				
<b>Property and equipment</b>	-	499,718	-	499,718
<b>Investment properties</b>	-	519,400	-	519,400
<b>Financial investments:</b>				
<b>LAR</b>	2,893,266	4,058,966	824,020	7,776,252
<b>AFS</b>	11,562,486	388,764	-	11,951,250
<b>FVTPL</b>	3,236,167	26,656,922	2,165,271	32,058,360
<b>Reinsurance assets</b>	5,687	61,683	-	67,370
<b>Insurance receivables</b>	258,632	1,177	-	259,809
<b>Other receivables</b>	284,881	86,190	8,882	379,953
<b>Prepaid lease payments</b>	-	17,897	-	17,897
<b>Cash and bank balances</b>	135,773	-	4,337	140,110
<b>Total assets</b>	<b>18,376,892</b>	<b>32,290,717</b>	<b>3,002,510</b>	<b>53,670,119</b>
<b>Insurance contract liabilities:</b>				
<b>With DPF</b>	4,009,256	41,218,247	-	45,227,503
<b>Without DPF</b>	854,513	1,735,149	2,946,979	5,536,641
<b>Agents' retirement benefit</b>	146,434	417,731	-	564,165
<b>Other financial liabilities</b>	3,920	-	10,284	14,204
<b>Insurance payables</b>	142,264	49,123	-	191,387
<b>Other payables</b>	469,442	16,608	24,348	510,398
<b>Total liabilities</b>	<b>5,625,829</b>	<b>43,436,858</b>	<b>2,981,611</b>	<b>52,044,298</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(D2) (Cont'd)

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2010</b>				
Property and equipment	-	530,958	-	530,958
Investment properties	-	510,585	-	510,585
Financial investments:				
LAR	3,605,945	632,140	197,100	4,435,185
AFS	11,021,378	449,449	-	11,470,827
FVTPL	3,964,216	25,270,105	2,238,125	31,472,446
Reinsurance assets	4,779	52,616	-	57,395
Insurance receivables	285,802	2,100	-	287,902
Other receivables	459,016	5,389	21,433	485,838
Prepaid lease payments	-	18,043	-	18,043
Cash and bank balances	26,698	-	971	27,669
<b>Total assets</b>	<b>19,367,834</b>	<b>27,471,385</b>	<b>2,457,629</b>	<b>49,296,848</b>
Insurance contract liabilities:				
With DPF	3,307,725	38,518,825	-	41,826,550
Without DPF	814,407	1,571,225	2,413,596	4,799,228
Agents' retirement benefit	124,596	390,515	-	515,111
Other financial liabilities	88,060	885	5,605	94,550
Insurance payables	146,857	31,662	-	178,519
Other payables	412,613	15,438	18,718	446,769
<b>Total liabilities</b>	<b>4,894,258</b>	<b>40,528,550</b>	<b>2,437,919</b>	<b>47,860,727</b>

\* Expected utilisation or settlement within 12 months from the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the Balance Sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and use of credit derivatives. For derivatives, the fair value shown on the Balance Sheet represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the change in value.

	Note	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2011</b>					
<b>LAR:</b>	<b>6(a)</b>				
Fixed and call deposits		30,000	2,863,148	824,020	3,717,168
Policy loans		-	3,471,111	-	3,471,111
Mortgage loans		-	585,375	-	585,375
Secured loans		-	2,557	-	2,557
Unsecured loans		30	11	-	41
<b>AFS financial investments:</b>	<b>6(b)</b>				
Equity securities		26,481	11,148,443	-	11,174,924
Malaysian government securities		61,242	-	-	61,242
Debt securities		377,375	-	-	377,375
Unit and property trust fund		3,761	333,948	-	337,709
<b>Financial investments at FVTPL:</b>	<b>6(c)</b>				
Equity securities		-	-	1,484,107	1,484,107
Embedded derivatives		130	3,935	8,819	12,884
Malaysian government securities		-	7,520,046	54,544	7,574,590
Debt securities		-	22,368,978	494,248	22,863,226
Unit and property trust fund		-	-	123,553	123,553
Reinsurance assets	7	-	67,370	-	67,370
Insurance receivables	8	-	259,809	-	259,809
Other receivables	9	8,259	362,812	8,882	379,953
Cash and bank balances		124	135,648	4,338	140,110
		<b>507,402</b>	<b>49,123,191</b>	<b>3,002,511</b>	<b>52,633,104</b>

