



**Prudential Assurance
Malaysia Berhad**

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

**Unaudited Condensed Interim
Financial Statements
For The Half-Year Ended
30 June 2021
(In Ringgit Malaysia)**

Prudential Assurance Malaysia Berhad

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

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(Incorporated in Malaysia)

Condensed statement of financial position

As at 30 June 2021 (Unaudited)

	Note	30.06.2021 RM'000	31.12.2020 RM'000
Assets			
Property and equipment		257,130	323,170
Right-of-use assets		175,139	177,973
Intangible assets		281,117	202,958
Investments, including derivatives	9	39,133,862	38,955,544
Insurance receivables		139,334	104,695
Other receivables		461,314	485,077
Tax recoverable		82,682	29,681
Cash and bank balances		44,183	34,602
		<u>40,574,761</u>	<u>40,313,700</u>
Assets classified as held for sale		296	1,532
Total assets		<u>40,575,057</u>	<u>40,315,232</u>
Equity, policyholders' funds and liabilities			
Share capital		100,000	100,000
Retained earnings		<u>2,006,760</u>	<u>1,868,472</u>
Total equity		<u>2,106,760</u>	<u>1,968,472</u>
Insurance contract liabilities	10	36,533,376	36,373,295
Reinsurance liabilities	11	12,594	5,545
Deferred taxation		607,737	592,823
Derivatives		106	-
Lease liabilities		179,454	180,253
Provisions		298,631	231,271
Insurance payables		329,542	359,518
Tax payable		41,774	26,511
Other payables		465,083	577,544
Total liabilities		<u>38,468,297</u>	<u>38,346,760</u>
Total equity, policyholders' funds and liabilities		<u>40,575,057</u>	<u>40,315,232</u>

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

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Condensed statement of profit or loss and other comprehensive income For the 6 months period ended 30 June 2021 (Unaudited)

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Operating revenue	<u>4,634,875</u>	<u>4,327,475</u>
Gross earned premiums	3,819,302	3,616,698
Premiums ceded to reinsurers	<u>(90,090)</u>	<u>(47,461)</u>
Net earned premiums	<u>3,729,212</u>	<u>3,569,237</u>
Investment income	815,573	710,777
Realised gains and losses	250,338	(32,215)
Fair value losses	(1,410,371)	(441,723)
Fee and commission income	213,224	174,159
Other operating income	<u>61,914</u>	<u>63,223</u>
Other (expenses)/income	<u>(69,322)</u>	<u>474,221</u>
Gross benefits and claims paid	(1,955,286)	(1,601,188)
Claims ceded to reinsurers	21,604	11,540
Gross change in contract liabilities	(81,658)	(1,024,976)
Change in contract liabilities ceded to reinsurers	<u>(7,049)</u>	<u>(639)</u>
Net benefits and claims	<u>(2,022,389)</u>	<u>(2,615,263)</u>
Fee and commission expense	(739,020)	(650,916)
Depreciation of property and equipment	(10,176)	(8,478)
Amortisation of intangible assets	(14,891)	(12,820)
Depreciation of right-of-use assets	(17,682)	(18,577)
Management expenses	(309,096)	(292,626)
Other operating expenses	<u>(98,233)</u>	<u>(80,701)</u>
Other expenses	<u>(1,189,098)</u>	<u>(1,064,118)</u>
Operating profit	448,403	364,077
Finance cost	<u>(3,256)</u>	<u>(4,380)</u>
Profit before taxation	445,147	359,697
Taxation	<u>(68,880)</u>	<u>(89,143)</u>
Net profit/Total comprehensive income for the period	<u>376,267</u>	<u>270,554</u>
Earnings per share (sen)		
Basic	<u>376.27</u>	<u>270.55</u>

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

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Condensed statement of changes in equity For the 6 months period ended 30 June 2021 (Unaudited)

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non-Distributable* RM'000	Distributable RM'000	Total RM'000	
At 1 January 2020		100,000	1,042,208	507,538	1,549,746	1,649,746
Net profit/Total comprehensive income for the period		-	296,512	(25,958)	270,554	270,554
Dividends paid during the period	14	-	-	(113,400)	(113,400)	(113,400)
At 30 June 2020		100,000	1,338,720	368,180	1,706,900	1,806,900

