

**Prudential Assurance Malaysia
Berhad**

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

**Financial Statements –
31 December 2024
Together with Directors' and
Auditors' Reports**
(In Ringgit Malaysia)

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

<u>Contents</u>	<u>Page</u>
Directors' report	1 - 25
Statement by Directors	26
Statutory declaration	27
Independent auditors' report to the member	28 - 31
Statement of financial position	32
Statement of profit or loss and other comprehensive income	33
Statement of changes in equity	34 - 35
Statement of cash flows	36
Notes to the financial statements	37 - 128

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2024

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2024.

Principal activities

The Company is a licensed insurer carrying on life business in Malaysia.

The Company is principally involved in the underwriting of life insurance business, which includes unit-linked business and, related thereto, the investment of funds. There has been no significant change in the nature of these principal activities during the year.

Ultimate holding company

The ultimate holding company is Prudential plc., a company incorporated in the United Kingdom which is listed on the London, New York, Hong Kong and Singapore Stock Exchanges.

Results

	RM'000
Net profit for the year	<u>1,130,576</u>

Reserves and provisions

There was no material transfer to or from reserves and provisions during the year under review except as disclosed in the financial statements.

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 its insurance liabilities based on Malaysian Financial Reporting Standard ("MFRS") 17 *Insurance Contracts*.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2023:
 - a final single tier dividend of 100.0% totalling RM100.0 million declared and paid on 6 June 2024.

As at the date of financial statements, the Directors do not recommend the payment of any dividend for the financial year under review.

Company No. 198301012262 (107655-U)

Directors of the Company

Directors who served during the financial year until the date of this report are:

Abdul Khalil bin Abdul Hamid
Anthony Albert Collingridge
Chin Kwai Fatt
Foong Pik Yee
Mohd Yuzaidi bin Mohd Yusoff
Solmaz Altin
Trevor John Matthews

Statement on corporate governance and internal controls

The Board of Directors (“the Board”) is committed to comply with the Policy Document on Corporate Governance, BNM/RH/PD 029-9 issued by Bank Negara Malaysia (“BNM”). The Board and the Chief Executive Officer (“CEO”) are collectively responsible for the proper stewardship of Prudential Assurance Malaysia Berhad (“the Company”). This is done by ensuring the achievement of corporate objectives, promoting sustainable growth and financial soundness as well as by ensuring reasonable standards of fair dealing without undue influence, and having in place sound corporate governance practices. This includes a consideration of the long-term implications of the Board’s decisions on the Company and its customers, officers and the general public.

1 Board of Directors

(a) Roles and Responsibilities of the Board

The role of the Board is to collectively be responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board is also to promote and protect the interests of the Company. The Board provides advice in fine-tuning corporate strategies and ensures the effective execution of these strategies.

The Board is responsible for approving the Company’s strategic plans and key policies, whilst providing effective oversight of the Management’s performance, risk assessment and controls over business operations. The Board will apply high ethical standards in their decision making taking into account the interests of all stakeholders and ensure that high standards of good corporate governance are applied.

The principal responsibilities of the Board as prescribed in the Terms of Reference of the Board include, amongst others, the following:

- (i) Safeguard the credibility and reputation of the Company by ensuring the management team and all employees conduct business with highest levels of integrity.
- (ii) Adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.
- (iii) Promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(a) Roles and Responsibilities of the Board (continued)

- (iv) Oversee the selection, performance, remuneration and succession plans for the CEO, Control Function Heads and other members of the Senior Management Team such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company.
- (v) Supervise the affairs of the Company to ensure sound management by:
 - (a) Ensuring at all times, the assets are properly managed to meet its liabilities and in compliance with the relevant legal and regulatory requirements.
 - (b) Being well informed of the affairs of the Company by monitoring and supervising the affairs of the Company.
 - (c) Retaining minutes of Board meetings and record of actions by Directors in connection with their oversight responsibilities.
- (vi) Review and approve key policies, objectives and a clear framework that covers critical areas, including but not limited to solvency management, underwriting, claims management, reinsurance, investment, loans, risk management, financial planning and budgeting, and human resource management.
- (vii) Review and approve the adequacy of IT and cybersecurity strategic plans covering a period of no less than 3 years.
- (viii) Review and approve the effective implementation of a sound and robust Technology Risk Management Framework and Cyber Resilient Framework at least once every 3 years.
- (ix) Review and approve cloud strategy and cloud operational management.
- (x) Review and approve the outsourcing risk management framework and outsourcing plan.
- (xi) Review and approve the Fair Treatment of Financial Consumers Framework.
- (xii) Adhere to the relevant disclosure requirements prescribed by the Companies Act 2016, Financial Services Act 2013, BNM Guidelines and any other applicable laws.
- (xiii) Promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.
- (xiv) Undertake various functions and responsibilities as specified by the Company in the guidelines and directives issued by the regulatory authorities from time to time.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(a) Roles and Responsibilities of the Board (continued)

- (xv) Observe all laws, rules and regulations as part of their statutory duties and be familiar with relevant laws, related regulations, interpretative rulings and notices and exercise care to see that these are not violated.
- (xvi) Identify principal risks and oversee the implementation of the Company's governance framework, internal control framework and mitigation measures as well as periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations.
- (xvii) Ensure that organisational complexity does not hamper effective enterprise-wide risk management of the institution's activities and that the senior management have the requisite skills, experiences and competencies in risk management.
- (xviii) Be responsible for the governance over the Company's Business Continuity Management policy and framework, Technology Risk Framework Management, Cyber Resilient Framework, Outsourcing Risk Management Framework and the Fair Treatment of Financial Consumers Framework.
- (xix) Be regularly informed of the financial conditions, business performances and management policies of the Company. Directors should ensure they have adequate information to provide effective strategic direction and to apply immediate remedial measures should the need arise.
- (xx) Ensure that the Company has a beneficial influence over the national economy since insurers provide risk and insurance management services for members of the public. The Board must also ensure that the Company provides insurance services and facilities which are conducive for a well-balanced economic growth and are consistent with national objectives.
- (xxi) Promote sustainability and a just & orderly transition through appropriate environmental, social and governance ("ESG") considerations in business strategies.
- (xxii) Approve strategic initiatives and plans, and relevant targets to be adopted to manage climate-related risks.
- (xxiii) Approve the policy on climate-related disclosures that promote credible as well as high quality disclosures and mitigate the risks of greenwashing.
- (xxiv) Review and approve public disclosures of ESG related matters including climate related-risks based on the recommendations by the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(a) Roles and Responsibilities of the Board (continued)

The Board members are provided with regular updates on key aspects of the Company's financials and operations including changes to regulatory requirements. Prior to each Board meeting, the Board members are provided with Notice of Board meetings and Board papers for each agenda item to enable the Directors sufficient time to properly consider the issues and be prepared for discussion. Any additional information requested by the Directors is made available to them in a timely manner.

The Board shall meet at least 6 times in a year. Board meetings for each financial year are scheduled in advance before the end of each preceding financial year. This enables the Directors to include the year's Board meetings into their respective schedules and plan accordingly. Additional Board meetings are also held when required, to deliberate on urgent corporate proposals or matters that require the immediate attention and expeditious direction of the Board.

(b) Board Size and Composition

The Board comprised of 7 members including the Chairman as at the end of the financial year 2024. The Board size is conducive to decision making and is appropriate given the size of the Company's operations. The composition of the Board remains adequate to provide for a diversity of views, facilitate decision making, and appropriate balance of executive, non-executive, independent and non-independent directors.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(b) Board Size and Composition (continued)

The composition of the Board during the financial year 2024 and up to the date of this report is as follows:

No.	Name	Designation	Appointment/ Resignation
1.	Abdul Khalil bin Abdul Hamid	Chairman Non-Independent Non-Executive Director	-
2.	Anthony Albert Collingridge	Member Independent Non-Executive Director	-
3.	Chin Kwai Fatt	Member Independent Non-Executive Director	-
4.	Foong Pik Yee	Member Independent Non-Executive Director	-
5.	Mohd Yuzaidi bin Mohd Yusoff	Member Independent Non-Executive Director	-
6.	Solmaz Altin	Member Executive Director	-
7.	Trevor John Matthews	Member Independent Non-Executive Director	-

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors

The Board members are nominated based on diverse background, mix of skills, experience and other core competencies to carry out oversight of the Company's operations in order to achieve its corporate objectives and fulfil its fiduciary responsibilities.

A brief background of each Director who served on the Board during the financial year 2024 and up to the date of this report is appended below:

(i) **Abdul Khalil bin Abdul Hamid**

Chairman, Non-Independent Non-Executive Director

Abdul Khalil bin Abdul Hamid has been a member of the Board since 13 April 2007. He was redesignated as the Chairman of the Board on 1 January 2017. He is currently a member of the Board Audit Committee, Board Risk Management Committee, Board Nominating Committee and Board Remuneration Committee.

He graduated from University Malaya, Kuala Lumpur in 1979 with a Bachelor of Economics (Hons) degree and has more than 40 years of experience in the financial industry. He started his career as a Resident Officer in HSBC in February 1979 and left in October 1985 as a Sub-Manager of the Customer Service Department at the Kuala Lumpur main office. He joined the Bank of Nova Scotia as an Account Manager in November 1985, where he managed a varied portfolio of corporate and commercial customers and the real estate and public sector business segments. His last position at the Bank of Nova Scotia was as a Manager, Personal Banking. In September 1995, he joined Affin Bank Berhad as Head, Syndications Department. At Affin Bank, Abdul Khalil was a member of the Islamic Banking Management Committee and the Credit Review and Recovery Committee. His last position with Affin Bank was as the Head of Credit Management Department. In April 2002, he joined the Bank of Tokyo-Mitsubishi UFJ (M) Berhad as an Executive Vice President, Operations and was appointed as an Advisor, Operations in October 2012 prior to retiring in October 2013.

He currently holds other directorships in Kuwait Finance House (Malaysia) Berhad and Mizuho Bank (Malaysia) Berhad.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(ii) Anthony Albert Collingridge Independent Non-Executive Director

Anthony Albert Collingridge has been a member of the Board since 23 August 2017. He is currently the chairman of the Board Nominating Committee and Board Remuneration Committee and a member of the Board Audit Committee and Board Risk Management Committee.

After leaving school with A-Levels in English Literature and Ancient History, he joined the UK Civil Service in 1978 where he served for almost 40 years, mainly in business-facing roles. These included positions in the Department of Energy until 1995, Overseas Trade Services until 1999 and the Department of Trade and Industry until 2006. He then moved to Hong Kong for a posting with the Foreign and Commonwealth Office and transferred to Kuala Lumpur in 2011 where he joined the newly formed Department for International Trade in 2016. He left Government service in 2017 and established Delta Gate Solutions Sdn Bhd in Kuala Lumpur, mainly focused on International Business Development, for which he acted as Managing Director between 2017 and 2021.

He was appointed to the Order of the British Empire by Her Majesty the Queen in 2007 for services to British trade and investment. He has received an honorary degree of Doctor of Laws from the University of Nottingham in 2023 in recognition of his outstanding contribution, success and distinction within his profession.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(iii) Chin Kwai Fatt

Independent Non-Executive Director

Chin Kwai Fatt has been a member of the Board since 3 December 2018. He is currently the chairman of the Board Risk Management Committee and a member of the Board Audit Committee, Board Nominating Committee and Board Remuneration Committee.

He brings with him a combination of business insights, stakeholder management and servant leadership together with hands on experience in mergers and acquisitions, board engagement and technology strategy.

He has successfully managed a diverse range of professional services which include various deals, consulting, assurance and tax in a highly competitive environment. Since his admission as a Partner in 1991, he has held various leadership roles within PricewaterhouseCoopers (“PwC”) and the PwC Network. He served as a Managing Partner for PwC Malaysia for 12 years from 2000 to 2012. Prior to that, he was the Managing Consulting Services Leader from 1994 to 2000.

His leadership role extended beyond Malaysia with the formation of PwC South East Asia Peninsula (“SEAPEN”) Region in 2008 which covered over 3,000 people in Malaysia, Thailand, Vietnam, Cambodia and Laos. He was the Territory Senior Partner for PwC SEAPEN from 2008 to 2012. During this period, he was the SEAPEN representative in the PwC East Cluster Leadership Team. From 2012 to 2016, Kwai Fatt served as the Corporate Finance Leader in PwC. Upon his retirement as a Partner in June 2016, he took up the role of a Senior Adviser to PwC South East Asia Corporate Finance.

He currently holds other directorships in Dialog Group Berhad and Nestle Malaysia Berhad.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(iv) Foong Pik Yee

Independent Non-Executive Director

Foong Pik Yee has been a member of the Board since 1 July 2019. She is currently the chairperson of the Board Audit Committee and a member of the Board Risk Management Committee, Board Nominating Committee as well as Board Remuneration Committee.

She has over 35 years of experience in the banking sector and the accounting profession (audit and consultancy). She worked with international banks and a Malaysian public listed bank covering all aspects of general management, finance, risk management, sales and marketing, product management and operations. Her vast experience was acquired in Malaysia, Hong Kong, Singapore, Australia and Middle East.

She returned to Malaysia under Talentcorp's Returning Expert Programme and was the Chief Financial Officer of Hong Leong Bank from January 2013 to June 2019 where she directed and oversaw all matters relating to finance covering financial accounting, statutory and management reporting, capital management, taxation, corporate finance and investor relations.

She is a Chartered Accountant and Chartered Banker. She obtained her Bachelor of Commerce from the University of Melbourne, Australia and Master of Business Administration from Monash University, Australia.

She has served on the Industry Advisory Board of the Business School of Monash University, Malaysia since 2016 until to-date. She is also a mentor with the 30% Club Malaysia, the ICAEW's Women in Leadership programme and the Malaysia Australia Business Council mentoring programme.

She currently holds other directorships in AmBank (M) Berhad, AmMortgage One Berhad, Paramount Corporation Berhad and QSR Brands (M) Holdings Bhd.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(v) Mohd Yuzaidi bin Mohd Yusoff Independent Non-Executive Director

Mohd Yuzaidi bin Mohd Yusoff was appointed as a member of the Board effective 1 May 2022. He was also appointed as a member of the Board Audit Committee, Board Risk Management Committee, Board Nominating Committee as well as Board Remuneration Committee on even date.

He is a professional with over 30 years of consulting and entrepreneurial experience in Asia in various trades and diversified portfolio of companies and industries. He is an alumnus of Accenture, one of the world's leading management and technology consulting companies. He holds a Bachelor of Science in Computer Science from Northern Illinois University, United States of America ("USA"). He also holds a Master of Science in Business Administration from San Diego State University, USA. He has also been invited at various local and international speaking engagements as a panellist or speaker on digital, technology and leadership.

He led the electronics and high-tech industry for the Accenture Malaysia practice and left Accenture in 2001 to co-found Clear Minds Sdn Bhd, a 100% Bumiputra boutique information and communication technologies ("ICT") and management consulting firm. The firm offers a multitude of services ranging from business and financial advisory, program management and business solutions delivery to a large array of clients mainly from the Government-Linked companies ("GLCs").

He was also the Group Chief Strategy and Corporate Governance for PST Ventures Sdn Bhd to transform Puncak Semangat group of companies, and served as a Director of PST Ventures Sdn Bhd, Synergycentric Sdn Bhd, and SynergyCloud Sdn Bhd.

He currently serves as a Board member of Bank Islam Malaysia Berhad, Petronas Dagangan Berhad, Setel Ventures Sdn Bhd, and Muslim Professionals Forum Berhad.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(vi) Solmaz Altin

Executive Director

Solmaz Altin has been a member of the Board since 1 January 2023. He is also currently a member of the Board Nominating Committee.

He is a German citizen who has more than 25 years' experience of leading business change and growth in the financial services industry in Asia-Pacific, Middle East and Europe. He holds a graduate degree in Banking and Economics from University of Duisburg, Germany.

He joined Prudential in May 2022, bringing with him more than 25 years of experience in leading business change and growth in the financial services industry, including 15 years in insurance.

In his current role as Regional CEO, Growth Markets, Health and Agency, he covers different growth markets such as India, Malaysia, Indonesia, the Philippines, Laos, Myanmar, Cambodia and all markets in Africa. He is also responsible for the Group's Health business and Agency distribution strategy, focusing on driving growth and operational performance in these crucial business areas, with the aim to strengthen the value proposition to customers, and scaling the overall business.

Prior to his current role, he served as the Managing Director of Prudential plc's Strategic Business Group, and also the Group's Chief Transformation Officer who was responsible for our groupwide Technology function.

Before joining Prudential, his most recent role was Regional CEO, Asia-Pacific at Allianz, based in Singapore. Other significant roles he held assumed at Allianz include Group Chief Digital Officer in Munich, Germany, and CEO of the life and general insurance entities in Turkey.

He was also appointed as a Board member of Prudential BSN Takaful Berhad on 24 May 2023.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(vii) Trevor John Matthews

Independent Non-Executive Director

Trevor John Matthews was appointed as a member of the Board effective 1 May 2023. He was also appointed as a member of the Board Audit Committee, Board Risk Management Committee, Board Nominating Committee as well as the Board Remuneration Committee on even date.

He is an Australian and British citizen and a seasoned former international financial services Chief Executive Officer (CEO) and Actuary with deep knowledge and technical expertise across life, health, wealth management, general insurance and banking. He has a Master of Arts in Actuarial Studies from Macquarie University, Australia, and is a Fellow of both the Institute of Actuaries of Australia and the UK Institute and Faculty of Actuaries. He is also a Fellow of the Australian Institute of Company Directors and a Fellow of the Royal Society.

