



**Prudential Assurance  
Malaysia Berhad**

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

**Unaudited Condensed Interim  
Financial Statements  
For The Half-Year Ended  
30 June 2019  
(In Ringgit Malaysia)**

# Prudential Assurance Malaysia Berhad

(Company No. 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 - 21
Statement by Directors	22

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## Condensed statement of financial position As at 30 June 2019 (Unaudited)

	Note	30.06.2019 RM'000	31.12.2018 RM'000
<b>Assets</b>			
Property and equipment		251,394	269,521
Right-of-use assets		177,910	-
Intangible assets		192,197	148,369
Investments	10	33,280,611	30,933,117
Insurance receivables		50,047	41,577
Other receivables		425,780	397,361
Tax recoverable		55,232	17,903
Cash and bank balances		54,075	43,968
<b>Total assets</b>		<b>34,487,246</b>	<b>31,851,816</b>
<b>Equity, policyholders' funds and liabilities</b>			
Share capital		100,000	100,000
Retained earnings		1,580,416	1,592,229
<b>Total equity</b>		<b>1,680,416</b>	<b>1,692,229</b>
Insurance contract liabilities	11	30,830,305	28,457,146
Reinsurance liabilities	12	9,058	12,508
Deferred taxation		582,252	441,546
Lease liabilities		179,602	-
Provisions		407,966	373,103
Insurance payables		288,963	345,852
Tax payable		16,964	7,559
Other payables		491,720	521,873
<b>Total liabilities</b>		<b>32,806,830</b>	<b>30,159,587</b>
<b>Total equity, policyholders' funds and liabilities</b>		<b>34,487,246</b>	<b>31,851,816</b>

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

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)  
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## Condensed statement of profit or loss and other comprehensive income For the 6 months period ended 30 June 2019 (Unaudited)

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
<b>Operating revenue</b>	<u>4,409,316</u>	<u>4,024,709</u>
Gross earned premiums	3,752,690	3,407,996
Premiums ceded to reinsurers	<u>(46,001)</u>	<u>(56,727)</u>
<b>Net earned premiums</b>	<u>3,706,689</u>	<u>3,351,269</u>
Investment income	656,626	616,713
Realised gains and losses	67,578	108,575
Fair value gains and losses	912,467	(1,126,207)
Fee and commission income	168,781	168,336
Other operating income	<u>43,478</u>	<u>50,025</u>
<b>Other income</b>	<u>1,848,930</u>	<u>(182,558)</u>
Gross benefits and claims paid	(1,811,025)	(1,675,635)
Claims ceded to reinsurers	10,719	12,930
Gross change in contract liabilities	(2,287,602)	(141,288)
Change in contract liabilities ceded to reinsurers	<u>3,450</u>	<u>(3,822)</u>
<b>Net benefits and claims</b>	<u>(4,084,458)</u>	<u>(1,807,815)</u>
Fee and commission expense	(670,974)	(655,802)
Depreciation of property and equipment	(18,395)	(8,637)
Amortisation of intangible assets	(10,824)	(8,562)
Management expenses	(315,152)	(323,314)
Other operating expenses	<u>(63,658)</u>	<u>(58,866)</u>
<b>Other expenses</b>	<u>(1,079,003)</u>	<u>(1,055,181)</u>
<b>Operating profit</b>	392,158	305,715
Finance cost	<u>(1,332)</u>	<u>-</u>
<b>Profit before taxation</b>	390,826	305,715
Taxation	<u>(181,139)</u>	<u>(37,482)</u>
<b>Net profit/Total comprehensive income for the period</b>	<u>209,687</u>	<u>268,233</u>
<b>Earnings per share (sen)</b>		
Basic	<u>209.69</u>	<u>268.23</u>

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# Prudential Assurance Malaysia Berhad

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

## Condensed statement of changes in equity For the 6 months period ended 30 June 2019 (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 2018</b>		100,000	933,009	594,063	1,527,072	1,627,072
Net profit/Total comprehensive income for the period		-	267,447	786	268,233	268,233
Dividends paid during the period	15	-	-	(200,000)	(200,000)	(200,000)
<b>At 30 June 2018</b>		100,000	1,200,456	394,849	1,595,305	1,695,305

	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 2019</b>		100,000	976,631	615,598	1,592,229	1,692,229
Net profit/Total comprehensive income for the period		-	213,657	(3,970)	209,687	209,687
Dividends paid during the period	15	-	-	(221,500)	(221,500)	(221,500)
<b>At 30 June 2019</b>		100,000	1,190,288	390,128	1,580,416	1,680,416

\* 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.

