



**Prudential Assurance  
Malaysia Berhad**

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

**Unaudited Condensed Interim  
Financial Statements  
For The Half-Year Ended  
30 June 2022  
(In Ringgit Malaysia)**

# Prudential Assurance Malaysia Berhad

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
Condensed statement of financial position - unaudited	1
Condensed statement of profit or loss and other comprehensive income - unaudited	2
Condensed statement of changes in equity - unaudited	3
Condensed statement of cash flows - unaudited	4
Notes to the condensed interim financial statements	5 - 22
Statement by Directors	23

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## Condensed statement of financial position

As at 30 June 2022 (Unaudited)

	Note	30.06.2022 RM'000	31.12.2021 RM'000
<b>Assets</b>			
Property and equipment		201,656	233,568
Right-of-use assets		161,427	157,468
Intangible assets		322,024	307,930
Investments, including derivatives	9	39,582,417	40,864,482
Insurance receivables		120,209	134,025
Other receivables		410,957	371,896
Tax recoverable		59,277	39,588
Cash and bank balances		28,612	77,743
		<u>40,886,579</u>	<u>42,186,700</u>
Assets classified as held for sale		-	296
<b>Total assets</b>		<u>40,886,579</u>	<u>42,186,996</u>
<b>Equity, policyholders' funds and liabilities</b>			
Share capital		100,000	100,000
Retained earnings		<u>1,990,419</u>	<u>2,003,152</u>
<b>Total equity</b>		<u>2,090,419</u>	<u>2,103,152</u>
Insurance contract liabilities	10	36,931,330	37,978,468
Reinsurance liabilities	11	5,897	11,388
Deferred tax liabilities		411,045	474,668
Derivatives		454	-
Lease liabilities		170,329	165,453
Provisions		357,346	323,173
Insurance payables		363,538	414,621
Tax payable		5,014	68,420
Other payables		551,207	647,653
<b>Total liabilities</b>		<u>38,796,160</u>	<u>40,083,844</u>
<b>Total equity, policyholders' funds and liabilities</b>		<u>40,886,579</u>	<u>42,186,996</u>

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

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## Condensed statement of profit or loss and other comprehensive income For the 6 months period ended 30 June 2022 (Unaudited)

	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
<b>Operating revenue</b>	<u>4,801,706</u>	<u>4,634,875</u>
Gross earned premiums	4,028,081	3,819,302
Premiums ceded to reinsurers	<u>(126,073)</u>	<u>(90,090)</u>
<b>Net earned premiums</b>	<u>3,902,008</u>	<u>3,729,212</u>
Investment income	773,625	815,573
Realised (losses) and gains	(31,256)	250,338
Fair value losses	(2,338,770)	(1,410,371)
Fee and commission income	228,079	213,224
Other operating income	<u>78,777</u>	<u>61,914</u>
<b>Other expenses</b>	<u>(1,289,545)</u>	<u>(69,322)</u>
Gross benefits and claims paid	(2,285,212)	(1,955,286)
Claims ceded to reinsurers	24,290	21,604
Gross change in contract liabilities	1,122,935	(81,658)
Change in contract liabilities ceded to reinsurers	<u>5,491</u>	<u>(7,049)</u>
<b>Net benefits and claims</b>	<u>(1,132,496)</u>	<u>(2,022,389)</u>
Fee and commission expense	(749,802)	(739,020)
Depreciation of property and equipment	(9,049)	(10,176)
Depreciation of right-of-use assets	(16,868)	(17,682)
Amortisation of intangible assets	(21,427)	(14,891)
Management expenses	(329,165)	(309,096)
Other operating expenses	<u>(132,362)</u>	<u>(98,233)</u>
<b>Other expenses</b>	<u>(1,258,673)</u>	<u>(1,189,098)</u>
<b>Operating profit</b>	221,294	448,403
Finance cost	<u>(4,311)</u>	<u>(3,256)</u>
<b>Profit before taxation</b>	216,983	445,147
Taxation	<u>31,813</u>	<u>(68,880)</u>
<b>Net profit/Total comprehensive income for the period</b>	<u>248,796</u>	<u>376,267</u>
<b>Earnings per share (sen)</b>		
Basic	<u>248.80</u>	<u>376.27</u>