He started his early career at Legal & General Australia, where he was one of the actuarial pioneers in general insurance, before embarking on a more multi-disciplinary career in Operations and General Management. His extensive experience over more than four decades includes leadership roles at several financial services groups including National Australia Bank Limited, Australia, Manulife Life Insurance Company, Canada and Japan, Standard Life Assurance Company Limited, United Kingdom, Friends Provident Holdings (UK) plc, and Aviva plc. In his executive career, he demonstrated strong leadership, influence and change skills.

Since returning to Australia in 2013 after fifteen years overseas, he has enjoyed a very successful plural career as an INED including directorships at AMP Limited, AMP Life, Tokio Marine Asia, Edelweiss Tokio Life, Resolution Life and Bupa Australia and New Zealand and as chair of the State Insurance Regulatory Authority which regulates statutory insurance schemes in New South Wales, Australia. Presently, he is an INED at CMC Markets New Zealand and the chair of FNZ Asia Pacific and Hound Group. He was recognised as Actuary of the Year and has served as President of the Institute of Actuaries of Australia and President of the Chartered Insurance Institute.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(d) Training and Education provided to the Board

Members of the Board possess the necessary qualifications and experience to discharge their duties and responsibilities effectively. They are also continually assessed to ensure that they meet the fit and proper criteria prescribed under the BNM Policy Document on Fit and Proper Criteria (BNM/RH/GL 018-5) and Section 60 of the Financial Services Act 2013 ("FSA").

Members of the Board have attended training programmes and dialogues organised by ICLIF Leadership and Governance Centre, the Financial Institutions Directors' Education ("FIDE") Forum, Climate Governance Malaysia, KPMG, PricewaterhouseCoopers and the Asia School of Business, amongst others. The Company is a registered corporate member of the FIDE Forum since 2012 and the Board has continuous access to the many discussion sessions organised by FIDE Forum throughout the year.

The Board also participates in Directors' briefing sessions organised by the Company Secretary with the aim of enhancing the Board's understanding and knowledge of financial, actuarial and investment reports and regulatory developments, amongst others.

An induction programme is also conducted for newly appointed Directors. The new Directors are provided with a comprehensive information pack which contains the relevant laws and regulations on their roles and responsibilities, Terms of References of the Board and its Committees, Fit and Proper Policy and Procedures, Succession Planning Policy, Code of Ethics and the Company's strategic plans for the year. New Directors are also provided with the opportunity to meet with members of the Executive Committee to discuss the Company's operations. The Company Secretary facilitates the induction program by providing access to information on finance, strategic planning, operations and risk management, amongst others to assist the new Director during their familiarisation session.

Directors are subject to retirement by rotation and re-election pursuant to Article 66A of the Company's Articles of Association.

2 Board Committees

The Board has established the following Board Committees to assist in the management of the Company's business and discharge of its duties:

- (i) Board Audit Committee;
- (ii) Board Risk Management Committee;
- (iii) Board Nominating Committee; and
- (iv) Board Remuneration Committee.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

2 Board Committees (continued)

(i) Board Audit Committee

No.	Name	Designation
1.	Foong Pik Yee	Chairperson
2.	Anthony Albert Collingridge	Member
3.	Abdul Khalil bin Abdul Hamid	Member
4.	Chin Kwai Fatt	Member
5.	Mohd Yuzaidi bin Mohd Yusoff	Member
6.	Trevor John Matthews	Member

Roles and Responsibilities of the Board Audit Committee

The Board Audit Committee is responsible for reviewing the Company's financial statements and for the effectiveness of the Company's internal control and risk management systems. The Board Audit Committee also monitors the effectiveness and objectivity of the internal and external auditors. The Board Audit Committee meets at least once every quarter to review the reports submitted by the internal audit team, compliance team and the external auditor.

(ii) Board Risk Management Committee

No.	Name	Designation
1.	Chin Kwai Fatt	Chairman
2.	Anthony Albert Collingridge	Member
3.	Abdul Khalil bin Abdul Hamid	Member
4.	Foong Pik Yee	Member
5.	Mohd Yuzaidi bin Mohd Yusoff	Member
6.	Trevor John Matthews	Member

Roles and Responsibilities of the Board Risk Management Committee

The Board Risk Management Committee is responsible for the overall risk oversight of the effectiveness of the Company's Risk Framework. The Board Risk Management Committee provides leadership, direction and oversight with regard to the Company's overall risk appetite and tolerance and risk management framework which includes risk and business continuity management policies, processes and controls. The Board Risk Management Committee also oversees senior officers in managing key risk areas and ensures that an appropriate risk management process is in place and functioning effectively. The Board Risk Management Committee meets at least once every quarter to review Management's reports on risk exposure and risk management activities.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

2 Board Committees (continued)

(iii) Board Nominating Committee

No.	Name	Designation
1.	Anthony Albert Collingridge	Chairman
2.	Abdul Khalil bin Abdul Hamid	Member
3.	Chin Kwai Fatt	Member
4.	Foong Pik Yee	Member
5.	Mohd Yuzaidi bin Mohd Yusoff	Member
6.	Solmaz Altin	Member
7.	Trevor John Matthews	Member

Roles and Responsibilities of the Board Nominating Committee

The Board Nominating Committee is responsible for establishing a formal and transparent procedure for the appointment of Directors, the CEO, Control Function Heads, Senior Management Team and the Company Secretary. The Board Nominating Committee also assesses the effectiveness of individual Directors, the Board as a whole (inclusive of its committees), CEO, Control Function Heads, Senior Management Team and the Company Secretary on an on-going basis. The Board Nominating Committee meets at least once a year to fulfil its responsibilities.

(iv) Board Remuneration Committee

No.	Name	Designation
1.	Anthony Albert Collingridge	Chairman
2.	Abdul Khalil bin Abdul Hamid	Member
3.	Chin Kwai Fatt	Member
4.	Foong Pik Yee	Member
5.	Mohd Yuzaidi bin Mohd Yusoff	Member
6.	Trevor John Matthews	Member

Statement on corporate governance and internal controls (continued)

2 Board Committees (continued)

(iv) Board Remuneration Committee (continued)

Roles and Responsibilities of the Board Remuneration Committee

The Board Remuneration Committee is responsible for establishing a formal and transparent procedure for developing the remuneration policy for the Directors, CEO, Control Function Heads and Senior Management Team and to ensure that their compensation is competitive and consistent with the insurer's culture, objectives and strategy. The Board Remuneration Committee meets at least once a year to fulfil its responsibilities.

3 Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2024

	Board	Board Audit Committee	Board Risk Management Committee	Board Nominating Committee	Board Remuneration Committee
Abdul Khalil bin Abdul Hamid	10 out of 10	7 out of 7	6 out of 6	7 out of 7	5 out of 5
Anthony Albert Collingridge	10 out of 10	7 out of 7	6 out of 6	7 out of 7	5 out of 5
Chin Kwai Fatt	10 out of 10	7 out of 7	6 out of 6	7 out of 7	5 out of 5
Foong Pik Yee	10 out of 10	7 out of 7	6 out of 6	7 out of 7	5 out of 5
Mohd Yuzaidi bin Mohd Yusoff	10 out of 10	7 out of 7	6 out of 6	7 out of 7	5 out of 5
Solmaz Altin	8 out of 10	N/A	N/A	6 out of 7	N/A
Trevor John Matthews	10 out of 10	7 out of 7	6 out of 6	7 out of 7	5 out of 5

N/A – Not Applicable (not a member)

Statement on corporate governance and internal controls (continued)

4 Corporate independence

The Company has complied with BNM's Guidelines on Related-Party Transactions (BNM/RH/GL 018-6) in respect of all its related-party undertakings. Full disclosure had been made to the Board, and when the amount involved in a transaction was material, the Board's approval for the transaction had also been sought.

5 Internal control framework

The Company has established a Risk Management Framework which describes the Company's philosophy and approach to risk management that provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management (processes or controls). The internal audit function provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which covers risk management and compliance.

(a) In the Risk Management Framework, the Company applies the principle of the three (3) lines of defence model: risk taking and management, risk control and oversight and independent assurance as illustrated below:

(i) First line of defence

The first line of defence comprises the business functions involved in the risk taking and management of the Company.

The business functions take and manage risk exposure in accordance with the risk appetite, mandate and limits set by the Company's Board of Directors.

(ii) Second line of defence

The second line of defence is the Risk Control and Oversight function which reports to the Chief Risk Officer, comprising:

- **Risk Management function**

The Risk Management function consists of Financial Risk, Operational Risk, Business Continuity and Information, Technology and Privacy Risk sections. The function identifies, measures, monitors, controls and reports on risk exposures that encompass risks at firm-wide, portfolio and business-line level, as well as both on and off-balance sheet exposures. The function provides review and oversight on management actions and strategic direction from the perspective of prudent risk management. The function supports the Executive Risk Committee and Board Risk Management Committee and is responsible for the implementation and coordination of risk initiatives and requirements across the business.

- **Compliance function**

The Compliance function's main responsibility is to provide advice, guidance and support to the business functions on regulatory matters.

Statement on corporate governance and internal controls (continued)

5 Internal control framework (continued)

(ii) Second line of defence (continued)

- **Compliance function (continued)**

The Compliance function also manages the regulatory changes within the Company by working closely with the relevant business functions in ensuring proper implementation of the regulatory changes. Monitoring and review activities are carried out on a risk-based approach by the Compliance function to provide the assurance that the business is carried out within the ambit of the regulatory requirements. Additionally, the Financial Crime Compliance function outlines the governing policies and manages matters relating to anti-money laundering, anti-bribery and corruption as well as conflicts of interest.

(iii) Third line of defence

The third line of defence is the Internal Audit function, which provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which also covers the risk management and compliance functions.

(b) The key policies and procedures for each of the internal control/second line functions are as follows:

(i) The review on the Risk Management Framework document is conducted from time to time, to reflect the latest changes in the Prudential Group or local regulatory requirements.

(ii) For the Compliance function, the key policies and procedures include:

- The Compliance Policy which sets out the general compliance standards and provision of principal laws and regulations governing the Company's operations. The Compliance Policy includes the Regulatory Engagement Protocol which entails the communication and information exchange with any relevant regulatory bodies. The Compliance Policy is reviewed annually or as and when there are significant changes, and any subsequent significant changes are approved by the Board.
- The Anti-Money Laundering ("AML") & Counter-Terrorist Financing of Terrorism ("CFT") Policy which sets out requirements, standards and guidance that support the Company's compliance with Prudential Group and Bank Negara Malaysia's guidelines. The AMLCFT Policy is reviewed annually, and any material changes are approved by the Board.
- The Anti-Bribery and Corruption Policy, including the Gift and Hospitality ("G&H") Policy, sets out the minimum requirements that support the Company's compliance with the Prudential Group Anti-Bribery and Corruption Policy. The Anti-Bribery and Corruption Policy is reviewed annually, and any changes are approved by the Board. The Company is also required to comply with Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009.

Statement on corporate governance and internal controls (continued)

5 Internal control framework (continued)

(b) The key policies and procedures for each of the internal control/second line functions are as follows (continued):

(ii) For the Compliance function, the key policies and procedures include (continued):

- The Conflicts of Interest Policy is established to adopt measures to avoid conflict of interest, identify the existence of any conflicts of interest and to disclose the existence of conflict of interest. The Conflicts of Interest Policy is reviewed annually, and any changes are endorsed by the Executive Risk Committee and approved by the Board.

6 Remuneration policy

The Remuneration Policy sets out guidelines which support the Company's objective of having an effective approach in place to reward employees in an appropriate way which:

- aligns incentives to business objectives to support the delivery of the Company's business plans, strategies and values;
- enables the recruitment and retention of high calibre employees and incentivises them to achieve success for the Company; and
- is consistent with the Company's risk appetite.

The key features of the remuneration system which is embedded in the policy include the following:

- Governance and oversight processes;
- Remuneration structures such as base salary, cash allowance, discretionary Annual Incentive Bonus ("AIB") payments, Long Term Incentive Plan ("LTIP") and benefits;
- Performance management approach;
- Identification of 'other material risk takers';
- Identification and roles of control functions;
- Anti-avoidance and anti-hedging.

The Company has ten (10) Senior Management members comprising of the Chief Executive Officer and Chief Officers in the Executive Committee as well as four (4) Other Material Risk Takers during the financial year 2024.

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

The Company's remuneration system is subjected to the Board's active oversight to ensure that the system operates as intended and is in line with the business and risk strategies, corporate values and long-term interests of the Company. The Company is guided by a set of principles promoting sound and effective risk management to ensure that the Company does not encourage risk-taking that exceeds the level of tolerated risk of the Company. The prudent risk-taking approach encourages individuals to act in the interests of the Company as a whole, taking into consideration various stakeholders such as customers, shareholders, businesses and employees' objectives. The assessment from the Control Functions Heads and the Board Risk Management Committee ensures that risk exposures and risk outcomes are adequately considered.

In order to achieve objective assessment and reporting, the appraisal and remuneration of the control functions are based on functional and individual components which are independent of the businesses that they support.

The Company's 2024 achievement is measured by both financial and non-financial metrics, which capture the achievement of quantitative as well as qualitative performance and other risk adjusted measures. Non-financial metrics included are health and protection sales, customer excellence, people development as well as building future ready distribution capabilities in supporting the business and ensuring long term sustainability.

The Company's discretionary AIB scheme is designed to link the reward of the employees against the Company's financial and non-financial metrics as well as the individual's performance. The individual performance includes the pre-agreed bonus participation rate that reflects the criticality of the individual's contribution.

2024 is the final year of LTIP vesting given that the Group has introduced a New Total Compensation Model where it comprises of Total Guaranteed Cash ("TGC") and AIB. The AIB will be split to Cash Bonus and Deferred Bonus Award (Prudential plc restricted shares with three year (3) pro-rata vesting) when the AIB exceeded the threshold.

In the event the Company's performance is weak, the adjustments for fixed and/ or variable remuneration will be performed accordingly. The Company defines weak performance as the deviation of achieved performance against a set of objectives with pre-defined thresholds and targets.

The Company is fully compliant with the requirements of Part D of the Corporate Governance Policy Document (BNM/RH/PD 029-9) issued by BNM, with regards to alignment of the remuneration for individuals with prudent risk taking and adopting multi-year framework with payout schedules. This reflects the time horizon of risks and promoting behaviours that are aligned to the intended effects of the Company's incentive structure.

The quantitative remuneration disclosure for the Senior Management members comprising of Chief Executive Officer and Chief Officers in the Executive Committee and Other Material Risk Takers, for the financial year 2024 are shown below.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

The quantitative remuneration disclosure for the Senior Management Team for the financial year 2024 is shown in the table below:

Total value of remuneration awards for the financial year 2024 (RM)		
	Unrestricted	Deferred
Fixed Remuneration		
Cash based	12,864,471	-
Shares and share-linked instruments	-	-
Other	588,648	-
Variable Remuneration		
Cash based	6,834,903	150,000
Shares and share-linked instruments	-	5,389,979 *
Other	1,064,462	-
Grand Total	21,352,484	5,539,979

* Deferred remuneration mainly refers to LTIP and is based on the value of shares granted in financial year 2024. The total amount of outstanding deferred remuneration for year 2024 was RM2,632,046. The total amount paid out during the financial year was RM3,460,672.

The quantitative remuneration disclosure for Other Material Risk Takers for the financial year 2024 is shown in the table below:

Total value of remuneration awards for the financial year 2024 (RM)		
	Unrestricted	Deferred
Fixed Remuneration		
Cash based	2,894,246	-
Shares and share-linked instruments	-	-
Other	43,173	-
Variable Remuneration		
Cash based	1,366,651	-
Shares and share-linked instruments	-	346,576 *
Other	194,354	-
Grand Total	4,498,424	346,576

* Deferred remuneration refers to LTIP and is based on the value of shares granted in financial year 2024. The total amount of outstanding deferred remuneration for year 2024 was RM149,317. The total amount paid out during the financial year was RM540,146.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Interest in Prudential plc:	At 1.1.2024	Number of ordinary shares		At 31.12.2024
		Acquired	Disposed	
Solmaz Altin	160,189	296,122	-	456,311

None of the other Directors holding office at the end of the financial year end had any beneficial interest in the ordinary shares of the Company during the financial year ended 31 December 2024, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2024 are as follows:

	From the Company RM'000
Directors of the Company:	
Fees	<u>1,701</u>

There were no arrangements during and at the end of the financial year which had the object 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.

Issue of shares

There were no changes in the issued and paid-up ordinary share capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Company No. 198301012262 (107655-U)

Indemnity and insurance costs

The following disclosure on particulars of indemnity given to, or insurance effected for any officer of the Company is made pursuant to Section 289 (7) of the Companies Act 2016:

	Amount paid RM	Sum assured RM
Directors & Officers Liability Insurance and Comprehensive Crime and Professional Indemnity Insurance	<u>1,450,155</u>	<u>177,051,000</u>

Other statutory information

- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:
- (i) all known bad debts have been written off and adequate allowance made for doubtful debts; and
 - (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts or the provision for insurance liabilities in the Company inadequate to any substantial extent;
 - (ii) that would render the values attributed to the current assets in the financial statements of the Company misleading;
 - (iii) which have arisen which render adherence to existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.
- (c) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

Company No. 198301012262 (107655-U)

Other statutory information (continued)

(d) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the financial performance of the Company for the financial year in which this report is made.

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

Subsequent Event

The Subsequent Event after the financial year end is disclosed in Note 29 to the financial statements.

Auditors

The auditors, Messrs Ernst & Young PLT have indicated their willingness to accept re-appointment as auditors. The auditors' remuneration during the year was RM1,918,000 as disclosed in Note 18 to the financial statements.