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

# Prudential Assurance Malaysia Berhad

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

## Condensed statement of cash flows For the 6 months period ended 30 June 2019 (Unaudited)

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	390,826	305,715
Adjustments for:		
Gain on disposal of property and equipment	(156)	-
Fair value (gain)/loss on investments	(912,467)	1,126,207
Depreciation of property and equipment	9,105	8,637
Depreciation of right-of-use assets	9,290	-
Amortisation of intangible assets	10,824	8,562
Property and equipment written off	1,120	84
Intangible assets written off	5,820	7
Interest expense on lease liabilities	1,332	-
Property and equipment adjustment	-	(1,644)
Intangible assets adjustment	-	1,925
<b>Operating (loss)/gain before changes in working capital</b>	(484,306)	1,449,493
Changes in operating assets and liabilities:		
Investments	(1,435,027)	(1,160,537)
Insurance receivables	(8,470)	(4,358)
Other receivables	(28,419)	(94,456)
Insurance contract liabilities	2,373,159	182,083
Reinsurance liabilities	(3,450)	3,822
Provisions	34,863	36,743
Insurance payables	(56,889)	(73,164)
Other payables	(30,153)	(48,668)
<b>Cash generated from operations</b>	361,308	290,958
Tax paid	(68,357)	(104,084)
<b>Net cash from operating activities</b>	292,951	186,874
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(41,451)	(44,185)
Acquisition of intangible assets	(11,119)	(5,531)
Proceeds from disposal of property and equipment	156	-
<b>Net cash used in investing activities</b>	(52,414)	(49,716)
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(8,930)	-
Dividend paid to owners of the Company	(221,500)	(200,000)
<b>Net cash used in financing activities</b>	(230,430)	(200,000)
<b>Net increase/(decrease) in cash and bank balances</b>	10,107	(62,842)
<b>Cash and bank balances at beginning of period</b>	43,968	102,510
<b>Cash and bank balances at end of period</b>	54,075	39,668

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

# Prudential Assurance Malaysia Berhad

(Company No. 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 2018.

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 2018, except for the adoption of the following:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

The initial application of the abovementioned accounting standard, amendments or interpretation did not have any material financial impact to the current and prior periods financial statements upon their first adoption except as mentioned in Note 2 "changes in accounting policies".

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 2. Changes in accounting policies

### MFRS 16, *Leases*

The Company has initially adopted MFRS 16, *Leases* from 1 January 2019.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. As a result, the Company, as a lessee has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting remains similar to the previous standard, MFRS 117 *Leases* – i.e. lessors continue to classify leases as finance or operating leases.

The Company has applied MFRS 16 using modified retrospective approach. The Company chooses to measure the right-of-use asset equals to the lease liability at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under MFRS 117 and related interpretations.

The details of the changes in accounting policies are disclosed below.

#### A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IC Interpretation 4, *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under MFRS 16, 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.

#### B. As a lessee

The Company leases mainly properties.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under MFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, 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. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company presents right-of-use assets separately in the statement of financial position. The carrying amounts of right-of-use assets are as below.

	<b>Office buildings RM'000</b>	<b>Total RM'000</b>
Balance at 1 January 2019	31,470	31,470
Balance at 30 June 2019	<u>177,910</u>	<u>177,910</u>

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 2. Changes in accounting policies (continued)

### MFRS 16, *Leases* (continued)

#### B. As a lessee (continued)

The Company presents lease liabilities in 'liabilities' in the statement of financial position.

##### i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

##### ii. Transition

Previously, the Company classified property leases as operating leases under MFRS 117, which include office buildings. The leases typically run for a period of at least 3 years. Some leases include an option to renew the lease for an additional three years after the end of the non-cancellable period.

At transition, for leases classified as operating leases under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all leases.

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 2. Changes in accounting policies (continued)

### MFRS 16, *Leases* (continued)

#### C. Impacts on financial statements

##### i. Impacts on transition

On transition to MFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	<b>1.1.2019</b> <b>RM'000</b>
Right-of-use assets	31,470
Lease liabilities	<u>31,470</u>

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.4%.