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non-Distributable* RM'000	Distributable RM'000	Total RM'000	
At 1 January 2021		100,000	1,076,714	791,758	1,868,472	1,968,472
Net profit/Total comprehensive income for the period		-	395,046	(18,779)	376,267	376,267
Group share-based payment transaction**		-	-	5,021	5,021	5,021
Dividends paid during the period	14	-	-	(243,000)	(243,000)	(243,000)
At 30 June 2021		100,000	1,471,760	535,000	2,006,760	2,106,760

* Non-distributable retained earnings comprises of the surplus from non-participating life insurance business, 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 is the recognition of the settlement of share option scheme granted by the ultimate holding company, Prudential plc, to the eligible agents.

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

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Condensed statement of cash flows

For the 6 months period ended 30 June 2021 (Unaudited)

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Cash flows from operating activities		
Profit before taxation	445,147	359,697
Adjustments for:		
Gain on disposal of property and equipment	(1,759)	(19)
Fair value loss on investments	1,410,371	441,723
Depreciation of property and equipment	10,176	8,478
Depreciation of right-of-use assets	17,682	18,577
Amortisation of intangible assets	14,891	12,820
Property and equipment written off	312	1,720
Interest expense on lease liabilities	3,256	4,380
Operating gain before changes in working capital	1,900,076	847,376
Changes in operating assets and liabilities:		
Investments	(1,588,583)	(1,240,270)
Insurance receivables	(34,639)	(44,369)
Other receivables	23,763	(167,637)
Insurance contract liabilities	160,081	1,224,725
Reinsurance liabilities	7,049	639
Provisions	67,360	(214,076)
Insurance payables	(29,976)	(33,421)
Other payables	(107,440)	(213,551)
Cash generated from operations	397,691	159,416
Tax paid	(91,704)	(44,405)
Net cash from operating activities	305,987	115,011
Cash flows from investing activities		
Acquisition of property and equipment	(8,091)	(42,525)
Acquisition of intangible assets	(29,702)	(36)
Proceeds from disposal of property and equipment	3,291	19
Net cash used in investing activities	(34,502)	(42,542)
Cash flows from financing activities		
Payment of lease liabilities	(15,648)	(18,000)
Interest paid on lease liabilities	(3,256)	(4,380)
Dividend paid to owners of the Company	(243,000)	(113,400)
Net cash used in financing activities	(261,904)	(135,780)
Net increase/(decrease) in cash and bank balances	9,581	(63,311)
Cash and bank balances at beginning of period	34,602	77,441
Cash and bank balances at end of period	44,183	14,130

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

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Notes to the condensed interim financial statements

1. Basis of preparation

Statement of compliance

These condensed interim financial statements of the Company are unaudited and have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and IAS 34, *Interim Financial Reporting* issued by the International Accounting Standards Board. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2020.

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The initial application of the abovementioned amendments did not have any material financial impact to the current and prior periods financial statements upon their first adoption.

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2. Comments on seasonality or cyclicity

The business operations of the Company were not significantly affected by seasonality or cyclical factors for the period under review.

3. Unusual item affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence in the current interim period ended 30 June 2021 other than the following:

In the previous financial year, the Inland Revenue Board ("IRB") issued to the Company notices of additional assessment ("Form JA") for the Years of Assessment from 2015 to 2018. The additional tax payable by the Company required by these notices was RM26.9 million and arose from the S110B set-off applied on actuarial surplus relating to unit-linked investment fund being disregarded by IRB. The Company paid the full additional tax amount on 30 December 2020 and filed an appeal to the Special Commissioners of Income Tax ("SCIT") via Form Q against the Form JA. The Company is of the view that there are strong justifications for its appeal against the matter raised by IRB and have treated the full payment as a tax recoverable. The Company had assessed that there was no impact to the tax returns for the Years of Assessment 2019 and 2020 arising from this matter as there were no surplus from the unit-linked investment fund to be included for 2019 and 2020.

