

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2011

1210A2/ra

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 8
STATEMENT BY DIRECTORS	9
STATUTORY DECLARATION	9
INDEPENDENT AUDITORS' REPORT	10 - 11
STATEMENT OF FINANCIAL POSITION	12
STATEMENT OF COMPREHENSIVE INCOME	13
STATEMENT OF CHANGES IN EQUITY	14
STATEMENT OF CASH FLOWS	15 - 16
NOTES TO THE FINANCIAL STATEMENTS	17 - 87

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>31,755</u>

DIVIDENDS

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

At the forthcoming Annual General Meeting of the Company, a single-tier preference dividend in respect of the financial year ended 31 December 2011 of RM0.08 per preference share on 100,000,000 perpetual non-cumulative preference shares amounting to a preference dividend payable of RM8,000,000 will be proposed for shareholders' approval (the Proposed Dividend) subject always to the receipt of the requisite confirmation from Bank Negara Malaysia that it has no objection to the Proposed Dividend.

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

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

BAD AND DOUBTFUL DEBTS

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

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company which has arisen since the end of the financial year.

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

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

CHANGE OF CIRCUMSTANCES

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

	<u>Attendance</u>
Encik Mohd Yusof bin Hussian (Chairman)	7/7
Encik Izlan bin Izhah	6/7
Encik Peter William England	7/7
Encik Pushpanathan A/L S.A. Kanagarayar	7/7
Encik Allan Raymond Griffiths	6/7
Cik Saw Teow Yam (appointed on 1 March 2011)	6/6
Encik Ooi Say Teng (appointed on 4 April 2011)	5/5

In accordance with Article 96 of the Company's Articles of Association, Encik Allan Raymond Griffiths and Peter William England retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC")

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

	<u>Attendance</u>
Encik Pushpanathan A/L S.A. Kanagarayar – Chairman (Independent and Non-Executive Director) (appointed as Chairman on 11 July 2011)	9/9
Encik Mohd Yusof bin Hussian (Independent and Non-Executive Director)	9/9
Encik Izlan bin Izhab (Independent and Non-Executive Director)	7/9
Encik Allan Raymond Griffiths (Non-Independent and Non-Executive Director) (appointed on 27 January 2011 and resigned on 6 April 2011)	0/1

The duties and responsibilities of the AC are as follows:

Governance

- (i) To ensure that the internal audit function outsourced to the CIMB Group Internal Audit Division is effective with regard to audit objectives, professionalism, capacity and competency of the auditors;
- (ii) To review the effectiveness of internal control, including the review and approval of the audit plan, audit charter and budget;
- (iii) To ensure that the reporting relationships of the internal auditors do not impede the exercise of independent judgement by the internal auditors;
- (iv) To review the scope of the internal audit procedures, which includes inter alia, the restriction to the conduct of audit and appropriateness of the risk assessment methodology;
- (v) To ensure that all findings and recommendations are resolved effectively and in a timely manner;
- (vi) To review and approve the fees structure of the CIMB Group's internal auditors; and
- (vii) To meet with:
 - (a) The CIMB Group Audit Committee at least twice a year; and
 - (b) The Aviva APRO Regional Internal Auditors as and when necessary.

External auditors

- (i) To be responsible for the appointment of the external auditors, having particular regard to the external auditors' objectivity, performance and independence;
- (ii) To review the provision of non-audit services by the external auditors;
- (iii) To review the external auditors' audit plan, findings and recommendations; and
- (iv) To meet with the external auditors at least twice a year without the presence of management.

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Related party transactions and other matters

- (i) To review any related-party transactions and conflicts of interest situations; and
- (ii) To undertake any other functions as may be determined by the Board of Directors of the Company ("the Board") and reflected in its terms of reference.

Nominating and Remuneration Committee ("NRC")

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

	<u>Attendance</u>
Encik Izlan bin Izhah – Chairman (Independent and Non-Executive Director)	4/4
Encik Mohd Yusof bin Hussian (Independent and Non-Executive Director)	4/4
Encik Pushpanathan A/L S.A.Kanagarayar (Independent and Non-Executive Director)	4/4
Encik Allan Raymond Griffiths (Non-Independent and Non-Executive Director) (appointed on 27 January 2011)	1/3
Encik Peter William England (Non-Independent and Non-Executive Director) (appointed on 31 October 2011)	0/0

The duties and responsibilities of the NRC are as follows:

- (i) To establish the minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively;
- (ii) To oversee the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required through annual reviews;
- (iii) To assess and recommend the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the position of Chief Executive Officer. This would include assessing Directors and the Chief Executive Officer proposed for re-appointment, before application for approval is submitted to Bank Negara Malaysia;
- (iv) To establish a mechanism for formal assessment and assessing of the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer;
- (v) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;
- (vi) To ensure that all Directors undergo appropriate induction programmes and receive continuous training;

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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

- (vii) To oversee appointments, management succession planning and performance evaluation of key senior officers and recommending to the Board the removal of key senior officers if they were ineffective, errant and negligent in discharging their responsibilities;
- (viii) To recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers; and
- (ix) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers.

Board Risk Committee ("BRC")

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

	<u>Attendance</u>
Encik Pushpanathan A/L S.A. Kanagarayar - Chairman (Independent and Non-Executive Director) (appointed as Chairman on 27 July 2011)	3/3
Encik Izlan bin Izhah (Independent and Non-Executive Director) (resigned as Chairman on 27 July 2011)	3/3
Encik Mohd Yusof bin Hussian (Independent and Non-Executive Director)	3/3
Encik Allan Raymond Griffiths (Non Independent and Non-Executive Director) (appointed on 27 January 2011)	1/3
Encik Ooi Say Teng (Non Independent and Non-Executive Director) (appointed on 31 October 2011)	0/0

The duties and responsibilities of the BRC are as follows:

Governance

- (i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risk as well as the extent to which these are operating effectively;
- (iii) To ensure adequate infrastructure, resources and systems are in place for an effective risk management, i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;
- (iv) To review the management's periodic reports on the risk exposure, risk portfolio composition and risk management activities; and
- (v) To perform any other functions in relation to risk management as may be agreed by the BRC and the Board.

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management

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

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

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

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

DIRECTORS' BENEFITS

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

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

None of the Directors in office at the end of the financial year held any interest in shares in the Company during the financial year.

AUDITORS

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

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

MOHD YUSOF BIN HUSSIAN
CHAIRMAN

SAW TEOW YAM
DIRECTOR

Kuala Lumpur
29 March 2012

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Mohd Yusof bin Hussian and Saw Teow Yam being two of the Directors of CIMB Aviva Assurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 87 are drawn up in accordance with the Financial Reporting Standards in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act, 1996 and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of the financial performance and the cash flows of the Company for the financial year then ended.

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

MOHD YUSOF BIN HUSSIAN
CHAIRMAN

SAW TEOW YAM
DIRECTOR

Kuala Lumpur
29 March 2012

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

I, Yong Heng Thong @ Tony Yong, being the Officer primarily responsible for the financial management of CIMB Aviva Assurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 87 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YONG HENG THONG @ TONY YONG

Subscribed and solemnly declared by the abovenamed Yong Heng Thong @ Tony Yong at Kuala Lumpur in Malaysia on 29 March 2012, before me.

