



**Prudential Assurance
Malaysia Berhad**

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

**Unaudited Condensed Interim
Financial Statements
For The Half-Year Ended
30 June 2017
(In Ringgit Malaysia)**

Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

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Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

Condensed statement of financial position

As at 30 June 2017 (Unaudited)

	Note	30.06.2017 RM'000	31.12.2016 RM'000
Assets			
Property and equipment		222,413	200,167
Intangible assets		75,395	65,900
Investments	9	28,348,271	26,215,995
Reinsurance assets	10	20,125	17,960
Insurance receivables		40,596	39,943
Other receivables		390,467	351,809
Tax recoverable		15,658	17,614
Cash and bank balances		34,592	33,699
Total assets		<u>29,147,517</u>	<u>26,943,087</u>
Equity, policyholders' funds and liabilities			
Share capital		100,000	100,000
Retained earnings		1,537,625	1,661,881
Total equity		<u>1,637,625</u>	<u>1,761,881</u>
Insurance contract liabilities	11	25,878,751	23,744,696
Deferred taxation		584,950	437,177
Provisions		279,003	257,221
Insurance payables		390,720	419,869
Tax payable		35,186	9,003
Other payables		341,282	313,240
Total liabilities		<u>27,509,892</u>	<u>25,181,206</u>
Total equity, policyholders' funds and liabilities		<u>29,147,517</u>	<u>26,943,087</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 2017 (Unaudited)

	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
Operating revenue	<u>3,705,218</u>	<u>3,549,674</u>
Gross earned premiums	3,157,909	3,059,344
Premiums ceded to reinsurers	<u>(48,273)</u>	<u>(47,963)</u>
Net earned premiums	<u>3,109,636</u>	<u>3,011,381</u>
Investment income	547,309	490,330
Realised gains and losses	201,721	(14,549)
Fair value gains and losses	936,032	(135,660)
Fee and commission income	154,942	136,886
Other operating income	<u>45,864</u>	<u>40,980</u>
Other income	<u>1,885,868</u>	<u>517,987</u>
Gross benefits and claims paid	(1,561,258)	(1,340,944)
Claims ceded to reinsurers	11,433	11,339
Gross change in contract liabilities	(2,060,179)	(1,031,026)
Change in contract liabilities ceded to reinsurers	<u>2,133</u>	<u>5,244</u>
Net benefits and claims	<u>(3,607,871)</u>	<u>(2,355,387)</u>
Fee and commission expense	(588,735)	(556,898)
Depreciation of property and equipment	(7,858)	(8,612)
Amortisation of intangible assets	(4,740)	-
Management expenses	(317,339)	(289,781)
Other operating expenses	<u>(52,633)</u>	<u>(45,799)</u>
Other expenses	<u>(971,305)</u>	<u>(901,090)</u>
Profit before taxation	416,328	272,891
Taxation	<u>(192,584)</u>	<u>(77,293)</u>
Net profit/Total comprehensive income for the period	<u>223,744</u>	<u>195,598</u>
Earnings per share (sen)		
Basic	<u>223.74</u>	<u>195.60</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 2017 (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 2016	100,000	1,007,335	752,000	1,759,335	1,859,335
Net profit/Total comprehensive income for the period	-	179,107	16,491	195,598	195,598
Dividends paid during the period	14	-	(380,000)	(380,000)	(380,000)
At 30 June 2016	100,000	1,186,442	388,491	1,574,933	1,674,933

Note	Share capital RM'000	Retained earnings			Total equity RM'000
		Non-Distributable* RM'000	Distributable RM'000	Total RM'000	
At 1 January 2017	100,000	881,900	779,981	1,661,881	1,761,881
Net profit/Total comprehensive income for the period	-	212,817	10,927	223,744	223,744
Dividends paid during the period	14	-	(348,000)	(348,000)	(348,000)
At 30 June 2017	100,000	1,094,717	442,908	1,537,625	1,637,625

* 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.

