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AXA AFFIN LIFE INSURANCE BERHAD (723739-W) (Incorporated in Malaysia)

DIRECTORS' REPORT The Directors hereby submit their annual report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITY The Company is principally engaged in the underwriting of life insurance business, including investment-linked business. There have been no significant changes in the nature of this principal activity of the Company during the financial year.

RESULTS Net loss for the financial year RM'000 (4,653)

DIVIDENDS No dividend has been paid or declared by the Company since 31 December 2010. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2011.

RESERVES AND PROVISIONS All material transfers to and from reserves and provisions during the financial year are shown in the financial statements.

PROVISION FOR INSURANCE LIABILITIES Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM") for insurers.

BAD AND DOUBTFUL DEBTS Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that proper account had been taken in relation to the writing off of bad debts and the making of the 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 that would render the amounts written off for bad debts or the amounts of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets other than debts, 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 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 statement 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 methods 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 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 statement of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE The results of the operations of the Company for 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.

SHARE CAPITAL On 23 December 2011, the Company issued 14,000,000 new ordinary shares of RM1.00 each at par for cash to fund the future expansion of the Company. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS The Directors who have held office during the period since the date of the last report are: Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid Tan Sri Dato' Che Lodin Bin Wok Kamaruddin Dato' Mustafa Bin Mohamad Ali Dato' Mohd Sallehuddin Bin Othman Loke Kah Meng Kevin John Wright (appointed 29 July 2011) David William Matthews (resigned 30 June 2011)

CORPORATE GOVERNANCE Statement of compliance with the Prudential Framework of Corporate Governance for Insurers - JPI/GPI 25 The Board of Directors ("the Board") is satisfied that the Company has taken concerted steps to ensure compliance with BNM Prudential Framework of Corporate Governance for Insurers (JPI/GPI 25) (Consolidated) and its best practice applications.

Board Responsibility and Oversight The Board affirms its overall responsibility for the Company's system of internal controls and risk management, and for reviewing the adequacy and integrity of these systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, they can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Company has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of the Company's business objectives throughout the year under review and up to the date of this report. This process is regularly reviewed by the Board via the Audit and Compliance Committee and the Risk Management Committee.

The Board has generally complied with BNM's Minimum Standards for Prudential Management of Insurers (JPI/GPI 1) (Consolidated).

The Board currently has six (6) members, comprising two (2) Independent Non-Executive Directors, three (3) Non-Executive Directors and an Executive Director. Together, the Directors come from various fields with a balance of skills and experiences which are necessary to enable the Company to achieve its corporate objectives and fulfill all its fiduciary duties. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate.

All the members of the Board have complied with the requirements of serving on the Board of not more than 15 group of companies.

The appointments of all the Board members were approved by BNM. All appointments and re-appointments of Board members were subject to the evaluation and review by the Nomination Committee and approved by the Board before the applications were submitted to BNM for approval.

The Board meets at least six (6) times a year with additional meetings being convened as and when necessary. For the financial year ended 31 December 2011, the Board met six (6) times. All the Directors satisfied the minimum attendance for at least 75% of the Board meetings held during the financial year ended 31 December 2011.

The principal responsibilities of the Board include reviewing and approving a strategic plan, overseeing the Company's businesses, formulating documentation on matters specifically reserved for its decision and ensuring that the Company's internal controls and reporting procedures are adequate.

The composition of the Board during the period since the date of the last report and the number of meetings attended by each existing Director during the financial year ended 31 December 2011 are as follows:

Table with 2 columns: Name of Directors, No. of Attendance. Lists Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid, Tan Sri Dato' Che Lodin Bin Wok Kamaruddin, Dato' Mustafa Bin Mohamad Ali, Dato' Mohd Sallehuddin Bin Othman, Loke Kah Meng, Kevin John Wright (appointed 29 July 2011), David William Matthews (resigned 30 June 2011).

The Board has established a number of Board committees and senior management committees. Each committee operates within defined term of reference. Board committees are the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the Investment Committee. Senior management committees include the Malaysia Leadership Team, the Local Management Audit and Compliance Committee, the Local Product and Management Committee and the Local Management Investment Committee and the Local Risk Committee.

Audit and Compliance Committee The members of the Audit and Compliance Committee are as follows: Dato' Mustafa Bin Mohamad Ali Chairman (Independent Non-Executive) Dato' Mohd Sallehuddin Bin Othman Member (Independent Non-Executive) Kevin John Wright (appointed 29 July 2011) Member (Non-Independent Non-Executive) David William Matthews (resigned 30 June 2011) Member (Non-Independent Non-Executive)

The Audit and Compliance Committee is chaired by an Independent Non-Executive Director. The Audit and Compliance Committee was established as a sub-committee of the Board with specific Terms of Reference that have been approved by the Board. The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company.