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(E1) (Cont'd)

	Note	Shareholder's Fund RM'000	Life Fund RM'000	Unit-linked RM'000	Total RM'000
<b>31 December 2010</b>					
LAR:	6(a)				
Fixed and call deposits		650	259,802	197,100	457,552
Policy loans		-	3,345,416	-	3,345,416
Mortgage loans		-	586,955	-	586,955
Secured loans		-	45,248	-	45,248
Unsecured loans		-	14	-	14
AFS financial investments:	6(b)				
Equity securities		21,306	10,709,553	-	10,730,859
Malaysian government securities		99,640	-	-	99,640
Debt securities		371,471	-	-	371,471
Unit and property trust fund		-	268,857	-	268,857
Financial investments at FVTPL:	6(c)				
Equity securities		-	-	1,548,613	1,548,613
Embedded derivatives		50	6,830	9,610	16,490
Malaysian government securities		-	8,007,389	43,383	8,050,772
Debt securities		-	21,220,052	571,398	21,791,450
Unit and property trust fund		-	-	65,121	65,121
Reinsurance assets	7	-	57,395	-	57,395
Insurance receivables	8	-	287,902	-	287,902
Other receivables	9	7,804	456,601	21,433	485,838
Cash and bank balances		58	26,640	971	27,669
		500,979	45,278,654	2,457,629	48,237,262

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(E2): 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 to credit risk RM'000	Past-due** RM'000	Total RM'000
	Investment grade* (BBB to AAA) RM'000	Non-Investment grade* (C to BB) RM'000	Not rated RM'000	Unit-linked RM'000			
<b>31 December 2011</b>							
<b>LAR:</b>							
Fixed and call deposits	2,893,148	-	-	824,020	-	-	3,717,168
Policy loans	-	-	3,471,111	-	-	-	3,471,111
Mortgage loans	-	-	585,375	-	-	-	585,375
Secured loans	-	-	2,557	-	-	-	2,557
Unsecured loans	-	-	41	-	-	-	41
<b>AFS financial investments:</b>							
Equity securities	-	-	-	-	11,174,924	-	11,174,924
Malaysian government securities	-	-	-	-	61,242	-	61,242
Debt securities	231,400	-	9,987	-	135,988	-	377,375
Unit and property trust fund	-	-	-	-	337,709	-	337,709
<b>Financial investments at FVTPL:</b>							
Equity securities	-	-	-	1,484,107	-	-	1,484,107
Embedded derivatives	-	-	-	8,819	4,065	-	12,884
Malaysian government securities	-	-	-	54,544	7,520,046	-	7,574,590
Debt securities	13,523,348	-	1,084,975	494,248	7,760,655	-	22,863,226
Unit and property trust fund	-	-	-	123,553	-	-	123,553
Reinsurance assets	66,198	-	1,172	-	-	-	67,370
Insurance receivables	1,177	-	-	-	250,687	7,945	259,809
Other receivables	134,416	-	5,124	8,882	231,328	203	379,953
Cash and bank balances	135,742	-	30	4,338	-	-	140,110
	<b>16,985,429</b>	<b>-</b>	<b>5,160,372</b>	<b>3,002,511</b>	<b>27,476,644</b>	<b>8,148</b>	<b>52,633,104</b>

\* Based on public ratings assigned by external rating agencies including RAM and MARC.