The tax recoverable amount of RM26.9 million continues to be brought forward in the financial statements as at 30 June 2021. As of the date of this interim financial statements, there are no further developments regarding this matter and the Company has also assessed that there is no impact to the tax expense estimation for the period ended 30 June 2021 as shown in the condensed statement of profit or loss and other comprehensive income.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2021.

5. Issues, repurchases and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company in the current interim period ended 30 June 2021.

6. Events after the interim period

There were no material events after the interim period that have not been reflected in the condensed interim financial statements for the interim period.

7. Effect of changes in the composition of the Company

There were no changes in the composition of the Company during the period under review.

8. Changes in contingent liabilities or contingent assets

There were no material changes in the Company's contingent liabilities and contingent assets since the last annual balance sheet date.

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9. Investments

	30.06.2021 RM'000	31.12.2020 RM'000
Malaysian government securities	3,457,875	3,339,711
Debt securities	13,567,275	13,849,133
Equity securities	13,935,369	14,169,641
Unit and property trust funds	587,021	549,824
Foreign managed funds	3,304,104	2,712,351
Investment in structured products	6,348	6,411
Derivatives	307	284
Loans	639,731	638,937
Deposits with financial institutions	3,635,832	3,689,252
	<u>39,133,862</u>	<u>38,955,544</u>

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

	30.06.2021 RM'000	31.12.2020 RM'000
Loans and receivables ("LAR")	4,275,563	4,328,189
Held-for-trading ("HFT")	34,858,299	34,627,355
	<u>39,133,862</u>	<u>38,955,544</u>

The following investments mature after 12 months:

	30.06.2021 RM'000	31.12.2020 RM'000
LAR	506,202	629,724
HFT	15,743,901	15,799,051
	<u>16,250,103</u>	<u>16,428,775</u>

(a) LAR

	30.06.2021 RM'000	31.12.2020 RM'000
Amortised cost		
Fixed and call deposits with financial institutions	3,635,832	3,689,252
Policy loans	622,663	621,517
Mortgage loans	3,176	3,176
Unsecured loans	13,892	14,244
	<u>4,275,563</u>	<u>4,328,189</u>

(b) HFT

	30.06.2021 RM'000	31.12.2020 RM'000
Fair value		
Malaysian government securities	3,457,875	3,339,711
Debt securities	13,567,275	13,849,133
Equity securities	13,935,369	14,169,641
Unit and property trust funds	587,021	549,824
Foreign managed funds	3,304,104	2,712,351
Investment in structured products	6,348	6,411
Derivatives	307	284
	<u>34,858,299</u>	<u>34,627,355</u>

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10. Insurance contract liabilities

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

	Note	30.06.2021			31.12.2020		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities		15,135,244	12,594	15,147,838	15,363,420	5,545	15,368,965
Net asset value attributable to unit holders		20,044,660	-	20,044,660	19,734,826	-	19,734,826
Provision for outstanding claims	10(a),10(b)	1,353,472	-	1,353,472	1,275,049	-	1,275,049
		<u>36,533,376</u>	<u>12,594</u>	<u>36,545,970</u>	<u>36,373,295</u>	<u>5,545</u>	<u>36,378,840</u>
			Note 11			Note 11	

10(a) Provision for Incurred but Not Reported (“IBNR”) claims were reviewed in light of the COVID-19 pandemic resulting in the Movement Control Order (“MCO”) and the subsequent Conditional and Recovery Movement Control orders. Delays in submission of claims during this period have resulted in a significant reduction in claims during the period under review. As a result, a total of RM130 million (2020: RM108 million) of IBNR claims provision was set up for mortality, critical illness and medical reimbursement claims.

10(b) An additional provision of RM31 million (2020: RM49 million) was set up for in-force policies and policies lapsed within 3 years which are identified as potential death claims as per industry wide exercise to match the policyholders’ identification details with the death register provided by the National Registration Department (“JPN”).