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

.....
Foong Pik Yee
Director

.....
Abdul Khalil bin Abdul Hamid
Director

Kuala Lumpur,

Date: 20 March 2025

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

**Statement by Directors pursuant to
Section 251(2) of the Companies Act 2016**

We, Foong Pik Yee and Abdul Khalil bin Abdul Hamid being two of the Directors of Prudential Assurance Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and cash flows for the financial year then ended.

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

.....
Foong Pik Yee

Director

.....
Abdul Khalil bin Abdul Hamid

Director

Kuala Lumpur,

Date: 20 March 2025

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

**Statutory declaration pursuant to
Section 251(1)(b) of the Companies Act 2016**

I, Ankur Bassi being the officer primarily responsible for the financial management of Prudential Assurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 32 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Ankur Bassi at Kuala Lumpur in the Federal Territory on 20 March 2025.

.....
Ankur Bassi

Before me:

Commissioner for Oaths
Kuala Lumpur

198301012262 (107655-U)

**Independent auditors' report to the member of
Prudential Assurance Malaysia Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Prudential Assurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2024, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a material accounting policy information, as set out on pages 32 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), as applicable to audits of financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report (including Corporate Governance Statement), and Sustainability Statement, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

198301012262 (107655-U)

**Independent auditors' report to the member of
Prudential Assurance Malaysia Berhad (cont'd.)**

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with MFRS Accounting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

198301012262 (107655-U)

**Independent auditors' report to the member of
Prudential Assurance Malaysia Berhad (cont'd.)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



**Shape the future
with confidence**

198301012262 (107655-U)

**Independent auditors' report to the member of
Prudential Assurance Malaysia Berhad (cont'd.)**

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 March 2025

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

Statement of financial position as at 31 December 2024

	Note	31.12.2024 RM'000	31.12.2023 RM'000
Assets			
Property and equipment	3	166,785	180,632
Right-of-use assets	4	121,737	140,841
Intangible assets	5	308,191	308,180
Investments, including derivatives	6	50,159,713	44,099,238
Insurance contract assets	10	44,068	36,420
Reinsurance contract assets	11	82,098	110,494
Other receivables	7	514,272	300,211
Tax recoverable		157,902	123,170
Cash and bank balances		83,552	105,463
Total assets		<u>51,638,318</u>	<u>45,404,649</u>
Equity, policyholders' funds and liabilities			
Share capital	8	100,000	100,000
Retained earnings	9	<u>7,546,305</u>	<u>6,512,627</u>
Total equity		<u>7,646,305</u>	<u>6,612,627</u>
Insurance contract liabilities	10	40,835,832	36,209,523
Reinsurance contract liabilities	11	193,889	201,945
Deferred tax liabilities	12	2,503,296	1,967,263
Derivatives		1,992	-
Lease liabilities		134,687	149,900
Tax payable		41,499	41,504
Other payables and provisions	13	<u>280,818</u>	<u>221,887</u>
Total liabilities		<u>43,992,013</u>	<u>38,792,022</u>
Total equity, policyholders' funds and liabilities		<u>51,638,318</u>	<u>45,404,649</u>

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2024

	Note	2024 RM'000	2023 RM'000
Insurance revenue	14	5,801,618	5,066,641
Insurance service expense for insurance contract issued	10(a)	(4,618,369)	(4,070,030)
Net expense from reinsurance contracts held	11(a)	<u>(52,026)</u>	<u>(37,179)</u>
Insurance service result		<u>1,131,223</u>	<u>959,432</u>
Investment income	15	5,119,042	2,540,050
Total insurance finance expense	16	(4,410,748)	(2,111,674)
Total reinsurance finance expense	16	<u>(6,615)</u>	<u>(2,870)</u>
Net investment result		<u>701,679</u>	<u>425,506</u>
Other income	17	44,992	57,494
Other expenditure	18	(22,245)	(18,976)
Finance cost		<u>(6,686)</u>	<u>(6,924)</u>
Profit before taxation		1,848,963	1,416,532
Taxation	19	<u>(718,387)</u>	<u>(453,059)</u>
Net profit/Total comprehensive income for the year		<u>1,130,576</u>	<u>963,473</u>
Earnings per share (sen)			
Basic and diluted	20	<u>1,130.58</u>	<u>963.47</u>

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2024

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non- Distributable* RM'000	Distributable RM'000	Total RM'000	
At 1 January 2024		100,000	5,773,892	738,735	6,512,627	6,612,627
Net profit/Total comprehensive income for the year		-	1,019,016	111,560	1,130,576	1,130,576
Group share-based payment transaction**		-	-	3,102	3,102	3,102
Dividends paid during the year	21	-	-	(100,000)	(100,000)	(100,000)
At 31 December 2024		<u>100,000</u>	<u>6,792,908</u>	<u>753,397</u>	<u>7,546,305</u>	<u>7,646,305</u>

* Non-distributable retained earnings comprise of the surplus from Life fund, net of deferred tax. This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer a requisite amount of the Life fund surplus to the shareholder's fund.

** Group share-based payment transaction relates to the recognition of the settlement of the share options scheme granted by the ultimate holding company, Prudential plc, to the eligible agents.

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2024 (continued)

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non- Distributable* RM'000	Distributable RM'000	Total RM'000	
At 1 January 2023		100,000	5,075,783	921,974	5,997,757	6,097,757
Net profit/Total comprehensive income for the year		-	698,109	265,364	963,473	963,473
Group share-based payment transaction**		-	-	2,397	2,397	2,397
Dividends paid during the year	21	-	-	(451,000)	(451,000)	(451,000)
At 31 December 2023		100,000	5,773,892	738,735	6,512,627	6,612,627

* Non-distributable retained earnings comprise of the surplus from Life fund, net of deferred tax. This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer a requisite amount of the Life fund surplus to the shareholder's fund.

** Group share-based payment transaction relates to the recognition of the settlement of the share options scheme granted by the ultimate holding company, Prudential plc, to the eligible agents.

The accompanying notes form an integral part of these financial statements

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2024

	Note	2024 RM'000	2023 RM'000
Cash flows from operating activities			
Profit before taxation		1,848,963	1,416,532
Adjustments for:			
Gain on disposal of property and equipment		(191)	(197)
Property and equipment written off	3	762	110
Intangible assets written off	5	1,880	2
Fair value gain on investments	15(b)	(2,353,719)	(918,581)
Depreciation of property and equipment	3	17,206	17,419
Depreciation of right-of-use assets	4	33,659	33,982
Amortisation of intangible assets	5	51,337	47,326
Interest expense on lease liabilities		5,817	6,357
Operating profit before changes in working capital		(394,286)	602,950
Changes in operating assets and liabilities:			
Investments		(3,704,764)	(2,298,415)
Insurance contract assets		(7,648)	4,294
Reinsurance contract assets		28,396	(13,710)
Other receivables		(214,061)	117,425
Insurance contract liabilities		4,626,309	2,536,778
Reinsurance contract liabilities		(8,056)	23,466
Other payables and provisions		62,033	(197,519)
Cash generated from operations		387,923	775,269
Tax paid		(217,091)	(209,344)
Net cash generated from operating activities		170,832	565,925
Cash flows from investing activities			
Acquisition of property and equipment	3	(11,837)	(34,404)
Acquisition of intangible assets	5	(45,608)	(7,774)
Proceeds from disposal of property and equipment		287	197
Net cash used in investing activities		(57,158)	(41,981)
Cash flows from financing activities			
Interest paid on lease liabilities		(5,817)	(6,357)
Payment of lease liabilities		(29,768)	(31,869)
Dividend paid to owners of the Company	21	(100,000)	(451,000)
Net cash used in financing activities		(135,585)	(489,226)
Net (decrease)/increase in cash and bank balances		(21,911)	34,718
Cash and bank balances at beginning of year		105,463	70,745
Cash and bank balances at end of year		83,552	105,463

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

Notes to the financial statements

Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Registered office

Level 26, Menara Prudential
Persiaran TRX Barat
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia

Principal place of business

Tun Razak Exchange Headquarter Counter
Ground Floor, Menara Prudential,
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia

The Company is principally involved in the underwriting of life insurance business, which includes unit-linked business and, related thereto, the investment of funds. There has been no significant change in the nature of these principal activities during the year.

The holding company is Sri Han Suria Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Prudential plc., a company incorporated in the United Kingdom which is listed on the London, New York, Hong Kong and Singapore Stock Exchanges.

These financial statements were approved by the Board of Directors on 20 March 2025.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS Accounting Standards”), International Financial Reporting Standards (“IFRS Accounting Standards”), the requirements of the Companies Act 2016 and the Financial Services Act 2013 in Malaysia.

(b) Changes in accounting policies

The accounting policies and presentation adopted by the Company are consistent with those of the previous financial year except for the adoption of the new pronouncements effective from 1 January 2024 as follows:

- Amendment to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101 *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 7 *Financial Instruments: Disclosures* and MFRS 107 *Statement of Cash Flows – Supplier Finance Arrangements*

1. Basis of preparation (continued)

(b) Changes in accounting policies (continued)

The initial application of the abovementioned pronouncements did not have any material financial impact to the current period and prior period financial statements of the Company.

(c) Accounting standards and amendments to accounting standards that are issued but not yet effective

The accounting standards and amendments to accounting standards (“amendments”) that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective up to the date of issuance of the Company’s financial statements are disclosed below. The Company plans to adopt these accounting standards and amendments, if applicable, when they become effective:

MFRS Accounting Standards and amendments effective for annual periods beginning on or after 1 January 2025

- Amendment to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

MFRS Accounting Standards and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments*
- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*
- Annual improvements to MFRS Accounting Standards – Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 9 *Financial Instruments*, MFRS 10 *Consolidated Financial Statements* and MFRS 107 *Statement of Cash Flows*

MFRS Accounting Standards and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18 *Presentation and Disclosure in Financial Statements*
- MFRS 19 *Subsidiaries without Public Accountability: Disclosures*

MFRS Accounting Standards and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(c) Accounting standards and amendments to accounting standards that are issued but not yet effective (continued)

The adoption of the above pronouncements are not expected to have a material financial impact to the financial statements of the Company in the period of initial application except as mentioned below:

(i) **MFRS 18 *Presentation and Disclosure in Financial Statements***

MFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures ("MPM"), subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements ("PFS") and the notes.

In addition, narrow-scope amendments have been made to MFRS 107 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

MFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. MFRS 18 will apply retrospectively.

The Company is currently assessing the impacts the amendments will have on the primary financial statements and notes to the financial statements.

1. Basis of preparation (continued)

(d) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise as disclosed in the material accounting policies information.

(e) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and rounded to the nearest thousand, unless otherwise stated.

(f) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying the accounting policies adopted by the Company that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 2(u), Measurement of insurance and reinsurance contracts.

2. Material accounting policies information

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Property and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses. Other items of property and equipment are stated at cost less any accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Capital work-in-progress contains all costs incurred on assets that are not yet completed to working condition. When the assets have been completed to working condition and are ready for its intended use, all related costs under the capital work-in-progress will be transferred to the relevant components of property and equipment or intangible assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "realised gains and losses" in profit or loss.

2. Material accounting policies information (continued)

(b) Property and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Motor vehicles	5 years
Computer equipment	5 years
Office furniture, fittings and equipment	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(c) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

2. Material accounting policies information (continued)

(c) Leases (continued)

(i) Definition of a lease (continued)

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date or date the asset is available for use, whichever is earlier. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

2. Material accounting policies information (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Material accounting policies information (continued)

(d) Intangible asset

(i) Recognition and measurement

Intangible assets comprise software development costs, computer software and licenses.

Intangible assets that are acquired by the Company are measured on initial recognition at cost. Cost includes expenditures that are directly attributable to acquisition of the intangible assets such as licenses, development, major enhancement, technical knowledge, design and implementation of new processes or systems etc. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation except for software-in-development which is not subject to amortisation until the development is completed and the asset is available for use. Software-in-development is part of the capital work-in-progress under property and equipment. It will subsequently be transferred to intangible asset when the development has been completed and ready for its intended use.

(ii) Amortisation

All intangible assets are amortised from the date they are available for use over the useful economic life. The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each reporting period. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in the accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss.

(iii) Computer software and licenses

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technology or commercial obsolescence and subject to certain expected capacity and usage beyond which the performance may not be at the optimum level.

The acquired computer software and licenses are amortised using the straight-line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at the end of each reporting date.

2. Material accounting policies information (continued)

(e) Investment in subsidiaries

The Company consolidates those investees it is deemed to control. The Company has control over an investee if all three of the following are met: (1) it has power over an investee; (2) it is exposed to, or has rights to, variable returns from its involvement with the investee; and (3) it has ability to use its power over the investee to affect its own returns.

The Company invests in collective investment schemes, which invest mainly in equities, bonds, cash and cash equivalents. In assessing control under *MFRS 10 Consolidated Financial Statements*, the Company determines whether it is acting as principal or agent and the variable returns from its involvement with these collective investment schemes (the "entities"). The Company's percentage ownership in these entities can fluctuate on a daily basis according to the participation of the Company and other investors in them.

- Where the Company's ownership holding in the entity exceeds 50 per cent, the Company is judged to have control over the entity;
- Where the Company's ownership holding in the entity is between 20 per cent and 50 per cent, the facts and circumstances of the Company's involvement in the entity are considered in forming a judgement as to whether the Company has control over the entity; and
- Where the Company's ownership holding in the entity is less than 20 per cent, the Company is judged to not have control over the entity.

The Company holds significant holdings in some of the collective investment schemes which requires consolidation in accordance with *MFRS 10*. In view of the criteria set out in paragraph 4 and MY4.1 of *MFRS 10*, the Company is exempted from presenting the consolidated financial statements as the immediate holding company, Sri Han Suria Sdn. Bhd. prepares consolidated financial statements in accordance with MFRS Accounting Standards in Malaysia.

2. Material accounting policies information (continued)

(f) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument, except in the case of financial assets measured at fair value through profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. In the event an embedded derivative is recognised separately, the host contract is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The classification of financial assets is based on the Company's business model of managing the financial assets in order to generate cashflows ("business model test") and the contractual cashflow characteristics of the financial instruments (i.e., are the asset's contractual cash flows solely principal and interest ("SPPI")). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest.

The Company categorises and measures financial instruments at either amortised costs ("AC") or fair value through profit or loss ("FVTPL").

Financial assets

(a) Amortised cost ("AC")

A financial asset is measured at amortised cost if its business model is to hold the asset to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest rates, less allowance for impairment. The Company's financial assets measured at AC includes fixed deposits with financial institutions, and loans.

2. Material accounting policies information (continued)

(f) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category by management upon initial recognition, or are mandatorily required to be measured at fair value under MFRS 9. Investments typically bought with the intention to sell in the near future are classified as FVTPL. The Company designates financial assets at FVTPL upon initial recognition when one of the following criteria is met:

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

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value with the gain or loss recognised in profit or loss. The Company’s financial assets at FVTPL includes equity securities, debt securities, unit trust funds, real estate investment trusts, exchange traded funds, foreign managed funds and derivatives.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(g)(i)).

2. Material accounting policies information (continued)

(f) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must otherwise be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset through a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Material accounting policies information (continued)

(f) Financial instruments (continued)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(g) Impairment

(i) Financial assets

The Company measures Expected Credit Loss (“ECL”) on all financial instruments that are measured at amortised cost. The Company applies a three-stage approach (“general approach”) based on the change in the credit quality of the financial instrument since inception and the measurement of ECL for these assets is dependent on the stage classification as of the reporting date.

Particulars	Stage 1	Stage 2	Stage 3
	(Performing)	(Under-performing)	(Non-performing)
Credit quality	Not deteriorated significantly since its initial recognition	Deteriorated significantly since its initial recognition	Objective evidence of impairment
Credit risk	Low	Moderate to High	High
ECL approach	12 months ECL	Life-time ECL	Life-time ECL
ECL computation	12 months PD * LGD * Exposure of Default (“EAD”)	12 months PD * LGD * Exposure of Default (“EAD”)	12 months PD * LGD * Exposure of Default (“EAD”)

Under this general approach, a loss allowance for lifetime expected credit losses is recognised for a financial instrument if there has been a significant increase in credit risk, measured using the lifetime probability of default, since initial recognition of the financial instruments.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, a loss allowance for 12-month expected credit losses is recognised. The Company applies the general approach on deposits with financial institutions, and cash and bank balances.

2. Material accounting policies information (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

The Company adopts a simplified approach for impairment on receivables which allows for recognising the loss allowance based on lifetime expected credit losses without the need to identify significant increases in credit risk. The Company applies simplified approach on loans and other receivables by performing ageing analysis for arriving at ECL estimates. The Company adopted zero impairment approach on the loans and other receivables measured at AC given the balances are short-term in nature, majority of receivables are received post-balance sheet date and no history of default on collection over the past few years.

(ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Material accounting policies information (continued)

(h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

(i) Product classification

The Company issues life insurance contracts that transfer significant insurance risk from policyholders to the Company. These are classified as insurance contracts.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

(i) Life insurance participating contracts

Insurance contracts that contain discretionary participating features ("DPF") are classified as participating policies. The DPF entitles the policyholders to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- (a) that could be a significant portion of the total contractual benefits;
- (b) whose amount and/or timing is contractually at the discretion of the Company;
- (c) that are based on realised and/or unrealised investment returns on a specified pool of assets; and
- (d) that are based on the performance of a specified pool of contracts or a specified type of contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to policyholders.