COMMISSIONER FOR OATHS

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CIMB Aviva Assurance Berhad, which comprise the statement of financial position as at 31 December 2011 of the Company, the statements of comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and explanatory notes, as set out on pages 12 to 87.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act, 1996 and comply with the provisions of the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act, 1996 and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows of the Company for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/12 (J))
Chartered Accountant

Kuala Lumpur
29 March 2012

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
ASSETS			
Property and equipment	3	46,054	54,158
Financial assets	4	1,034,885	953,953
Loans and receivables	5	446,399	529,734
Reinsurance assets	6	83,641	100,541
Insurance receivables	7	5,582	2,534
Other receivables	8	44,865	51,091
Cash and bank balances		8,739	18,787
Deferred tax assets	9	72	-
Current tax assets		3,831	2,298
Assets held for sale	10	361	-
TOTAL ASSETS		<u>1,674,429</u>	<u>1,713,096</u>
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	11	342,000	342,000
Share premiums		16,000	16,000
Retained earnings/(Accumulated losses)		23,158	(8,597)
Total equity		<u>381,158</u>	<u>349,403</u>
Insurance contract liabilities	12	1,123,503	1,123,274
Insurance claims liabilities		12,437	13,372
Insurance payables	13	88,503	83,734
Redeemable convertible unsecured loan stocks	14	-	36,257
Other financial liabilities	15	43,056	46,002
Other payables	16	25,772	59,130
Deferred tax liabilities	9	-	1,924
Total liabilities		<u>1,293,271</u>	<u>1,363,693</u>
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		<u>1,674,429</u>	<u>1,713,096</u>

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
Gross premiums		257,306	347,893
Premiums ceded to reinsurers		(27,127)	(22,265)
Net premiums		<u>230,179</u>	<u>325,628</u>
Investment income	17	59,315	60,370
Net realised gains	18	240	-
Net fair value gains	19	21,302	59,966
Other operating income		9,089	6,628
Other income		<u>89,946</u>	<u>126,964</u>
Gross benefits and claims paid		(193,611)	(696,354)
Claims ceded to reinsurers		18,026	24,528
Gross change in contract liabilities		(229)	348,091
Change in contract liabilities ceded to reinsurers		(15,122)	3,174
Net claims		<u>(190,936)</u>	<u>(320,561)</u>
Fee and commission expense		(17,730)	(20,434)
Management expenses	20	(51,795)	(52,966)
Other operating expenses	21	(17,948)	(14,683)
Investment expenses		(1,119)	(870)
Interest expense on redeemable convertible unsecured loan stocks		(600)	(3,176)
Other expenses		<u>(89,192)</u>	<u>(92,129)</u>
Profit before taxation		39,997	39,902
Taxation	22	(8,242)	(7,786)
Net profit for the financial year		<u>31,755</u>	<u>32,116</u>
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		<u><u>31,755</u></u>	<u><u>32,116</u></u>
Earnings per share (sen)			
Basic	23	<u>13.12</u>	<u>13.27</u>

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Share capital RM'000	Non- distributable Share premium RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000
At 1 January 2010	342,000	16,000	(40,713)	317,287
Total comprehensive income for the financial year	-	-	32,116	32,116
At 31 December 2010	<u>342,000</u>	<u>16,000</u>	<u>(8,597)</u>	<u>349,403</u>
At 1 January 2011	342,000	16,000	(8,597)	349,403
Total comprehensive income for the financial year	-	-	31,755	31,755
At 31 December 2011	<u>342,000</u>	<u>16,000</u>	<u>23,158</u>	<u>381,158</u>

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

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> RM'000	<u>2010</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	31,755	32,116
Adjustments for:		
Gross change in contract liabilities	229	(348,091)
Change in contract liabilities ceded to reinsurers	15,122	(3,174)
Property and equipment		
- depreciation	4,113	3,872
- gain on disposal	(240)	-
- write off	2,567	243
- impairment	5,106	-
Accretion of discounts	(1,390)	(3,309)
Net fair value gain on investments at fair value through profit or loss	(21,302)	(59,966)
Interest income	(52,336)	(53,478)
Dividend income	(4,829)	(2,737)
Rental income	(760)	(846)
Interest expense on redeemable convertible unsecured loan stocks	600	3,176
Provision for retirement benefits	4	4
Taxation	8,242	7,786
Tax expense on investment income of Life fund and investment-linked funds	7,778	8,873
	<hr/>	<hr/>
Loss from operations before changes in operating assets and liabilities	(5,341)	(415,531)
Decrease/(increase) in loans and receivables	83,341	(35,324)
Decrease/(increase) in receivables	2,013	(16,839)
Increase/(decrease) in insurance claims liabilities	843	(20,663)
(Decrease)/increase in payables	(18,371)	22,685
Purchase of investments	(251,443)	(265,960)
Proceeds from disposal and maturity of investments	194,862	709,555
	<hr/>	<hr/>
	5,904	(22,077)
Investment income received:		
- Dividend	4,890	2,734
- Interest	50,671	54,470
- Rental	760	846
Taxation paid	(18,445)	(16,009)
	<hr/>	<hr/>
Net cash generated from operating activities	43,780	19,964
	<hr/>	<hr/>

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

	<u>2011</u> RM'000	<u>2010</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	296	-
Purchase of property and equipment	(4,099)	(5,323)
Net cash used in investing activities	<u>(3,803)</u>	<u>(5,323)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of redeemable convertible unsecured loan stocks	(36,371)	-
Interest paid on redeemable convertible unsecured loan stocks	(13,654)	-
Net cash used in financing activities	<u>(50,025)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(10,048)	14,641
Cash and cash equivalents at beginning of the financial year	<u>18,787</u>	<u>4,146</u>
Cash and cash equivalents at end of the financial year	<u><u>8,739</u></u>	<u><u>18,787</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>8,739</u></u>	<u><u>18,787</u></u>

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

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1 CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Financial Reporting Standards ("FRS") in Malaysia, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") pursuant to the Insurance Act, 1996 and comply with the provisions of the Companies Act, 1965.

At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2011 as described in Note 2.4.

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Financial assets

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

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

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

FVTPL

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less impairment loss. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Financial assets (continued)

LAR

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

(c) Fair value of financial instruments

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

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

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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 financial assets.

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Impairment

(i) Financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

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

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

(ii) Non-financial assets

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Impairment (continued)

(ii) Non-financial assets (continued)

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

(e) Derecognition of financial assets

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

(f) Assets held for sale

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

(g) Equity instruments

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Dividends

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification

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

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

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

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

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

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

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

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

CIMB AVIVA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

Surpluses in the non-DPF fund are attributable wholly to the shareholders, and the amount and timing of the distribution to shareholders is subject to the advice of the Company's appointed actuary. As required by the Guidelines on Financial Reporting for Insurers issued by BNM, unallocated surpluses of the DPF and non-DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year, are held within insurance contract liabilities.

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

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(i) Reinsurance

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

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Life insurance underwriting results

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

Gross premiums

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

Gross premiums of the Investment-linked fund is in respect of the net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

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

Reinsurance premiums

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

Benefits, claims and expenses

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

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

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- benefits payable under the Investment-linked fund are in respect of net cancellation of units and are recognised as surrender; and
- bonus on DPF policy upon its declaration.

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Life insurance underwriting results (continued)

Commission and agency expenses

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

(k) Insurance receivables

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

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

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

(l) Insurance contract liabilities

(i) Actuarial liabilities

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

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and the non-unit liabilities of investment-linked policies.

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Insurance contract liabilities (continued)

(i) Actuarial liabilities (continued)

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

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

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

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

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Insurance contract liabilities (continued)

(ii) Unallocated surplus

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

Surpluses of contract under the non-participating fund are attributable wholly to the shareholders and the amount and timing of distribution to the shareholders is subject to the recommendation of the Company's Appointed Actuary.