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10. Insurance contract liabilities (continued)

	Non Par RM'000	Par RM'000	Unit Reserves RM'000	Non-Unit Reserves RM'000	Claim Liabilities RM'000	Total RM'000
At 1 January 2020	2,405,984	11,107,264	16,971,176	621,523	921,231	32,027,178
Valuation premiums	331,240	-	-	-	-	331,240
Premium received, net of reinsurance	-	1,145,655	2,488,864	(73,390)	-	3,561,129
Liabilities released for payments on death, surrender and other terminations	(384,310)	(835,973)	(1,054,415)	(28,835)	(1,852,586)	(4,156,119)
Claims incurred during the year	-	-	-	156,623	2,206,404	2,363,027
Accretion of interest	55,175	-	-	13,298	-	68,473
Other movements	(3,107)	-	-	9,383	-	6,276
New business	147,351	-	-	11,579	-	158,930
Change in valuation basis	95,607	-	-	31,917	-	127,524
Investment income	-	531,717	-	-	-	531,717
Expenses: Operating						
- Commission and agency expenses	-	(127,319)	-	-	-	(127,319)
- Management expenses	-	(119,400)	-	-	-	(119,400)
Other income	-	346,691	-	-	-	346,691
Movement in tax	-	(65,123)	-	-	-	(65,123)
Policyholder's liability	27,837	-	-	-	-	27,837
Net asset value attributable to unit holders	-	-	1,329,201	-	-	1,329,201
Transfer to shareholder's fund	-	(32,422)	-	-	-	(32,422)
At 31 December 2020	2,675,777	11,951,090	19,734,826	742,098	1,275,049	36,378,840

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10. Insurance contract liabilities (continued)

	Non Par RM'000	Par RM'000	Unit Reserves RM'000	Non-Unit Reserves RM'000	Claim Liabilities RM'000	Total RM'000
At 1 January 2021	2,675,777	11,951,090	19,734,826	742,098	1,275,049	36,378,840
Valuation premiums	158,381	-	-	-	-	158,381
Premium received, net of reinsurance	-	544,907	1,227,998	(40,474)	-	1,732,431
Liabilities released for payments on death, surrender and other terminations	(300,891)	(389,735)	(595,443)	(21,775)	(3,623,837)	(4,931,681)
Claims incurred during the period	-	-	-	89,619	3,702,260	3,791,879
Accretion of interest	18,217	-	-	6,682	-	24,899
Other movements	6,093	-	-	12,345	-	18,438
New business	45,951	-	-	5,171	-	51,122
Change in valuation basis	(120,282)	-	-	(43,883)	-	(164,165)
Investment income	-	278,860	-	-	-	278,860
Expenses: Operating						
- Commission and agency expenses	-	(61,563)	-	-	-	(61,563)
- Management expenses	-	(54,910)	-	-	-	(54,910)
Other expenses	-	(377,204)	-	-	-	(377,204)
Movement in tax	-	8,640	-	-	-	8,640
Policyholder's liability	14,724	-	-	-	-	14,724
Net asset value attributable to unit holders (Note 16)	-	-	(322,721)	-	-	(322,721)
Transfer to shareholder's fund	-	-	-	-	-	-
At 30 June 2021	2,497,970	11,900,085	20,044,660	749,783	1,353,472	36,545,970

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11. Reinsurance liabilities

	Note	30.06.2021 RM'000	31.12.2020 RM'000
Reinsurance of insurance contracts - non current	10	<u>12,594</u>	<u>5,545</u>

12. Regulatory capital requirements

The capital structure of the Company as at 30 June 2021, as prescribed under Bank Negara Malaysia's Risk Based Capital Framework for Insurers is provided below:

	30.06.2021 RM'000	31.12.2020 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	<u>4,592,190</u>	<u>4,317,889</u>
	4,692,190	4,417,889
Deduction		
Intangible assets	<u>281,117</u>	<u>202,961</u>
Total capital available	<u>4,411,073</u>	<u>4,214,928</u>

For life insurer with participating business, the Capital Adequacy Ratio ("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.

13. Capital commitments

The capital commitments are in respect of:

- property and equipment
- intangible assets
- relocation cost

	30.06.2021 RM'000	31.12.2020 RM'000
Authorised and contracted for	<u>7,587</u>	<u>6,696</u>

14. Dividends

In prior interim period ended 30 June 2020, the Company paid a final single tier dividend of 113.4% totalling RM113.4 million for the year ended 31 December 2019 on 25 June 2020.