The principal duties and responsibilities are: i) To review financial statements with management and the external auditors; ii) To recommend to the Board as to the appointment of external auditors; iii) To review on a regular basis the management activity in relation to audit findings; iv) To approve the annual internal audit plan; v) To review management activity in relation to internal audit findings; vi) To review the effectiveness of the system for monitoring compliance with laws and regulations; vii) To review the findings of any examination by a regulatory agency and any auditor observations; viii) To review and monitor the fraud and anti-money laundering policies of the Company; ix) To report on a regular basis to the Board on Committee activities; and x) To perform any other activities according to the applicable requirements within the guidelines from BNM.

Other responsibilities of the Audit and Compliance Committee are prescribed within the Terms of Reference of the Committee approved by the Board.

The number of meetings attended by each member of the Audit and Compliance Committee during the financial year ended 31 December 2011 is as follows:

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mustafa Bin Mohamad Ali (5/5), Dato' Mohd Sallehuddin Bin Othman (5/5), Kevin John Wright (appointed 29 July 2011) (0/1), David William Matthews (resigned 30 June 2011) (2/3).

During the financial year ended 31 December 2011, the Audit and Compliance Committee had reviewed the annual financial statements, approved the external audit plan and annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems that are significant to the overall performance of the Company on a cyclical basis.

Nomination Committee The members of the Nomination Committee are as follows: Dato' Mohd Sallehuddin Bin Othman Chairman (Independent Non-Executive) Member (Independent Non-Executive) Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid Member (Non-Independent Non-Executive) Tan Sri Dato' Che Lodin Bin Wok Kamaruddin Member (Non-Independent Non-Executive) Loke Kah Meng Member (Non-Independent Executive) Kevin John Wright (appointed 29 July 2011) Member (Non-Independent Non-Executive) David William Matthews (resigned 30 June 2011) Member (Non-Independent Non-Executive)

The Nomination Committee is chaired by an Independent Non-Executive Director. In consideration of the right candidate for appointment to the Board, the Nomination Committee takes into account the required mix of skills, experience and other core competencies that is necessary to enable the Company to achieve its corporate objectives and fulfill its fiduciary responsibilities. The Nomination Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

The Nomination Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of the Nomination Committee are: i) To recommend to the Board on the selection and appointment of Non-Executive Directors and the Chief Executive Officer; ii) To review the effectiveness of the Board, the Chairman, Board committees and the performance of the Chief Executive Officer; iii) To consider the required competencies of new Directors having regard to the mix of skills, experience and other qualities of existing Directors; iv) To establish a mechanism for review of the performance of the Board, the Chairman and the Board committees; v) To ensure that an appropriate process for the orientation and induction of new Directors is carried out and that the process reflects the background and experience of each new Director; vi) To review the Board and senior executive succession plans; and vii) To perform other activities according to the application requirements in the guidelines from BNM.

The number of meetings attended by each member of the Nomination Committee during the financial year ended 31 December 2011 is as follows:

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mohd Sallehuddin Bin Othman (5/5), Dato' Mustafa Bin Mohamad Ali (5/5), Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid (4/5), Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (5/5), Loke Kah Meng (5/5), Kevin John Wright (appointed 29 July 2011) (1/2), David William Matthews (resigned 30 June 2011) (1/2).

In the opinion of the Nomination Committee, the Board has a good mix of skills and experiences appropriate for the business of the Company.

Remuneration Committee The members of the Remuneration Committee are as follows: Dato' Mohd Sallehuddin Bin Othman Chairman (Independent Non-Executive) Member (Independent Non-Executive) Dato' Mustafa Bin Mohamad Ali Member (Independent Non-Executive) Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid Member (Non-Independent Non-Executive) Tan Sri Dato' Che Lodin Bin Wok Kamaruddin Member (Non-Independent Non-Executive) Loke Kah Meng Member (Non-Independent Executive) Kevin John Wright (appointed 29 July 2011) Member (Non-Independent Non-Executive) David William Matthews (resigned 30 June 2011) Member (Non-Independent Non-Executive)

The Remuneration Committee is chaired by an Independent Non-Executive Director. The Remuneration Committee is responsible for developing a remuneration policy that is sufficient to attract and retain Directors, the Chief Executive Officer and key senior officers of caliber needed to manage the Company successfully.