	<b>1.1.2019</b> <b>RM'000</b>
Operating lease commitments at 31 December 2018 as disclosed in the Company's financial statements	<u>45,246</u>
Discounted using the incremental borrowing rate at 1 January 2019	(7,764)
Recognition exemption for leases with less than 12 months of lease term at transition	<u>(6,012)</u>
Lease liabilities recognised at 1 January 2019	<u>31,470</u>

##### ii. Impacts for the period

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised RM177,910,000 of right-of-use assets and RM179,602,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under MFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised RM9,290,000 of depreciation charges and RM1,332,000 of interest costs from these leases.

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## **3. 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.

## **4. 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 2019.

## **5. Changes in estimates**

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2019.

## **6. 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 2019.

## **7. 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.

## **8. Effect of changes in the composition of the Company**

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

## **9. 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. 107655-U)

(Incorporated in Malaysia)

## 10. Investments

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian government securities	1,624,408	1,617,882
Debt securities	13,478,820	12,496,113
Equity securities	12,029,084	11,861,651
Unit and property trust funds	426,099	260,230
Foreign managed funds	2,146,384	1,572,281
Investment in structured products	11,361	13,723
Loans	648,797	644,884
Deposits with financial institutions	<u>2,915,658</u>	<u>2,466,353</u>
	<u><b>33,280,611</b></u>	<u><b>30,933,117</b></u>

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

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and receivables ("LAR")	3,564,455	3,111,237
Held-for-trading ("HFT")	<u>29,716,156</u>	<u>27,821,880</u>
	<u><b>33,280,611</b></u>	<u><b>30,933,117</b></u>

The following investments mature after 12 months:

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
LAR	3,238	2,868
HFT	<u>14,885,153</u>	<u>13,781,503</u>
	<u><b>14,888,391</b></u>	<u><b>13,784,371</b></u>

### (a) LAR

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amortised cost</b>		
Fixed and call deposits with financial institutions	2,915,658	2,466,353
Policy loans	626,371	621,778
Mortgage loans	257	296
Unsecured loans	<u>22,169</u>	<u>22,810</u>
	<u><b>3,564,455</b></u>	<u><b>3,111,237</b></u>

### (b) HFT

	<b>30.06.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Fair value</b>		
Malaysian government securities	1,624,408	1,617,882
Debt securities	13,478,820	12,496,113
Equity securities	12,029,084	11,861,651
Unit and property trust funds	426,099	260,230
Foreign managed funds	2,146,384	1,572,281
Investment in structured products	<u>11,361</u>	<u>13,723</u>
	<u><b>29,716,156</b></u>	<u><b>27,821,880</b></u>

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 11. Insurance contract liabilities

Life insurance

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

	30.06.2019			31.12.2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	13,391,664	9,058	13,400,722	12,154,407	12,508	12,166,915
Net asset value attributable to unit holders	16,580,165	-	16,580,165	15,529,820	-	15,529,820
Provision for outstanding claims	858,476	-	858,476	772,919	-	772,919
	<u>30,830,305</u>	<u>9,058</u>	<u>30,839,363</u>	<u>28,457,146</u>	<u>12,508</u>	<u>28,469,654</u>

Note 12

Note 12

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 11. 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 2018</b>	1,454,274	9,552,963	15,269,050	422,899	633,266	27,332,452
Valuation premiums	285,815	-	-	-	-	285,815
Premium received, net of reinsurance	-	1,260,897	2,160,587	(54,278)	-	3,367,206
Liabilities released for payments on death, surrender and other terminations	(359,832)	(788,519)	(1,204,836)	(21,232)	(1,771,129)	(4,145,548)
Claims incurred during the year	-	-	-	139,191	1,910,782	2,049,973
Accretion of interest	34,340	-	-	17,943	-	52,283
Other movements	2,120	-	-	17,663	-	19,783
New business	204,281	-	-	11,312	-	215,593
Change in valuation basis	(30,217)	-	-	(29,251)	-	(59,468)
Investment income	-	492,891	-	-	-	492,891
Expenses: Operating						
- Commission and agency expenses	-	(151,242)	-	-	-	(151,242)
- Management expenses	-	(104,151)	-	-	-	(104,151)
Other expenses	-	(164,345)	-	-	-	(164,345)
Movement in tax	-	(28,756)	-	-	-	(28,756)
Policyholder's liability	36,339	-	-	-	-	36,339
Net asset value attributable to unit holders	-	-	(694,981)	-	-	(694,981)
Transfer to shareholder's fund	-	(34,190)	-	-	-	(34,190)
<b>At 31 December 2018</b>	<b>1,627,120</b>	<b>10,035,548</b>	<b>15,529,820</b>	<b>504,247</b>	<b>772,919</b>	<b>28,469,654</b>

## Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

### 11. 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 2019</b>	1,627,120	10,035,548	15,529,820	504,247	772,919	28,469,654
Valuation premiums	156,392	-	-	-	-	156,392
Premium received, net of reinsurance	-	606,553	1,076,990	(29,854)	-	1,653,689
Liabilities released for payments on death, surrender and other terminations	(148,694)	(400,233)	(566,547)	(10,806)	(844,213)	(1,970,493)
Claims incurred during the period	-	-	-	72,944	929,770	1,002,714
Accretion of interest	20,074	-	-	10,075	-	30,149
Other movements	(434)	-	-	11,800	-	11,366
New business	282,268	-	-	4,471	-	286,739
Change in valuation basis	117,752	-	-	(4,393)	-	113,359
Investment income	-	259,080	-	-	-	259,080
Expenses: Operating						
- Commission and agency expenses	-	(81,127)	-	-	-	(81,127)
- Management expenses	-	(54,210)	-	-	-	(54,210)
Other income	-	460,628	-	-	-	460,628
Movement in tax	-	(54,520)	-	-	-	(54,520)
Policyholder's liability	16,041	-	-	-	-	16,041
Net asset value attributable to unit holders (Note 17)	-	-	539,902	-	-	539,902
Transfer to shareholder's fund	-	-	-	-	-	-
<b>At 30 June 2019</b>	<b>2,070,519</b>	<b>10,771,719</b>	<b>16,580,165</b>	<b>558,484</b>	<b>858,476</b>	<b>30,839,363</b>

## Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

### 12. Reinsurance liabilities

	Note	30.06.2019 RM'000	31.12.2018 RM'000
Reinsurance of insurance contracts - non current	11	<u>9,058</u>	<u>12,508</u>

### 13. Regulatory capital requirements

The capital structure of the Company as at 30 June 2019, as prescribed under Bank Negara Malaysia's Risk Based Capital Framework for Insurers is provided below:

	30.06.2019 RM'000	31.12.2018 RM'000
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	<u>4,148,949</u>	<u>3,975,679</u>
	4,248,949	4,075,679
<b>Deduction</b>		
Intangible assets	<u>192,197</u>	<u>148,369</u>
<b>Total capital available</b>	<u>4,056,752</u>	<u>3,927,310</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.

### 14. Capital commitments

The capital commitments are in respect of:

- property and equipment
- intangible assets
- relocation cost

	30.06.2019 RM'000	31.12.2018 RM'000
Authorised and contracted for	<u>25,223</u>	<u>42,425</u>

### 15. Dividends

In prior interim period ended 30 June 2018, the Company paid a final single tier dividend of 200% totalling RM200 million for the year ended 31 December 2017 on 30 May 2018.

In the current interim period ended 30 June 2019, the Company paid a final single tier dividend of 221.5% totalling RM221.5 million for the year ended 31 December 2018 on 28 May 2019.

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 16. Related party disclosures

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

	<b>6 months period ended 30.06.2019 RM'000</b>	<b>6 months period ended 30.06.2018 RM'000</b>
<b>Transactions:</b>		
Outsourcing fees and other charges		
- Prudential Services Asia Sdn Bhd	26,888	26,218
Recharge expenses		
- Prudential Holdings Limited	12,268	7,392
Recharge income		
- Prudential BSN Takaful Berhad	(30,661)	(33,275)
Management fees		
- Eastspring Investments Berhad	33,148	33,115
	<b>30.06.2019 RM'000</b>	<b>31.12.2018 RM'000</b>
<b>Balances:</b>		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	(55,696)	(40,033)
- Prudential Holdings Limited	(83,069)	(46,254)
- Eastspring Investments Berhad	(14,155)	(38,140)
Amount due from related company:		
- Prudential BSN Takaful Berhad	39,103	29,642

## 17. 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. 107655-U)

(Incorporated in Malaysia)

## 17. Insurance funds (continued)

Condensed statement of financial position by funds as at 30 June 2019 - unaudited