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

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## Condensed statement of changes in equity For the 6 months period ended 30 June 2022 (Unaudited)

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non-Distributable* RM'000	Distributable RM'000	Total RM'000	
<b>At 1 January 2021</b>		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)
<b>At 30 June 2021</b>		100,000	1,471,760	535,000	2,006,760	2,106,760

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non-Distributable* RM'000	Distributable RM'000	Total RM'000	
<b>At 1 January 2022</b>		100,000	1,087,358	915,794	2,003,152	2,103,152
Net profit/Total comprehensive income for the period		-	278,322	(29,526)	248,796	248,796
Group share-based payment transaction**		-	-	3,471	3,471	3,471
Dividends paid during the period	14	-	-	(265,000)	(265,000)	(265,000)
<b>At 30 June 2022</b>		100,000	1,365,680	624,739	1,990,419	2,090,419

\* 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.

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## Condensed statement of cash flows

For the 6 months period ended 30 June 2022 (Unaudited)

	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	216,983	445,147
Adjustments for:		
Gain on disposal of property and equipment	-	(1,759)
Gain on disposal of assets classified as held for sale	(2,706)	-
Fair value loss on investments	2,338,770	1,410,371
Depreciation of property and equipment	9,049	10,176
Depreciation of right-of-use assets	16,868	17,682
Amortisation of intangible assets	21,427	14,891
Property and equipment written off	65	312
Interest expense on lease liabilities	4,311	3,256
<b>Operating profit before changes in working capital</b>	2,604,767	1,900,076
Changes in operating assets and liabilities:		
Investments	(1,056,251)	(1,588,583)
Insurance receivables	13,816	(34,639)
Other receivables	(39,061)	23,763
Insurance contract liabilities	(1,047,138)	160,081
Reinsurance liabilities	(5,491)	7,049
Provisions	34,173	67,360
Insurance payables	(51,083)	(29,976)
Other payables	(92,975)	(107,440)
<b>Cash generated from operations</b>	360,757	397,691
Tax paid	(114,905)	(91,704)
<b>Net cash from operating activities</b>	245,852	305,987
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(10,508)	(8,091)
Acquisition of intangible assets	(2,215)	(29,702)
Proceeds from disposal of property and equipment	-	3,291
Proceeds from disposal of assets classified as held for sale	3,002	-
<b>Net cash used in investing activities</b>	(9,721)	(34,502)
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(15,951)	(15,648)
Interest paid on lease liabilities	(4,311)	(3,256)
Dividend paid to owners of the Company	(265,000)	(243,000)
<b>Net cash used in financing activities</b>	(285,262)	(261,904)
<b>Net (decrease)/increase in cash and bank balances</b>	(49,131)	9,581
<b>Cash and bank balances at beginning of period</b>	77,743	34,602
<b>Cash and bank balances at end of period</b>	28,612	44,183

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

# Prudential Assurance Malaysia Berhad

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

## 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 2021.

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 2021, except for the adoption of the following:

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021***

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

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.

# Prudential Assurance Malaysia Berhad

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

## 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 2022 other than the following:

- (a) During the financial year ended 31 December 2020, 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 tax recoverable amount of RM26.9 million continues to be brought forward in the financial statements as at 30 June 2022. As at the date of this interim financial statements, the SCIT has fixed 23 August 2022 as the next mention date to update the SCIT on the status of the agreed cause papers. The Company has also assessed that there is no impact to the tax expense estimation for the period ended 30 June 2022 as shown in the condensed statement of profit or loss and other comprehensive income.