2. Material accounting policies information (continued)

(i) Product classification (continued)

(ii) Life insurance non-participating contracts

Non-participating contracts are contracts that contain no discretionary benefits. All benefits under non-participating contracts are guaranteed at the outset. Variable benefits, if any, are formula-based, using relevant market data, as disclosed in the product terms and conditions. For protection based contracts, the Company usually guarantee a fixed level of benefit that is payable upon a claim event (e.g., death, disability, critical illness). In return, the policyholders will pay contractual premiums over the term of the contract which are reviewable on policy anniversary for certain products and riders.

(iii) Investment-linked contracts

Investment-linked contracts are contracts that transfer only insurance risk from policyholders to the Company. Whilst the insurance risk arising from the protection coverage is borne by the Company, the investment risk is predominantly borne by the policyholders. Policyholders of investment-linked contracts use their premium, after charges (if any) to purchase units in investment funds which are set up by the Company. Charges for insurance protection coverage and administration are deducted from the policyholders' investment fund balances by way of cancellation of units. The charges for insurance protection coverage include mortality and morbidity charges.

2. Material accounting policies information (continued)

(j) Life insurance underwriting results

Insurance Revenue

The Company recognises insurance revenue as it satisfies its performance obligations, i.e. as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each period represents the total of the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration, and comprises the following items:

- A release of the Contractual Service Margin (“CSM”), measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses for the period expected at the beginning of the year; and
- Other amounts, if any, for example, experience adjustments for premium receipts for current or past services.

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period using the same amortisation factor used to amortise CSM. The Company recognises the allocated amount, adjusted for interest accretion, as insurance revenue and an equal amount as insurance service expenses. Non-distinct investment components are excluded from insurance revenue and insurance service expenses.

(k) Life insurance contracts

(i) Separating components

At inception, the Company is required to separate distinct investment components, distinct services other than insurance contract services and embedded derivatives from an insurance contract and account for them as if they were stand-alone contracts. An investment component is distinct if and only if:

- (a) the insurance and investment components are not highly interrelated; and
- (b) a contract with equivalent terms is, or could be, sold separately in the same market or jurisdiction.

A contract has an investment component if there is an amount that the contract requires the entity to repay to the policyholders in all circumstances that have commercial substance. Surrender value, net of policy loans and surrender charges, is accounted as the investment component of a contract for participating and non-participating contracts. For Investment Linked and Universal Life products, the surrender value is based on the total units or account value available net of surrender charges and indebtedness.

2. Material accounting policies information (continued)

(k) Life insurance contracts (continued)

(i) Separating components (continued)

There are a small number of products that do not have surrender value, and the investment components of these contracts are determined on a case-by-case basis.

Asset management services for investments held under an insurance contract are not separated.

The investment components are not included in insurance revenue and insurance service expenses under MFRS 17.

(ii) Grouping of contracts

Under MFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, where each portfolio comprise group of contracts with similar risks which are managed together. The portfolios are further divided based on the profitability of contracts into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remaining contracts. The insurance contracts are also grouped into annual cohorts (i.e. by year of issue). Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued.

When determining “similar risks”, the Company does not divide risks within a contract, e.g. riders sold under a single contract would not be split by risk type. The Company has therefore identified three broad categories of risks referred to as “dominant” risks, namely, protection, investment and longevity. All business contained within ring-fenced fund will be considered as managed together. For other business, which is not contained within a ring-fenced fund, will be further segregate based on how their assets are managed and how the business being administered.

Under MFRS 17, insurance contracts are measured under the General Measurement Model (“GMM”), Variable Fee Approach (“VFA”) or Premium Allocation Approach (“PAA”). The Company predominantly uses the VFA and GMM, depending on the specific characteristics of the insurance contracts.

2. Material accounting policies information (continued)

(k) Life insurance contracts (continued)

(ii) Grouping of contracts (continued)

GMM is a mandatory measurement model under MFRS 17 whilst VFA is a modification of GMM to accommodate direct participating features contracts. An insurance contract has a direct participation feature if the following requirements are all met:

- (a) the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- (b) the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- (c) the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The Company applies the PAA to insurance contracts where the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary. The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liabilities for incurred claims that are expected to be paid within one year of being incurred. The insurance acquisition cash flows for PAA contracts are recognised as expenses when it is incurred. The Company makes very limited use of the PAA for some small portfolios of short duration contracts.

(iii) Initial recognition and contract boundary

Under MFRS 17, groups of insurance contracts are measured on initial recognition as the total of:

- (a) fulfilment cash flows, comprising the best estimate of the present value of future cash flows within the contract boundary that are expected to arise and an explicit risk adjustment for non-financial risk; and
- (b) a CSM that represents the deferral of any day-one gains arising on initial recognition.

The Company recognises groups of insurance contracts issued from the earliest of the following:

- (a) The beginning of the coverage period of the group of contracts;
- (b) The date when first payment from policyholder in the group becomes due; and
- (c) For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

2. Material accounting policies information (continued)

(k) Life insurance contracts (continued)

(iii) Initial recognition and contract boundary (continued)

The contract boundary defines which future cash flows are included in the measurement of a contract. The end of the contract boundary is considered to be at the point when the Company no longer has substantive rights and obligations under the insurance contract to provide services or compel the policyholder to pay premiums.

(iv) Subsequent measurement of CSM

The CSM of each group of insurance contracts is calculated at each reporting date as follows.

The carrying amount of the CSM of contracts measured under the GMM at each reporting date is the carrying amount at the start of the year, adjusted for: (a) the CSM of any new contracts that are added to the Company in the year; (b) interest accreted at locked-in discount rate; (c) changes in fulfilment cash flows that relate to future services except for those relating to onerous contracts; (d) the effect of currency exchange differences on the CSM; and (e) the amount of CSM recognised in profit or loss in the year based on the coverage units.

The carrying amount of the CSM of contracts measured under the VFA at each reporting date is the carrying amount at the start of the year, adjusted for: (a) the CSM of any new contracts that are added to the Company in the year; (b) the change in the amount of the Company's share of the fair value of the underlying items; (c) changes in fulfilment cash flows that relate to future services except for those relating to onerous contracts; (d) the effect of currency exchange differences on the CSM; and (e) the amount of CSM recognised in profit or loss in the year based on the coverage units.

(v) Modification and derecognition

The Company derecognises an insurance contract when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. The exercise of a right included in the terms of a contract is not a modification.

Company No. 198301012262 (107655-U)

2. Material accounting policies information (continued)

(k) Life insurance contracts (continued)

(v) Modification and derecognition (continued)

The following modifications will require the Company to change the accounting of the respective insurance contracts significantly:

- Had the modified terms included at contract inception, the Company would have concluded that the modified contract (a) is not within the scope of MFRS 17; (b) result in different separable components; (c) results in a different contract boundary; or (d) belongs to a different group of insurance contracts.
- Modification results in a change to contract accounting from VFA to GMM or vice versa.
- The Company applied the PAA to the original contracts, but the modification results in the contracts no longer meet the eligibility criteria for PAA.

(l) Reinsurance contracts held

The reinsurance contracts held primarily relate to protection business. The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, surplus, quota share, or catastrophe excess of loss basis. The amount of each risk retained depends on the evaluation of the specific risk, subject to certain circumstances, to internally set maximum limits based on characteristics of coverage.

All reinsurance contracts held by the Company are measured using either GMM or PAA.

The reinsurance contracts held by the Company are subject to the same requirements as underlying contracts in relation to separating distinct investment components and embedded derivatives from a reinsurance contract. No such components currently exist on reinsurance contracts held by the Company.

A group of reinsurance contracts held is recognised on the following date:

- Reinsurance contracts held by the Company that provide proportionate coverage: The later of the start date of the coverage period, and the date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share and coinsurance reinsurance contracts.
- Other (non-proportionate) reinsurance contracts held by the Company: The earlier of beginning of the coverage period of the group of reinsurance contracts or the recognition date of an underlying onerous group of insurance contracts issued.
- Reinsurance contracts held acquired via a business acquisition / combination: The date of the business acquisition / combination.

2. Material accounting policies information (continued)

(l) Reinsurance contracts held (continued)

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the Company, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if the net cost of purchasing reinsurance relates to past events, the Company recognises the net cost immediately in profit or loss.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is measured in the same way as the underlying insurance contracts under GMM and PAA. Reinsurance contracts held are subject to the same modification requirements as insurance contracts.

(m) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contributions to the Employee's Provident Fund ("EPF") 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.

Gratuities payable to entitled employees are computed based on a certain percentage of the monthly basic salaries and are remitted to the EPF when due.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits held with financial institutions which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Company in the management of their short-term commitments. It excludes deposits which are held for investment purpose.

2. Material accounting policies information (continued)

(o) Non-current asset held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property and equipment once classified as held for sale are not depreciated.

(p) Provision

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Long-term life field agents benefits

The Company is also obligated under the agreement with the life field agents to pay retirement benefits to eligible agents upon retirement. Such retirement benefits have been provided for in the financial statements to the extent of the Company's contractual liability.

(q) Other revenue recognition

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

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

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

Dividend is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2. Material accounting policies information (continued)

(q) Other revenue recognition (continued)

Gains or losses arising on disposal of investments are credited or charged to the profit or loss.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax base. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(t) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions

Measurement of insurance and reinsurance contracts

(i) Determination of fulfilment cashflows

The process of determining the present value of future cashflows involves a number of judgements and estimates, which are set out as below:

Estimates of future cash flows	The Company's objective in estimating future cash flows is to determine the expected value over a number of economic scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.
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The Company's process for estimating future cash flows incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date and estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation and regulations that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation or regulations is substantively enacted.

Cash flows within the boundary of a contract (the Company's accounting policy on contract boundary is given below) relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include future premium receipts, payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Judgements and assumptions are applied by the Company in arriving at an estimation of future cash flows. There is a wide range of economic and operating assumptions that are used as inputs in the future cash flows estimation process including, but not limited to, operating assumptions such as morbidity, mortality, persistency and expenses, and economic assumptions such as risk free rates and illiquidity premium.

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(i) Determination of fulfilment cashflows (continued)

Estimates of future cash flows (continued)	In relation to reinsurance contracts held, the probability weighted estimates of the present value of future cash flows includes the potential credit losses and losses from other disputes to reflect the non-performance risk of the reinsurers.
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Expense assumptions used in future cash flow estimation	The Company projects estimates of future expenses relating to the fulfilment of contracts within the scope of MFRS 17 using current expense levels adjusted for inflation. Costs that are incurred in fulfilling the contracts include, but are not limited to claims handling costs, policy administration expenses, investment management expenses, income tax and other costs specifically chargeable to the policyholders under the terms of the contracts. Expenses included in estimated future cash flows comprise of expenses directly attributable to the Company's contracts, including an allocation of fixed and variable overheads.
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Investment management expenses in relation to the management of the assets backing policyholder liabilities are included in the fulfilment cash flows for business using the VFA model, indirect participating business using the general model and general model non-participating business where the Company performs investment management activities to enhance benefits from insurance coverage for policyholders.

Most of the costs incurred by the insurance entities within the Company are considered to be incurred for the purpose of selling and fulfilling insurance contracts and are hence treated as attributable expenses. Cash flows that are not directly attributable to a portfolio of insurance contracts, such as cost for corporate social responsibility ("CSR"), are recognised in other operating expenses as incurred.

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(i) Determination of fulfilment cashflows (continued)

Demographic assumptions used in future cash flow estimation	The Company applies judgement in determining the assumptions to be applied to estimate the future cash inflows and outflows in the measurement of the insurance contract liabilities. These assumptions are consistent with those used in other metrics such as European Embedded Value (“EEV”) reporting.
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Assumptions about mortality, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type, reflecting recent experience and the profile of policyholders within groups of insurance contracts.

Mortality and morbidity assumptions are generally developed using recent experience and other relevant inputs. Experience is monitored through regular studies, the results of which are reflected in both the pricing of new products and the measurement of existing contracts.

The Company derives assumptions for lapse and surrender rates and other policyholder behaviour based on the Company’s own experience and any observable trends, to arrive at probability-weighted assumptions for each major product line.

Policyholder benefits	The assumptions used to project the cash flows also reflect the management’s actions and decisions over the duration of the projection, including the time and any expenses incurred in taking those actions.
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For participating contracts, estimated future claim payments include bonuses paid to policyholders determined by reference to the relevant profit sharing arrangement. Asset shares of these contracts are used to determine payments to policyholders.

Where cash flows from one group of insurance contracts affect, or are affected by, cash flows in other groups of contracts (e.g. for participating contracts), the fulfilment cash flows for a group include payments arising from the terms of existing contracts to policyholders in other groups and exclude payments to policyholders in the Company that have been included in the fulfilment cash flows of another group.

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(i) Determination of fulfilment cashflows (continued)

Insurance acquisition cash flows	Insurance acquisition cash flows arise from the cost of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of contracts to which the group belongs. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.
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Insurance acquisition cash flows that are directly attributable to a group of insurance contracts (e.g. non-refundable commissions paid on issuance of a contract) are allocated to that group and to the groups that will include renewals of those contracts.

Insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are recognised as an asset when they are paid or when a liability is required to be recognised under a standard other than MFRS 17. Such an asset is recognised for each group of insurance contracts to which the insurance acquisition cash flows are allocated. The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts.

Initial recognition and contract boundaries	It is required to determine the point of initial recognition and the contract boundary of the insurance contracts in order to measure its future cash flows.
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The contract boundary is assessed at inception and then reassessed only when there are changes in features or circumstances that alter the commercial substance of the contract or changes the products within a portfolio. The reassessment of the contract boundary for any changes is performed at the end of each reporting period.

The contract boundary of the insurance contracts issued by the Company generally begins on the insurance contract's coverage start date.

For most contracts issued by the Company, there is little judgement involved in determining the contract boundary for contracts with non-guaranteed renewability as the Company has practical ability to terminate the contracts or refuse renewal of the contracts.

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(i) Determination of fulfilment cashflows (continued)

Initial recognition and contract boundaries (continued)	For contracts where the renewability is guaranteed and the premiums and/or charges are not guaranteed, more judgement is involved. When determining the boundary for these contracts various factors are taken into consideration by the Company such as the Company's ability to fully reprice the respective contract and how such contracts are managed.
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Where riders attach to and are not separated from a base contract, the contract boundary is determined based on the component of the contract which has the longest contract boundary.

Future cash flows relating to riders which are not purchased at the inception of the base contract, but are added at a later date, are not included within the contract boundary at initial recognition. As the addition of these riders is the exercise of an option under the contract it is not considered a contract modification but is instead treated as changes in fulfilment cash flows.

Similar considerations to those applying to underlying insurance contracts apply in determining the contract boundary of groups of reinsurance contracts held.

Discount rates	The discount rate is determined on a bottom-up approach, starting with a liquid risk-free yield curve and adding an illiquidity premium to reflect the characteristics of the insurance contracts.
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Risk-free rates are based on government bond yields for all currencies. Yield curves are constructed by using a market-observed curve up to a last liquid point and then extrapolating to an ultimate forward rate.

Where cash flows depend on the return on underlying items, the projected earned rate is set to be equal to the discount rate.

Where stochastic modelling techniques are used, the projected average investment returns are calibrated to be equal to the deterministic discount rate (including the illiquidity premium).

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(i) Determination of fulfilment cashflows (continued)

Discount rates (continued)	The illiquidity premium is calculated as the yield-to-maturity on a reference portfolio of assets with similar liquidity characteristics to the insurance contracts, less the risk-free curve, and an allowance for credit risk. The illiquidity premium is then applied as a parallel shift to the full risk-free curve.
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The allowance for credit risk includes a credit risk premium which is derived through a lifetime projection of expected bond cash flows, allowing for the cost of downgrades and defaults, a rebalancing rate of projected downgrades; and a recovery rate in the event of default.

A proportion of the reference portfolio's illiquidity premium is applied to portfolios of insurance contracts reflecting the liquidity characteristics of the insurance contracts. The liquidity characteristics are assessed from the policyholders' perspective. A product's illiquidity premium is no greater than the long term expected excess returns over the risk free rate.

The following tables set out the range of yield curves used to discount cash flows of insurance contracts for major currencies:

	2024				
	1 year	5 years	10 years	15 years	20 years
	%	%	%	%	%
United States dollar (USD)	4.20	4.44	4.66	4.89	5.02
Singapore dollar (SGD)	2.76	2.79	2.89	2.93	2.84
Malaysian ringgit (MYR)	3.43 - 3.68	3.65 - 3.90	3.87 - 4.12	4.06 - 4.31	4.21 - 4.47
Australian dollar (AUD)	4.01	3.98	4.46	4.72	4.93
Great British Pound (GBP)	4.46	4.04	4.07	4.23	4.30
	2023				
	1 year	5 years	10 years	15 years	20 years
	%	%	%	%	%
United States dollar (USD)	4.81	3.86	3.90	4.01	4.36
Singapore dollar (SGD)	3.62	2.67	2.71	2.77	2.74
Malaysian ringgit (MYR)	3.31 - 3.56	3.67 - 3.91	3.78 - 4.03	4.09 - 4.34	4.33 - 4.58
Australian dollar (AUD)	3.95	3.68	4.02	4.26	4.37
Great British Pound (GBP)	4.73	3.35	3.27	3.38	3.42

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(i) Determination of fulfilment cashflows (continued)

Risk adjustment	The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfills insurance contracts.
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For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The risk adjustment for non-financial risk is determined by the Company using a confidence level approach. This is implemented through the use of provisions for adverse deviations ("PADs") calibrated using non-financial risk distributions and correlation assumptions. The PADs are applied to best estimate assumptions.

The Company's risk adjustment allows for all insurance, persistency and expense risks and operational risks specific to uncertainty in the amount and timing of insurance contract cash flows. Reinsurance counterparty default risk is excluded from the calculation. Diversification is included on a net of reinsurance basis.

By applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows. The confidence level is calibrated over a one-year period.

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(ii) Determination of coverage units

The proportion of CSM recognised in profit or loss at the end of each period for a group of insurance contracts is determined as the ratio of:

- the coverage units in the period; divided by
- the sum of the coverage units in the period and the present value of expected coverage units in future periods.

MFRS 17 provides principle-based guidance on how to determine the coverage units. The total number of coverage units in a group reflects the quantity of service provided determined by considering the quantity of benefits for each contract and its expected coverage period. The Company defines the quantity of benefits for insurance services as the maximum amount which a policyholder receives when an insured event takes place, for example the sum assured, the annual limit for a medical plan or the present value of a stream of payments. The quantity of benefits is updated each period. Investment related and investment-return services are assumed to be constant over time. However, there could be facts and circumstances where investment related and investment-return services are not considered constant, and a more suitable proxy for services needs to be identified.

Where there are multiple different services in a group of insurance contracts (for example both insurance and investment services are provided), the quantities of benefits for the different types of service are combined using weighting factors. These weighting factors are defined as the present value of expected outflows for each type of service, determined at a contract level.

The expected coverage period is the expected duration up to the contract boundary. The expected coverage period of the contracts in a group and the calculation of future coverage units allows for expected decrements (e.g. deaths and lapses) in each future period using current best estimate assumptions consistent with the best estimate liabilities ("BEL") calculation.

2. Material accounting policies information (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Measurement of insurance and reinsurance contracts (continued)

(ii) Determination of coverage units (continued)

The time value of money will be reflected in future coverage units based on the locked-in discount rate (used to accrete interest on the CSM) for contracts under the GMM, and the current discount rate for contracts under the VFA.

Determination of coverage units for groups of reinsurance contracts held follow the same principles as for groups of underlying contracts.

(iii) VFA eligibility assessment

The following key judgements have been made in assessing VFA eligibility:

Definition of substantial	The term substantial is interpreted to mean greater than 50 per cent.
Contractual terms	In some circumstances contractual terms are implied by customary business practices.
Granularity of assessment	The assessment has been carried out at a contract level. However, to the extent insurance contracts in a group affects the cash flows to policyholders of contracts in other groups (referred to as "mutualisation"), eligibility for the VFA has been assessed at the level at which such mutualisation occurs (e.g., fund level).
Calculation basis	VFA eligibility assessments have been performed on a basis consistent with how the Company measures its realistic expectations, for example during pricing, monitoring, or setting returns to policyholders.

2. Material accounting policies information (continued)

(v) Fair value measurements

Fair value of an asset or a liability, except for lease transaction, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

The Company recognises transfers between levels of the fair value hierarchy as of the event or change in circumstances that carried the transfers.

(w) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Company No. 198301012262 (107655-U)

3. Property and equipment

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
Cost							
At 1 January 2023	8,728	56,131	1,441	63,552	186,911	70,300	387,063
Additions	-	-	1,052	2,166	-	31,186	34,404
Disposal	-	-	(1,057)	-	-	-	(1,057)
Written off	-	-	-	(1,346)	(529)	-	(1,875)
Transfer to intangible assets (Note 5)	-	-	-	576	9,683	(41,702)	(31,443)
At 31 December 2023/1 January 2024	8,728	56,131	1,436	64,948	196,065	59,784	387,092
Additions	-	-	556	2,694	7,095	1,492	11,837
Disposal	-	-	(378)	(252)	-	-	(630)
Written off	-	-	-	(1,104)	(3,983)	(493)	(5,580)
Transfer to intangible assets (Note 5)	-	-	-	-	-	(7,620)	(7,620)
At 31 December 2024	8,728	56,131	1,614	66,286	199,177	53,163	385,099

Company No. 198301012262 (107655-U)

3. Property and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2023	-	26,484	1,440	57,406	106,533	-	191,863
Charge for the year	-	1,186	181	2,487	13,565	-	17,419
Disposal	-	-	(1,057)	-	-	-	(1,057)
Written off	-	-	-	(1,277)	(488)	-	(1,765)
At 31 December 2023/1 January 2024	-	27,670	564	58,616	119,610	-	206,460
Charge for the year	-	1,186	302	2,515	13,203	-	17,206
Disposal	-	-	(378)	(156)	-	-	(534)
Written off	-	-	-	(1,071)	(3,747)	-	(4,818)
At 31 December 2024	-	28,856	488	59,904	129,066	-	218,314
Net carrying amounts							
At 1 January 2023	8,728	29,647	1	6,146	80,378	70,300	195,200
At 31 December 2023/1 January 2024	8,728	28,461	872	6,332	76,455	59,784	180,632
At 31 December 2024	8,728	27,275	1,126	6,382	70,111	53,163	166,785

3. Property and equipment (continued)

Included in property and equipment are the costs of the following fully depreciated assets which are still in use:

	2024 RM'000	2023 RM'000
At cost		
Motor vehicles	6	384
Computer equipment	54,200	52,248
Office furniture, fittings and equipment	67,682	62,955
	<u>121,888</u>	<u>115,587</u>

4. Right-of-use assets

	Leasehold land RM'000	Lease buildings RM'000	Total RM'000
Carrying amount			
At 1 January 2023	1,623	139,972	141,595
Additions	-	33,228	33,228
Depreciation	(111)	(33,871)	(33,982)
At 31 December 2023/1 January 2024	1,512	139,329	140,841
Additions	-	14,555	14,555
Depreciation	(111)	(33,548)	(33,659)
At 31 December 2024	<u>1,401</u>	<u>120,336</u>	<u>121,737</u>

(a) Extension options

Headquarters office building

The headquarters office building lease contains an extension option exercisable by the Company of up to nine years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Company and not by the lessor. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension option. The Company will reassess whether it is reasonably certain to exercise the option if there is a significant event or change in circumstances within its control.

Branch and agency office premises

The branch and agency office premises leases contain extension options exercisable by the Company ranging from 1 year to 3 years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company will reassess whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

4. Right-of-use assets (continued)

(a) Extension options (continued)

	Lease liabilities recognised (discounted) RM'000	Potential future lease payment not included in lease liabilities (discounted) RM'000	Historical rate of extension options %
Lease buildings	134,687	162,559	58

5. Intangible assets

	Software and licenses RM'000
Cost	
At 1 January 2023	479,598
Additions	7,774
Written off	(60)
Transfer from capital work-in-progress (Note 3)	31,443
At 31 December 2023/1 January 2024	518,755
Additions	45,608
Written off	(3,452)
Transfer from capital work-in-progress (Note 3)	7,620
At 31 December 2024	568,531
Amortisation	
At 1 January 2023	163,307
Amortisation for the year	47,326
Written off	(58)
At 31 December 2023/1 January 2024	210,575
Amortisation for the year	51,337
Written off	(1,572)
At 31 December 2024	260,340

5. Intangible assets (continued)

	Software and licenses RM'000
Carrying amounts	
At 1 January 2023	<u>316,291</u>
At 31 December 2023/1 January 2024	<u>308,180</u>
At 31 December 2024	<u><u>308,191</u></u>

Included in intangible assets are the costs of the following fully depreciated assets which are still in use:

	2024 RM'000	2023 RM'000
Software and licenses, at cost	<u>24,907</u>	<u>24,666</u>

6. Investments, including derivatives

	2024 RM'000	2023 RM'000
Malaysian government securities	5,308,112	4,535,166
Debt securities	13,570,113	13,303,563
Equity securities	19,690,538	16,782,142
Real estate investment trusts ("REITs")	340,564	319,751
Exchange traded fund ("ETF")	18,415	-
Unit trust funds*	2,146,421	1,455,244
Foreign managed funds*	4,813,175	3,829,314
Investment in structured products	4,194	4,969
Derivatives	-	5,692
Loans	1,120	1,636
Fixed and call deposits with financial institutions	<u>4,267,061</u>	<u>3,861,761</u>
	<u><u>50,159,713</u></u>	<u><u>44,099,238</u></u>

6. Investments, including derivatives (continued)

* The Company holds significant holdings in some of the unit trust funds and foreign managed funds, and thus has control over the Collective Investment Schemes (“CIS”). The list of significant holdings in unit trust funds and foreign managed funds as well as the proportion of interests held by the Company are as follows:

	2024 Proportion of interest held
Eastspring Investments Asian High Yield Bond Fund	77%
Eastspring Investments Global Equity Fund	95%
Eastspring Investments Asia Pacific ex-Japan Target Return Fund	83%
Eastspring Investments Global Equity Navigator Fund Class D	62%
Eastspring Investments Global Market Navigator Fund Class D	51%
Eastspring Investments Dragon Peacock Fund Class D	96%

The Company is exempted from presenting consolidated financial statements under paragraph 4 of MFRS 10: Consolidated Financial Statements as it is a wholly-owned subsidiary of Sri Han Suria Sdn. Bhd., which produces consolidated financial statements which are available for public use.

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

	2024 RM’000	2023 RM’000
Amortised cost (“AC”)	4,268,181	3,863,397
Fair value through profit or loss (“FVTPL”)	<u>45,891,532</u>	<u>40,235,841</u>
	<u>50,159,713</u>	<u>44,099,238</u>

The following investments mature after 12 months:

	2024 RM’000	2023 RM’000
AC	205,173	259,614
FVTPL	<u>18,221,491</u>	<u>17,515,913</u>
	<u>18,426,664</u>	<u>17,775,527</u>

6. Investments, including derivatives (continued)

(a) Amortised cost

	2024 RM'000	2023 RM'000
Fixed and call deposits with financial institutions	4,267,061	3,861,761
Mortgage loans	13	32
Unsecured loans	1,107	1,604
	<u>4,268,181</u>	<u>3,863,397</u>

(b) Fair value through profit or loss

	2024 RM'000	2023 RM'000
Malaysian government securities	5,308,112	4,535,166
Debt securities	13,570,113	13,303,563
Equity securities	19,690,538	16,782,142
Real estate investment trusts ("REITs")	340,564	319,751
Exchange traded fund ("ETF")	18,415	-
Unit trust funds	2,146,421	1,455,244
Foreign managed funds	4,813,175	3,829,314
Investment in structured products	4,194	4,969
Derivatives	-	5,692
	<u>45,891,532</u>	<u>40,235,841</u>

Company No. 198301012262 (107655-U)

7. Other receivables

	2024	2023
	RM'000	RM'000
Other receivables, deposits and prepayments	280,020	59,220
Income due and accrued	230,992	229,047
Amounts due from related companies	<u>3,260</u>	<u>11,944</u>
	<u><u>514,272</u></u>	<u><u>300,211</u></u>

The amounts due from related companies are unsecured, interest free and receivable on demand.

8. Share capital

	Amount	Number	Amount	Number
	2024	of shares	2023	of shares
	RM'000	2024	RM'000	2023
		'000		'000
Issued and fully paid with no par value:				
Ordinary shares				
At beginning and end of year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

9. Retained earnings

The Company may distribute single tier exempt dividend to its shareholder out of its distributable retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013 ("FSA"), the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend.

Pursuant to the Risk-Based Capital Framework for Insurers and Takaful Operators ("RBC Framework"), the Company shall not pay dividends if its Capital Adequacy Ratio ("CAR") position is less than the Company's Individual Target Capital Level ("ITCL") or if the payment of dividend would impair its CAR position to below its ITCL.

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities

The table below provides an analysis of the portfolio of insurance contract assets and liabilities issued by the Company, as disclosed in the statement of financial position:

	Assets	Liabilities	Net liabilities / (assets)
	RM'000	RM'000	RM'000
As at 31 December 2024			
Estimates of present value of future cash flows	-	30,074,701	30,074,701
Risk adjustment for non-financial risks (RA)	-	1,591,549	1,591,549
Contractual service margin (CSM)	-	9,159,050	9,159,050
Insurance contracts not measured under PAA	-	40,825,300	40,825,300
Insurance contracts measured under PAA	(44,068)	10,532	(33,536)
Total insurance contract balances	(44,068)	40,835,832	40,791,764
As at 31 December 2023			
Estimates of present value of future cash flows	-	25,666,154	25,666,154
Risk adjustment for non-financial risks (RA)	-	1,383,399	1,383,399
Contractual service margin (CSM)	-	9,153,516	9,153,516
Insurance contracts not measured under PAA	-	36,203,069	36,203,069
Insurance contracts measured under PAA	(36,420)	6,454	(29,966)
Total insurance contract balances	(36,420)	36,209,523	36,173,103

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

a) An analysis of movements in insurance contract balances by remaining coverage and incurred claims is set out below:

	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Loss component RM'000	Excluding loss component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
At 1 January 2024					
Opening (assets)	-	(26,091)	(10,329)	-	(36,420)
Opening liabilities	203,695	34,256,831	1,727	1,747,270	36,209,523
Net opening liabilities	203,695	34,230,740	(8,602)	1,747,270	36,173,103
Insurance revenue					
Contracts under modified retrospective approach	-	(1,417,822)	-	-	(1,417,822)
Contracts under fair value approach	-	(376,778)	-	-	(376,778)
Other contracts	-	(4,007,018)	-	-	(4,007,018)
Insurance service expense					
Adjustments to liabilities for incurred claims	-	-	18,814	54,527	73,341
Amortisation of insurance acquisition cash flows	-	1,179,662	-	-	1,179,662
Incurred claims and other expenses	(15,951)	-	23,973	3,318,090	3,326,112
Losses and/or reversal of losses on onerous contracts	39,254	-	-	-	39,254
Insurance Service Result	23,303	(4,621,956)	42,787	3,372,617	(1,183,249)

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

- a) An analysis of movements in insurance contract balances by remaining coverage and incurred claims is set out below (continued):

	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Loss component RM'000	Excluding loss component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
Investment components	-	(2,961,007)	-	2,961,007	-
Net insurance finance expense	8,175	4,366,800	-	35,773	4,410,748
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	31,478	(3,216,163)	42,787	6,369,397	3,227,499
Cash flows					
Claims & other insurance services expenses paid	-	-	(48,372)	(6,244,077)	(6,292,449)
Insurance acquisition cash flows	-	(1,315,857)	-	-	(1,315,857)
Premiums and other amounts received for insurance contracts	-	8,999,468	-	-	8,999,468
Total cash flows	-	7,683,611	(48,372)	(6,244,077)	1,391,162
Net closing liabilities	235,173	38,698,188	(14,187)	1,872,590	40,791,764
At 31 December 2024					
Closing (assets)	-	(29,771)	(14,297)	-	(44,068)
Closing liabilities	235,173	38,727,959	110	1,872,590	40,835,832
Net closing liabilities	235,173	38,698,188	(14,187)	1,872,590	40,791,764

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

- a) An analysis of movements in insurance contract balances by remaining coverage and incurred claims is set out below (continued):

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Loss component RM'000	Excluding loss component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
At 1 January 2023					
Opening (assets)	-	(26,301)	(14,413)	-	(40,714)
Opening liabilities	191,596	31,881,532	1,238	1,598,379	33,672,745
Net opening liabilities	191,596	31,855,231	(13,175)	1,598,379	33,632,031
Insurance revenue					
Contracts under modified retrospective approach	-	(673,849)	-	-	(673,849)
Contracts under fair value approach	-	(150,082)	-	-	(150,082)
Other contracts	-	(4,242,710)	-	-	(4,242,710)
Insurance service expense					
Adjustments to liabilities for incurred claims	-	-	11,177	31,154	42,331
Amortisation of insurance acquisition cash flows	-	1,034,488	-	-	1,034,488
Incurred claims and other expenses	(18,943)	-	25,664	2,963,007	2,969,728
Losses and/or reversal of losses on onerous contracts	23,483	-	-	-	23,483
Insurance Service Result	4,540	(4,032,153)	36,841	2,994,161	(996,611)

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

- a) An analysis of movements in insurance contract balances by remaining coverage and incurred claims is set out below (continued):

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Loss component RM'000	Excluding loss component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
Investment components	-	(2,804,472)	-	2,804,472	-
Net insurance finance expense	7,559	2,059,835	-	44,280	2,111,674
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	12,099	(4,776,790)	36,841	5,842,913	1,115,063
Cash flows					
Claims & other insurance services expenses paid	-	-	(32,268)	(5,694,022)	(5,726,290)
Insurance acquisition cash flows	-	(1,043,638)	-	-	(1,043,638)
Premiums and other amounts received for insurance contracts	-	8,195,937	-	-	8,195,937
Total cash flows	-	7,152,299	(32,268)	(5,694,022)	1,426,009
Net closing liabilities	203,695	34,230,740	(8,602)	1,747,270	36,173,103
At 31 December 2023					
Closing (assets)	-	(26,091)	(10,329)	-	(36,420)
Closing liabilities	203,695	34,256,831	1,727	1,747,270	36,209,523
Net closing liabilities	203,695	34,230,740	(8,602)	1,747,270	36,173,103

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

- b) An analysis of movements in insurance contracts balances issued (that are not measured under the premium allocation approach) by measurement component is set out below:

	2024			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
At 1 January 2024				
Opening (assets)	-	-	-	-
Opening liabilities	25,666,154	1,383,399	9,153,516	36,203,069
Net opening liabilities	25,666,154	1,383,399	9,153,516	36,203,069
Changes that relate to current services				
CSM recognised for services provided	-	-	(1,006,409)	(1,006,409)
Risk adjustment recognised for the risks expired	-	(118,680)	-	(118,680)
Experience adjustments	(123,099)	-	-	(123,099)
Changes that relate to future services				
Contracts initially recognised in the year	(759,738)	106,216	658,182	4,660
Changes in estimates that adjust the CSM	(193,674)	136,180	57,494	-
Changes in estimates that do not adjust the CSM	32,391	2,203	-	34,594
Changes that relate to past services				
Adjustments to liabilities for incurred claims	54,527	-	-	54,527
Insurance Service Result	(989,593)	125,919	(290,733)	(1,154,407)
Net insurance finance expense	4,032,250	82,231	296,267	4,410,748
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	3,042,657	208,150	5,534	3,256,341