The Remuneration Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of the Remuneration Committee are to assist the Board in: i) Recommending a framework for the remuneration of the Directors, the Chief Executive Officer and key senior officers to: a) Attract, motivate and retain high performing senior executives; b) Align remuneration with business performance; and c) Motivate Directors and management to pursue the long-term growth and success of the Company with an appropriate control framework; ii) Ensuring the highest standards of governance and disclosure in relation to remuneration.

The Remuneration Committee also has responsibilities for: i) Strategy and policy for remuneration of the Company; ii) Directors' remuneration; iii) Chief Executive Officer employment and separation terms; iv) Senior executives long term incentive plan; v) Remuneration budget in relation to base salary review, team and other incentive payments; vi) Appropriate governance and disclosure policy in respect of remuneration and performance; vii) Performing other activities according to the applicable requirements in the guidelines from BNM; and viii) Performing other activities related to these terms and reference as requested by the Board.

The number of meetings attended by each member of the Remuneration Committee during the financial year ended 31 December 2011 is as follows:

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mohd Sallehuddin Bin Othman (2/2), Dato' Mustafa Bin Mohamad Ali (2/2), Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid (2/2), Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (2/2), Loke Kah Meng (2/2), Kevin John Wright (appointed 29 July 2011) (0/0), David William Matthews (resigned 30 June 2011) (1/2).

Risk Management Committee The members of the Risk Management Committee are as follows: Dato' Mustafa Bin Mohamad Ali Chairman (Independent Non-Executive) Dato' Mohd Sallehuddin Bin Othman Member (Independent Non-Executive) Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid Member (Non-Independent Non-Executive) Kevin John Wright (appointed 29 July 2011) Member (Non-Independent Non-Executive) David William Matthews (resigned 30 June 2011) Member (Non-Independent Non-Executive)

The Risk Management Committee is chaired by an Independent Non-Executive Director and constantly reviews the risk factors of the Company to ensure risks at all levels are managed effectively. It will also review risk management policies, action plans and evaluate the adequacy of overall risk management policies and procedures.

The Risk Management Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Risk Management Committee are as follows: 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 risks as well as the extent to which these are operating effectively; iii) To ensure adequate infrastructure, resources and systems are in place for effective risk management; and iv) To review the periodic reports on risk exposure, risk portfolio composition and risk management activities.

The number of meetings attended by each member of the Risk Management Committee during the financial year ended 31 December 2011 is as follows:

Table with 2 columns: Name of Directors, No. of Attendance. Lists Dato' Mustafa Bin Mohamad Ali (5/5), Dato' Mohd Sallehuddin Bin Othman (5/5), Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid (5/5), Kevin John Wright (appointed 29 July 2011) (2/2), David William Matthews (resigned 30 June 2011) (1/2).

Investment Committee The members of the Investment Committee are as follows: Kevin John Wright (appointed 29 July 2011) Chairman (Independent Non-Executive) Member (Non-Independent Non-Executive) Tan Sri Dato' Che Lodin Bin Wok Kamaruddin Member (Non-Independent Non-Executive) Dato' Mustafa Bin Mohamad Ali Member (Independent Non-Executive) Loke Kah Meng Member (Non-Independent Executive) David William Matthews (resigned 30 June 2011) Chairman (Independent Non-Executive) Member (Non-Independent Non-Executive)

The Investment Committee is chaired by a Non-Independent Non-Executive Director. The Committee is responsible to review and approve the strategies recommended by the Local Management Investment Committee as well as to establish investment objectives, policies and guidelines for the insurance funds. The Committee discusses investment strategies, asset allocation to monitor and evaluate the performance of the assets, as well as review the portfolio performance against benchmarks. The Committee also ensures that the investment management of the insurance funds complies with relevant authorities' guidelines and internal investment mandates.

The number of meetings attended by each member of the Investment Committee during the financial year ended 31 December 2011 is as follows:

Table with 2 columns: Name of Directors, No. of Attendance. Lists Kevin John Wright (appointed 29 July 2011) (2/2), Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (5/6), Dato' Mustafa Bin Mohamad Ali (5/6), Loke Kah Meng (6/6), David William Matthews (resigned 30 July 2011) (2/3).

Management Accountability Organisational Structure The organisational structure of the Company depicts clear lines of reporting responsibility and authority for all levels of staff of the Company. Authority is delegated by the Board to the Chief Executive Officer and the Malaysia Leadership Team for the implementation of strategy and management of the Company. The Company has in place a well-documented organisational structure, allocation of duties and responsibilities for all of its employees.