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Condensed statement of cash flows

For the 6 months period ended 30 June 2017 (Unaudited)

	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
Cash flows from operating activities		
Profit before taxation	416,328	272,891
Adjustments for:		
Gain on disposal of property and equipment	(204)	(1)
Fair value (gain)/loss on investments	(936,032)	135,660
Depreciation of property and equipment	7,858	8,612
Amortisation of intangible assets	4,740	-
Property and equipment written off	11	103
Intangible assets written off	1	-
Operating (loss)/gain before changes in working capital	(507,298)	417,265
Changes in operating assets and liabilities:		
Investments	(1,196,244)	(818,865)
Reinsurance assets	(2,165)	(5,129)
Insurance receivables	(653)	(1,726)
Other receivables	(38,658)	(259)
Insurance contract liabilities	2,134,055	952,022
Provisions	21,782	21,904
Insurance payables	(29,149)	(1,260)
Other payables	28,042	(49,582)
Cash generated from operations	409,712	514,370
Tax paid	(16,672)	(95,645)
Net cash from operating activities	393,040	418,725
Cash flows from investing activities		
Acquisition of property and equipment	(44,238)	(42,467)
Acquisition of intangible assets	(171)	-
Proceeds from disposal of property and equipment	262	3
Net cash used in investing activities	(44,147)	(42,464)
Cash flows from financing activity		
Dividend paid to owners of the Company	(348,000)	(380,000)
Net cash used in financing activity	(348,000)	(380,000)
Net increase/(decrease) in cash and bank balances	893	(3,739)
Cash and bank balances at beginning of period	33,699	22,770
Cash and bank balances at end of period	34,592	19,031

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 2016.

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 2016, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 2017.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2017.

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 2017.

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

	30.06.2017	31.12.2016
	RM'000	RM'000
Malaysian government securities	1,122,185	1,067,048
Debt securities	10,943,552	10,345,213
Equity securities	11,828,239	10,359,183
Unit and property trust funds	325,771	524,159
Foreign managed funds	1,327,798	1,213,189
Investment in structured products	9,437	9,171
Loans	624,811	611,692
Deposits with financial institutions	2,166,478	2,086,340
	<u>28,348,271</u>	<u>26,215,995</u>

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

	30.06.2017	31.12.2016
	RM'000	RM'000
Loans and receivables ("LAR")	2,791,289	2,698,032
Held-for-trading ("HFT")	<u>25,556,982</u>	<u>23,517,963</u>
	<u>28,348,271</u>	<u>26,215,995</u>

The following investments mature after 12 months:

	30.06.2017	31.12.2016
	RM'000	RM'000
LAR	2,716	2,846
HFT	<u>11,681,593</u>	<u>10,949,731</u>
	<u>11,684,309</u>	<u>10,952,577</u>

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9. Investments (continued)

(a) LAR

	30.06.2017	31.12.2016
	RM'000	RM'000
Amortised cost		
Fixed and call deposits with financial institutions	2,166,478	2,086,340
Policy loans	593,336	578,573
Mortgage loans	486	547
Unsecured loans	30,989	32,572
	<u>2,791,289</u>	<u>2,698,032</u>

(b) HFT

	30.06.2017	31.12.2016
	RM'000	RM'000
Fair value		
Malaysian government securities	1,122,185	1,067,048
Debt securities	10,943,552	10,345,213
Equity securities	11,828,239	10,359,183
Unit and property trust funds	325,771	524,159
Foreign managed funds	1,327,798	1,213,189
Investment in structured products	9,437	9,171
	<u>25,556,982</u>	<u>23,517,963</u>

10. Reinsurance assets

	Note	30.06.2017	31.12.2016
		RM'000	RM'000
Reinsurance of insurance contracts – current	11	<u>20,125</u>	<u>17,960</u>

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11. Insurance contract liabilities

	Note	Gross RM'000	30.06.2017 Reinsurance RM'000	Net RM'000	Gross RM'000	31.12.2016 Reinsurance RM'000	Net RM'000
Life insurance	11(a)	25,824,123	(15,766)	25,808,357	23,682,405	(13,951)	23,668,454
General insurance	11(b)	54,628	(4,359)	50,269	62,291	(4,009)	58,282
		<u>25,878,751</u>	<u>(20,125)</u>	<u>25,858,626</u>	<u>23,744,696</u>	<u>(17,960)</u>	<u>23,726,736</u>
			Note 10			Note 10	

(a) Life insurance

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

	Gross RM'000	30.06.2017 Reinsurance RM'000	Net RM'000	Gross RM'000	31.12.2016 Reinsurance RM'000	Net RM'000
Actuarial liabilities	10,776,900	(15,766)	10,761,134	10,063,398	(13,951)	10,049,447
Net asset value attributable to unit holders	14,493,797	-	14,493,797	13,140,628	-	13,140,628
Provision for outstanding claims	553,426	-	553,426	478,379	-	478,379
	<u>25,824,123</u>	<u>(15,766)</u>	<u>25,808,357</u>	<u>23,682,405</u>	<u>(13,951)</u>	<u>23,668,454</u>