- (b) On 30 September 2021, the IRB had issued to the Company Form JA for the Years of Assessment from 2016 to 2019 relating to the recognition of profit commission as taxable income amounting to RM8.3 million. The Company has submitted a judicial review ("JR") to the High Court on 8 October 2021 and an appeal to the SCIT via Form Q on 11 October 2021. The Company paid the full additional tax amount and recognised a tax recoverable as there are valid legal grounds to object and disagree with the taxability of profit commission. In 2022, the Company received a letter dated 25 February 2022 from the Ministry of Finance ("MoF") via the Life Insurance Association of Malaysia ("LIAM") which clarified profit commission received by the life insurance fund is not a taxable incidental income and the IRB is required to reconsider the additional assessments raised relating to profit commission and revise them accordingly.

As at the date of the condensed interim financial statements, the High Court has set the next case management to be on 27 September 2022 for IRB to update the High Court on the status of the review of MoF's decisions.

## 4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2022.

# Prudential Assurance Malaysia Berhad

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

## **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 2022.

## **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.

# Prudential Assurance Malaysia Berhad

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

## 9. Investments, including derivatives

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian government securities	4,012,842	4,040,853
Debt securities	12,795,294	13,422,416
Equity securities	14,155,682	14,989,294
Unit and property trust funds	1,218,069	1,091,892
Foreign managed funds	2,945,438	2,853,871
Investment in structured products	5,837	6,200
Derivatives	-	1,920
Loans	613,462	621,704
Deposits with financial institutions	<u>3,835,793</u>	<u>3,836,332</u>
	<u>39,582,417</u>	<u>40,864,482</u>

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

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and receivables ("LAR")	4,449,255	4,458,036
Held-for-trading ("HFT")	<u>35,133,162</u>	<u>36,406,446</u>
	<u>39,582,417</u>	<u>40,864,482</u>

The following investments mature after 12 months:

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
LAR	225,615	293,833
HFT	<u>16,317,293</u>	<u>16,264,707</u>
	<u>16,542,908</u>	<u>16,558,540</u>

### (a) LAR

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amortised cost</b>		
Fixed and call deposits with financial institutions	3,835,793	3,836,332
Policy loans	598,010	606,032
Mortgage loans	1,845	2,209
Unsecured loans	<u>13,607</u>	<u>13,463</u>
	<u>4,449,255</u>	<u>4,458,036</u>

# Prudential Assurance Malaysia Berhad

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

## 9. Investments, including derivatives (continued)

### (b) HFT

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Fair value</b>		
Malaysian government securities	4,012,842	4,040,853
Debt securities	12,795,294	13,422,416
Equity securities	14,155,682	14,989,294
Unit and property trust funds	1,218,069	1,091,892
Foreign managed funds	2,945,438	2,853,871
Investment in structured products	5,837	6,200
Derivatives	-	1,920
	<u>35,133,162</u>	<u>36,406,446</u>

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 10. Insurance contract liabilities

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

	Note	30.06.2022			31.12.2021		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities		14,657,708	5,897	14,663,605	15,260,900	11,388	15,272,288
Net asset value attributable to unit holders		20,620,252	-	20,620,252	21,139,995	-	21,139,995
Provision for outstanding claims	10(a),10(b)	1,653,370	-	1,653,370	1,577,573	-	1,577,573
		<u>36,931,330</u>	<u>5,897</u>	<u>36,937,227</u>	<u>37,978,468</u>	<u>11,388</u>	<u>37,989,856</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 RM79 million (2021: RM147 million) of IBNR claims provision was set up for mortality, critical illness and medical reimbursement claims.