Communication To support an effective flow of information within the Company and to ensure that important information reaches the appropriate personnel in a timely manner, the Company has in place the following practices: - documentation of important policies and procedures in the form of operating manuals/workflows; - regulatory guidelines, circulars and resolutions available in common IT folders for ease of reference; - regular meetings to discuss issues of common concern; and - induction programs for all new staff upon joining the Company.

Corporate Independence The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (JPI/GPI 19) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transactions has also been obtained.

Internal Controls and Operational Risk Management The Board recognises the importance of having in place a risk management framework to identify principal risks and to implement appropriate controls to manage such risks as an integral part of the Company's operations.

The Company's key internal control processes include the following: Underwriting The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed annually. Operational authority limits covering underwriting of risks, claims settlement, and capital expenditures are reviewed and updated regularly.

Financial Position The business plans and budgets are submitted to the Board for approval.

Investment The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. Detailed procedures and controls, including investment guidelines are documented to safeguard the interest of the Company.

Information System The Information Technology ("IT") Committee, whose members are represented by the Malaysia Leadership Team of the Company, is responsible for establishing effective plans and directions, authorising IT related expenditure above pre-defined limits and monitoring the progress of approved projects. The requirements of BNM's Guidelines on Management of IT environment GP51 and GPI 26 - Internet Security have been substantially met.

Internal Audit The Internal Audit function undertakes regular reviews of the Company's operations and system of internal controls. It provides continuous monitoring of controls and risk management procedures. Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee reviews all key internal audit findings and management responses. The requirements of BNM's Guidelines on Audit Committees and Internal Auditor Departments have been met.

Products New products launched in financial year 2011 were Asia Pacific Income Locker, MaxxSaver II, Hospital CashBack, Saver Plus II, Alliance Income Saver, MoneyBack Plus, MRTA BPP, China & Oil Income Accrual, PaySavers, ProLife, Medical Care Plus, Wealth Protector and unit deducting riders. They were duly deliberated by the Local Management Product Committee ("LMPC") and Regional Product Approval Committee ("RPAC") in accordance with the Product Approval Framework, with the Board providing bi-monthly oversight and annual attestation of the Company's compliance with BNM Guidelines on Introduction of New Products for Insurance Companies and Takaful Operators.

Public Accountability The Company complies with the provisions relating to policies under Parts XII and XIII of the Insurance Act, 1996. Each member of the staff and agency force is also required to adhere to LIAM's Code of Ethics and Conduct when dealing with customers.

Members of the public are aware of avenues for appeal against the Company's practices or decisions. A policy contract issued to any policy owner contains a written disclosure alerting them to the existence of the Financial Mediation Bureau ("FMB") and Customer Services Bureau ("CSB"). In addition, notices containing the same information are exhibited in the Head Office and all the Company's branches. The Company's letter to any claimant on the rejection of a claim also includes similar information for appeal to FMB and CSB.

Financial Reporting Due care and diligence is exercised by the Company in ensuring compliance with the requirements of statutory reporting to BNM and the accuracy of information contained in the reports submitted to BNM as well as the maintenance of appropriate accounting records. The external auditors are appointed according to the provision of the Insurance Act, 1996. They provide an independent opinion on the financial statements have been prepared in accordance with Financial Reporting Standards, being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities, modified by BNM, so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the financial year then ended.

DIRECTORS' BENEFIT During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than share options granted pursuant to the Employee Share Option Scheme ("ESOS") of the AFFIN Holdings Berhad, substantial shareholders' of the Company.

Since the end of the previous financial year, no Director has shareholder or become entitled to receive any benefit (other than Directors' remuneration and other employee benefits received or due and receivable by Directors from the Company's related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

DIRECTORS' INTERESTS According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year held in shares of the related corporations were as follows:

Table with 5 columns: Name of Director, As at 1.1.2011, Acquired, Sold, 31.12.2011. Lists Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (1 share), Dato' Mustafa Bin Mohamad Ali (1 share), and Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (1 share).

Table with 5 columns: Name of Director, As at 1.1.2011, Acquired, Sold, 31.12.2011. Lists Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (1,000 shares), Dato' Mustafa Bin Mohamad Ali (1,000 shares), and Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (1,000 shares).

Table with 5 columns: Name of Director, As at 1.1.2011, Acquired, Sold, 31.12.2011. Lists Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (26,122,599 shares), Dato' Mustafa Bin Mohamad Ali (10,000 shares), and Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (26,112,599 shares).

