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

DIRECTORS' REPORT

The directors hereby submit their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2009.

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 principal activity of the Company during the financial year.

FINANCIAL RESULTS

Table with 2 columns: Group and Company, RM'000. Net profit for the financial year: 6,860

DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2008. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2009.

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

Before the income statements and balance sheets of the Group and 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 income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps to ensure that proper action 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 Group and the Company inadequate in any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and 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 Group and 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 statements of the Group and 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 Group and 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 Group and 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 Group and the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and 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 Group and 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 Group and 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 Group and 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 Group and the Company for the financial year in which this report is made.

SHARE CAPITAL

On 4 March 2009, the Company issued 15,000,000 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.

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 (JPI/GPI 25) (Consolidated) for Insurers and its best practice applications.

Board Responsibility and Oversight

The Board affirms its overall responsibility for the Group and 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 Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of the Group'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 are submitted to BNM for approval.

The Board meets at least 6 times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2009, the Board met 6 times. All the Directors satisfied the minimum attendance of at least 75% of the board meetings held during the financial year ended 31 December 2009.

The principal responsibilities of the Board include reviewing and approving a strategic plan, overseeing the Group and Company businesses, formalising documentation on matters specifically reserved for its decision and ensuring that the Group and Company 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 2009 are as follows:

Table with 3 columns: Name of Directors, No. of Attendance. Lists 6 directors and their attendance for the financial year ended 31 December 2009.

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.

Audit and Compliance Committee

The members of the Audit and Compliance Committee are as follows:

Table with 2 columns: Name, Role. Lists Chairman (Independent Non-Executive) and three other members.

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 reports 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 2009 is as follows:

Table with 3 columns: Name of Directors, No. of Attendance. Lists 6 directors and their attendance for the financial year ended 31 December 2009.

During the financial year ended 31 December 2009, 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: Chairman (Independent Non-Executive), Member (Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), 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 Group and 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, 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 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 2009 is as follows:

Table with 3 columns: Name of Directors, No. of Attendance. Lists 6 directors and their attendance for the financial year ended 31 December 2009.

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: Chairman (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), 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 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. iii) The Remuneration Committee also has responsibilities for: a) Strategy and policy for remuneration of the Company; b) Directors' remuneration; c) Chief Executive Officer employment and separation terms; d) Senior executives long term incentive plan; e) Remuneration budget in relation to base salary review, team and other incentive payments; f) Appropriate governance and disclosure policy in respect of remuneration and performance; g) Performing other activities according to the applicable requirements in the guidelines from BNM; and h) 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 2009 is as follows:

Table with 3 columns: Name of Directors, No. of Attendance. Lists 6 directors and their attendance for the financial year ended 31 December 2009.

Risk Management Committee

The members of the Risk Management Committee are as follows: Chairman (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), 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 formulate 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 2009 is as follows:

Table with 3 columns: Name of Directors, No. of Attendance. Lists 6 directors and their attendance for the financial year ended 31 December 2009.

Investment Committee

The members of the Investment Committee are as follows: Chairman (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Non-Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (Independent Non-Executive), Member (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 2009 is as follows:

Table with 3 columns: Name of Directors, No. of Attendance. Lists 6 directors and their attendance for the financial year ended 31 December 2009.

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; - regular meetings to discuss issues of common concern; and - induction programs for all new staff upon joining the Company.

Corporate Dependence

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. The objective of the Investment guidelines is to ensure that the Company's interests prevail over the personal interests of the employees.

The performance of investment funds and equities exposure reports are amongst the reports submitted to the Investment Committee for its review at its regular meetings.

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 GPIS1 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 internal audit findings and management responses. The requirements of BNM's Guidelines on Audit Committees and Internal Auditor Departments for Insurance Companies (JPI/VI 13) have been met.

Products

New products launched in financial year 2009 were Legacy 8, ValuePac, AFFIN HP Life, Global Energy & Income Plus Plan I & II, AXA AFFIN Income Plus Plan and MedPlus Plan. They were duly deliberated by the Senior Management and approved in accordance with the established procedures.

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 that the financial statements have been prepared in accordance with Financial Reporting Standards which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities, modified by Bank Negara Malaysia, so as to give a true and fair view of the Company's financial position as at 31 December 2009 and of the financial performance and cash flows of the Company for the financial year then ended.

DIRECTORS

The Directors who have held office during the period since the date of the last report are:

- General (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid Tan Sri Dato' Che Lodin Bin Wok Kamaruddin David William Matthews Dato' Mustafa Bin Mohamad Ali Dato' Mohd Sallehuddin Bin Othman Loke Kah Meng (Appointed on 15 September 2009) Kwo Shih Kang (Resigned on 6 April 2009)

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 AFFIN Holdings Berhad, substantial shareholders' of the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration as disclosed in Note 20 to the financial statements 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, none of Directors in office at the end of the financial year held any shares or options over shares and debentures in the Company and its related corporations, other than the shares held by Tan Sri Dato' Che Lodin Bin Wok Kamaruddin in the related corporations during the financial year ended 31 December 2009 as follows:

Table with 5 columns: Name, As at 1.1.2009, Bought, Sold, As at 31.12.2009. Lists 6 directors and their shareholdings.