As required by the Guidelines on Financial Reporting for Insurers issued by BNM, unallocated surplus of both participating and non-participating funds where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

(iii) Net asset value attributable to unit holders

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

(m) Other revenue recognition

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

Interest income

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Other revenue recognition (continued)

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

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

Realised gains and losses on investments

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

(n) Taxation

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

Deferred tax is recognised in full, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Provisions

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

(p) Employee benefits

(i) Short term employee benefits

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

(ii) Post employment benefits

Defined benefit plan

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

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

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

Defined contribution plan

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Contingent liabilities and contingent assets

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

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

(r) Other financial liabilities and insurance payables

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

(s) Cash and cash equivalents

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

2.3 Significant accounting judgements, estimates and assumptions

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions

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

Valuation of actuarial liabilities

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

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

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

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

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

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

CIMB AVIVA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations")

- (i) The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Company's financial year beginning on or after 1 January 2011 are as follows:

<u>FRSs/Interpretations</u>	<u>Effective date</u>
Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues	1 March 2010
FRS 3 (revised) "Business combinations"	1 July 2010
FRS 127 (revised) "Consolidated and separate financial statements"	1 July 2010
Amendments to FRS 5 "Non-current assets held for sale and discontinued operations"	1 July 2010
Amendments to FRS 138 "Intangible Assets"	1 July 2010
Amendments to IC Interpretation 9 "Reassessment of embedded derivatives"	1 July 2010
Amendments to FRS 2 "Share-based Payment"	1 July 2010
Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions"	1 January 2011
Amendments to FRS 1 "First-time adoption of financial reporting Standards"	1 January 2011
Amendments to FRS 7 "Financial instruments: Disclosures"	1 January 2011
IC Interpretation 4 "Determining whether an arrangement contains a lease"	1 January 2011
Improvements to FRSs (2010)	1 January 2011

The adoption of the above new accounting standards, amendments and improvements to published standards and interpretations does not have any significant impact to the financial statements of the Company, except as stated below:

- FRS 7 (Amendment) "Financial instruments: Disclosures" effective for annual period beginning or after 1 January 2011

Fair value

An entity shall disclose for each class of financial instruments, the methods and when valuation techniques are used, the assumptions applied in determining the fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it. An entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

- FRS 7 (Amendment) "Financial instruments: Disclosures" effective for annual period beginning or after 1 January 2011(continued)

Liquidity risk

An entity shall disclose:

- (a) A maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities;
 - (b) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and
 - (c) A description of how it managed the liquidity risk inherent in (a) and (b).
- Improvements to FRS 101 "Presentation of financial statements" effective from 1 January 2011 clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

The adoption of the above amendment does not have any significant impact to the financial statements of the Company other than additional disclosures.

- (ii) The new accounting standards, amendments and improvements to published standards and interpretations that are effective but not applicable for the Company's financial year beginning on or after 1 January 2011 are as follows:

<u>FRSs/Interpretations</u>	<u>Effective date</u>
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 "Distribution of non-cash assets to owners"	1 July 2010
IC Interpretation 18 "Transfers of assets from customers"	1 January 2011

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

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

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

Financial year beginning on/after 1 January 2012

In the next financial year, the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The Company does not expect any significant financial impact to arise from the adoption of MFRS. These MFRSs include the following:

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

The Company will apply this standard from financial period beginning on 1 January 2012.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn. The Company will apply this standard from financial period beginning on 1 January 2012.

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

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

Financial year beginning on/after 1 January 2012 (continued)

- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation. The Company will apply this standard from financial period beginning on 1 January 2012.
- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Company will apply this standard from financial period beginning on 1 January 2012.

Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013 and deferred to 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. The Company will apply this standard from financial period beginning on 1 January 2015.

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

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

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

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones. The Company will apply this standard from financial period beginning on 1 January 2013.
- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in OCI in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI. The Company will apply this standard from financial period beginning on 1 January 2013.

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3 **PROPERTY AND EQUIPMENT**

	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>								
At 1 January 2010	4,277	24,829	1,677	965	8,978	35,003	2,917	78,646
Additions	115	3,629	75	-	-	-	1,504	5,323
Reclassification	-	2,789	-	-	-	-	(2,789)	-
Write off	-	-	-	-	-	-	(243)	(243)
At 31 December 2010	4,392	31,247	1,752	965	8,978	35,003	1,389	83,726
Additions	117	1,821	44	314	-	-	1,803	4,099
Disposals	-	-	-	(614)	-	-	-	(614)
Reclassification	(15)	2,019	15	-	-	-	(2,019)	-
Write off	(1)	(2,912)	-	-	-	-	(949)	(3,862)
Assets held for sale (Note 10)	-	-	-	-	(137)	(324)	-	(461)
At 31 December 2011	4,493	32,175	1,811	665	8,841	34,679	224	82,888

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3 **PROPERTY AND EQUIPMENT (CONTINUED)**

	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Accumulated depreciation</u>								
At 1 January 2010	2,089	19,523	994	453	-	2,637	-	25,696
Charge for the financial year	322	3,436	157	257	-	(300)	-	3,872
At 31 December 2010	2,411	22,959	1,151	710	-	2,337	-	29,568
Charge for the financial year	322	3,127	127	215	-	322	-	4,113
Disposals	-	-	-	(558)	-	-	-	(558)
Write off	-	(1,295)	-	-	-	-	-	(1,295)
Assets held for sale (Note 10)	-	-	-	-	-	(78)	-	(78)
At 31 December 2011	2,733	24,791	1,278	367	-	2,581	-	31,750

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

	<u>Furniture, fittings and renovation</u> RM'000	<u>Computer equipment</u> RM'000	<u>Office equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Accumulated impairment</u>								
At 1 January 2011/31 December 2010	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	-	5,106	-	5,106
Assets held for sale (Note 10)	-	-	-	-	-	(22)	-	(22)
At 31 December 2011	-	-	-	-	-	5,084	-	5,084
<u>Net carrying amount</u>								
31 December 2010	1,981	8,288	601	255	8,978	32,666	1,389	54,158
31 December 2011	1,760	7,384	533	298	8,841	27,014	224	46,054

During the financial year, the Company has recognised an impairment loss of approximately RM5,106,000 (2010: RMnil) in respect of self-occupied properties as the recoverable amounts are lower than the carrying amounts. The impairment loss was recognised within "other operating expenses" line item in the statement of comprehensive income in note 21 to the financial statements. The recoverable amount of the self-occupied properties is determined by reference to a desktop valuation performed by an independent qualified valuer and based on a sales and purchase agreement signed by the Company.

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4 FINANCIAL ASSETS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Malaysia Government Securities	540,181	531,556
Cagamas	22,780	-
Unquoted corporate debt securities	285,223	232,399
Quoted equity securities	84,756	84,018
Unit trust funds	13,411	10,797
Negotiable instrument of deposits	33,435	35,546
Investment-linked funds	45,537	51,734
Unquoted equity securities	174	174
Accrued interest	9,388	7,729
	<u>1,034,885</u>	<u>953,953</u>

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

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
Fair value through profit or loss ("FVTPL") – designated upon initial recognition	(a)	1,025,497	897,589
Held-to-maturity financial assets ("HTM")	(b)	-	48,635
Accrued interest	(a)	9,388	7,729
		<u>1,034,885</u>	<u>953,953</u>

The following financial assets mature after 12 months:

FVTPL – designated upon initial recognition	<u>823,221</u>	<u>734,543</u>
---	----------------	----------------

(a) FVTPL - designated upon initial recognition

Malaysia Government Securities	540,181	531,556
Cagamas	22,780	-
Unquoted corporate debt securities	285,223	183,764
Quoted equity securities	84,756	84,018
Unit trust funds	13,411	10,797
Negotiable instrument of deposits	33,435	35,546
Investment-linked funds	45,537	51,734
Unquoted equity securities	174	174
Accrued interest	9,388	7,729
	<u>1,034,885</u>	<u>905,318</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4 FINANCIAL ASSETS (CONTINUED)

(b) HTM

	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>Amortised cost</u>		
Unquoted corporate debt securities – at cost	-	34,345
Accretion of discounts	-	14,290
	<u>-</u>	<u>48,635</u>
<u>Fair value</u>		
Unquoted corporate debt securities	<u>-</u>	<u>50,000</u>