**10(b)** An additional provision of RM33 million (2021: RM29 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”).

## Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

### 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
<b>At 1 January 2021</b>	2,675,777	11,951,090	19,734,826	742,098	1,275,049	36,378,840
Valuation premiums	272,974	-	-	-	-	272,974
Premium received, net of reinsurance	-	1,137,701	2,671,374	(85,059)	-	3,724,016
Liabilities released for payments on death, surrender and other terminations	(577,416)	(846,814)	(1,271,403)	(45,056)	(7,708,370)	(10,449,059)
Claims incurred during the year	-	-	-	175,230	8,010,894	8,186,124
Accretion of interest	73,209	-	-	14,259	-	87,468
Other movements	8,373	-	-	33,659	-	42,032
New business	75,247	-	-	14,638	-	89,885
Change in valuation basis	(183,679)	-	-	(57,943)	-	(241,622)
Investment income	-	559,544	-	-	-	559,544
Expenses: Operating						
- Commission and agency expenses	-	(134,105)	-	-	-	(134,105)
- Management expenses	-	(118,838)	-	-	-	(118,838)
Other expense	-	(392,274)	-	-	-	(392,274)
Movement in tax	-	(14,162)	-	-	-	(14,162)
Policyholder's liability	26,701	-	-	-	-	26,701
Net asset value attributable to unit holders	-	-	5,198	-	-	5,198
Transfer to shareholder's fund	-	(32,866)	-	-	-	(32,866)
<b>At 31 December 2021</b>	<b>2,371,186</b>	<b>12,109,276</b>	<b>21,139,995</b>	<b>791,826</b>	<b>1,577,573</b>	<b>37,989,856</b>

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 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
<b>At 1 January 2022</b>	2,371,186	12,109,276	21,139,995	791,826	1,577,573	37,989,856
Valuation premiums	138,141	-	-	-	-	138,141
Premium received, net of reinsurance	-	540,611	1,306,897	(46,464)	-	1,801,044
Liabilities released for payments on death, surrender and other terminations	(371,505)	(441,883)	(687,884)	(18,242)	(5,563,793)	(7,083,307)
Claims incurred during the period	-	-	-	91,334	5,639,590	5,730,924
Accretion of interest	36,801	-	-	11,663	-	48,464
Other movements	1,043	-	-	20,189	-	21,232
New business	92,328	-	-	6,179	-	98,507
Change in valuation basis	(86,498)	-	-	(54,237)	-	(140,735)
Investment income	-	284,559	-	-	-	284,559
Expenses: Operating						
- Commission and agency expenses	-	(67,335)	-	-	-	(67,335)
- Management expenses	-	(49,688)	-	-	-	(49,688)
Other expenses	-	(747,990)	-	-	-	(747,990)
Movement in tax	-	40,588	-	-	-	40,588
Policyholder's liability	11,723	-	-	-	-	11,723
Net asset value attributable to unit holders (Note 16)	-	-	(1,138,756)	-	-	(1,138,756)
Transfer to shareholder's fund	-	-	-	-	-	-
<b>At 30 June 2022</b>	<b>2,193,219</b>	<b>11,668,138</b>	<b>20,620,252</b>	<b>802,248</b>	<b>1,653,370</b>	<b>36,937,227</b>

# Prudential Assurance Malaysia Berhad

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

## 11. Reinsurance liabilities

	Note	30.06.2022 RM'000	31.12.2021 RM'000
Reinsurance of insurance contracts			
- non current	10	<u>5,897</u>	<u>11,388</u>

## 12. Regulatory capital requirements

The capital structure of the Company as at 30 June 2022, as prescribed under Bank Negara Malaysia's Risk Based Capital Framework for Insurers is provided below:

	30.06.2022 RM'000	31.12.2021 RM'000
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	<u>4,404,905</u>	<u>4,568,785</u>
	4,504,905	4,668,785
<b>Deduction</b>		
Intangible assets and deferred tax assets	<u>344,547</u>	<u>307,932</u>
<b>Total capital available</b>	<u>4,160,358</u>	<u>4,360,853</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

	30.06.2022 RM'000	31.12.2021 RM'000
Authorised and contracted for	<u>13,317</u>	<u>6,039</u>

## 14. Dividends

In the prior 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.

In the current interim period ended 30 June 2022, the Company paid a final single tier dividend of 265.0% totalling RM265.0 million for the year ended 31 December 2021 on 31 May 2022.