Shares held in trust by nominee company. Pursuant to corporate restructuring scheme of Boustead Heavy Industries Corporation Berhad.

Ordinary shares of 50 sen each. Redeemable preference shares of RM1 each.

Table with 5 columns: Name, As at 1.1.2009, Bought, Sold, As at 31.12.2009. Lists 6 directors and their warrant holdings.

Each of the above Warrants 2000/2010 entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in AFFIN Holdings Berhad at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The exercise period of AFFIN Warrants 2000/2010 will expire on 7 July 2010.

HOLDING COMPANY

Pursuant to the provisions of the Companies Act, 1965, the holding company is AFFIN Holdings Berhad, a public listed company incorporated in Malaysia.

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 16 March 2010.

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

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD

(Incorporated in Malaysia) (Company No. 723739-W)

On 16 March 2010, we reported on the financial statements of AXA AFFIN Life Insurance Berhad for the financial year ended 31 December 2009. 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 sheets as at 31 December 2009, and the income statements, statement of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on this report.



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

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards which are the Malaysian Accounting Standard Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, and the Companies Act, 1965.

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 and fair presentation of the financial statements 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.

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 which are the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2009 and of the financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) 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.
(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
(c) Our audit reports on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) 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 the statement of changes in equity and cash flow statement, and all the notes to the financial statements, except for the notes relating to investments, receivables, provision for outstanding claims, life policyholders' fund and investment-linked fund, the financial statements reproduced herewith are similar in all material respects to those reported to us.

Accordingly, for a fuller appreciation of the financial position of the Group and Company as at 31 December 2009 and of the financial performance and the cash flows of the Group and Company 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 2009, in which context our report of 16 March 2010 was made.

PRICewaterhouseCOOPERS (No. AF: 1146) SRIDHARAN NAIR (No. 2656/05/10 (J)) Chartered Accountants Chartered Accountant

Kuala Lumpur 16 March 2010

BALANCE SHEETS AS AT 31 DECEMBER 2009. Table with columns for Group and Company (2009, 2008) and rows for ASSETS (Shareholders' fund assets, Intangible assets, Fixed and call deposits, Receivables, Deferred tax assets, Cash and bank balances, Total Shareholders' fund assets, Total Life fund assets, TOTAL ASSETS) and LIABILITIES (Shareholders' fund liabilities, Payables, Total Shareholders' fund liabilities, Total Life fund liabilities, Life policyholders' fund, TOTAL LIABILITIES), SHAREHOLDERS' EQUITY (Share capital, Accumulated losses, Available-for-sale reserve, TOTAL SHAREHOLDERS' EQUITY) and TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.

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

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009. Table with columns for Group and Company (2009, 2008) and rows for Operating Revenue, Shareholders' fund (Investment income, Other operating income / (expenses) - net, Management expenses), Deficit transferred from Life Fund Revenue accounts, Profit / (loss) before taxation, Taxation, Net profit / (loss) for the financial year, Profit / (loss) per share attributable to ordinary shareholders of the Company (sen).

LIFE FUND BALANCE SHEETS AS AT 31 DECEMBER 2009. Table with columns for Group and Company (2009, 2008) and rows for ASSETS (Property, plant and equipment, Intangible assets, Investment properties, Securities available-for-sale, Investments, Fixed and call deposits, Investment in subsidiary, Loans, Assets held for sale, Receivables, Tax recoverable, Cash and bank balances, Investment-linked fund assets, Total Life fund assets) and LIABILITIES (Deferred tax liabilities, Current tax liabilities, Provision for outstanding claims, Payables, Investment-linked fund liabilities).

Summary balance sheet for Total Life fund liabilities and Life policyholders' fund. Values for 2009 and 2008.

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

LIFE INSURANCE REVENUE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009. Table with columns for Group and Company (2009, 2008) and rows for Gross premium, Less: Reinsurance, Net premium, Less: Gross benefits paid and payable (Death, Surrender, Maturity, Cash bonus, Others, Reinsurance recoveries), Net benefits paid and payable, Commission and agency expenses, Management expenses, Investment income, Other operating expenses - net, Surplus / (deficit) before taxation, Taxation, Surplus / (deficit) after taxation, Surplus / (deficit) from Investment-linked business, Life policyholders' fund at beginning of financial year, Deficit transferred to Income Statement, Movement in available-for-sale reserve during the financial year, net of tax, Life policyholders' fund at end of financial year.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009. Section 1(a) SECURITIES AVAILABLE-FOR-SALE. Table with columns for Group and Company (2009, 2008) and rows for Shareholders' fund (At fair value, Investment in investment-linked funds (seed capital), Total securities available-for-sale), Life fund (At fair value, Malaysian Government securities, Equity securities of corporations quoted in Malaysia, Equity securities of corporations quoted outside Malaysia, Unquoted corporate debt securities of corporations), Total securities available-for-sale.

The maturity structure of Malaysian Government securities and corporate debt securities of corporations as at the balance sheet date is as follows: Table with columns for 2009, Shareholders' fund, Life fund, Total and rows for Maturing after 12 months.