	Shareholder's fund		Life fund		Elimination*		Total	
	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
<b>Assets</b>								
Property and equipment	39	41	251,355	269,480	-	-	251,394	269,521
Right-of-use assets	-	-	177,910	-	-	-	177,910	-
Intangible assets	1	-	192,196	148,369	-	-	192,197	148,369
Investments	518,714	227,092	32,761,897	30,706,025	-	-	33,280,611	30,933,117
Insurance receivables	-	-	50,047	41,577	-	-	50,047	41,577
Other receivables	929	563,283	356,554	362,851	68,297	(528,773)	425,780	397,361
Tax recoverable	45,707	6,263	9,525	11,640	-	-	55,232	17,903
Cash and bank balances	1,818	1,496	52,257	42,472	-	-	54,075	43,968
<b>Total assets</b>	<b>567,208</b>	<b>798,175</b>	<b>33,851,741</b>	<b>31,582,414</b>	<b>68,297</b>	<b>(528,773)</b>	<b>34,487,246</b>	<b>31,851,816</b>
<b>Equity, policyholders' funds and liabilities</b>								
<b>Total equity</b>	<b>490,128</b>	<b>715,598</b>	<b>1,190,288</b>	<b>976,631</b>	<b>-</b>	<b>-</b>	<b>1,680,416</b>	<b>1,692,229</b>
Insurance contract liabilities	-	-	30,830,305	28,457,146	-	-	30,830,305	28,457,146
Reinsurance liabilities	-	-	9,058	12,508	-	-	9,058	12,508
Deferred taxation	541	182	581,711	441,364	-	-	582,252	441,546
Lease liabilities	-	-	179,602	-	-	-	179,602	-
Provisions	59,664	61,557	348,302	311,546	-	-	407,966	373,103
Insurance payables	4,064	10,786	284,899	335,066	-	-	288,963	345,852
Tax payable	-	-	16,964	7,559	-	-	16,964	7,559
Other payables	12,811	10,052	410,612	1,040,594	68,297	(528,773)	491,720	521,873
<b>Total liabilities</b>	<b>77,080</b>	<b>82,577</b>	<b>32,661,453</b>	<b>30,605,783</b>	<b>68,297</b>	<b>(528,773)</b>	<b>32,806,830</b>	<b>30,159,587</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>567,208</b>	<b>798,175</b>	<b>33,851,741</b>	<b>31,582,414</b>	<b>68,297</b>	<b>(528,773)</b>	<b>34,487,246</b>	<b>31,851,816</b>

\* Refers to elimination of Interfund balances.

# Prudential Assurance Malaysia Berhad

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

## 17. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2019 - unaudited

	Shareholder's fund		Life fund		Total	
	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
<b>Operating revenue</b>	4,663	7,135	4,404,653	4,017,574	4,409,316	4,024,709
Gross earned premiums	-	-	3,752,690	3,407,996	3,752,690	3,407,996
Premiums ceded to reinsurers	-	-	(46,001)	(56,727)	(46,001)	(56,727)
<b>Net earned premiums</b>	-	-	3,706,689	3,351,269	3,706,689	3,351,269
Investment income	4,663	7,135	651,963	609,578	656,626	616,713
Realised gains and losses	58	(33)	67,520	108,608	67,578	108,575
Fair value gains and losses	1,626	(307)	910,841	(1,125,900)	912,467	(1,126,207)
Fee and commission income	-	-	168,781	168,336	168,781	168,336
Other operating income	39,237	39,558	4,241	10,467	43,478	50,025
<b>Other income</b>	45,584	46,353	1,803,346	(228,911)	1,848,930	(182,558)
Gross benefits and claims paid	-	-	(1,811,025)	(1,675,635)	(1,811,025)	(1,675,635)
Claims ceded to reinsurers	-	-	10,719	12,930	10,719	12,930
Gross change in contract liabilities	-	-	(2,287,602)	(141,288)	(2,287,602)	(141,288)
Change in contract liabilities ceded to reinsurers	-	-	3,450	(3,822)	3,450	(3,822)
<b>Net benefits and claims</b>	-	-	(4,084,458)	(1,807,815)	(4,084,458)	(1,807,815)

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 17. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2019 - unaudited (continued)