# Prudential Assurance Malaysia Berhad

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

## 15. Related party disclosures

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

	<b>6 months period ended 30.06.2022 RM'000</b>	<b>6 months period ended 30.06.2021 RM'000</b>
<b>Transactions:</b>		
Outsourcing fees and other charges		
- Prudential Services Asia Sdn Bhd	954	7,361
- Prudential Services Singapore Pte Ltd	1,947	-
Recharge expenses		
- Prudential Corporation Holdings Limited	15,137	15,236
Recharge income		
- Prudential BSN Takaful Berhad	(61,369)	(53,929)
Investment management fees		
- Eastspring Investments Berhad	42,877	12,600
- Eastspring Al-Wara' Investments Berhad	2,115	(15)
	<b>30.06.2022 RM'000</b>	<b>31.12.2021 RM'000</b>
<b>Balances:</b>		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	-	(13,380)
- Prudential Holdings Limited	(154)	(1)
- Eastspring Investments Berhad	(4,204)	-
- Prudential Corporation Holdings Limited	(72,739)	(56,415)
- Eastspring Al-Wara' Investments Berhad	(706)	(357)
- Prudential Services Singapore Pte Ltd	(2,020)	(8,071)
Amount due from related companies:		
- Prudential BSN Takaful Berhad	35,248	19,369
- Prudential Services Asia Sdn Bhd	86	-
- Prudential Hong Kong Limited	38	-
- Eastspring Investments Berhad	-	2,135
- Prudential Vietnam Assurance	354	354

## 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.

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 16. Insurance funds (continued)

### Condensed statement of financial position by funds as at 30 June 2022 - unaudited

	Shareholder's fund		Life fund		Elimination*		Total	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>								
Property and equipment	20	32	201,636	233,536	-	-	201,656	233,568
Right-of-use assets	-	-	161,427	157,468	-	-	161,427	157,468
Intangible assets	1	1	322,023	307,929	-	-	322,024	307,930
Investments, including derivatives	718,282	245,172	38,864,135	40,619,310	-	-	39,582,417	40,864,482
Insurance receivables	-	-	120,209	134,025	-	-	120,209	134,025
Other receivables	51,057	835,663	427,670	347,182	(67,770)	(810,949)	410,957	371,896
Tax recoverable	59,277	35,279	-	4,309	-	-	59,277	39,588
Cash and bank balances	3,709	4,335	24,903	73,408	-	-	28,612	77,743
	832,346	1,120,482	40,122,003	41,877,167	(67,770)	(810,949)	40,886,579	42,186,700
Assets classified as held for sale	-	-	-	296	-	-	-	296
<b>Total assets</b>	832,346	1,120,482	40,122,003	41,877,463	(67,770)	(810,949)	40,886,579	42,186,996
<b>Equity, policyholders' funds and liabilities</b>								
<b>Total equity</b>	724,739	1,015,794	1,365,680	1,087,358	-	-	2,090,419	2,103,152
Insurance contract liabilities	-	-	36,931,330	37,978,468	-	-	36,931,330	37,978,468
Reinsurance liabilities	-	-	5,897	11,388	-	-	5,897	11,388
Deferred tax liabilities	86	239	410,959	474,429	-	-	411,045	474,668
Derivatives	-	-	454	-	-	-	454	-
Lease liabilities	-	-	170,329	165,453	-	-	170,329	165,453
Provisions	13,605	15,036	343,741	308,137	-	-	357,346	323,173
Insurance payables	4,223	9,219	359,315	405,402	-	-	363,538	414,621
Tax payable	-	41,665	5,014	26,755	-	-	5,014	68,420
Other payables	89,693	38,529	529,284	1,420,073	(67,770)	(810,949)	551,207	647,653
<b>Total liabilities</b>	107,607	104,688	38,756,323	40,790,105	(67,770)	(810,949)	38,796,160	40,083,844
<b>Total equity, policyholders' funds and liabilities</b>	832,346	1,120,482	40,122,003	41,877,463	(67,770)	(810,949)	40,886,579	42,186,996

\* Refers to elimination of interfund balances.