In the current interim period ended 30 June 2021, the Company paid a final single tier dividend of 243.0% totalling RM243.0 million for the year ended 31 December 2020 on 3 June 2021.

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15. Related party disclosures

The significant related party transactions and balances of the Company are as follows:

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Transactions:		
Outsourcing fees and other charges/(income)		
- Prudential Services Asia Sdn Bhd	7,361	9,419
- Prudential BSN Takaful Berhad	(53,929)	(36,514)
Recharge expenses		
- Prudential Corporation Holdings Limited	15,236	17,086
Investment management fees		
- Eastspring Investments Berhad	12,600	32,854
- Eastspring Al-Wara' Investments Berhad	(15)	2,856
	30.06.2021 RM'000	31.12.2020 RM'000
Balances:		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	(7,799)	(16,164)
- Prudential Holdings Limited	-	(22,974)
- Eastspring Investments Berhad	(9,143)	(6,796)
- Prudential Corporation Holdings Limited	(86,377)	(96,518)
- Eastspring Al-Wara' Investments Berhad	(2,302)	(722)
- Prudential Services Singapore Pte Ltd	(10)	-
Amount due from related companies:		
- Prudential BSN Takaful Berhad	68,303	29,863
- Prudence Foundation	-	270
- PT Prudential Life Assurance	-	1,065

16. Insurance funds

The Company's activities are organised by funds and segregated into Life and Shareholder's funds in accordance with the Financial Services Act, 2013.

The condensed statement of financial position and condensed statement of profit or loss and other comprehensive income have been further analysed by funds.

The life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as investment-linked products.

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16. Insurance funds (continued)

Condensed statement of financial position by funds as at 30 June 2021 - unaudited

	Shareholder's fund		Life fund		Elimination*		Total	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Property and equipment	37	42	257,093	323,128	-	-	257,130	323,170
Right-of-use assets	-	-	175,139	177,973	-	-	175,139	177,973
Intangible assets	1	1	281,116	202,957	-	-	281,117	202,958
Investments, including derivatives	622,872	298,743	38,510,990	38,656,801	-	-	39,133,862	38,955,544
Insurance receivables	-	-	139,334	104,695	-	-	139,334	104,695
Other receivables	13,495	646,378	485,545	430,514	(37,726)	(591,815)	461,314	485,077
Tax recoverable	58,893	11,402	23,789	18,279	-	-	82,682	29,681
Cash and bank balances	3,465	3,182	40,718	31,420	-	-	44,183	34,602
	698,763	959,748	39,913,724	39,945,767	(37,726)	(591,815)	40,574,761	40,313,700
Assets classified as held for sale	-	-	296	1,532	-	-	296	1,532
Total assets	698,763	959,748	39,914,020	39,947,299	(37,726)	(591,815)	40,575,057	40,315,232
Equity, policyholders' funds and liabilities								
Total equity	635,000	891,758	1,471,760	1,076,714	-	-	2,106,760	1,968,472
Insurance contract liabilities	-	-	36,533,376	36,373,295	-	-	36,533,376	36,373,295
Reinsurance liabilities	-	-	12,594	5,545	-	-	12,594	5,545
Deferred taxation	395	583	607,342	592,240	-	-	607,737	592,823
Derivatives	-	-	106	-	-	-	106	-
Lease liabilities	-	-	179,454	180,253	-	-	179,454	180,253
Provisions	15,838	16,850	282,793	214,421	-	-	298,631	231,271
Insurance payables	10,603	13,072	318,939	346,446	-	-	329,542	359,518
Tax payable	-	-	41,774	26,511	-	-	41,774	26,511
Other payables	36,927	37,485	465,882	1,131,874	(37,726)	(591,815)	465,083	577,544
Total liabilities	63,763	67,990	38,442,260	38,870,585	(37,726)	(591,815)	38,468,297	38,346,760
Total equity, policyholders' funds and liabilities	698,763	959,748	39,914,020	39,947,299	(37,726)	(591,815)	40,575,057	40,315,232

* Refers to elimination of Interfund balances.