\*\* An aging analysis for financial assets past due is provided below.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Table 33(E2) (Cont'd):

	Neither past-due nor impaired				Not subject to credit risk RM'000	Past-due** RM'000	Total RM'000
	Investment grade* (BBB to AAA) RM'000	Non-Investment grade* (C to BB) RM'000	Not rated RM'000	Unit-linked RM'000			
<b>31 December 2010</b>							
LAR:							
Fixed and call deposits	260,452	-	-	197,100	-	-	457,552
Policy loans	-	-	3,345,416	-	-	-	3,345,416
Mortgage loans	-	-	586,955	-	-	-	586,955
Secured loans	35,500	-	2,748	-	-	7,000	45,248
Unsecured loans	-	-	14	-	-	-	14
AFS financial investments:							
Equity securities	-	-	-	-	10,730,859	-	10,730,859
Malaysian government securities	-	-	-	-	99,640	-	99,640
Debt securities	237,679	-	10,026	-	123,766	-	371,471
Unit and property trust fund	-	-	-	-	268,857	-	268,857
Financial investments at FVTPL:							
Equity securities	-	-	-	1,548,613	-	-	1,548,613
Embedded derivatives	-	-	-	9,610	6,880	-	16,490
Malaysian government securities	-	-	-	43,383	8,007,389	-	8,050,772
Debt securities	12,461,357	-	269,217	571,398	8,489,478	-	21,791,450
Unit and property trust fund	-	-	-	65,121	-	-	65,121
Reinsurance assets	56,215	-	1,180	-	-	-	57,395
Insurance receivables	2,100	-	-	-	275,580	10,222	287,902
Other receivables	132,883	-	253	21,433	330,872	397	485,838
Cash and bank balances	25,626	-	1,072	971	-	-	27,669
	<u>13,211,812</u>	<u>-</u>	<u>4,216,881</u>	<u>2,457,629</u>	<u>28,333,321</u>	<u>17,619</u>	<u>48,237,262</u>

\* Based on public ratings assigned by external rating agencies including RAM and MARC.

\*\* An Aging analysis for financial assets past due is provided below.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

### Market and Credit Risk (Cont'd)

Aging Analysis of financial assets past due:

Table 33(E2) (Cont'd):

	Past-due but not impaired			Total RM'000	Past Due and Impaired RM'000	Total RM'000
	< 6 Months RM'000	6 Months to 12 Months RM'000	>12 Months RM'000			
<b>31 December 2011</b>						
<b>Insurance receivables</b>	<b>6,651</b>	<b>860</b>	<b>434</b>	<b>7,945</b>	<b>6,105</b>	<b>14,050</b>
<b>Other receivables</b>	<b>152</b>	<b>18</b>	<b>33</b>	<b>203</b>	<b>102</b>	<b>305</b>
	<b>6,803</b>	<b>878</b>	<b>467</b>	<b>8,148</b>	<b>6,207</b>	<b>14,355</b>
<b>31 December 2010</b>						
Secured loans	7,000	-	-	7,000	-	7,000
Insurance receivables	39	652	9,531	10,222	5,049	15,271
Other receivables	323	19	55	397	150	547
	7,362	671	9,586	17,619	5,199	22,818

### Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

### Receivables that are past due but not impaired

The Company has receivables amounting to RM8,148,000 (2010:RM10,619,000) that are past due at reporting date but not impaired.

At reporting date, receivables amounting to RM7,500,000 (2010: RM9,000,000) that have been arranged to be settled. The remaining balances of receivables that are past due but not impaired are unsecured in nature.

### Receivables that are impaired

Receivables that are impaired are individually assessed and determined to be impaired relates to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows an analysis of financial instruments that are carried at fair value by level of fair value hierarchy:

2011	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
<b>Financial Assets</b>				
<b>FVTPL - Held for Trading</b>				
<b>Equity securities:</b>				
Quoted in Malaysia	1,470,789	-	-	1,470,789
Quoted outside Malaysia	13,318	-	-	13,318
Embedded derivatives	12,884	-	-	12,884
Malaysian government securities	-	54,544	-	54,544
<b>Debt securities:</b>				
Unquoted in Malaysia	-	494,248	-	494,248
<b>Unit and property trust funds:</b>				
Quoted in Malaysia	122,536	-	-	122,536
Quoted outside Malaysia	1,017	-	-	1,017
<b>FVTPL - Designated Upon Initial Recognition</b>				
Malaysian government securities	-	7,520,046	-	7,520,046
<b>Debt securities:</b>				
Quoted outside Malaysia	244,276	-	-	244,276
Unquoted in Malaysia	-	21,993,266	-	21,993,266
Unquoted outside Malaysia	-	131,436	-	131,436
<b>AFS financial assets</b>				
<b>Equity securities:</b>				
Quoted in Malaysia	9,250,636	-	-	9,250,636
Quoted outside Malaysia	1,815,580	-	-	1,815,580
Malaysian government securities	-	61,242	-	61,242
<b>Debt securities:</b>				
Unquoted in Malaysia	-	377,375	-	377,375
<b>Unit and property trust funds:</b>				
Quoted in Malaysia	256,182	-	-	256,182
Quoted outside Malaysia	81,527	-	-	81,527
	<b>13,268,745</b>	<b>30,632,157</b>	<b>-</b>	<b>43,900,902</b>
<b>Financial Liabilities</b>				
<b>Derivative financial liabilities</b>				
Currency swaps	-	18,796	-	18,796

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

2010	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market Observable Inputs RM'000	Level 3 - Valuation Techniques - Unobservable Inputs RM'000	Total Fair Value RM'000
<u>Financial Assets</u>				
FVTPL - Held for Trading				
Equity securities:				
Quoted in Malaysia	1,535,584	-	-	1,535,584
Quoted outside Malaysia	13,029	-	-	13,029
Embedded derivatives	16,490	-	-	16,490
Malaysian government securities	-	43,383	-	43,383
Debt securities:				
Quoted in Malaysia	70	-	-	70
Unquoted in Malaysia	-	571,328	-	571,328
Unit and property trust funds:				
Quoted in Malaysia	63,927	-	-	63,927
Quoted outside Malaysia	1,194	-	-	1,194
FVTPL - Designated Upon Initial Recognition				
Malaysian government securities	-	8,007,389	-	8,007,389
Debt securities:				
Quoted in Malaysia	6,599	-	-	6,599
Unquoted in Malaysia	-	21,213,453	-	21,213,453
AFS financial assets				
Equity securities:				
Quoted in Malaysia	8,839,397	-	-	8,839,397
Quoted outside Malaysia	1,723,725	-	-	1,723,725
Malaysian government securities	-	99,640	-	99,640
Debt securities:				
Unquoted in Malaysia	-	371,471	-	371,471
Unit and property trust funds:				
Quoted in Malaysia	180,206	-	-	180,206
Quoted outside Malaysia	88,651	-	-	88,651
	12,468,872	30,306,664	-	42,775,536

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

### Fair value Hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 assets/liabilities are those which market values are determined in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those process represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 assets/liabilities are those which market values are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These type of assets/liabilities includes assets/liabilities which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets/financial liabilities with fair values based on broker quotes, investments in private equity funds with fair values obtained from counterparties and assets/liabilities that are valued using the Company's own model whereby the majority of assumptions are market observable.

Level 3 assets/liabilities are those which market values are measured using a valuation technique based on assumptions formed from unobservable inputs. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given the prevailing market conditions.

There has been no transfers of financial assets between Level 1 and Level 2 during the financial years ended 31 December 2011 and 2010.

## 35. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2011, as prescribed under the RBC is provided below:

	2011 RM'000	2010 RM'000
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	<b>100,000</b>	100,000
Reserves, including retained earnings	<b>16,943,383</b>	16,832,137
	<b>17,043,383</b>	16,932,137
<b>Tier 2 Capital</b>		
Eligible reserves	<b>4,020,123</b>	4,120,967
<b>Total Capital Available</b>	<b>21,063,506</b>	21,053,104

## 36. CONTINGENT LIABILITIES

	2011 RM'000	2010 RM'000
<b>Unsecured:</b>		
Arising from litigation cases	<b>849</b>	653

As at end of the financial year, the Company has a few outstanding litigation claims that may incur potential liabilities for the Company. These outstanding litigation claims arise mainly from disputes on claims settlement, agency and staff industrial relation matters.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 37. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life, Shareholder and General and Unit-Linked funds in accordance with the Insurance Act 1996 and Insurance Regulations 1996. The Income Statement and Balance Sheet by funds are presented as follows:

Balance Sheet by Funds As at 31 December 2011	Shareholder's Fund		Life Fund		Unit-linked		Elimination*		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>										
Financial investments	499,018	493,117	48,297,552	44,450,116	2,989,292	2,435,225	-	-	51,785,862	47,378,458
Reinsurance assets	-	-	67,370	57,395	-	-	-	-	67,370	57,395
Insurance receivables	-	-	259,809	287,902	-	-	-	-	259,809	287,902
Other assets	625,584	517,352	1,535,474	1,542,827	22,869	28,631	(626,849)	(515,717)	1,557,078	1,573,093
	<b>1,124,602</b>	<b>1,010,469</b>	<b>50,160,205</b>	<b>46,338,240</b>	<b>3,012,161</b>	<b>2,463,856</b>	<b>(626,849)</b>	<b>(515,717)</b>	<b>53,670,119</b>	<b>49,296,848</b>
<b>Equity, Policyholders' Fund and Liabilities</b>										
<b>Total Equity</b>	929,230	837,209	-	-	-	-	-	-	929,230	837,209
Insurance contract liabilities	-	-	47,817,164	44,212,182	2,946,980	2,413,596	-	-	50,764,144	46,625,778
Other liabilities	195,372	173,260	2,343,041	2,126,058	65,181	50,260	(626,849)	(515,717)	1,976,745	1,833,861
<b>Total policyholders' fund and liabilities</b>	<b>195,372</b>	<b>173,260</b>	<b>50,160,205</b>	<b>46,338,240</b>	<b>3,012,161</b>	<b>2,463,856</b>	<b>(626,849)</b>	<b>(515,717)</b>	<b>52,740,889</b>	<b>48,459,639</b>
	<b>1,124,602</b>	<b>1,010,469</b>	<b>50,160,205</b>	<b>46,338,240</b>	<b>3,012,161</b>	<b>2,463,856</b>	<b>(626,849)</b>	<b>(515,717)</b>	<b>53,670,119</b>	<b>49,296,848</b>

\* Refers to elimination of Interfund balances.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 37. INSURANCE FUNDS (CONT'D)

### Income Statement / Revenue Accounts by Funds For the year ended 31 December 2011

	Shareholder's Funds		Life Fund		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Operating revenue</b>	<b>24,725</b>	28,330	<b>7,837,247</b>	7,188,792	<b>7,861,972</b>	7,217,122
Gross premiums	-	-	<b>5,800,311</b>	5,368,418	<b>5,800,311</b>	5,368,418
Premiums ceded to reinsurers	-	-	<b>(114,935)</b>	(102,990)	<b>(114,935)</b>	(102,990)
<b>Net earned premiums</b>	-	-	<b>5,685,376</b>	5,265,428	<b>5,685,376</b>	5,265,428
Fee and commission income	-	-	<b>49,836</b>	44,075	<b>49,836</b>	44,075
Investment income	<b>24,725</b>	28,330	<b>2,036,936</b>	1,820,374	<b>2,061,661</b>	1,848,704
Gains and losses and other operating revenue	<b>4,307</b>	5,191	<b>1,181,756</b>	1,538,198	<b>1,186,063</b>	1,543,389
<b>Other revenue</b>	<b>29,032</b>	33,521	<b>3,268,528</b>	3,402,647	<b>3,297,560</b>	3,436,168
Gross benefits and claims paid	-	-	<b>(3,188,466)</b>	(3,145,043)	<b>(3,188,466)</b>	(3,145,043)
Claims ceded to reinsurers	-	-	<b>68,153</b>	59,610	<b>68,153</b>	59,610
Gross change in contract liabilities	-	-	<b>(3,749,563)</b>	(3,632,212)	<b>(3,749,563)</b>	(3,632,212)
Change in contract liabilities ceded to reinsurers	-	-	<b>(7,151)</b>	9,678	<b>(7,151)</b>	9,678
<b>Net benefits and claims</b>	-	-	<b>(6,877,027)</b>	(6,707,967)	<b>(6,877,027)</b>	(6,707,967)
Depreciation and amortisation	-	-	<b>(52,667)</b>	(51,712)	<b>(52,667)</b>	(51,712)
Other operating and management expenses	<b>(269)</b>	(30)	<b>(1,177,578)</b>	(1,142,392)	<b>(1,177,847)</b>	(1,142,422)
<b>Other expenses</b>	<b>(269)</b>	(30)	<b>(1,230,245)</b>	(1,194,104)	<b>(1,230,514)</b>	(1,194,134)
<b>Profit from operations</b>	<b>28,763</b>	33,491	<b>846,632</b>	766,004	<b>875,395</b>	799,495
<b>Transfer from Revenue Accounts *</b>	<b>616,223</b>	510,967	<b>(616,223)</b>	(510,967)	-	-
<b>Profit/Surplus before Taxation</b>	<b>644,986</b>	544,458	<b>230,409</b>	255,037	<b>875,395</b>	799,495
Taxation (Note 26)	<b>(129,443)</b>	(117,853)	<b>(230,409)</b>	(255,037)	<b>(359,852)</b>	(372,890)
<b>Net profit/surplus for the year</b>	<b>515,543</b>	426,605	-	-	<b>515,543</b>	426,605