Table with 5 columns: Name of Director, As at 1.1.2011, Acquired, Sold, 31.12.2011. Lists Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (1,403,657 shares), Dato' Mustafa Bin Mohamad Ali (1,780,881 shares), and Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (1,780,881 shares).

Table with 5 columns: Name of Director, As at 1.1.2011, Acquired, Sold, 31.12.2011. Lists Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (23,767,500 shares), Dato' Mustafa Bin Mohamad Ali (2,244,099 shares), and Tan Sri Dato' Che Lodin Bin Wok Kamaruddin (26,011,599 shares).

Other than the above, none of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations 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 dated 20 March 2012.

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid Loke Kah Meng DIRECTOR DIRECTOR Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD (Incorporated in Malaysia) (Company No. 723739-W)

On 20 March 2012, we reported on the statutory financial statements of AXA AFFIN Life Insurance Berhad for the financial year ended 31 December 2011. In that report, we stated that:

REPORT ON THE FINANCIAL STATEMENTS We have audited the financial statements of AXA AFFIN Life Insurance Berhad, which comprise the balance sheet as at 31 December 2011, and the statements of income statement, 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 other explanatory notes, as set out on this report.

Directors' Responsibility for the Financial Statements The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, 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 controls 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 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 Company's preparation of the 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 Company'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.

Opinion In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the requirements of the Insurance Act, 1996 and 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 for the financial year then ended.

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

OTHER MATTERS This report is made solely to the 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.

Other than the non-publication of all the notes to the financial statements, except for the notes relating to investments, life insurance contract liabilities, provision for outstanding claims, cash flows, capital commitments, regulatory capital requirements and insurance funds, the financial statements reproduced herewith are similar in all material respects to those reported by us.

Accordingly, for a fuller appreciation of the financial position of the Company as at 31 December 2011 and of its financial performance and the cash flows for the financial year ended on that date, reference should be made to the statutory financial statements of AXA AFFIN Life Insurance Berhad for the financial year ended 31 December 2011, in which context our report of 20 March 2012 was made.

PRICEWATERHOUSECOOPERS SRIDHARAN NAIR AF: 1146 (No. 2656/05/12 (J)) Chartered Accountants Chartered Accountant Kuala Lumpur 20 March 2012



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AXA AFFIN LIFE INSURANCE BERHAD (723739-W)
(Incorporated in Malaysia)

| BALANCE SHEET AS AT 31 DECEMBER 2011 | | | |
|--|------|----------------|----------------|
| | Note | 2011 RM'000 | 2010 RM'000 |
| ASSETS | | | |
| Property and equipment | | 2,943 | 2,801 |
| Investment properties | | 6,700 | 13,100 |
| Intangible assets | | 105,472 | 105,201 |
| Investments | 1 | 715,977 | 615,514 |
| AFS financial assets | | 170,049 | 117,351 |
| FVTPL financial assets - designated upon initial recognition | | 149,288 | 137,257 |
| FVTPL financial assets - held for trading | | 337,441 | 295,740 |
| Loan and receivables | | 59,199 | 65,166 |
| Reinsurance assets | | 18,489 | 8,739 |
| Insurance receivables | | 2,399 | 1,867 |
| Assets held for sale | | 5,803 | 7,700 |
| Other receivables | | 1,785 | 1,350 |
| Tax recoverable | | 2,250 | 1,574 |
| Cash and cash equivalents | | 22,194 | 22,844 |
| TOTAL ASSETS | | 883,992 | 780,690 |
| EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES | | | |
| Share capital | | 266,000 | 252,000 |
| Accumulated losses | | (42,766) | (38,113) |
| Available-for-sale reserve | | 5,256 | 4,855 |
| Total equity | | 228,490 | 218,742 |
| LIABILITIES | | | |
| Insurance contract liabilities | 2 | 567,638 | 504,503 |
| Provision for outstanding claims | 3 | 2,685 | 2,497 |
| Deferred tax liabilities | | 2,671 | 718 |
| Insurance payables | | 41,135 | 31,790 |
| Tax payable | | 1,282 | 962 |
| Other payables | | 20,091 | 21,478 |
| Total liabilities | | 655,502 | 561,948 |
| Total equity, policyholders' funds and liabilities | | 883,992 | 780,690 |