(c) Carrying values of financial instruments

	<u>Designated</u> RM'000	<u>HTM</u> RM'000	<u>Total</u> RM'000
At 1 January 2010	1,283,367	45,326	1,328,693
Purchases	265,961	-	265,961
Maturities	(447,294)	-	(447,294)
Disposals	(236,150)	-	(236,150)
Fair value gains recorded in:			
Profit or loss (note 19)	33,852	-	33,852
Accretion adjustment (note 17)	-	3,309	3,309
Movement in accrued interest	5,582	-	5,582
	<u>905,318</u>	<u>48,635</u>	<u>953,953</u>
At 31 December 2010	905,318	48,635	953,953
Purchases	251,443	-	251,443
Maturities	(30,700)	(50,025)	(80,725)
Disposals	(103,867)	-	(103,867)
Fair value gains recorded in:			
Profit or loss (note 19)	11,032	-	11,032
Accretion adjustment (note 17)	-	1,390	1,390
Movement in accrued interest	1,659	-	1,659
	<u>1,034,885</u>	<u>-</u>	<u>1,034,885</u>
At 31 December 2011	1,034,885	-	1,034,885

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4 **FINANCIAL ASSETS (CONTINUED)**

(d) Fair values hierarchy

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

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

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

4 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2011.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>FVTPL</u>				
<u>2011</u>				
Malaysia Government Securities	-	540,181	-	540,181
Cagamas	-	22,780	-	22,780
Unquoted corporate debt securities	-	285,223	-	285,223
Quoted equity securities	84,756	-	-	84,756
Unit trust funds	13,411	-	-	13,411
Negotiable instrument of deposits	-	33,435	-	33,435
Investment-linked funds	45,537	-	-	45,537
Unquoted equity securities	-	-	174	174
Accrued interest	-	9,388	-	9,388
	<u>143,704</u>	<u>891,007</u>	<u>174</u>	<u>1,034,885</u>
<u>2010</u>				
Malaysia Government Securities	-	531,556	-	531,556
Cagamas	-	-	-	-
Unquoted corporate debt securities	-	232,399	-	232,399
Quoted equity securities	84,018	-	-	84,018
Unit trust funds	10,797	-	-	10,797
Negotiable instrument of deposits	-	35,546	-	35,546
Investment-linked funds	51,734	-	-	51,734
Unquoted equity securities	-	-	174	174
Accrued interest	-	7,729	-	7,729
	<u>146,549</u>	<u>807,230</u>	<u>174</u>	<u>953,953</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

5 LOANS AND RECEIVABLES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Policy loans	10,008	9,470
Mortgage loans	242	305
Other secured loans	895	895
	<u>11,145</u>	<u>10,670</u>
Allowance for impairment losses	(942)	(942)
	<u>10,203</u>	<u>9,728</u>
Fixed and call deposits with licensed financial institutions	435,776	519,592
Accrued interest	420	414
	<u>436,196</u>	<u>520,006</u>
	<u>446,399</u>	<u>529,734</u>
Receivable within 12 months	436,196	520,006
Receivable after 12 months	10,203	9,728
	<u>446,399</u>	<u>529,734</u>

6 REINSURANCE ASSETS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Reinsurance of insurance contracts		
- insurance claims liabilities	1,225	3,003
- insurance contract liabilities (note 12)	82,416	97,538
	<u>83,641</u>	<u>100,541</u>

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

7 INSURANCE RECEIVABLES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Due premiums including agents/brokers and co-insurers balances	5,582	2,534
	<u>5,582</u>	<u>2,534</u>
Receivable within 12 months	5,582	2,534
	<u>5,582</u>	<u>2,534</u>

8 OTHER RECEIVABLES

Amount due from fund manager	1,063	2,320
Amount due from related parties	40,871	38,739
Deposits receivable	98	248
Dividend receivable	237	298
Subscription to LIAM shares	2,147	2,147
Other receivables	449	7,339
	<u>44,865</u>	<u>51,091</u>
Receivable within 12 months	42,718	48,944
Receivable after 12 months	2,147	2,147
	<u>44,865</u>	<u>51,091</u>

9 DEFERRED TAX ASSETS/(LIABILITIES)

	<u>2011</u> RM'000	<u>2010</u> RM'000
At 1 January	(1,924)	3,447
Recognised in:		
Profit or loss (note 22)	3,130	(2,111)
Other operating expenses (note 21)	(1,134)	(3,260)
	<u>72</u>	<u>(1,924)</u>
At 31 December	72	(1,924)
	<u>72</u>	<u>(1,924)</u>
Current	(3,481)	(3,956)
Non-current	3,553	2,032
	<u>72</u>	<u>(1,924)</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

9 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	<u>2011</u> RM'000	<u>2010</u> RM'000	
Presented after appropriate offsetting as follows:			
Deferred tax liabilities	(653)	(1,924)	
Deferred tax assets	725	-	
	<u>72</u>	<u>(1,924)</u>	
	<u><u>72</u></u>	<u><u>(1,924)</u></u>	
	<u>Accelerated depreciation</u> RM'000	<u>Revaluation- financial assets</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax assets/(liabilities)</u>			
At 1 January 2010	(418)	3,865	3,447
Recognised in:			
Profit or loss	-	(2,111)	(2,111)
Other operating expenses	(310)	(2,950)	(3,260)
At 31 December 2010	<u>(728)</u>	<u>(1,196)</u>	<u>(1,924)</u>
Recognised in:			
Profit or loss	-	3,130	3,130
Other operating expenses	75	(1,209)	(1,134)
At 31 December 2011	<u>(653)</u>	<u>725</u>	<u>72</u>

10 ASSETS HELD FOR SALE

	<u>2011</u> RM'000	<u>2010</u> RM'000
Property and equipment	<u>361</u>	<u>-</u>
Property and equipment held for sale comprise the following:		
	<u>2011</u> RM'000	<u>2010</u> RM'000
Cost	461	-
Accumulated depreciation	(78)	-
Accumulated impairment	(22)	-
	<u>361</u>	<u>-</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

10 ASSETS HELD FOR SALE (CONTINUED)

The assets held for sale are in respect of self-occupied properties where Sales and Purchase agreement have been signed and the status of sale is now pending the receipt of the sale proceeds amount.

11 SHARE CAPITAL

	2011		2010	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Authorised</u>				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	250,000	250,000	250,000	250,000
Perpetual non-cumulative preference shares of RM1 each:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
<u>Issued and fully paid</u>				
Ordinary shares of RM1 each:				
- At beginning/end of the financial year	242,000	242,000	242,000	242,000
Perpetual non-cumulative preference shares of RM1 each:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
	<u>342,000</u>	<u>342,000</u>	<u>342,000</u>	<u>342,000</u>

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

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

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

The PPS are not convertible to ordinary shares of the Company and the tenure of the PPS is perpetual and can only be redeemed after year 5 at the sole option of the Company subject to Bank Negara Malaysia's approval.

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12 **INSURANCE CONTRACT LIABILITIES**

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

	2011			2010		
	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000
Actuarial liabilities	993,870	(82,416)	911,454	977,523	(97,538)	879,985
Unallocated surplus	19,023	-	19,023	29,937	-	29,937
Net asset value attributable to unitholders	110,610	-	110,610	115,814	-	115,814
	1,123,503	(82,416)	1,041,087	1,123,274	(97,538)	1,025,736

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2011	1,123,274	(97,538)	1,025,736
<u>Projected changes of inforce policies</u>			
Premium income	44,373	(10,155)	34,218
Expense and commission	(12,670)	35	(12,635)
Benefits	(156,840)	15,650	(141,190)
Interest on cashflows	22,225	(1,820)	20,405
Others	4,382	302	4,684
Experience variance on inforce policies	8,153	1,609	9,762
Reserve for new policies	85,942	(3,437)	82,505
<u>Assumption changes</u>			
Discount rate	15,651	(1,501)	14,150
Lapse rates	165	(82)	83
Other changes	4,966	14,521	19,487
Movement in unallocated surplus	(10,914)	-	(10,914)
Movement in net asset value attributable to unitholders	(5,204)	-	(5,204)
At 31 December 2011	<u>1,123,503</u>	<u>(82,416)</u>	<u>1,041,087</u>