\* The amount transferred from the Life Fund's Revenue Accounts to the Shareholder's Fund's Income Statement is net of tax.

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 37. INSURANCE FUNDS (CONT'D)

### Investment-linked Balance Sheet Statement As at 31 December 2011

	2011 RM'000	2010 RM'000
<b>Assets</b>		
Financial investments	<b>2,989,292</b>	2,435,225
Other assets	<b>22,869</b>	28,631
	<b>3,012,161</b>	2,463,856
<b>Liabilities</b>		
Other liabilities	<b>65,182</b>	50,260
	<b>65,182</b>	50,260
<b>Net asset value of funds (Note 11)</b>	<b>2,946,979</b>	2,413,596

### Investment-linked Fund Income Statement For the year ended 31 December 2011

	2011 RM'000	2010 RM'000
Investment income	<b>107,091</b>	70,583
Realised gains and losses	<b>(25,697)</b>	75,948
Fair value gains and losses	<b>111,896</b>	197,786
	<b>193,290</b>	344,317
Fee and commission expense	<b>(29,857)</b>	(22,591)
Management expenses	<b>(101)</b>	(344)
Surplus before taxation	<b>163,332</b>	321,382
Taxation	<b>(7,945)</b>	(23,921)
Net profit for the year (Note 11)	<b>155,387</b>	297,461

# NOTES TO THE FINANCIAL STATEMENT

AS AT 31 DECEMBER 2011

## 37. INSURANCE FUNDS (CONT'D)

Information on Cash Flows by Funds  
As at 31 December 2011

	Shareholder's Fund		Life Fund		Unit-linked		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Cash flow from:</b>								
Operating activities	532,133	648,856	24,106	(21,265)	6,789	(808)	563,028	626,783
Investing activities	-	-	(26,230)	(32,288)	-	-	(26,230)	(32,288)
Financing activities	(424,357)	(648,945)	-	-	-	-	(424,357)	(648,945)
Increase/(Decrease) in cash and cash equivalents	107,776	(89)	(2,124)	(53,553)	6,789	(808)	112,441	(54,450)
Cash and cash equivalents:								
At beginning of year	58	147	26,640	80,193	971	1,779	27,669	82,119
At end of year	107,834	58	24,516	26,640	7,760	971	140,110	27,669

# HEAD OFFICE AND BRANCH NETWORK

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### **Alor Setar**

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Business Development Manager:  
Brandon Lee Chi Ping

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Senior Business Development Manager:  
Scott Wong Charng Yeon

**Kuala Terengganu**

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Regional Manager (Business Development):  
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## EPILOGUE

As we embark on a new phase of growth and development in the current financial year, we are mindful that the macroeconomic environment continues to present challenges that will put our tenacity and resilience to the test. Against this backdrop of economic uncertainty, we are stepping forward refreshed and rejuvenated, armed with our renewed commitment to help you achieve the best that life can offer, for you and for those who need you most.



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