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

| STATEMENT OF INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 | | | |
|---|--|------------------|------------------|
| | | 2011 RM'000 | 2010 RM'000 |
| Operating revenue | | | |
| | | 236,937 | 288,752 |
| Gross earned premiums | | 199,182 | 268,669 |
| Premiums ceded to reinsurers | | (11,381) | (5,681) |
| Net earned premiums | | 187,801 | 262,988 |
| Reinsurance commission income | | 400 | 1,609 |
| Investment income | | 37,755 | 20,083 |
| Realised gains and losses | | 3,312 | 6,168 |
| Fair value gains and losses | | 6,430 | 13,459 |
| Other operating revenue | | 723 | 1,750 |
| Other revenue | | 48,620 | 43,069 |
| Gross benefits and claims paid | | (67,942) | (56,805) |
| Claims ceded to reinsurers | | 4,098 | 1,945 |
| Gross change to insurance contract liabilities | | (86,818) | (181,713) |
| Change to insurance contract liabilities ceded to reinsurers | | 9,730 | 4,933 |
| Net claims | | (140,932) | (231,640) |
| Commission and agency expenses | | (34,482) | (19,831) |
| Management expenses | | (63,656) | (51,982) |
| Other operating expenses | | (469) | (686) |
| Other expenses | | (98,607) | (72,499) |
| Profit before taxation | | (3,118) | 1,918 |
| Taxation | | (1,535) | (220) |
| Net (loss)/profit for the financial year | | (4,653) | 1,698 |
| Basic (loss)/earnings per share (sen) | | (1.84) | 0.68 |

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

| STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 | | | |
|---|--|----------------|----------------|
| | | 2011 RM'000 | 2010 RM'000 |
| Net (loss)/profit for the financial year | | | |
| | | (4,653) | 1,698 |
| Other comprehensive income: | | | |
| Available-for-sale reserve | | 533 | (841) |
| Net gain/(loss) arising during the financial year | | (132) | 211 |
| Tax effects thereon | | 401 | (630) |
| Total comprehensive (loss)/income for the financial year | | (4,252) | 1,068 |

| STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 | | | | |
|--|-------------------------|---|------------------------------|------------------------|
| | Share Capital RM'000 | Non-Distributable -- Available-for-sale Reserves RM'000 | Accumulated Losses RM'000 | Total Equity RM'000 |
| At 1 January 2010 | 252,000 | 5,485 | (39,811) | 217,674 |
| Total comprehensive income/(loss) for the financial year | - | (630) | 1,698 | 1,068 |
| At 31 December 2010 | 252,000 | 4,855 | (38,113) | 218,742 |
| At 1 January 2011 | 252,000 | 4,855 | (38,113) | 218,742 |
| Issuance of shares during the financial year | 14,000 | - | - | 14,000 |
| Total comprehensive income/(loss) for the financial year | - | 401 | (4,653) | (4,252) |
| At 31 December 2011 | 266,000 | 5,256 | (42,766) | 228,490 |

| STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 | | | |
|---|------|----------------|----------------|
| | Note | 2011 RM'000 | 2010 RM'000 |
| Operating Activities | | | |
| Cash generated from operating activities | 4 | 44,956 | 198,390 |
| Proceeds from disposal of investment properties | | 7,700 | 1,270 |
| Proceeds from disposal of investments | | 80,763 | 56,476 |
| Purchase of investments | | (176,694) | (268,990) |
| Dividend income received | | 24,625 | 11,805 |
| Interest income received | | 11,831 | 6,660 |
| Rental income on investment properties received | | 522 | 566 |
| Income tax paid | | (3,147) | (564) |
| Net cash flows (used in)/from operating activities | | (9,444) | 5,603 |
| Investing Activities | | | |
| Proceeds from disposal of property and equipment | | 131 | 152 |
| Purchase of property and equipment | | (1,387) | (1,011) |
| Purchase of intangible assets | | (3,950) | (3,281) |
| Net cash flows used in investing activities | | (5,206) | (4,140) |
| Financing Activities | | | |
| Proceeds from issuance of share capital | | 14,000 | - |
| Net cash flows from financing activities | | 14,000 | - |
| Net (decrease)/increase in cash and cash equivalents | | (650) | 1,463 |
| Cash and cash equivalents at the beginning of financial year | | 22,844 | 21,381 |
| Cash and cash equivalents at the end of financial year | | 22,194 | 22,844 |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | | 22,194 | 22,844 |