	Shareholder's fund		Life fund		Total	
	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Fee and commission expense	(12,642)	(3,285)	(658,332)	(652,517)	(670,974)	(655,802)
Depreciation of property and equipment	(3)	(3)	(18,392)	(8,634)	(18,395)	(8,637)
Amortisation of intangible assets	-	-	(10,824)	(8,562)	(10,824)	(8,562)
Management expenses	(6,697)	(8,406)	(308,455)	(314,908)	(315,152)	(323,314)
Other operating expenses	(28,722)	(32,230)	(34,936)	(26,636)	(63,658)	(58,866)
<b>Other expenses</b>	<b>(48,064)</b>	<b>(43,924)</b>	<b>(1,030,939)</b>	<b>(1,011,257)</b>	<b>(1,079,003)</b>	<b>(1,055,181)</b>
<b>Operating (loss)/profit</b>	<b>(2,480)</b>	<b>2,429</b>	<b>394,638</b>	<b>303,286</b>	<b>392,158</b>	<b>305,715</b>
Finance cost	-	-	(1,332)	-	(1,332)	-
<b>(Loss)/Profit before taxation</b>	<b>(2,480)</b>	<b>2,429</b>	<b>393,306</b>	<b>303,286</b>	<b>390,826</b>	<b>305,715</b>
Taxation	(1,490)	(1,643)	(179,649)	(35,839)	(181,139)	(37,482)
<b>Net (loss)/profit/Total comprehensive (expense)/ income for the period</b>	<b>(3,970)</b>	<b>786</b>	<b>213,657</b>	<b>267,447</b>	<b>209,687</b>	<b>268,233</b>

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 17. Insurance funds (continued)

### Investment-linked funds

#### Condensed statement of assets and liabilities as at 30 June 2019 (unaudited)

	30.06.2019 RM'000	31.12.2018 RM'000
<b>Assets</b>		
Investments	16,696,981	15,578,062
Other receivables	41,638	99,383
Tax recoverable	9,294	11,390
Cash and bank balances	2,798	3,403
<b>Total assets</b>	<u>16,750,711</u>	<u>15,692,238</u>
<b>Liabilities</b>		
Deferred taxation	121,828	92,643
Tax payable	6,207	3,455
Other payables	42,511	66,320
<b>Total liabilities</b>	<u>170,546</u>	<u>162,418</u>
<b>Net asset value of funds (Note 11)</b>	<u>16,580,165</u>	<u>15,529,820</u>

#### Condensed statement of income and expenditure For the 6 months period ended 30 June 2019 (unaudited)

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Investment income	287,404	280,079
Realised gains and losses	33,369	73,819
Fair value gains and losses	365,499	(907,000)
Fee and commission income	29,373	29,937
Other operating income	2,853	1,034
	<u>718,498</u>	<u>(522,131)</u>
Fee and commission expense	(137,843)	(136,308)
<b>Profit/(Loss) before taxation</b>	580,655	(658,439)
Taxation	(40,753)	58,744
<b>Net profit/(loss)/Total comprehensive income/(expense) for the period</b>	<u>539,902</u>	<u>(599,695)</u>

## 18. 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. 107655-U)

(Incorporated in Malaysia)

### 19. Fair value information

The carrying amount 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 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 2019</b>					
<b>Financial assets</b>					
Malaysian government securities	-	1,624,408	-	1,624,408	1,624,408
Debt securities	-	13,478,820	-	13,478,820	13,478,820
Equity securities	12,023,788	-	5,296	12,029,084	12,029,084
Unit and property trust funds	242,097	184,002	-	426,099	426,099
Foreign managed funds	-	2,146,384	-	2,146,384	2,146,384
Investment in structured products	-	11,361	-	11,361	11,361
	<u>12,265,885</u>	<u>17,444,975</u>	<u>5,296</u>	<u>29,716,156</u>	<u>29,716,156</u>
<b>31 December 2018</b>					
<b>Financial assets</b>					
Malaysian government securities	-	1,617,882	-	1,617,882	1,617,882
Debt securities	-	12,496,113	-	12,496,113	12,496,113
Equity securities	11,856,355	-	5,296	11,861,651	11,861,651
Unit and property trust funds	130,569	129,661	-	260,230	260,230
Foreign managed funds	-	1,572,281	-	1,572,281	1,572,281
Investment in structured products	-	13,723	-	13,723	13,723
	<u>11,986,924</u>	<u>15,829,660</u>	<u>5,296</u>	<u>27,821,880</u>	<u>27,821,880</u>

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## 19. 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 2019 (30 June 2018: 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
<b>At 1 January 2018/31 December 2018/30 June 2019</b>	5,296	5,296

# Prudential Assurance Malaysia Berhad

(Company No. 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 21 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 2019 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:

.....  
**Soon Dee Hwee**  
Director

.....  
**Abdul Khalil bin Abdul Hamid**  
Director

Kuala Lumpur,

Date: 20 August 2019

# **Independent Auditors' Report on Review of Condensed Interim Financial Statements to the Board of Directors Prudential Assurance Malaysia Berhad**

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

## **Introduction**

We have reviewed the accompanying condensed statement of financial position as at 30 June 2019 of the Company, and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flow of the Company for the six-month period ended 30 June 2019 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: 20 August 2019