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
At 1 January 2010	1,471,364	(94,364)	1,377,000
<u>Projected changes of inforce policies</u>			
Premium income	46,246	(6,652)	39,594
Expense and commission	(13,353)	44	(13,309)
Benefits	(235,409)	12,184	(223,225)
Interest on cashflows	22,185	(1,808)	20,377
Others	3,901	(98)	3,803
Experience variance on inforce policies	7,356	134	7,490
Reserve for new policies	156,698	(6,457)	150,241
<u>Assumption changes</u>			
Discount rate	6,130	(962)	5,168
Lapse rates	1,540	154	1,694
Other changes	(12,938)	287	(12,651)
Movement in unallocated surplus	25,813	-	25,813
Movement in net asset value attributable to unitholders	(356,259)	-	(356,259)
At 31 December 2010	<u>1,123,274</u>	<u>(97,538)</u>	<u>1,025,736</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

13 INSURANCE PAYABLES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Due to agents and intermediaries	1,660	2,953
Due to reinsurers and cedants	86,843	80,781
	<u>88,503</u>	<u>83,734</u>
Payable within 12 months	88,503	7,511
Payable after 12 months	-	76,223
	<u>88,503</u>	<u>83,734</u>

14 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Costs	-	34,345
Accretion of discounts	-	1,912
	<u>-</u>	<u>36,257</u>
Net book value	<u>-</u>	<u>36,257</u>

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

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

Interest expense on the RCULS, amounting to RM599,628 (2010: RM3,175,950) is calculated on an effective yield basis by applying the effective interest rate of 8.9% per annum (2010: 8.9% per annum).

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

15	OTHER FINANCIAL LIABILITIES		
		<u>2011</u>	<u>2010</u>
		RM'000	RM'000
	Recoveries received from an impaired bond	11,022	11,022
	Outstanding purchases of investment securities	114	6,525
	Unprocessed proposals	16,785	19,306
	Others	15,135	9,149
		<u>43,056</u>	<u>46,002</u>
	Payable within 12 months	32,034	34,980
	Payable after 12 months	11,022	11,022
		<u>43,056</u>	<u>46,002</u>

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

16	OTHER PAYABLES		
		<u>2011</u>	<u>2010</u>
		RM'000	RM'000
	Interest payable on RCULS	-	13,168
	Amount due to a related party	193	193
	Cash in suspense	7,956	8,146
	Deposits	79	331
	Provision for retirement benefits (a)	51	47
	Provision for unit pricing	1,469	7,350
	Accrual for bonus	9,615	4,121
	Accrual for electronic data processing expenses	2,229	5,930
	Accrued expenses	2,980	13,165
	Others	1,200	6,679
		<u>25,772</u>	<u>59,130</u>

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

(a)	<u>Provision for retirement benefits</u>		
		<u>2011</u>	<u>2010</u>
		RM'000	RM'000
	At beginning of the financial year	47	43
	Provision for the financial year	4	4
	At end of the financial year	<u>51</u>	<u>47</u>
	Payable after 12 months	<u>51</u>	<u>47</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

16 OTHER PAYABLES (CONTINUED)

(a) Provision for retirement benefits (continued)

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

	<u>2011</u> %	<u>2010</u> %
Discount rate	3.4	4.7
Expected rate of salary increase	5.0	5.0

17 INVESTMENT INCOME

	<u>2011</u> RM'000	<u>2010</u> RM'000
Rental income	760	846
HTM financial assets		
Accretion of discounts	1,390	3,309
Financial assets at FVTPL - designated upon initial recognition		
Interest income	36,303	42,023
Dividend income		
- equity securities quoted in Malaysia	4,829	2,305
- equity securities unquoted in Malaysia	-	432
LAR interest income	16,033	11,455
	<u>59,315</u>	<u>60,370</u>

18 NET REALISED GAINS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Gain on disposal of property and equipment	<u>240</u>	<u>-</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

19 NET FAIR VALUE GAINS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Financial assets at FVTPL - designated upon initial recognition		
Unrealised gains	11,032	33,852
<u>Realised gains:</u>		
- quoted equity securities	7,434	6,834
- unquoted corporate debt securities	-	11,914
- investment-linked funds	3,691	869
- negotiable instrument of deposits	-	6,497
<u>Realised losses:</u>		
- unquoted corporate debt securities	(803)	-
- negotiable instrument of deposits	(52)	-
	<u>21,302</u>	<u>59,966</u>

20 MANAGEMENT EXPENSES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Employee benefits expense (note 20(a))	27,778	25,997
Directors' fees and allowance (note 20(b))	240	194
Auditors' remuneration:		
- current financial year	431	270
- under accrual in respect of prior financial year	214	89
Electronic data processing expenses	1,936	10,321
Advertising expenses	2,650	941
Depreciation of property and equipment (note 3)	4,113	3,872
Write off of property and equipment	2,567	243
Rental expenses	147	47
PIDM levy	528	-
Telephone and postage expenses	1,142	1,098
Others	10,049	9,894
	<u>51,795</u>	<u>52,966</u>

(a) Employee benefits expense

Salaries and bonus	23,873	21,444
Defined benefit plan	4	4
Contributions to defined contribution plan, EPF	1,434	2,839
Expatriate allowances	454	700
Other staff benefits	2,013	1,010
	<u>27,778</u>	<u>25,997</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

20 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
Executive:		
Salaries and bonus	1,220	1,863
Post employment benefits	161	181
Benefits-in-kind	337	55
	<u>1,718</u>	<u>2,099</u>
Non-executive:		
Fees and allowance	240	194
	<u>1,958</u>	<u>2,293</u>
Represented by:		
Directors' fees and allowance	240	194
Amount included in employee benefits expense	1,381	2,044
Estimated money value of benefits-in-kind	337	55
	<u>1,958</u>	<u>2,293</u>

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

21 OTHER OPERATING EXPENSES

	<u>2011</u> RM'000	<u>2010</u> RM'000
Tax expense on investment income of Life fund and investment-linked funds:		
- Current tax	6,644	5,613
- Deferred tax (note 9)	1,134	3,260
Impairment of property and equipment	5,106	-
Others	5,064	5,810
	<u>17,948</u>	<u>14,683</u>

The income tax for the Life fund and investment-linked funds of the insurance business is calculated based on the tax rate of 8% (2010: 8%) of the assessable investment income, net of allowable deductions for the financial year.

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

22 TAXATION

	<u>2011</u> RM'000	<u>2010</u> RM'000
Tax expense on the profit for the financial year:		
Income tax:		
Current financial year	11,371	6,077
Deferred tax (note 9)	(3,130)	2,111
	<u>8,241</u>	<u>8,188</u>
Under/(over) provision in prior financial years	1	(402)
	<u><u>8,242</u></u>	<u><u>7,786</u></u>

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
Profit before taxation	<u>39,997</u>	<u>39,902</u>
Taxation at Malaysia statutory tax rate of 25% (2010: 25%)	9,999	9,976
Section 110B tax credit set off	(2,240)	(2,040)
Expenses not deductible for tax purposes	482	252
Under/(over) provision in prior financial years	1	(402)
Tax expense for the financial year	<u><u>8,242</u></u>	<u><u>7,786</u></u>

23 EARNINGS PER SHARE

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

	<u>2011</u>	<u>2010</u>
Profit attributable to ordinary equity holders (RM'000)	31,755	32,116
Weighted average number of shares in issue ('000)	242,000	242,000
Basic earnings per share (sen)	<u><u>13.12</u></u>	<u><u>13.27</u></u>

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

24 CAPITAL COMMITMENTS

	<u>2011</u> RM'000	<u>2010</u> RM'000
Capital expenditure		
Approved but not contracted for:		
Property and equipment	907	-
Approved and contracted for:		
Property and equipment	933	2,698

25 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

25 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

Related party transactions

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

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>(Income)/expenses</u>		
Premiums received from CIMB Bank and CIMB Principal	(1,177)	(1,356)
Interest earned from deposits in CIMB Bank	(466)	(1,015)
Commission paid to CIMB Bank, CIMB and CWAB	26,694	16,308
Rental income received from CIMB Bank	(386)	(687)
Shared service expenses charged to CATB	(13,479)	(14,584)
Claim recoveries from CATB	(1,067)	(1,564)
Interest expense on RCULS paid to CIGB	600	3,176
Recharges of cost paid to AAPL	4,520	6,939
Recharges of cost paid to CIMB Bank	-	672
Investment manager fee paid to CIMB Principal	646	1,081
Internal audit fees paid to CIMBG	529	578
	<u> </u>	<u> </u>
<u>Related party balances</u>		
Amount due from CATB	39,522	37,657
Amount due from APPL	1,349	1,082
	<u> </u>	<u> </u>
	40,871	38,739
	<u> </u>	<u> </u>
Amount due to CIMBG	(193)	(193)
	<u> </u>	<u> </u>

Related party balances are unsecured, non-interest bearing and have no fixed repayment terms.