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16. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2021 - unaudited

	Shareholder's fund		Life fund		Total	
	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Operating revenue	3,774	4,381	4,631,101	4,323,094	4,634,875	4,327,475
Gross earned premiums	-	-	3,819,302	3,616,698	3,819,302	3,616,698
Premiums ceded to reinsurers	-	-	(90,090)	(47,461)	(90,090)	(47,461)
Net earned premiums	-	-	3,729,212	3,569,237	3,729,212	3,569,237
Investment income	3,774	4,381	811,799	706,396	815,573	710,777
Realised gains and losses	159	20	250,179	(32,235)	250,338	(32,215)
Fair value gains and losses	(794)	451	(1,409,577)	(442,174)	(1,410,371)	(441,723)
Fee and commission income	-	-	213,224	174,159	213,224	174,159
Other operating income	54,023	36,733	7,891	26,490	61,914	63,223
Other income/(expenses)	57,162	41,585	(126,484)	432,636	(69,322)	474,221
Gross benefits and claims paid	-	-	(1,955,286)	(1,601,188)	(1,955,286)	(1,601,188)
Claims ceded to reinsurers	-	-	21,604	11,540	21,604	11,540
Gross change in contract liabilities	-	-	(81,658)	(1,024,976)	(81,658)	(1,024,976)
Change in contract liabilities ceded to reinsurers	-	-	(7,049)	(639)	(7,049)	(639)
Net benefits and claims	-	-	(2,022,389)	(2,615,263)	(2,022,389)	(2,615,263)

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16. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2021 - unaudited (continued)

	Shareholder's fund		Life fund		Total	
	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Fee and commission expense	(12,065)	(18,294)	(726,955)	(632,622)	(739,020)	(650,916)
Depreciation of property and equipment	(5)	(5)	(10,171)	(8,473)	(10,176)	(8,478)
Amortisation of intangible assets	-	-	(14,891)	(12,820)	(14,891)	(12,820)
Depreciation of right-of-use assets	-	-	(17,682)	(18,577)	(17,682)	(18,577)
Management expenses	(9,938)	(11,289)	(299,158)	(281,337)	(309,096)	(292,626)
Other operating expenses	(53,175)	(35,300)	(45,058)	(45,401)	(98,233)	(80,701)
Other expenses	(75,183)	(64,888)	(1,113,915)	(999,230)	(1,189,098)	(1,064,118)
Operating (loss)/profit	(18,021)	(23,303)	466,424	387,380	448,403	364,077
Finance cost	-	-	(3,256)	(4,380)	(3,256)	(4,380)
(Loss)/Profit before taxation	(18,021)	(23,303)	463,168	383,000	445,147	359,697
Taxation	(758)	(2,655)	(68,122)	(86,488)	(68,880)	(89,143)
Net (loss)/profit/Total comprehensive (expense)/ income for the period	(18,779)	(25,958)	395,046	296,512	376,267	270,554

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16. Insurance funds (continued)

Investment-linked funds

Condensed statement of assets and liabilities as at 30 June 2021 (unaudited)

	30.06.2021 RM'000	31.12.2020 RM'000
Assets		
Investments, including derivatives	20,100,825	19,811,779
Other receivables	58,907	100,178
Tax recoverable	322	11
Cash and bank balances	15,422	26,381
Total assets	<u>20,175,476</u>	<u>19,938,349</u>
Liabilities		
Deferred taxation	74,157	145,879
Derivatives	106	-
Tax payable	34,326	19,780
Other payables	22,227	37,864
Total liabilities	<u>130,816</u>	<u>203,523</u>
Net asset value of funds (Note 10)	<u>20,044,660</u>	<u>19,734,826</u>

Condensed statement of income and expenditure For the 6 months period ended 30 June 2021 (unaudited)

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Investment income	415,817	325,190
Realised gains and losses	247,619	(58,423)
Fair value losses	(897,020)	(550,336)
Fee and commission income	38,899	31,264
Other operating income	408	8,016
	<u>(194,277)</u>	<u>(244,289)</u>
Fee and commission expense	(173,058)	(141,145)
Loss before taxation	<u>(367,335)</u>	<u>(385,434)</u>
Taxation	44,614	42,206
Net loss/Total comprehensive expense for the period	<u>(322,721)</u>	<u>(343,228)</u>

17. 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. The financial position and performance of the life insurance business of the Company have been disclosed separately within these financial statements.