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 16. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2022 - unaudited

	Shareholder's fund		Life fund		Total	
	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
<b>Operating revenue</b>	3,667	3,774	4,798,039	4,631,101	4,801,706	4,634,875
Gross earned premiums	-	-	4,028,081	3,819,302	4,028,081	3,819,302
Premiums ceded to reinsurers	-	-	(126,073)	(90,090)	(126,073)	(90,090)
<b>Net earned premiums</b>	-	-	3,902,008	3,729,212	3,902,008	3,729,212
Investment income	3,667	3,774	769,958	811,799	773,625	815,573
Realised gains and (losses)	-	159	(31,256)	250,179	(31,256)	250,338
Fair value losses	(1,014)	(794)	(2,337,756)	(1,409,577)	(2,338,770)	(1,410,371)
Fee and commission income	-	-	228,079	213,224	228,079	213,224
Other operating income	61,399	54,023	17,378	7,891	78,777	61,914
<b>Other income/(expenses)</b>	64,052	57,162	(1,353,597)	(126,484)	(1,289,545)	(69,322)
Gross benefits and claims paid	-	-	(2,285,212)	(1,955,286)	(2,285,212)	(1,955,286)
Claims ceded to reinsurers	-	-	24,290	21,604	24,290	21,604
Gross change in contract liabilities	-	-	1,122,935	(81,658)	1,122,935	(81,658)
Change in contract liabilities ceded to reinsurers	-	-	5,491	(7,049)	5,491	(7,049)
<b>Net benefits and claims</b>	-	-	(1,132,496)	(2,022,389)	(1,132,496)	(2,022,389)

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 16. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2022 - unaudited (continued)

	Shareholder's fund		Life fund		Total	
	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
Fee and commission expense	(15,548)	(12,065)	(734,254)	(726,955)	(749,802)	(739,020)
Depreciation of property and equipment	(5)	(5)	(9,044)	(10,171)	(9,049)	(10,176)
Depreciation of right-of-use assets	-	-	(16,868)	(17,682)	(16,868)	(17,682)
Amortisation of intangible assets	-	-	(21,427)	(14,891)	(21,427)	(14,891)
Management expenses	(14,260)	(9,938)	(314,905)	(299,158)	(329,165)	(309,096)
Other operating expenses	(63,037)	(53,175)	(69,325)	(45,058)	(132,362)	(98,233)
<b>Other expenses</b>	<b>(92,850)</b>	<b>(75,183)</b>	<b>(1,165,823)</b>	<b>(1,113,915)</b>	<b>(1,258,673)</b>	<b>(1,189,098)</b>
<b>Operating (loss)/profit</b>	<b>(28,798)</b>	<b>(18,021)</b>	<b>250,092</b>	<b>466,424</b>	<b>221,294</b>	<b>448,403</b>
Finance cost	-	-	(4,311)	(3,256)	(4,311)	(3,256)
<b>(Loss)/Profit before taxation</b>	<b>(28,798)</b>	<b>(18,021)</b>	<b>245,781</b>	<b>463,168</b>	<b>216,983</b>	<b>445,147</b>
Taxation	(728)	(758)	32,541	(68,122)	31,813	(68,880)
<b>Net (loss)/profit/Total comprehensive (expense)/ income for the period</b>	<b>(29,526)</b>	<b>(18,779)</b>	<b>278,322</b>	<b>395,046</b>	<b>248,796</b>	<b>376,267</b>

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 16. Insurance funds (continued)