CIMB AVIVA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

25 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
Salaries and other short-term employee benefits	5,119	4,979
Post-employment benefits	602	459
	<u>5,721</u>	<u>5,438</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM604,380 (2010 : RM311,264).

26 RISK MANAGEMENT FRAMEWORK

(a) Risk management

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

26 **RISK MANAGEMENT FRAMEWORK (CONTINUED)**

(a) Risk management (continued)

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

(b) Capital management objectives, policies and approach

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

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

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

(c) Governance and regulatory framework

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

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

The Company's ALM modelling is based on a projection of both assets and liabilities into the future. A stochastic model is used to set ALM policy for all funds with in-built options. ALM strategy is determined at a sub fund level for a block of closely related liabilities. Alternatively, if ALM strategy is determined at a fund or company level it will usually be appropriate (for pricing, financial reporting and risk management purposes) to develop a hypothecation of assets to notional sub funds with different liability characteristics.

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

27 INSURANCE RISK

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

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

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

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

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

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

27 **INSURANCE RISK (CONTINUED)**

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

	2011			2010		
	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- insurance</u> RM'000	<u>Net</u> RM'000
Whole life	16,345	(379)	15,966	15,028	(237)	14,791
Term assurance	69,098	(5,144)	63,954	60,219	(6,066)	54,153
Endowment	353,890	(595)	353,295	363,127	(492)	362,635
Mortgage	530,664	(76,298)	454,366	499,522	(90,743)	408,779
Others	23,873	-	23,873	39,627	-	39,627
	<u>993,870</u>	<u>(82,416)</u>	<u>911,454</u>	<u>977,523</u>	<u>(97,538)</u>	<u>879,985</u>

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

Key assumptions

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

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

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

27 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Discount rate

Risk free discount rate is used in the valuation of actuarial liabilities for non-participating fund and the non-unit liabilities of the investment-linked funds and the guaranteed benefit liabilities of the participating fund.

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

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

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

Fund-based yield

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

A flat gross fund-based yield of 4.4% per annum is assumed for all durations. This is derived based on the expected long term investment return of the participating fund as at 31 December 2011.

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

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

27 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Mortality and morbidity

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

Lapse rate

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

Management expenses

Best estimate assumptions are based on the experience of the Company. An inflation rate of 3% per annum is adopted for each policy expense. Maintenance expense overrun for future years have been capitalised and set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked Funds' future growth rate

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

27 **INSURANCE RISK (CONTINUED)**

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>31 December 2011</u>					
Mortality/morbidity	+10	46,244	26,905	(7,882)	(5,911)
Expenses	+10	5,822	5,822	-	-
Lapse and surrender rates	+10	1,264	2,053	-	-
Discount rate	-1	66,061	60,120	-	-
<u>31 December 2010</u>					
Mortality/morbidity	+10	42,760	25,568	-	-
Expenses	+10	5,252	5,252	-	-
Lapse and surrender rates	+10	(433)	(272)	-	-
Discount rate	-1	63,586	57,674	-	-

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

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

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

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 **FINANCIAL RISKS**

(a) **Credit risk**

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

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

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

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

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

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

<u>2011</u>	<u>Life and Shareholders' Fund</u> RM'000	<u>Unit- linked funds</u> RM'000	<u>Total</u> RM'000
LAR			
Fixed and call deposits	429,037	6,739	435,776
Loans	10,203	-	10,203
Accrued interest	419	1	420
Financial assets at FVTPL – designated upon initial recognition			
Malaysia Government Securities	539,135	1,046	540,181
Cagamas	22,780	-	22,780
Quoted equity securities	55,402	29,354	84,756
Unit trust funds	13,411	-	13,411
Unquoted corporate debt securities	257,675	27,548	285,223
Investment-linked funds	31,740	13,797	45,537
Negotiable instrument of deposits	-	33,435	33,435
Unquoted equity securities	174	-	174
Accrued interest	9,099	289	9,388
Reinsurance assets	83,641	-	83,641
Insurance receivables	5,582	-	5,582
Other receivables	44,155	710	44,865
Cash and bank balances	8,733	6	8,739
	<u>1,511,186</u>	<u>112,925</u>	<u>1,624,111</u>

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

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

<u>2010</u>	<u>Life and Shareholders' Fund</u> RM'000	<u>Unit- linked funds</u> RM'000	<u>Total</u> RM'000
HTM financial assets			
Debt securities	48,635	-	48,635
LAR			
Fixed and call deposits	503,188	16,404	519,592
Loans	9,728	-	9,728
Accrued interest	411	3	414
Financial assets at FVTPL – designated upon initial recognition			
Malaysia Government Securities	530,497	1,059	531,556
Quoted equity securities	56,655	27,363	84,018
Unit trust funds	10,797	-	10,797
Unquoted corporate debt securities	159,539	24,225	183,764
Investment-linked funds	38,639	13,095	51,734
Negotiable instrument of deposits	-	35,546	35,546
Unquoted equity securities	174	-	174
Accrued interest	7,427	302	7,729
Reinsurance assets	100,541	-	100,541
Insurance receivables	2,534	-	2,534
Other receivables	48,596	2,495	51,091
Cash and bank balances	18,787	-	18,787
	<u>1,536,148</u>	<u>120,492</u>	<u>1,656,640</u>

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

2011	Neither past-due nor impaired					Not subject to credit risk	Unit- linked funds	Past due but not impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
HTM financial assets									
Debt securities	-	-	-	-	-	-	-	-	-
LAR									
Fixed and call deposits	13,574	209,574	133,467	-	72,422	-	6,739	-	435,776
Loans	-	-	-	-	10,203	-	-	-	10,203
Accrued interest	6	254	12	-	147	-	1	-	420
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysia Government Securities	-	-	-	-	539,135	-	1,046	-	540,181
Cagamas	22,780	-	-	-	-	-	-	-	22,780
Quoted equity securities	-	-	-	-	-	55,402	29,354	-	84,756
Unit trust funds	-	-	-	-	-	13,411	-	-	13,411
Unquoted corporate debt securities	63,512	54,509	21,158	-	118,496	-	27,548	-	285,223
Investment-linked funds	-	-	-	-	-	31,740	13,797	-	45,537
Negotiable instrument of deposits	-	-	-	-	-	-	33,435	-	33,435
Unquoted equity securities	-	-	-	-	-	174	-	-	174
Accrued interest	915	691	322	-	7,171	-	289	-	9,388
Reinsurance assets	-	30,955	976	-	51,710	-	-	-	83,641
Insurance receivables	-	-	-	-	5,582	-	-	-	5,582
Other receivables	-	-	-	-	44,155	-	710	-	44,865
Cash and bank balances	8,642	-	-	-	91	-	6	-	8,739
	<u>109,429</u>	<u>295,983</u>	<u>155,935</u>	<u>-</u>	<u>849,112</u>	<u>100,727</u>	<u>112,925</u>	<u>-</u>	<u>1,624,111</u>