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

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18. 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 are no financial instruments not carried at fair value for which fair value is disclosed during the financial period.

	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		
30 June 2021					
Financial assets					
Malaysian government securities	-	3,457,875	-	3,457,875	3,457,875
Debt securities	-	13,567,275	-	13,567,275	13,567,275
Equity securities	13,930,073	-	5,296	13,935,369	13,935,369
Unit and property trust funds	290,604	296,417	-	587,021	587,021
Foreign managed funds	-	3,304,104	-	3,304,104	3,304,104
Investment in structured products	-	6,348	-	6,348	6,348
Derivatives	-	307	-	307	307
	<u>14,220,677</u>	<u>20,632,326</u>	<u>5,296</u>	<u>34,858,299</u>	<u>34,858,299</u>
Financial liability					
Derivatives	-	106	-	106	106
	<u>-</u>	<u>106</u>	<u>-</u>	<u>106</u>	<u>106</u>
31 December 2020					
Financial assets					
Malaysian government securities	-	3,339,711	-	3,339,711	3,339,711
Debt securities	-	13,849,133	-	13,849,133	13,849,133
Equity securities	14,164,345	-	5,296	14,169,641	14,169,641
Unit and property trust funds	294,789	255,035	-	549,824	549,824
Foreign managed funds	-	2,712,351	-	2,712,351	2,712,351
Investment in structured products	-	6,411	-	6,411	6,411
Derivatives	-	284	-	284	284
	<u>14,459,134</u>	<u>20,162,925</u>	<u>5,296</u>	<u>34,627,355</u>	<u>34,627,355</u>

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18. 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. It also includes other financial instruments (including net assets attributable to unit-holders of consolidated unit trusts and similar funds) where there is clear evidence that the period/year end valuation is based on a traded price in an active market.

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 and non-quoted investment funds valued with observable inputs. It also includes net assets attributable to unit-holders of consolidated unit trusts and similar funds and investment contract liabilities that are valued using observable inputs.

There has been no transfer between Level 1 and 2 fair values during the current interim period ended 30 June 2021 (30 June 2020: 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 private equity funds, investments in property funds which are exposed to bespoke properties or risks, investment which are internally valued or subject to a significant number of unobservable assumptions and certain derivatives which are bespoke or long dated. It also includes debt securities which are rarely traded or traded in only privately negotiated transactions and where it is difficult to assert that these have been based on observable market data. 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	Total RM'000
At 1 January 2020/31 December 2020/30 June 2021	<u>5,296</u>	<u>5,296</u>

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Statement by Directors

In the opinion of the Directors, the condensed interim financial statements set out on pages 1 to 18 are drawn up in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and IAS 34, *Interim Financial Reporting* issued by the International Accounting Standards Board so as to present fairly the financial position of the Company as at 30 June 2021 and of its financial performance and cash flows for the period then ended.

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

.....
Foong Pik Yee
Director

.....
Abdul Khalil bin Abdul Hamid
Director

Kuala Lumpur,

Date: 17 August 2021

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS PRUDENTIAL ASSURANCE MALAYSIA BERHAD

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

Introduction

We have reviewed the accompanying condensed statement of financial position as at 30 June 2021 of the Company, and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the six-month period ended 30 June 2021 and the accompanying notes thereon (collectively referred to as "condensed interim financial statements"). Directors of the Company are responsible for the preparation and presentation of the condensed interim financial statements in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and IAS 34, *Interim Financial Reporting* issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements, ("ISRE") 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as adopted by the Malaysian Institute of Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with approved standards on auditing in Malaysia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not presented, in all material respects, in accordance with MFRS 134 and IAS 34, *Interim Financial Reporting*.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor

Date: 17 August 2021