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

| NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 | | | |
|--|--|----------------|----------------|
| 1. INVESTMENTS | | | |
| The financial instruments are summarised by categories as follows: | | | |
| | | 2011 RM'000 | 2010 RM'000 |
| Available-for-sale ("AFS") financial assets | | 170,049 | 117,351 |
| FVTPL financial assets - designated upon initial recognition ("FVTPL") | | 149,288 | 137,257 |
| FVTPL financial assets - held for trading ("HFT") | | 337,441 | 295,740 |
| Loans and receivables ("LAR") | | 59,199 | 65,166 |
| | | 715,977 | 615,514 |
| The following financial instruments mature after 12 months: | | | |
| | | 2011 RM'000 | 2010 RM'000 |
| AFS financial assets | | 104,773 | 62,159 |
| FVTPL financial assets - designated upon initial recognition | | 149,287 | 137,257 |
| Loans and receivables | | 8,841 | 6,428 |
| | | 262,901 | 205,844 |

| (a) AFS financial assets | | | | |
|---|--|----------------|----------------|--|
| | | 2011 RM'000 | 2010 RM'000 | |
| At fair value | | | | |
| Malaysian government securities | | 27,937 | 22,460 | |
| Debt securities unquoted in Malaysia | | 76,835 | 39,699 | |
| Equity securities quoted in Malaysia | | 32,947 | 30,942 | |
| Investment-linked funds (seed money) | | 16,887 | 16,715 | |
| Unit trust funds quoted in Malaysia | | 15,443 | 7,535 | |
| | | 170,049 | 117,351 | |
| (b) FVTPL financial assets - designated upon initial recognition | | | | |
| | | 2011 RM'000 | 2010 RM'000 | |
| At fair value | | | | |
| Malaysian government securities | | 56,396 | 55,894 | |
| Debt securities unquoted in Malaysia | | 92,892 | 81,363 | |
| | | 149,288 | 137,257 | |
| (c) FVTPL financial assets - held for trading | | | | |
| | | 2011 RM'000 | 2010 RM'000 | |
| At fair value | | | | |
| Malaysian government securities | | 8,448 | - | |
| Equity securities quoted in Malaysia | | 12,384 | 11,855 | |
| Equity securities quoted outside Malaysia | | 3,494 | 3,941 | |
| Debt securities unquoted in Malaysia | | 1,484 | - | |
| Debt securities unquoted outside Malaysia | | 454 | - | |
| Structured investments quoted in Malaysia | | 29,682 | - | |
| Structured investments quoted outside Malaysia | | 281,495 | 279,944 | |
| | | 337,441 | 295,740 | |
| (d) Loans and receivables ("LAR") | | | | |
| | | 2011 RM'000 | 2010 RM'000 | |
| At amortised cost | | | | |
| Policy loans | | 8,674 | 8,785 | |
| Mortgage loans | | 165 | 190 | |
| Fixed and call deposits | | 50,360 | 56,191 | |
| | | 59,199 | 65,166 | |

| (e) Carrying values of financial instruments | | | | | |
|--|---------------|-----------------|---------------|---------------|-----------------|
| | AFS RM'000 | FVTPL RM'000 | HFT RM'000 | LAR RM'000 | Total RM'000 |
| At 1 January 2010 | | | | | |
| Purchases | 54,664 | 117,029 | 137,701 | 104,239 | 413,633 |
| Disposals | (10,708) | (4,693) | (33,985) | - | (49,386) |
| Fair value gains recorded in: | | | | | |
| Statement of income | - | 2,339 | 12,177 | - | 14,516 |
| Other comprehensive income | (841) | - | - | - | (841) |
| Insurance contract liabilities | 6,065 | - | - | - | 6,065 |
| Impairment loss | (857) | - | - | - | (857) |
| Decrease in fixed and call deposits | - | - | - | (41,259) | (41,259) |
| Decrease in loans | - | - | - | (441) | (441) |
| Movement in accrued interest | 491 | 1,476 | - | 2,627 | 4,594 |
| At 31 December 2010 | 117,351 | 137,257 | 295,740 | 65,166 | 615,514 |
| Purchases | 69,879 | 31,707 | 75,108 | - | 176,694 |
| Disposals | (16,741) | (21,350) | (39,359) | - | (77,450) |
| Fair value gains/(losses) recorded in: | | | | | |
| Statement of income | - | 1,729 | 5,827 | - | 7,556 |
| Other comprehensive income | 533 | - | - | - | 533 |
| Insurance contract liabilities | (606) | - | - | - | (606) |
| Impairment loss | (528) | - | - | - | (528) |
| Decrease in fixed and call deposits | - | - | - | (5,796) | (5,796) |
| Decrease in loans | - | - | - | (742) | (742) |
| Movement in accrued interest | 161 | (55) | 125 | 571 | 802 |
| At 31 December 2011 | 170,049 | 149,288 | 337,441 | 59,199 | 715,977 |