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

- b) An analysis of movements in insurance contracts balances issued (that are not measured under the premium allocation approach) by measurement component is set out below (continued):

	2024			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
Cash flows				
Claims & other insurance services expenses paid	(6,244,077)	-	-	(6,244,077)
Insurance acquisition cash flows	(1,303,394)	-	-	(1,303,394)
Premiums and other amounts received for insurance contracts	8,913,361	-	-	8,913,361
Total cash flows	1,365,890	-	-	1,365,890
Net closing liabilities	30,074,701	1,591,549	9,159,050	40,825,300
At 31 December 2024				
Closing (assets)	-	-	-	-
Closing liabilities	30,074,701	1,591,549	9,159,050	40,825,300
Net closing liabilities	30,074,701	1,591,549	9,159,050	40,825,300

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

- b) An analysis of movements in insurance contracts balances issued (that are not measured under the premium allocation approach) by measurement component is set out below (continued):

	2023			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
At 1 January 2023				
Opening (assets)	-	-	-	-
Opening liabilities	23,316,822	1,259,940	9,094,515	33,671,277
Net opening liabilities	23,316,822	1,259,940	9,094,515	33,671,277
Changes that relate to current services				
CSM recognised for services provided	-	-	(968,758)	(968,758)
Risk adjustment recognised for the risks expired	-	(110,348)	-	(110,348)
Experience adjustments	36,842	-	-	36,842
Changes that relate to future services				
Contracts initially recognised in the year	(695,523)	98,613	604,170	7,260
Changes in estimates that adjust the CSM	(193,788)	68,224	125,564	-
Changes in estimates that do not adjust the CSM	11,030	5,194	-	16,224
Changes that relate to past services				
Adjustments to liabilities for incurred claims	30,421	733	-	31,154
Insurance Service Result	(811,018)	62,416	(239,024)	(987,626)
Net insurance finance expenses	1,752,606	61,043	298,025	2,111,674
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	941,588	123,459	59,001	1,124,048

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

- b) An analysis of movements in insurance contracts balances issued (that are not measured under the premium allocation approach) by measurement component is set out below (continued):

	2023			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
Cash flows				
Claims & other insurance services expenses paid	(5,694,022)	-	-	(5,694,022)
Insurance acquisition cash flows	(1,035,900)	-	-	(1,035,900)
Premiums and other amounts received for insurance contracts	8,137,666	-	-	8,137,666
Total cash flows	1,407,744	-	-	1,407,744
Net closing liabilities	25,666,154	1,383,399	9,153,516	36,203,069
At 31 December 2023				
Closing (assets)	-	-	-	-
Closing liabilities	25,666,154	1,383,399	9,153,516	36,203,069
Net closing liabilities	25,666,154	1,383,399	9,153,516	36,203,069

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

c) The table below provides an analysis of CSM by transition approach:

	2024			
	Contracts under MRA RM'000	Contracts under FVA RM'000	Other contracts RM'000	Total RM'000
Contractual Service Margin as at 1 January	2,753,190	334,440	6,065,886	9,153,516
Changes that relate to current services				
CSM recognised for services provided	(330,116)	(48,534)	(627,759)	(1,006,409)
Changes that relate to future services				
Contracts initially recognised in the year	-	-	658,182	658,182
Changes in estimates that adjust the CSM	87,394	30,705	(60,605)	57,494
Insurance service result	(242,722)	(17,829)	(30,182)	(290,733)
Net insurance finance expense	103,169	6,375	186,723	296,267
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(139,553)	(11,454)	156,541	5,534
Contractual Service Margin as at 31 December	2,613,637	322,986	6,222,427	9,159,050

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

c) The table below provides an analysis of CSM by transition approach (continued):

	2023			
	Contracts under MRA RM'000	Contracts under FVA RM'000	Other contracts RM'000	Total RM'000
Contractual Service Margin as at 1 January	2,954,135	339,260	5,801,120	9,094,515
Changes that relate to current services				
CSM recognised for services provided	(337,921)	(49,298)	(581,539)	(968,758)
Changes that relate to future services				
Contracts initially recognised in the year	-	-	604,170	604,170
Changes in estimates that adjust the CSM	29,131	37,647	58,786	125,564
Insurance service result	(308,790)	(11,651)	81,417	(239,024)
Net insurance finance expense	107,845	6,831	183,349	298,025
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(200,945)	(4,820)	264,766	59,001
Contractual Service Margin as at 31 December	2,753,190	334,440	6,065,886	9,153,516

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

d) Effect of insurance contracts initially recognised in the year

The following table summarises the effect on the measurement components arising from the initial recognition of new insurance contracts issued during the year:

	2024			2023		
	Profitable contracts issued RM'000	Onerous contracts issued RM'000	Total RM'000	Profitable contracts issued RM'000	Onerous contracts issued RM'000	Total RM'000
Estimates of the present value of future cash outflows:						
- Insurance acquisition cash flows	1,099,859	56,695	1,156,554	1,041,285	68,850	1,110,135
- Claims and other directly attributable expenses	4,735,388	211,291	4,946,679	4,501,497	277,255	4,778,752
Estimates of the present value of future cash inflows	(6,598,156)	(264,815)	(6,862,971)	(6,244,210)	(340,200)	(6,584,410)
Risk adjustment for non-financial risks	104,727	1,489	106,216	97,258	1,355	98,613
CSM	658,182	-	658,182	604,170	-	604,170
Loss recognised on initial recognition	-	4,660	4,660	-	7,260	7,260

Company No. 198301012262 (107655-U)

10. Insurance contract assets / liabilities (continued)

e) Contractual Service Margin

The following table illustrates when the Company expects to recognise the remaining CSM at reporting date in profit or loss, after the reporting date based on the assumptions applied and economic conditions in place at that date:

Insurance contract liabilities – expected recognition of CSM	2024 RM'000	2023 RM'000
1 year or less	941,853	927,272
After 1 year to 2 years	852,226	841,304
After 2 years to 3 years	772,293	767,039
After 3 years to 4 years	699,662	697,517
After 4 years to 5 years	631,656	631,834
After 5 years to 10 years	2,251,645	2,274,065
After 10 years to 15 years	1,404,305	1,414,067
After 15 years to 20 years	803,545	799,414
After 20 years	801,865	801,004
Total CSM	<u>9,159,050</u>	<u>9,153,516</u>

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities

The table below provides an analysis of the portfolio of reinsurance contract assets and liabilities held by the Company, as disclosed in the statement of financial position:

	Assets	Liabilities	Net (liabilities) / assets
	RM'000	RM'000	RM'000
As at 31 December 2024			
Estimates of present value of future cash flows	94,218	(207,627)	(113,409)
Risk adjustment for non-financial risks (RA)	37,618	18,961	56,579
Contractual service margin (CSM)	(63,579)	(940)	(64,519)
Reinsurance contracts not measured under PAA	68,257	(189,606)	(121,349)
Reinsurance contracts measured under PAA	13,841	(4,283)	9,558
Total reinsurance contract balances	<u>82,098</u>	<u>(193,889)</u>	<u>(111,791)</u>
As at 31 December 2023			
Estimates of present value of future cash flows	117,964	(212,942)	(94,978)
Risk adjustment for non-financial risks (RA)	17,131	2,703	19,834
Contractual service margin (CSM)	(34,846)	14,087	(20,759)
Reinsurance contracts not measured under PAA	100,249	(196,152)	(95,903)
Reinsurance contracts measured under PAA	10,245	(5,793)	4,452
Total reinsurance contract balances	<u>110,494</u>	<u>(201,945)</u>	<u>(91,451)</u>

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

a) An analysis of movements in reinsurance contract balances by remaining coverage and incurred claims is set out below:

	2024				
	Assets for remaining coverage		Assets for incurred claims		
	Loss- recovery component RM'000	Excluding loss- recovery component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
At 1 January 2024					
Opening assets	2,169	(157,614)	19,453	246,486	110,494
Opening (liabilities)	368	(362,626)	(1,614)	161,927	(201,945)
Net opening assets/(liabilities)	2,537	(520,240)	17,839	408,413	(91,451)
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	-	(363,099)	-	-	(363,099)
Amounts recoverable from reinsurers					
Recognition/Reversal of loss-recovery from onerous underlying contracts	1,573	-	-	-	1,573
Amounts recoverable for claims and other expenses incurred in the year	-	-	7,110	283,457	290,567
Changes in amounts recoverable arising from changes in liabilities for incurred claims	-	-	6,544	12,389	18,933
Net income/(expense) from reinsurance contracts held	1,573	(363,099)	13,654	295,846	(52,026)
Net reinsurance finance expense	-	(6,615)	-	-	(6,615)
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	1,573	(369,714)	13,654	295,846	(58,641)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

- a) An analysis of movements in reinsurance contract balances by remaining coverage and incurred claims is set out below (continued):

	2024				
	Assets for remaining coverage		Assets for incurred claims		
	Loss-recovery component RM'000	Excluding loss-recovery component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
Cash flows					
Premiums paid	-	489,911	-	-	489,911
Amounts recovered	-	-	(28,707)	(422,903)	(451,610)
Total cash flows	-	489,911	(28,707)	(422,903)	38,301
Net closing assets/(liabilities)	4,110	(400,043)	2,786	281,356	(111,791)
At 31 December 2024					
Closing assets	3,267	(33,613)	2,868	109,576	82,098
Closing (liabilities)	843	(366,430)	(82)	171,780	(193,889)
Net closing assets/(liabilities)	4,110	(400,043)	2,786	281,356	(111,791)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

- a) An analysis of movements in reinsurance contract balances by remaining coverage and incurred claims is set out below (continued):

	2023				
	Assets for remaining coverage		Assets for incurred claims		
	Loss-recovery component RM'000	Excluding loss-recovery component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
At 1 January 2023					
Opening assets	1,342	(120,248)	7,693	207,997	96,784
Opening (liabilities)	156	(273,821)	174	95,012	(178,479)
Net opening assets/(liabilities)	1,498	(394,069)	7,867	303,009	(81,695)
Allocation of reinsurance premiums					
Amounts relating to the changes in the assets for remaining coverage	-	(307,736)	-	-	(307,736)
Amounts recoverable from reinsurers					
Recognition of loss-recovery from onerous underlying contracts	1,039	-	-	-	1,039
Amounts recoverable for claims and other expenses incurred in the year	-	-	7,525	241,307	248,832
Changes in amounts recoverable arising from changes in liabilities for incurred claims	-	-	5,120	15,566	20,686
Net income/(expense) from reinsurance contracts held	1,039	(307,736)	12,645	256,873	(37,179)
Net reinsurance finance expense	-	(2,870)	-	-	(2,870)
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	1,039	(310,606)	12,645	256,873	(40,049)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

- a) An analysis of movements in reinsurance contract balances by remaining coverage and incurred claims is set out below (continued):

	2023				
	Assets for remaining coverage		Assets for incurred claims		
	Loss-recovery component RM'000	Excluding loss-recovery component RM'000	PAA Estimates of the present value of future cash flows RM'000	Non-PAA RM'000	Total RM'000
Cash flows					
Premiums paid	-	184,435	-	-	184,435
Amounts recovered	-	-	(2,673)	(151,469)	(154,142)
Total cash flows	-	184,435	(2,673)	(151,469)	30,293
Net closing assets/(liabilities)	2,537	(520,240)	17,839	408,413	(91,451)
At 31 December 2023					
Closing assets	2,169	(157,614)	19,453	246,486	110,494
Closing (liabilities)	368	(362,626)	(1,614)	161,927	(201,945)
Net closing assets/(liabilities)	2,537	(520,240)	17,839	408,413	(91,451)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

- b) An analysis of movements in reinsurance contracts balances (that are not measured under the premium allocation approach) by measurement component is set out below:

	2024			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
At 1 January 2024				
Opening assets	117,964	17,131	(34,846)	100,249
Opening (liabilities)	(212,942)	2,703	14,087	(196,152)
Net opening (liabilities)/assets	(94,978)	19,834	(20,759)	(95,903)
Changes that relate to current services				
CSM recognised for services received	-	-	4,338	4,338
Risk adjustment recognised for the risks expired	-	(5,804)	-	(5,804)
Experience adjustments	(60,852)	-	-	(60,852)
Changes that relate to future services				
Contracts initially recognised in the year	6,781	2,788	(9,311)	258
Changes in estimates that adjust the CSM	1,031	36,100	(37,131)	-
Changes in estimates that do not adjust the CSM	1,322	-	-	1,322
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liabilities for incurred claims	12,389	-	-	12,389
Net expense from reinsurance contracts held	(39,329)	33,084	(42,104)	(48,349)
Net reinsurance finance (expense)/income	(8,620)	3,661	(1,656)	(6,615)
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(47,949)	36,745	(43,760)	(54,964)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

- b) An analysis of movements in reinsurance contracts balances (that are not measured under the premium allocation approach) by measurement component is set out below (continued):

	2024			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
Cash flows				
Premiums paid	452,421	-	-	452,421
Amounts recovered	(422,903)	-	-	(422,903)
Total cash flows	29,518	-	-	29,518
Net closing (liabilities)/assets	(113,409)	56,579	(64,519)	(121,349)
At 31 December 2024				
Closing assets	94,218	37,618	(63,579)	68,257
Closing (liabilities)	(207,627)	18,961	(940)	(189,606)
Net closing (liabilities)/assets	(113,409)	56,579	(64,519)	(121,349)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

- b) An analysis of movements in reinsurance contracts balances (that are not measured under the premium allocation approach) by measurement component is set out below (continued):

	2023			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
At 1 January 2023				
Opening assets	88,254	15,252	(17,880)	85,626
Opening (liabilities)	(202,377)	7,509	20,109	(174,759)
Net opening (liabilities)/assets	(114,123)	22,761	2,229	(89,133)
Changes that relate to current services				
CSM recognised for services received	-	-	1,509	1,509
Risk adjustment recognised for the risks expired	-	(5,882)	-	(5,882)
Experience adjustments	(48,627)	-	-	(48,627)
Changes that relate to future services				
Contracts initially recognised in the year	79	1,401	(887)	593
Changes in estimates that adjust the CSM	24,105	(470)	(23,635)	-
Changes in estimates that do not adjust the CSM	448	-	-	448
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liabilities for incurred claims	15,566	-	-	15,566
Net expense from reinsurance contracts held	(8,429)	(4,951)	(23,013)	(36,393)
Net reinsurance finance (expense)/income	(4,919)	2,024	25	(2,870)
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	(13,348)	(2,927)	(22,988)	(39,263)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

- b) An analysis of movements in reinsurance contracts balances (that are not measured under the premium allocation approach) by measurement component is set out below (continued):

	2023			
	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Contractual Service Margin RM'000	Total RM'000
Cash flows				
Premiums paid	183,962	-	-	183,962
Amounts recovered	(151,469)	-	-	(151,469)
Total cash flows	32,493	-	-	32,493
Net closing (liabilities)/assets	(94,978)	19,834	(20,759)	(95,903)
At 31 December 2023				
Closing assets	117,964	17,131	(34,846)	100,249
Closing (liabilities)	(212,942)	2,703	14,087	(196,152)
Net closing (liabilities)/assets	(94,978)	19,834	(20,759)	(95,903)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

c) The table below provides an analysis of CSM by transition approach:

	2024			
	Contracts under MRA RM'000	Contracts under FVA RM'000	Other contracts RM'000	Total RM'000
Contractual Service Margin as at 1 January	-	235	(20,994)	(20,759)
Changes that relate to current services				
CSM recognised for services provided	-	(6,828)	11,166	4,338
Changes that relate to future services				
Contracts initially recognised in the year	-	-	(9,311)	(9,311)
Changes in estimates that adjust the CSM	-	(5,211)	(31,920)	(37,131)
Insurance service result	-	(12,039)	(30,065)	(42,104)
Net insurance finance expense	-	(525)	(1,131)	(1,656)
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	-	(12,564)	(31,196)	(43,760)
Contractual Service Margin as at 31 December	-	(12,329)	(52,190)	(64,519)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

c) The table below provides an analysis of CSM by transition approach (continued):

	2023			Total RM'000
	Contracts under MRA RM'000	Contracts under FVA RM'000	Other contracts RM'000	
Contractual Service Margin as at 1 January	-	6,988	(4,759)	2,229
Changes that relate to current services				
CSM recognised for services provided	-	(2,312)	3,821	1,509
Changes that relate to future services				
Contracts initially recognised in the year	-	-	(887)	(887)
Changes in estimates that adjust the CSM	-	(4,613)	(19,022)	(23,635)
Insurance service result	-	(6,925)	(16,088)	(23,013)
Net insurance finance expense	-	172	(147)	25
Total changes in the Statement of Profit or Loss and Other Comprehensive Income	-	(6,753)	(16,235)	(22,988)
Contractual Service Margin as at 31 December	-	235	(20,994)	(20,759)

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

d) Effect of reinsurance contracts initially recognised in the year

The following table summarises the effect on the measurement components arising from the initial recognition of reinsurance contracts held during the year:

	Contracts without loss- recovery component RM'000	2024 Contracts with loss- recovery component RM'000	Total RM'000	Contracts without loss- recovery component RM'000	2023 Contracts with loss- recovery component RM'000	Total RM'000
Estimate of present value of expected future cash outflows	-	(445,243)	(445,243)	-	(350,696)	(350,696)
Estimate of present value of expected future cash inflows	-	452,024	452,024	-	350,775	350,775
Risk adjustment	-	2,788	2,788	-	1,401	1,401
CSM	-	(9,311)	(9,311)	-	(887)	(887)
Loss recognised on initial recognition	-	258	258	-	593	593

Company No. 198301012262 (107655-U)

11. Reinsurance contract assets / liabilities (continued)

e) Contractual Service Margin

The following table illustrates when the Company expects to recognise the remaining CSM at reporting date in profit or loss, after the reporting date based on the assumptions applied and economic conditions in place at that date:

Reinsurance contract (liabilities) / assets – expected recognition of CSM	2024 RM'000	2023 RM'000
1 year or less	(8,286)	(147)
After 1 year to 2 years	(7,355)	(82)
After 2 years to 3 years	(6,095)	6
After 3 years to 4 years	(5,106)	(2,054)
After 4 years to 5 years	(4,741)	(2,386)
After 5 years to 10 years	(15,314)	(7,891)
After 10 years to 15 years	(9,199)	(4,491)
After 15 years to 20 years	(4,912)	(2,176)
After 20 years	(3,511)	(1,538)
Total CSM	<u>(64,519)</u>	<u>(20,759)</u>

12. Deferred taxation

	Note	2024 RM'000	2023 RM'000
At 1 January		1,967,263	1,651,973
Recognised in profit or loss	19	536,033	315,290
At 31 December		<u>2,503,296</u>	<u>1,967,263</u>

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.