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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

<u>2010</u>	<u>Neither past-due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Unit-linked funds</u>	<u>Past due but not impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
HTM financial assets									
Debt securities	-	48,635	-	-	-	-	-	-	48,635
LAR									
Fixed and call deposits	-	210,683	163,508	128,997	-	-	16,404	-	519,592
Loans	-	-	-	-	9,704	-	-	24	9,728
Accrued interest	-	172	134	105	-	-	3	-	414
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysia Government Securities	-	-	-	-	530,497	-	1,059	-	531,556
Quoted equity securities	-	-	-	-	-	56,655	27,363	-	84,018
Unit trust funds	-	-	-	-	-	10,797	-	-	10,797
Unquoted corporate debt securities	68,358	60,904	20,266	3,985	6,026	-	24,225	-	183,764
Investment-linked funds	-	-	-	-	-	38,639	13,095	-	51,734
Negotiable instrument of deposits	-	-	-	-	-	-	35,546	-	35,546
Unquoted equity securities	-	-	-	-	-	174	-	-	174
Accrued interest	736	656	218	43	5,774	-	302	-	7,729
Reinsurance assets	-	28,257	2,358	-	69,926	-	-	-	100,541
Insurance receivables	-	-	-	-	2,534	-	-	-	2,534
Other receivables	-	-	-	-	48,596	-	2,495	-	51,091
Cash and bank balances	101	18,609	-	-	77	-	-	-	18,787
	<u>69,195</u>	<u>367,916</u>	<u>186,484</u>	<u>133,130</u>	<u>673,134</u>	<u>106,265</u>	<u>120,492</u>	<u>24</u>	<u>1,656,640</u>

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

The Company has not provided the credit risk analysis for the financial assets of the unit-linked business. This is due to the fact that, in unit-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

Age analysis of financial assets past-due but not impaired

	<u><30</u> <u>days</u> RM'000	<u>30 to 60</u> <u>days</u> RM'000	<u>60 to 91</u> <u>days</u> RM'000	<u>91 to 180</u> <u>days</u> RM'000	<u>> 180</u> <u>days</u> RM'000	<u>Total</u> RM'000
<u>2011</u>						
Loans and receivables	-	-	-	-	-	-
<u>2010</u>						
Loans and receivables	-	1	-	9	14	24

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Impaired financial assets

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
At 1 January/31 December	<u>942</u>	<u>942</u>

(b) Liquidity risk

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

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

Maturity profiles

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

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

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

<u>2011</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Unit-linked funds</u> RM'000	<u>Total</u> RM'000
HTM financial assets									
Debt securities	-	-	-	-	-	-	-	-	-
LAR									
Fixed and call deposits	435,776	429,037	-	-	-	-	-	6,739	435,776
Loans	10,203	10,203	-	-	-	-	-	-	10,203
Accrued interest	420	419	-	-	-	-	-	1	420
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysia Government Securities	540,181	15,000	45,000	-	292,620	155,000	-	1,046	508,666
Cagamas	22,780	-	-	-	15,000	5,000	-	-	20,000
Quoted equity securities	84,756	-	-	-	-	-	55,402	29,354	84,756
Unit trust funds	13,411	-	-	-	-	-	13,411	-	13,411
Unquoted corporate debt securities	285,223	32,750	83,802	38,335	97,827	-	-	27,548	280,262
Investment-linked funds	45,537	-	-	-	-	-	31,740	13,797	45,537
Negotiable instrument of deposits	33,435	-	-	-	-	-	-	33,435	33,435
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Accrued interest	9,388	9,099	-	-	-	-	-	289	9,388
Reinsurance assets	83,641	83,641	-	-	-	-	-	-	83,641
Insurance receivables	5,582	5,582	-	-	-	-	-	-	5,582
Other receivables	44,865	44,155	-	-	-	-	-	710	44,865
Cash and bank balances	8,739	8,733	-	-	-	-	-	6	8,739
Total assets	1,624,111	638,619	128,802	38,335	405,447	160,000	100,727	112,925	1,584,855

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Unit- linked funds RM'000	Total RM'000
<u>2011</u>									
Insurance contract liabilities	1,123,503	200,812	158,314	143,107	558,973	211,985	53,029	110,610	1,436,830
Insurance claims liabilities	12,437	12,437	-	-	-	-	-	-	12,437
Insurance payables	88,503	88,503	-	-	-	-	-	-	88,503
Other financial liabilities	43,056	43,056	-	-	-	-	-	-	43,056
Other payables	25,772	25,771	-	-	-	-	-	-	25,771
Total liabilities	<u>1,293,271</u>	<u>370,579</u>	<u>158,314</u>	<u>143,107</u>	<u>558,973</u>	<u>211,985</u>	<u>53,029</u>	<u>110,610</u>	<u>1,606,597</u>

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Unit- linked funds RM'000	Total RM'000
<u>2010</u>									
HTM financial assets									
Debt securities	48,635	48,635	-	-	-	-	-	-	48,635
LAR									
Fixed and call deposits	519,592	503,188	-	-	-	-	-	16,404	519,592
Loans	9,728	9,728	-	-	-	-	-	-	9,728
Accrued interest	414	411	-	-	-	-	-	3	414
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysia Government Securities	531,556	1,049	52,508	62,319	246,629	147,097	-	1,059	510,661
Quoted equity securities	84,018	-	-	-	-	-	56,655	27,363	84,018
Unit trust funds	10,797	-	-	-	-	-	10,797	-	10,797
Unquoted corporate debt securities	183,764	1,451	44,992	30,889	75,083	2,903	-	24,225	179,543
Investment-linked funds	51,734	-	-	-	-	-	38,639	13,095	51,734
Negotiable instrument of deposits	35,546	-	-	-	-	-	-	35,546	35,546
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Accrued interest	7,729	7,427	-	-	-	-	-	302	7,729
Reinsurance assets	100,541	100,541	-	-	-	-	-	-	100,541
Insurance receivables	2,534	2,534	-	-	-	-	-	-	2,534
Other receivables	51,091	48,596	-	-	-	-	-	2,495	51,091
Cash and bank balances	18,787	18,787	-	-	-	-	-	-	18,787
Total assets	1,656,640	742,347	97,500	93,208	321,712	150,000	106,265	120,492	1,631,524

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Unit- linked funds RM'000	Total RM'000
<u>2010</u>									
Insurance contract liabilities	1,123,274	217,300	147,848	142,918	550,670	220,890	38,686	115,814	1,434,126
Insurance claims liabilities	13,372	13,372	-	-	-	-	-	-	13,372
Insurance payables	83,734	83,734	-	-	-	-	-	-	83,734
Redeemable convertible unsecured loan stocks	36,257	36,257	-	-	-	-	-	-	36,257
Other financial liabilities	46,002	46,002	-	-	-	-	-	-	46,002
Other payables	59,130	59,130	-	-	-	-	-	-	59,130
Total liabilities	<u>1,361,769</u>	<u>455,795</u>	<u>147,848</u>	<u>142,918</u>	<u>550,670</u>	<u>220,890</u>	<u>38,686</u>	<u>115,814</u>	<u>1,672,621</u>

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(c) Market risk

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

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

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

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

(i) Interest rate risk

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

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

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

The Company has no significant concentration of interest rate risk.