### Investment-linked funds

#### Condensed statement of assets and liabilities as at 30 June 2022 (unaudited)

	30.06.2022 RM'000	31.12.2021 RM'000
<b>Assets</b>		
Investments	20,545,682	21,172,376
Deferred tax assets	30,859	-
Other receivables	66,958	63,570
Tax recoverable	16,422	4,309
Cash and bank balances	18,518	30,106
<b>Total assets</b>	<u>20,678,439</u>	<u>21,270,361</u>
<b>Liabilities</b>		
Deferred tax liabilities	-	85,828
Derivatives	454	-
Tax payable	-	3,417
Other payables	57,733	41,121
<b>Total liabilities</b>	<u>58,187</u>	<u>130,366</u>
<b>Net asset value of funds (Note 10)</b>	<u>20,620,252</u>	<u>21,139,995</u>

#### Condensed statement of income and expenditure

##### For the 6 months period ended 30 June 2022 (unaudited)

	6 months period ended 30.06.2022 RM'000	6 months period ended 30.06.2021 RM'000
Investment income	367,195	415,817
Realised (losses) and gains	(17,986)	247,619
Fair value losses	(1,457,364)	(897,020)
Fee and commission income	40,968	38,899
Other operating income	24	408
	<u>(1,067,163)</u>	<u>(194,277)</u>
Fee and commission expense	(182,167)	(173,058)
<b>Loss before taxation</b>	<u>(1,249,330)</u>	<u>(367,335)</u>
Taxation	110,574	44,614
<b>Net loss/Total comprehensive expense for the period</b>	<u>(1,138,756)</u>	<u>(322,721)</u>

# **Prudential Assurance Malaysia Berhad**

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## **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.

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 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		
<b>30 June 2022</b>					
<b>Financial assets</b>					
Malaysian government securities	-	4,012,842	-	4,012,842	4,012,842
Debt securities	-	12,736,194	59,100	12,795,294	12,795,294
Equity securities	14,150,386	-	5,296	14,155,682	14,155,682
Unit and property trust funds	284,151	933,918	-	1,218,069	1,218,069
Foreign managed funds	-	2,945,438	-	2,945,438	2,945,438
Investment in structured products	-	5,837	-	5,837	5,837
	<u>14,434,537</u>	<u>20,634,229</u>	<u>64,396</u>	<u>35,133,162</u>	<u>35,133,162</u>
<b>Financial liability</b>					
Derivatives	-	454	-	454	454

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 18. 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		
<b>31 December 2021</b>					
<b>Financial assets</b>					
Malaysian government securities	-	4,040,853	-	4,040,853	4,040,853
Debt securities	-	13,360,816	61,600	13,422,416	13,422,416
Equity securities	14,983,998	-	5,296	14,989,294	14,989,294
Unit and property trust funds	298,686	793,206	-	1,091,892	1,091,892
Foreign managed funds	-	2,853,871	-	2,853,871	2,853,871
Investment in structured products	-	6,200	-	6,200	6,200
Derivatives	-	1,920	-	1,920	1,920
	<u>15,282,684</u>	<u>21,056,866</u>	<u>66,896</u>	<u>36,406,446</u>	<u>36,406,446</u>

# Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

## 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.

### 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 and property trust funds and structured products.

There has been no transfer between Level 1 and 2 fair values during the current interim period ended 30 June 2022 (30 June 2021: 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
<b>At 1 January 2021</b>	5,296	-	5,296
Transfer into Level 3	-	61,600	61,600
<b>At 31 December 2021</b>	5,296	61,600	66,896
Transfer out of Level 3	-	(2,500)	(2,500)
<b>At 30 June 2022</b>	5,296	59,100	64,396

The transfer out of Level 3 comprises of a tranche of unquoted debt securities which matured in April 2022.

# Prudential Assurance Malaysia Berhad

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

## Statement by Directors

In the opinion of the Directors, the condensed interim financial statements set out on pages 1 to 22 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 2022 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 2022

**KPMG PLT**  
(LLP0010081-LCA & AF 0758)  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388  
Fax +60 (3) 7721 3399  
Website [www.kpmg.com.my](http://www.kpmg.com.my)

# **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 2022 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 2022 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 2022