(f) Fair values of financial instruments
The following tables show financial investments recorded at fair value analysed by the different basis of fair values as follows:-

| | AFS RM'000 | FVTPL RM'000 | HFT RM'000 | Total RM'000 |
|-------------------------------|---------------|-----------------|---------------|-----------------|
| 31 December 2011 | | | | |
| L1 - Quoted market price | 65,277 | - | 327,055 | 392,332 |
| L2 - Market observable inputs | 104,772 | 149,288 | 10,386 | 264,446 |
| | 170,049 | 149,288 | 337,441 | 656,778 |
| 31 December 2010 | | | | |
| L1 - Quoted market price | 55,192 | - | 295,740 | 350,932 |
| L2 - Market observable inputs | 62,159 | 137,257 | - | 199,416 |
| | 117,351 | 137,257 | 295,740 | 550,348 |

The Company's basis of estimations of fair values of financial instruments is as follows:
(a) Malaysian government securities are based on the indicative market prices;
(b) Unquoted debt securities are based on the indicative market yields obtained from financial managers; and
(c) Quoted equity securities of corporations, quoted unit trust funds, quoted debt securities, investment-linked funds and structured investments are based on quoted market prices.

| 2. LIFE INSURANCE CONTRACT LIABILITIES | | | | | | |
|---|-----------------|-----------------------|---------------|-----------------|-----------------------|---------------|
| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
| Actual liabilities | 225,802 | (18,469) | 207,333 | 177,229 | (8,739) | 168,490 |
| Unallocated surplus | 14,019 | - | 14,019 | 10,992 | - | 10,992 |
| Available-for-sale reserve | 8,343 | - | 8,343 | 8,842 | - | 8,842 |
| Net asset value attributable to unitholders | 339,474 | - | 339,474 | 307,440 | - | 307,440 |
| | 587,638 | (18,469) | 569,169 | 504,503 | (8,739) | 495,764 |

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

| 2011 | | | | 2010 | | | |
|--|-----------------|-----------------------|----------------|-----------------|-----------------------|----------------|--|
| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 | Gross RM'000 | Reinsurance RM'000 | Net RM'000 | |
| Balance at the beginning of the financial year | 504,503 | (8,739) | 495,764 | 495,764 | - | 495,764 | |
| Premiums received | 145,036 | - | 145,036 | 145,036 | - | 145,036 | |
| Policy benefits and claims paid | (67,609) | - | (67,609) | (67,609) | - | (67,609) | |
| Other operating and management expenses | (92,982) | - | (92,982) | (92,982) | - | (92,982) | |
| Other revenue | 15,305 | - | 15,305 | 15,305 | - | 15,305 | |
| Change in net asset value | 32,034 | - | 32,034 | 32,034 | - | 32,034 | |
| Change in life assurance fund contract liabilities | 53,832 | (9,730) | 44,102 | 44,102 | - | 44,102 | |
| - Due to assumptions change | (1,814) | - | (1,814) | (1,814) | - | (1,814) | |
| - Due to change in discount rate | 6,608 | - | 6,608 | 6,608 | - | 6,608 | |
| - Due to movement during the financial year | 49,038 | (9,730) | 39,308 | 39,308 | - | 39,308 | |
| Available-for-sale reserve, net of tax | (1,669) | - | (1,669) | (1,669) | - | (1,669) | |
| Taxation | (313) | - | (313) | (313) | - | (313) | |
| Other liabilities | (313) | - | (313) | (313) | - | (313) | |
| Balance at the end of the financial year | 587,638 | (18,469) | 569,169 | 504,503 | (8,739) | 495,764 | |
| 2010 | | | | | | | |
| Balance at the beginning of the financial year | 318,092 | (3,806) | 314,286 | 314,286 | - | 314,286 | |
| Premiums received | 90,854 | - | 90,854 | 90,854 | - | 90,854 | |
| Policy benefits and claims paid | (54,860) | - | (54,860) | (54,860) | - | (54,860) | |
| Other operating and management expenses | (69,090) | - | (69,090) | (69,090) | - | (69,090) | |
| Other revenue | 15,322 | - | 15,322 | 15,322 | - | 15,322 | |
| Change in net asset value | 193,650 | - | 1 | | | | |