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

<u>Change in variables</u>	<u>31 December 2011</u>	
	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity*</u> RM'000
+ 100 basis points	(7,465)	(5,599)
- 100 basis points	8,526	6,395
<u>Change in variables</u>	<u>31 December 2010</u>	
	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity*</u> RM'000
+ 100 basis points	(7,435)	(5,576)
- 100 basis points	8,528	6,396

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

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

(ii) Price risk

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

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

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

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

28 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

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

<u>Change in variables</u>	31 December 2011	
	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity*</u> RM'000
Market price + 20%	1,738	1,303
- 20%	(1,738)	(1,303)
<u>Change in variables</u>	31 December 2010	
	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity*</u> RM'000
Market price + 20%	1,646	1,234
- 20%	(1,646)	(1,234)

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

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

(d) Operational risk

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

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

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

29 REGULATORY CAPITAL REQUIREMENTS

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	342,000	342,000
Reserves of the Company:		
- Share premium	16,000	16,000
- Retained earnings/(accumulated losses)	23,158	(8,597)
Reserves included within the insurance contract liabilities	22,600	34,077
	<u>403,758</u>	<u>383,480</u>
<u>Tier 2 Capital</u>		
Eligible reserves	-	2,924
Amounts added to/(deducted from) capital	1,259	(1,210)
Total capital available	<u><u>405,017</u></u>	<u><u>385,194</u></u>

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

30 INSURANCE FUNDS

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

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

Statement of financial position by Funds as at 31 December 2011

	Shareholders' Fund		Life Fund		Elimination		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
<u>Assets</u>								
Property and equipment	-	-	46,054	54,158	-	-	46,054	54,158
Financial assets	106,916	160,908	927,969	793,045	-	-	1,034,885	953,953
Loans and receivables	152,217	135,670	294,182	394,064	-	-	446,399	529,734
Reinsurance assets	-	-	83,641	100,541	-	-	83,641	100,541
Insurance receivables	-	-	5,582	2,534	-	-	5,582	2,534
Other receivables	125,339	110,188	44,860	51,086	(125,334)	(110,183)	44,865	51,091
Cash and bank balances	1	1	8,738	18,786	-	-	8,739	18,787
Deferred tax assets	614	-	(542)	-	-	-	72	-
Current tax assets	(3,929)	(4,855)	7,760	7,153	-	-	3,831	2,298
Assets held for sale	-	-	361	-	-	-	361	-
Total assets	381,158	401,912	1,418,605	1,421,367	(125,334)	(110,183)	1,674,429	1,713,096

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

30 **INSURANCE FUNDS (CONTINUED)**

Statement of financial position by Funds as at 31 December 2011 (continued)

	<u>Shareholders' Fund</u>		<u>Life Fund</u>		<u>Elimination</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	342,000	342,000	-	-	-	-	342,000	342,000
Share premiums	16,000	16,000	-	-	-	-	16,000	16,000
Retained earnings/ (Accumulated losses)	23,158	(8,597)	-	-	-	-	23,158	(8,597)
Total equity	381,158	349,403	-	-	-	-	381,158	349,403
<u>Liabilities</u>								
Insurance contract liabilities	-	-	1,123,503	1,123,274	-	-	1,123,503	1,123,274
Insurance claims liabilities	-	-	12,437	13,372	-	-	12,437	13,372
Insurance payables	-	-	88,503	83,734	-	-	88,503	83,734
Redeemable convertible unsecured loan stocks	-	36,257	-	-	-	-	-	36,257
Other financial liabilities	-	-	43,056	46,002	-	-	43,056	46,002
Other payables	-	13,736	151,106	155,577	(125,334)	(110,183)	25,772	59,130
Deferred tax liabilities	-	2,516	-	(592)	-	-	-	1,924
Total liabilities	-	52,509	1,418,605	1,421,367	(125,334)	(110,183)	1,293,271	1,363,693
Total equity, policyholders' funds and liabilities	381,158	401,912	1,418,605	1,421,367	(125,334)	(110,183)	1,674,429	1,713,096

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

30 **INSURANCE FUNDS (CONTINUED)**

Income Statement/Revenue Accounts by Funds for the financial year ended 31 December 2011

	Shareholders' Fund		Life Fund		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross premiums	-	-	257,306	347,893	257,306	347,893
Premiums ceded to reinsurers	-	-	(27,127)	(22,265)	(27,127)	(22,265)
Net premiums	-	-	230,179	325,628	230,179	325,628
Investment income	9,840	10,258	49,475	50,112	59,315	60,370
Net realised gains	-	-	240	-	240	-
Net fair value gains	2,758	7,325	18,544	52,641	21,302	59,966
Other operating income	-	-	9,089	6,628	9,089	6,628
Other income	12,598	17,583	77,348	109,381	89,946	126,964
Gross benefits and claims paid	-	-	(193,611)	(696,354)	(193,611)	(696,354)
Claims ceded to reinsurers	-	-	18,026	24,528	18,026	24,528
Gross change in contract liabilities	-	-	(229)	348,091	(229)	348,091
Change in contract liabilities ceded to reinsurers	-	-	(15,122)	3,174	(15,122)	3,174
Net claims	-	-	(190,936)	(320,561)	(190,936)	(320,561)

Company No.

197499

U

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

30 **INSURANCE FUNDS (CONTINUED)**

Income Statement/Revenue Accounts by Funds for the year financial ended 31 December 2011 (continued)

	Shareholders' Fund		Life Fund		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fee and commission expense	-	-	(17,730)	(20,434)	(17,730)	(20,434)
Management expenses	-	-	(51,795)	(52,966)	(51,795)	(52,966)
Other operating expenses	(1)	(5)	(17,947)	(14,678)	(17,948)	(14,683)
Investment expenses	-	-	(1,119)	(870)	(1,119)	(870)
Interest expense on redeemable convertible unsecured loan stocks	(600)	(3,176)	-	-	(600)	(3,176)
Other expenses	(601)	(3,181)	(88,591)	(88,948)	(89,192)	(92,129)
Profit from operations	11,997	14,402	28,000	25,500	39,997	39,902
Transfer from life fund	28,000	25,500	(28,000)	(25,500)	-	-
Profit before taxation	39,997	39,902	-	-	39,997	39,902
Taxation	(8,242)	(7,786)	-	-	(8,242)	(7,786)
Net profit for the financial year	31,755	32,116	-	-	31,755	32,116

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

30 INSURANCE FUNDS (CONTINUED)

Investment-linked Funds' statement of financial position as at 31 December 2011

	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>Assets</u>		
Financial assets	105,469	101,590
Loans and receivables	6,740	16,407
Other receivables	710	2,495
Cash and bank balances	6	-
	<hr/>	<hr/>
Total assets	112,925	120,492
	<hr/>	<hr/>
<u>Liabilities</u>		
Other payables	1,339	3,583
Current tax liabilities	524	521
Deferred tax liabilities	452	574
	<hr/>	<hr/>
Total liabilities	2,315	4,678
	<hr/>	<hr/>
Net asset value	110,610	115,814
	<hr/> <hr/>	<hr/> <hr/>

Investment-linked Funds' statement of comprehensive income for the financial year ended 31 December 2011

	<u>2011</u> RM'000	<u>2010</u> RM'000
Investment income	2,243	3,182
Net fair value gains	3,971	16,628
Other operating income	2,408	-
	<hr/>	<hr/>
Management expenses	8,622	19,810
Investment expenses	(888)	(1,187)
Other operating expenses	(265)	(270)
	<hr/>	<hr/>
Profit before taxation	7,456	18,353
Taxation	(497)	(2,164)
	<hr/>	<hr/>
Net profit for the financial year	6,959	16,189
	<hr/> <hr/>	<hr/> <hr/>

Company No.

197499	U
--------	---

CIMB AVIVA ASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

30 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2011

	Shareholders' Fund		Life Fund		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flows from:						
Operating activities	50,025	(1,543)	(6,245)	21,507	43,780	19,964
Investing activities	-	-	(3,803)	(5,323)	(3,803)	(5,323)
Financing activities	(50,025)	-	-	-	(50,025)	-
Cash and cash equivalents:						
Net (decrease)/increase in cash and cash equivalents	-	(1,543)	(10,048)	16,184	(10,048)	14,641
At beginning of the financial year	1	1,544	18,786	2,602	18,787	4,146
At end of the financial year	1	1	8,738	18,786	8,739	18,787