Section 1(b) SECURITIES HELD-FOR-TRADING. Table with columns for Group and Company (2009, 2008) and rows for Investment-linked funds (At fair value, Equity securities of corporations quoted in Malaysia, Equity securities of corporations quoted outside Malaysia, Structured investments quoted outside Malaysia, Unit trusts quoted outside Malaysia), Total securities held-for-trading.

Section 1(c) INVESTMENTS. Table with columns for Group and Company (2009, 2008) and rows for Shareholders' fund (Investment in investment-linked funds (seed capital), at cost, Allowance for diminution in values, Unquoted corporate debt securities of corporations, at cost), Total investments, Life fund (Malaysian Government securities, at cost, Accretion of discounts, Equity securities of corporations quoted in Malaysia, at cost, Allowance for diminution in values, Unquoted corporate debt securities of corporations, at cost), Total investments, Investment-linked funds (Equity securities of corporations quoted in Malaysia, at cost, Unrealised losses, Equity securities of corporations quoted outside Malaysia, at cost, Unrealised losses, Unit trusts quoted in Malaysia, at cost, Unrealised losses, Unit trusts quoted outside Malaysia, at cost, Unrealised losses), Total investments.

The maturity structure of Malaysian Government securities and corporate debt securities of corporations as at the balance sheet date is as follows: Table with columns for 2009, Shareholders' fund, Life fund, Investment-linked funds, Total and rows for Maturing within 12 months, Maturing after 12 months.

Table with columns for 2008, Group and Company (2008, 2009) and rows for Maturing within 12 months, Maturing after 12 months.

Section 1(d) FIXED AND CALL DEPOSITS. Table with columns for Group and Company (2009, 2008) and rows for Shareholders' fund (Fixed and call deposits with: Licensed banks, Licensed investment banks), Total fixed and call deposits, Life fund (Fixed and call deposits: Licensed banks, Licensed investment banks), Total fixed and call deposits, Investment-linked funds (Fixed and call deposits: Licensed banks), Total fixed and call deposits.

The maturity structure of fixed and call deposits held as at the balance sheet date are as follows: Table with columns for Group and Company (2009, 2008) and rows for Maturing within 12 months.

Pursuant to the implementation of the RBC Framework on 1 January 2009, the Company has reclassified all its investments as securities available-for-sale or held-for-trading, as disclosed in Notes 1 (a) and 1(b) to the financial statements.

Section 2 RECEIVABLES. Table with columns for Group and Company (2009, 2008) and rows for Shareholders' fund (Other receivables: Amount due from Life fund, Amount due from Investment-linked funds (note 5), Investment income due and accrued, Other receivables), Total.

Table with columns for Group and Company (2009, 2008) and rows for Life fund (Trade receivables: Due premiums including agents, brokers and co-insurer balances (Less allowance for doubtful debts of RM/599,800 (2008: RM326,000)), Amount due from reinsurers), Other receivables (Malaysian Institute of Insurance (MI) bonds, Other receivables, deposits and prepayments, Investment income due and accrued, Amount due from Investment-linked funds (Note 5), Amount due from subsidiary), Total.

Table with columns for Group and Company (2009, 2008) and rows for Provision for outstanding claims / net outstanding claims.

Section 4 LIFE POLICYHOLDERS' FUND. Table with columns for Group and Company (2009, 2008) and rows for Actuarial liabilities: At beginning of financial year - as previously reported, Add: Change in accounting policy, Adjusted balance, Add: Increase / (decrease) in policy reserves, At end of financial year, Available for sale reserve: At beginning of financial year - as previously reported, Add: Change in accounting policy, Adjusted balance, Add: Movement during the financial year (net of tax), At end of financial year, Unallocated surplus: At beginning of financial year - as previously reported, Add: Change in accounting policy, Adjusted balance, Less: Deficit arising during the financial year, Add: Transferred from Shareholders' fund, At end of financial year, Life policyholders' fund at end of financial year: Actuarial liabilities, Available for sale reserve, Unallocated surplus.

Section 5 INVESTMENT-LINKED BUSINESS Balance Sheet as at 31 December 2009. Table with columns for Group and Company (2009, 2008) and rows for Assets (Securities held-for-trading (Note 1(b)), Investments (Note 1(c)), Fixed and call deposits (Note 1(d)), Investment income due and accrued, Other receivables, Tax recoverable, Deferred tax asset, Cash and bank balances), Liabilities (Payables, Current tax payable, Deferred tax liabilities, Amount due to Life fund (Note 2), Amount due to Shareholders' fund (Note 2)), Net asset value of fund, Represented by: Policyholders' account (At beginning of financial year, Net creations of units, Cancellation of units, Net surplus / (deficit) for financial year, At end of financial year).

Statement of Income and Expenditure for the financial year ended 31 December 2009. Table with columns for Group and Company (2009, 2008) and rows for Investment income, Other operating income / (expenses), Unrealised capital gains / (losses) on investments, Surplus / (deficit) before taxation, Current tax, Deferred tax, Net surplus / (deficit) for the financial year.

The full set of these Financial Statements can be viewed at www.axa.com.my