Movement in recognised temporary differences during the year presented after appropriate offsetting:

	At 1.1.2023 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2023/ 1.1.2024 RM'000	Recognised in profit or loss (Note 19) RM'000	At 31.12.2024 RM'000
Property and equipment capital allowances	15,816	(1,714)	14,102	1,532	15,634
Fair value gains and losses	2,791	73,694	76,485	188,192	264,677
Unallocated surplus	1,602,878	220,456	1,823,334	321,795	2,145,129
Other temporary differences	30,488	22,854	53,342	24,514	77,856
Net deferred tax liabilities	<u>1,651,973</u>	<u>315,290</u>	<u>1,967,263</u>	<u>536,033</u>	<u>2,503,296</u>

13. Other payables and provisions

	2024	2023
	RM'000	RM'000
Other payables and accrued liabilities	239,689	198,197
Provisions	5,340	6,221
Amounts due to related companies	<u>35,789</u>	<u>17,469</u>
	<u><u>280,818</u></u>	<u><u>221,887</u></u>

The amounts due to related companies are unsecured, interest free and repayable on demand.

14. Insurance revenue

	2024	2023
	RM'000	RM'000
Amounts relating to changes in liabilities for remaining coverage:		
Expected claims and other insurance service expenses	3,266,898	2,807,959
Change in risk adjustment for non-financial risks	119,035	110,756
Release of contractual service margin for services provided	1,006,409	968,758
Premium and other adjustments to insurance revenue	142,913	84,255
Recovery of insurance acquisition cash flows	1,179,662	1,034,488
Revenue from contracts measured under PAA	<u>86,701</u>	<u>60,425</u>
	<u><u>5,801,618</u></u>	<u><u>5,066,641</u></u>

15. Investment income

	2024	2023
	RM'000	RM'000
Realised gains and losses (Note 15 (a))	1,051,434	47,385
Fair value gains and losses (Note 15 (b))	2,353,719	918,581
Other investment income (Note 15 (c))	1,713,889	1,574,084
	<u>5,119,042</u>	<u>2,540,050</u>

a) Realised gains and losses

	2024	2023
	RM'000	RM'000
Financial assets at FVTPL		
Realised gains:		
Equity securities		
- quoted in Malaysia	1,081,875	247,953
Debt securities		
- unquoted in Malaysia	40,871	44,768
Other securities		
- collective investment schemes	277,096	101,751
- investment in structured products	75	34
Derivatives	40,675	23,104
	<u>1,440,592</u>	<u>417,610</u>
Realised losses:		
Equity securities		
- quoted in Malaysia	(374,432)	(328,723)
Debt securities		
- unquoted in Malaysia	(4,807)	(23,378)
Other securities		
- collective investment schemes	(17,104)	(40,436)
Derivatives	(29,761)	(23,607)
	<u>(426,104)</u>	<u>(416,144)</u>
Net foreign exchange gain	36,946	45,919
Total net realised gains from FVTPL financial assets	<u>1,051,434</u>	<u>47,385</u>

b) Fair value gains and losses

	2024	2023
	RM'000	RM'000
Financial assets	<u>2,353,719</u>	<u>918,581</u>

15. Investment income (continued)**c) Other investment income**

	2024	2023
	RM'000	RM'000
Financial assets at FVTPL		
Interest income		
- Malaysian government securities	208,407	178,135
- Cagamas bonds	5,995	5,833
- Unquoted debentures, bonds and loan stocks of corporations	640,904	637,540
Dividend income		
- Equity securities quoted in Malaysia	765,073	652,698
- Equity securities unquoted in Malaysia	537	704
Financial assets at amortised cost		
Interest income		
- Fixed and call deposits	148,154	145,449
Investment expenses	(53,278)	(46,516)
Others	(1,903)	241
	<u>1,713,889</u>	<u>1,574,084</u>

16. Insurance and reinsurance finance income / expense

	2024	2023
	RM'000	RM'000
Insurance finance (expense) / income from insurance contracts issued		
Accretion of interest	(462,973)	(463,390)
Changes in interest rates and other financial assumptions	(1,294,291)	94,873
Changes in fair value of the underlying assets of insurance contracts	(2,675,556)	(1,739,015)
Effect of measuring changes in estimates at current rates and adjusting the CSM at locked-in rates	114,458	(2,115)
Net foreign exchange gain / (loss)	3,632	(2,651)
Other finance (expense) / income	(96,018)	624
Total insurance finance expense	<u>(4,410,748)</u>	<u>(2,111,674)</u>
Reinsurance finance (expense) / income from reinsurance contracts held		
Accretion of interest	(5,774)	(2,815)
Changes in interest rates and other financial assumptions	(1,615)	(1,289)
Net foreign exchange gain	774	1,234
Total reinsurance finance expense	<u>(6,615)</u>	<u>(2,870)</u>
Total net investment income, insurance finance expenses and reinsurance finance expenses		
Represented by amounts recognised in profit or loss	<u>701,679</u>	<u>425,506</u>

16. Insurance and reinsurance finance income / expense (continued)

The fair value of underlying items of the Company's direct participating contracts as at 31 December 2024 was RM 27,731,606,674 (2023: RM 24,865,293,090). The underlying items comprise primarily investments in debt securities, equity securities and collective investment schemes. The underlying items also include policyholders' share of assets of the fund.

17. Other income

	2024 RM'000	2023 RM'000
Realised gains	191	304
Interest and rental income	1,589	2,072
Fee and commission income	38,787	30,287
Other operating income	4,425	24,831
	<u>44,992</u>	<u>57,494</u>

18. Other expenditure

	Note	2024 RM'000	2023 RM'000
Employee benefits expense:			
Wages and salaries		250,880	245,538
Social security contributions		1,330	1,351
Contributions to defined contribution plan, EPF		31,854	31,071
Other benefits		15,147	14,064
Directors' remuneration	18(a)	1,701	1,462
Auditors' remuneration:			
Audit fees		1,828	1,725
Other audit-related services		90	490
Retirement benefits		6,030	5,628
Expenses relating to short-term and low-value leases		4,696	4,753
Foreign exchange loss		10,622	9,928
Other operating expenses		67,397	66,800
		<u>391,575</u>	<u>382,810</u>
Less: Amount attributed to acquisition cash flows		(177,270)	(176,933)
Less: Amount attributed to non-acquisition cash flows		(192,060)	(186,901)
Total other expenditure		<u>22,245</u>	<u>18,976</u>

18. Other expenditure (continued)

(a) Chief Executive Officer and Directors' remuneration

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	Note	2024 RM'000	2023 RM'000
Chief Executive Officer:			
Fixed and variable remuneration		5,738	4,919
Shares and share-linked instruments		2,548	2,116
Estimated money value of benefits-in-kind		40	27
		<u>8,326</u>	<u>7,062</u>
Non-Executive Directors:			
- Abdul Khalil bin Abdul Hamid		367	332
- Foong Pik Yee		278	250
- Anthony Albert Collingridge		278	250
- Chin Kwai Fatt		278	250
- Mohd Yuzaidi bin Mohd Yusoff		250	225
- Trevor John Matthews		250	155
		<u>1,701</u>	<u>1,462</u>
		<u>10,027</u>	<u>8,524</u>
Amount included in employee benefits expense	23(b)	<u>8,326</u>	<u>7,062</u>

Non-Executive Directors only received director's fees as remuneration.

19. Taxation

	Note	2024 RM'000	2023 RM'000
Current income tax:			
Malaysian income tax		181,291	133,062
Under provision in prior years		1,063	4,707
		<u>182,354</u>	<u>137,769</u>
Deferred tax:			
Relating to origination and reversal of temporary differences			
Current year		189,724	71,980
Unallocated surplus		321,795	220,456
Other temporary differences		24,514	22,854
Total transferred from deferred taxation	12	<u>536,033</u>	<u>315,290</u>
		<u>718,387</u>	<u>453,059</u>

19. Taxation (continued)

The Malaysian tax charge on the life business is based on the method prescribed under the Income Tax Act 1967 for Life business and Shareholder's fund.

The income tax for the Shareholder's fund is calculated based on the tax rate of 24% (2023: 24%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on the preferential tax rate of 8% (2023: 8%) of the assessable investment income net of allowable deductions of the Life fund for the financial year.

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

	2024	2023
	RM'000	RM'000
Profit before taxation	<u>1,848,963</u>	<u>1,416,532</u>
Taxation at Malaysian statutory tax rate of 24%	443,751	339,967
Tax effect on investment income of the Life fund	151,449	74,939
Income not subject to tax	(221,832)	(115,288)
Non-deductible expenses	356,920	174,428
Section 110B tax relief *	(12,964)	(25,694)
Under provision in prior years	<u>1,063</u>	<u>4,707</u>
Tax expense for the year	<u>718,387</u>	<u>453,059</u>

* Section 110B tax credit set-off against the tax charged on the chargeable income of the Life fund's surplus transfer to Shareholder's fund.

- a) The Company, via its legal advisors, have filed the cause papers with the Special Commissioner of Income Tax ("SCIT") for the additional assessment issued by the Inland Revenue Board ("IRB") relating to the Section 110B set-off applied to the actuarial surplus arising from the Unit Linked Funds being disregarded amounting RM26.9 million for the Years of Assessment 2015, 2016 and 2018. The Company paid the full additional tax amount. The Company is of the view, based on advice received from its legal advisors, that there are strong justifications for its appeal against the matter raised by IRB and has treated the full payment of RM26.9 million as a tax recoverable. The Company and IRB has informed the SCIT that no agreement has been reached and the hearing has been set on 19 to 20 May 2026.
- b) On 9 September 2024, the IRB issued to the Company notices of additional assessment ("Form JA") for the Years of Assessment from 2020 to 2021 and notice of reduced assessment ("Form JR") for Year of Assessment 2022 relating to S110B set-off applied to the actuarial surplus arising from the Unit Linked Funds being disregarded amounting to RM32.9 million. The Company paid the full additional tax amount on 21 November 2024 and filed an appeal to the Special Commissioners of Income Tax ("SCIT") via Form Q against the Form JA and JR. The Company has maintained a similar position as with (a) above and treated the payments of RM32.9 million as a tax recoverable, consistent with the previous payments made in respect of Years of Assessment 2015, 2016 and 2018.

20. Earnings per share

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

	2024	2023
Profit attributable to ordinary shareholders (RM'000)	1,130,576	963,473
Weighted average number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	<u>1,130.58</u>	<u>963.47</u>

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

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

21. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2024			
Final 2023 single tier	100.0	<u>100,000</u>	6 June 2024
		<u>100,000</u>	
2023			
Final 2022 single tier	271.0	271,000	30 May 2023
Interim 2023 single tier	180.0	<u>180,000</u>	29 November 2023
		<u>451,000</u>	

22. Capital commitments

The capital commitments are in respect of:

- property and equipment
- intangible assets
- relocation cost

	2024 RM'000	2023 RM'000
Authorised and contracted for	<u>28,729</u>	<u>16,482</u>

23. Related party disclosures

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

	2024 RM'000	2023 RM'000
Income / (expenses):		
Outsourcing fees and other charges		
- Prudential Services Asia Sdn Bhd	(14,467)	(15,036)
- Prudential Services Singapore Pte Ltd	(13,620)	(9,011)
- Pulse Ecosystems Pte Ltd	(56,996)	(58,920)
Recharge expenses		
- Prudential Corporation Holdings Limited	(62,712)	(43,147)
Recharge income		
- Prudential BSN Takaful Berhad	73,989	107,487
Management fees		
- Eastspring Investments Berhad	(91,897)	(93,442)
- Eastspring Al-Wara' Investments Berhad	(4,369)	(4,110)
Advisory fees		
- Prudential Investment Management Private Limited	<u>(1,544)</u>	<u>-</u>
Balances:		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	(23,682)	(3,813)
- Prudential Corporation Holdings Limited	(107,226)	(68,715)
- Eastspring Al-Wara' Investments Berhad	(1,092)	(344)
- Prudential Services Singapore Pte Ltd	(13,229)	(100)
- Eastspring Investments Berhad	(23,759)	(6,032)
- Prudential Life Assurance (Thailand)	-	(317)
- Pulse Ecosystems Pte.Ltd	(26,954)	(24,364)
- Prudential Investment Management Private Limited	(1,166)	-
Amount due from related companies:		
- Prudential BSN Takaful Berhad	18,592	33,803
- Prudence Foundation	159	231
- Prudential Hong Kong Limited	37	-
- Sri Han Suria Sdn Bhd	<u>-</u>	<u>1</u>

- (b) Compensation of senior management members

The remuneration of the senior management members during the year was as follows:

	2024 RM'000	2023 RM'000
Short-term employee benefits	18,574	16,621
Contributions to defined contribution plan, EPF	2,797	2,533
Shares and share-linked instruments	<u>5,025</u>	<u>4,817</u>
	<u>26,396</u>	<u>23,971</u>
Included in the total senior management members are:		
Chief Executive Officer's remuneration	<u>8,326</u>	<u>7,062</u>

24. Risk management framework

The Board of Directors assumes the overall responsibility for the Company's financial risk management. In order to fulfil this responsibility, the Board approves the overall framework for managing the risks faced by the Company. The Board Risk Management Committee is responsible for risk management strategies, policies and risk tolerance limits and meets every quarter to consider reports on key risks identified and the management of such risks.

Detailed policies and procedures exist at the Company and the items of particular relevance to financial risk management include:

- i) Actuarial Procedures Manuals: Policies for all aspects of actuarial management including for regulatory reporting and asset-liability management.
- ii) Financial Procedures Manuals: Financial control policies including for financial reporting, capital commitments and business planning.
- iii) Investment Guidelines: Investment management policies including the setting out of mandates between the Company and its fund managers.

Capital management framework

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligation and regulatory requirement, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth.

The RBC Framework for the insurance industry came into effect on 1 January 2009. Under the RBC Framework, the insurer is responsible for setting an individual target capital level and maintaining the capital adequacy level above the target. The Company considers the business direction, the changing business environment and risk profile in setting the individual target capital level. The individual target capital level is higher than the minimum capital requirement of 130% under the RBC Framework regulated by BNM.

In addition to satisfying the RBC Framework, the Company is also subject to Prudential Group's economic capital framework. Stress tests are conducted on the statement of financial position of the Company to ensure that the Company will have adequate economic capital to qualify for its targeted minimum financial strength rating in a comprehensive array of scenarios.

There were no changes in the Company's approach to capital management during the year.

Governance and regulatory framework

The Company is required to comply with the requirements of the Financial Services Act 2013, relevant laws and guidelines from BNM and Life Insurance Association of Malaysia ("LIAM").

The Company is also required to comply with the Prudential Group's Corporate Governance Manual Framework. If there is any conflict with the local laws or regulations, the stricter will apply.

25. Insurance risk

Life insurance contracts

The risk under any insurance contract is the uncertainty as to when the insured event occurs and the severity of the claim.

Insurance risk to the Company includes mortality, morbidity, expenses, lapse and surrenders. Concentrations of insurance risk may arise from events such as catastrophe which could impact heavily on the Company's liabilities. Such concentrations may arise from a single insurance contract or through a group of related contracts, and relate to circumstances where significant liabilities could arise.

For life insurance participating contracts, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the policyholder.

For life insurance non-participating contracts, the risk arises from the Company's obligation to pay guaranteed policy benefits even when investment returns are poor, or when claim experience is worse than expected.

For investment-linked contracts, the investment risks are borne by policyholder while charges to cover the cost of insurance are usually fully reviewable to allow for any deterioration in experience.

The Company has in place policies, guidelines and limits in managing the insurance risk which include monitoring of actual experience, or using reinsurance to diversify risk and limit net losses potential. The Company has catastrophe reinsurance to limit the catastrophic losses.

The concentration of risk for each type of insurance contract is reflected by the insurance contract liabilities as disclosed in Note 10.

Multi-period stress test is performed annually to demonstrate the significant threats to the financial condition of the Company and the potential impact of the management actions. Through this exercise, the Company can make an informed decision on future business growth and risk management.

Key assumptions

The determination of insurance contract liabilities is dependent on the assumptions made by the management of the Company. These estimates are reviewed and adjusted (if necessary) each year in order to establish contract liabilities which reflect best estimate assumptions and Risk Adjustment for MFRS 17.

Information on key assumptions to which the estimation of liabilities is sensitive is provided below.

Mortality

Mortality refers to the rates at which death occurs for a defined group of people. Insurance mortality assumptions are generally based on five-year averages of Company's own experience as well as industry past and emerging experience.

25. Insurance risk (continued)

Morbidity

Morbidity refers to both the rates of accidents or sickness and the rates of recovery therefrom. Generally, the assumptions are based on Company's own experience or reinsurer's morbidity rates, adjusted to reflect Company's own experience.

Persistency

Insurance contracts are terminated through lapses and surrenders, where lapses represent termination of policies due to non-payment of premiums and surrender represent voluntary termination of policies by policyholder. Generally, persistency assumptions are based on five-year averages of the Company's own experience, with allowance for any trend after taking into account policyholders' behaviour. The assumption varies by product type and policy duration.

Discount rate

Generally, the time value of money is considered by discounting the insurance contract liabilities using risk free rate plus illiquidity premium.

Expenses

Insurance contract liabilities provide for future policy-related expenses which includes cost of premium collection, preparation and mailing of policy statements and related direct and indirect expenses and overheads. Expense assumptions are mainly based on the Company's recent experience using an internal expense allocation methodology. Future expense assumptions reflect inflation.

Sensitivities

The sensitivity analysis below shows the impact on shareholder's equity and CSM from movements in key assumptions used to value life insurance contract liabilities.

(Dr)/Cr	Change in assumptions %	Net effect on shareholders' equity		Net effect on CSM	
		Gross of reinsurance RM'000 Decrease	Net of reinsurance RM'000 Decrease	Gross of reinsurance RM'000 Decrease	Net of reinsurance RM'000 Decrease
2024					
Expenses	+10	(44,229)	(43,773)	(305,671)	(305,130)
Lapse rates	+10	(74,354)	(74,632)	(886,916)	(891,219)
Mortality / morbidity rates	+5	(39,438)	(30,672)	(414,960)	(350,807)
2023					
Expenses	+10	(48,062)	(47,400)	(291,651)	(290,207)
Lapse rates	+10	(67,008)	(66,208)	(817,305)	(816,442)
Mortality / morbidity rates	+5	(33,213)	(19,566)	(443,876)	(345,627)

26. Financial risks

Credit risk

Credit risk is the risk of loss for the Company's business, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).

The Company's exposure to credit risk arises mainly from investment in corporate debt securities as well as deposits placed with licensed financial institutions in Malaysia. To manage this, the Company evaluates minimum credit ratings of financial instruments issued and strict adherence to the credit exposure guidelines for fixed income securities and deposits.

There is no significant concentration of credit risk as at end of the reporting date.

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

		Insurance and shareholder's funds RM'000	Investment -linked funds RM'000	Total RM'000
2024	Note			
Amortised cost	6(a)			
Fixed and call deposits		3,217,611	1,049,450	4,267,061
Mortgage loans		13	-	13
Unsecured loans		1,107	-	1,107
Financial investments at FVTPL	6(b)			
Malaysian government securities		4,416,137	891,975	5,308,112
Debt securities		10,938,778	2,631,335	13,570,113
Investment in structured products		-	4,194	4,194
Insurance contract assets –				
Estimates of present value of future cash flows, including PAA	10	44,068	-	44,068
Reinsurance contract assets –				
Estimates of present value of future cash flows, including PAA	11	108,059	-	108,059
Other receivables	7	228,162	286,110	514,272
Cash and bank balances		44,459	39,093	83,552
		<u>18,998,394</u>	<u>4,902,157</u>	<u>23,900,551</u>

26. Financial risks (continued)**Credit risk (continued)****Credit exposure (continued)**

		Insurance and shareholder's funds RM'000	Investment -linked funds RM'000	Total RM'000
2023				
Amortised cost	6(a)			
Fixed and call deposits		2,762,231	1,099,530	3,861,761
Mortgage loans		32	-	32
Unsecured loans		1,604	-	1,604
Financial investments at FVTPL	6(b)			
Malaysian government securities		3,784,432	750,734	4,535,166
Debt securities		10,741,135	2,562,428	13,303,563
Investment in structured products		-	4,969	4,969
Derivatives		-	5,692	5,692
Insurance contract assets –				
Estimates of present value of future cash flows, including PAA	10	36,420	-	36,420
Reinsurance contract assets –				
Estimates of present value of future cash flows, including PAA	11	128,209	-	128,209
Other receivables	7	249,275	50,936	300,211
Cash and bank balances		80,679	24,784	105,463
		<u>17,784,017</u>	<u>4,499,073</u>	<u>22,283,090</u>

26. Financial risks (continued)

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 credit ratings of counterparties.

2024	Investment grade*(BBB to AAA) RM'000	Non- Investment grade*(BB to D) RM'000	Not rated RM'000	Investment -linked funds RM'000	Total RM'000
Amortised cost					
Fixed and call deposits	3,217,611	-	-	1,049,450	4,267,061
Mortgage loans	-	-	13	-	13
Unsecured loans	-	-	1,107	-	1,107
Financial investments at FVTPL					
Malaysian government securities	4,416,137	-	-	891,975	5,308,112
Debt securities	10,898,955	39,823	-	2,631,335	13,570,113
Investment in structured products	-	-	-	4,194	4,194
Insurance contract assets – Estimates of present value of future cash flows, including PAA	-	-	44,068	-	44,068
Reinsurance contract assets – Estimates of present value of future cash flows, including PAA	556	-	107,503	-	108,059
Other receivables	-	-	228,162	286,110	514,272
Cash and bank balances	44,378	-	81	39,093	83,552
	<u>18,577,637</u>	<u>39,823</u>	<u>380,934</u>	<u>4,902,157</u>	<u>23,900,551</u>

26. Financial risks (continued)

Credit risk (continued)

Credit exposure by credit rating (continued)

2023	Investment grade*(BBB to AAA) RM'000	Non-Investment grade*(BB to D) RM'000	Not rated RM'000	Investment -linked funds RM'000	Total RM'000
Amortised cost					
Fixed and call deposits	2,762,231	-	-	1,099,530	3,861,761
Mortgage loans	-	-	31	-	31
Unsecured loans	-	-	1,604	-	1,604
Financial investments at FVTPL					
Malaysian government securities	3,784,432	-	-	750,734	4,535,166
Debt securities	10,701,312	39,823	-	2,562,428	13,303,563
Investment in structured products	-	-	-	4,969	4,969
Derivatives	-	-	-	5,692	5,692
Insurance contract assets					
– Estimates of present value of future cash flows, including PAA	-	-	36,420	-	36,420
Reinsurance contract assets – Estimates of present value of future cash flows, including PAA	623	-	127,586	-	128,209
Other receivables	-	-	249,275	50,936	300,211
Cash and bank balances	80,598	-	81	24,784	105,463
	<u>17,329,196</u>	<u>39,823</u>	<u>414,997</u>	<u>4,499,073</u>	<u>22,283,089</u>

* Based on public ratings assigned by external rating agencies including RAM Holdings (“RAM”), Malaysian Rating Corporation Berhad (“MARC”) and other equivalent rating agencies.

Reconciliation of allowance account

A reconciliation of the allowance for impairment losses for other receivables are as follows:

	Other receivables RM'000	Total RM'000
At 1 January 2023	24,863	24,863
Increase	11,225	11,225
At 31 December 2023	<u>36,088</u>	<u>36,088</u>
Increase	10,981	10,981
At 31 December 2024	<u>47,069</u>	<u>47,069</u>

Company No. 198301012262 (107655-U)

26. Financial risks (continued)

Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate sufficient cash resources to meet its financial obligations as they fall due in business as usual and stress scenarios. Liquidity management seeks to ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrender, withdrawals, claims and maturing liabilities.

Maturity profiles

The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations, including interest payable.

For insurance contracts liabilities and reinsurance contract liabilities, the maturity profiles are determined based on estimates of future cash flows on a discounted basis.

	Carrying value	Under 1 year	1 – 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024									
Insurance contract liabilities									
– Estimates of present value of future cash flows	30,074,701	1,354,758	1,355,541	2,146,133	2,047,801	1,881,308	21,081,475	207,685	30,074,701
Reinsurance contract liabilities – Estimates of present value of future cash flows	207,627	(72,298)	109,456	57,387	17,300	16,416	79,366	-	207,627
Lease liabilities	134,687	29,510	22,529	17,115	13,769	14,457	68,672	-	166,052
Other payables and provision	280,818	280,818	-	-	-	-	-	-	280,818
Total liabilities	30,697,833	1,592,788	1,487,526	2,220,635	2,078,870	1,912,181	21,229,513	207,685	30,729,198

Company No. 198301012262 (107655-U)

26. Financial risks (continued)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
2023									
Insurance contract liabilities									
– Estimates of present value of future cash flows	25,666,154	(198,470)	(176,653)	722,240	1,276,912	1,585,798	22,246,094	210,233	25,666,154
Reinsurance contract liabilities – Estimates of present value of future cash flows	212,942	(92,618)	84,594	87,143	31,072	23,468	79,283	-	212,942
Lease liabilities	149,900	31,036	23,941	16,979	14,358	13,760	83,129	-	183,203
Other payables and provision	221,887	221,887	-	-	-	-	-	-	221,887
Total liabilities	<u>26,250,883</u>	<u>(38,165)</u>	<u>(68,118)</u>	<u>826,362</u>	<u>1,322,342</u>	<u>1,623,026</u>	<u>22,408,506</u>	<u>210,233</u>	<u>26,284,186</u>

26. Financial risks (continued)

Market risk

Market risk is the risk of an unexpected change in fair value of a financial instrument due to adverse movement in prices, interest rate, or foreign currency exchange rates.

Price risk is the risk that the market values of financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

Interest rate risk is the risk that the value of future cash flow of a financial instrument will fluctuate due to impact of changes in market interest rates on interest income from cash and bank balances and other fixed income instruments.

In managing this risk, the Company monitors interest rate movements and other economic indicators and takes appropriate measures to ensure that the investment objectives can continue to be met. In addition, this risk is mitigated as the Company holds a diversified portfolio of securities.

The Company faces foreign currency risk, primarily because some of its investments in equity, debt securities and collective investment schemes are held in currencies other than Ringgit Malaysia to improve the diversification of its portfolio.

Such foreign investments are limited to 10% with no country limit, subject to foreign investments being in jurisdiction with sovereign ratings at least equivalent to that of Malaysia.

The sensitivity analysis on price risk as below is performed for reasonably possible movements in key variables with all other variables remain constant.

Equity price	2024		2023	
	Decrease of 20% RM'000	Increase of 10% RM'000	Decrease of 20% RM'000	Increase of 10% RM'000
Financial assets	(4,834,457)	2,417,224	(4,035,059)	2,017,530
Net insurance contract liabilities	(4,255,078)	2,147,455	(3,576,150)	1,805,313
CSM	(239,572)	115,842	(203,917)	102,583
Net effect on shareholders' equity / profit after tax	<u>(440,328)</u>	<u>205,024</u>	<u>(348,771)</u>	<u>161,285</u>

26. Financial risks (continued)

Market risk (continued)

The sensitivity analysis on interest rate risk, as below is analysed based on the assumption that all other variables remain constant and the Company's debt securities fair value moved in correlation with the prevailing market profit rates:

Market interest rates	2024		2023	
	Decrease of 0.5% RM'000	Increase of 1% RM'000	Decrease of 0.5% RM'000	Increase of 1% RM'000
Financial assets	625,346	(1,156,743)	662,510	(1,214,906)
Net insurance contract liabilities	242,676	(430,285)	295,319	(519,456)
CSM	135,654	(258,311)	136,953	(254,233)
Net effect on shareholders' equity / profit after tax	<u>290,829</u>	<u>(552,108)</u>	<u>279,066</u>	<u>(528,542)</u>

The Company faces foreign currency risk, primarily because some of its investments in collective investment schemes are held in currencies other than Ringgit Malaysia to improve the diversification of its portfolio. Below is the sensitivity analysis on foreign currency risk which the Company has exposed to:

Denominated in	Change in variables		Impact on profit or loss		Impact on insurance contract liabilities	
	2024	2023	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
USD	+/-5%	+/-5%	-	-	+/- 217,739	+/- 172,101
SGD	+/-5%	+/-5%	-	-	+/- 2,403	+/- 2,891
AUD	+/-5%	+/-5%	-	-	+/- 846	+/- 997
GBP	+/-5%	+/-5%	-	-	+/- 146	+/- 148
EUR	+/-5%	+/-5%	-	-	+/- 575	-

Operational risk

Operational risk relates to the risk of potential loss from a breakdown in internal processes, systems, deficiencies in people and management or operational failure arising from external events. The Company mitigates operational risk by establishing appropriate policies, internal control and procedures and contingency planning.

Fair value information

The carrying amounts of fixed and call deposits with financial institutions, policy loans, mortgage loans, unsecured loans, cash and bank balances, short-term receivables and short-term payables reasonably approximate their fair value due to relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value, by valuation hierarchy. There is no financial instrument not carried at fair value for which fair value is disclosed during the financial year.

Company No. 198301012262 (107655-U)

26. Financial risks (continued)

Fair value information (continued)

	Financial instruments carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2024					
Financial assets					
Malaysian government securities	-	5,308,112	-	5,308,112	5,308,112
Debt securities	-	13,516,013	54,100	13,570,113	13,570,113
Equity securities	19,685,243	-	5,296	19,690,539	19,690,539
Real estate investment trusts ("REITs")	340,564	-	-	340,564	340,564
Exchange traded fund ("ETF")	18,415	-	-	18,415	18,415
Unit trust funds	-	2,146,421	-	2,146,421	2,146,421
Foreign managed funds	-	4,813,175	-	4,813,175	4,813,175
Investment in structured products	-	4,194	-	4,194	4,194
	20,044,222	25,787,915	59,396	45,891,533	45,891,533
Financial liability					
Derivatives	-	1,992	-	1,992	1,992
2023					
Financial assets					
Malaysian government securities	-	4,535,166	-	4,535,166	4,535,166
Debt securities	-	13,246,963	56,600	13,303,563	13,303,563
Equity securities	16,776,846	-	5,296	16,782,142	16,782,142
Real estate investment trusts ("REITs")	319,751	-	-	319,751	319,751
Unit trust funds	-	1,455,244	-	1,455,244	1,455,244
Foreign managed funds	-	3,829,314	-	3,829,314	3,829,314
Investment in structured products	-	4,969	-	4,969	4,969
Derivatives	-	5,692	-	5,692	5,692
	17,096,597	23,077,348	61,896	40,235,841	40,235,841

26. Financial risks (continued)

Fair value information (continued)

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 1 principally includes exchange listed equities, mutual funds with quoted prices and exchange traded derivatives such as futures and options, unless there is evidence that trading in a given instrument is so infrequent that the market could not possibly be considered active.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 2 principally includes corporate bonds, foreign managed funds, national and non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives such as forward exchange contracts, unit trust funds, foreign managed funds and structured products.

There has been no transfer between Level 1 and 2 fair values during the financial year (2023: no transfer in either directions).

Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 3 principally includes investment in unquoted equities and debt securities which are internally valued or subject to a significant number of unobservable assumptions. The inherent nature of the vast majority of these assets means that, in normal market conditions, there is unlikely to be significant change in the specific underlying assets classified as Level 3.

Financial assets measured at fair value based on Level 3:

	Unquoted equity securities RM'000	Unquoted debt securities RM'000	Total RM'000
At 1 January 2023	5,296	59,100	64,396
Transfer to other receivables for matured tranche	-	(2,500)	(2,500)
31 December 2023/ 1 January 2024	5,296	56,600	61,896
Transfer to other receivables for matured tranche	-	(2,500)	(2,500)
At 31 December 2024	<u>5,296</u>	<u>54,100</u>	<u>59,396</u>

Transfer to other receivables for matured tranche comprises of a tranche of unquoted debt securities which matured in April 2024.

27. Regulatory capital requirements

The capital structure of the Company as at 31 December 2024, as prescribed under the RBC Framework is provided below:

	Note	2024 RM'000	2023 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	8	100,000	100,000
Reserves, including retained earnings		<u>4,550,090</u>	<u>4,240,208</u>
		<u>4,650,090</u>	<u>4,340,208</u>
Deduction			
Intangible assets and deferred tax assets		<u>308,195</u>	<u>308,482</u>
Total capital available		<u>4,341,895</u>	<u>4,031,726</u>

For life insurer with participating business, the CAR shall be computed as the lower of CAR which takes into account all the insurance and shareholders funds; and CAR which takes into account all the insurance and shareholders funds, excluding the participating life insurance fund.

The Company is in compliance with the RBC Framework.

28. Operating segments

Segment information is presented based on the Company's management and internal reporting structure. The Company does not present information by business segment as it is principally involved in the underwriting of life insurance business which includes investment-linked business.

Financial information by geographical segment has not been presented as the Company predominantly operates within Malaysia.

29. Subsequent Event

Prudential Holdings Limited ("PHL"), a fellow subsidiary of Prudential plc Group ("Group"), has entered into bancassurance agreements with certain regional banks to sell and distribute the Group's products through the branches of regional banks in various countries including Malaysia ("Bancassurance Arrangements").

The Company has historically benefitted from, and continues to benefit from the Bancassurance Arrangements and has in March 2025 agreed to reimburse PHL for payments made or to be made by PHL to the relevant regional banks under the Bancassurance Arrangements, contingent upon the finalisation of the terms and conditions of such reimbursement between PHL and the Company and the Company having the necessary financing arrangements in place to fund the reimbursement. This development has no impact to the financial statements of the Company for the current financial year ended 31 December 2024.