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11. Insurance contract liabilities (continued)

(a) Life insurance (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 2016	605,413	7,728,917	12,464,157	295,044	513,050	21,606,581
Valuation premiums	309,059	-	-	-	-	309,059
Premium received, net of reinsurance	-	1,319,777	1,659,851	(40,148)	-	2,939,480
Liabilities released for payments on death, surrender and other terminations	(231,684)	(583,117)	(990,761)	(24,683)	(2,088,105)	(3,918,350)
Claims incurred during the year	-	-	-	95,882	2,053,434	2,149,316
Accretion of interest	13,605	-	-	15,239	-	28,844
Other movements	(2,813)	-	-	15,220	-	12,407
New business	306,922	-	-	6,772	-	313,694
Change in valuation basis	68,239	-	-	3,318	-	71,557
Investment income	-	392,188	-	-	-	392,188
Expenses: Operating						
- Commission and agency expenses	-	(161,440)	-	-	-	(161,440)
- Management expenses	-	(148,845)	-	-	-	(148,845)
Other income	-	84,825	-	-	-	84,825
Movement in tax	-	(34,645)	-	-	-	(34,645)
Policyholder's liability	45,087	-	-	-	-	45,087
Net asset value attributable to unit holders	-	-	7,381	-	-	7,381
Transfer to shareholder's fund	-	(28,685)	-	-	-	(28,685)
At 31 December 2016	1,113,828	8,568,975	13,140,628	366,644	478,379	23,668,454

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11. Insurance contract liabilities (continued)

(a) Life insurance (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 2017	1,113,828	8,568,975	13,140,628	366,644	478,379	23,668,454
Valuation premiums	162,748	-	-	-	-	162,748
Premium received, net of reinsurance	-	674,840	893,739	(22,737)	-	1,545,842
Liabilities released for payments on death, surrender and other terminations	(130,272)	(333,442)	(580,243)	(11,057)	(652,726)	(1,707,740)
Claims incurred during the period	-	-	-	42,168	727,773	769,941
Accretion of interest	13,420	-	-	7,722	-	21,142
Other movements	-	-	-	13,458	-	13,458
New business	43,776	-	-	2,762	-	46,538
Change in valuation basis	32,987	-	-	14,457	-	47,444
Investment income	-	213,109	-	-	-	213,109
Expenses: Operating						
- Commission and agency expenses	-	(82,790)	-	-	-	(82,790)
- Management expenses	-	(61,847)	-	-	-	(61,847)
Other income	-	142,660	-	-	-	142,660
Movement in tax	-	(31,074)	-	-	-	(31,074)
Policyholders' liability	20,799	-	-	-	-	20,799
Net asset value attributable to unit holders (Note 16)	-	-	1,039,673	-	-	1,039,673
At 30 June 2017	1,257,286	9,090,431	14,493,797	413,417	553,426	25,808,357

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11. Insurance contract liabilities (continued)

(b) General insurance

	Note	30.06.2017			31.12.2016		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		36,054	(3,219)	32,835	38,885	(2,901)	35,984
Provision for incurred but not reported claims ("IBNR")		10,043	-	10,043	13,704	-	13,704
Provision for outstanding claims	(i)	46,097	(3,219)	42,878	52,589	(2,901)	49,688
Provision for unearned premiums	(ii)	8,531	(1,140)	7,391	9,702	(1,108)	8,594
		<u>54,628</u>	<u>(4,359)</u>	<u>50,269</u>	<u>62,291</u>	<u>(4,009)</u>	<u>58,282</u>

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11. Insurance contract liabilities (continued)

(b) General insurance (continued)

(i) Provision for outstanding claims

	Gross RM'000	30.06.2017 Reinsurance RM'000	Net RM'000	Gross RM'000	31.12.2016 Reinsurance RM'000	Net RM'000
At 1 January 2017/2016	52,589	(2,901)	49,688	64,609	(1,628)	62,981
Claims incurred in the current accident period/year	305	(555)	(250)	5,515	(2,636)	2,879
Claims paid during the period/year	(6,797)	237	(6,560)	(17,535)	1,363	(16,172)
At 30 June 2017/31 December 2016	<u>46,097</u>	<u>(3,219)</u>	<u>42,878</u>	<u>52,589</u>	<u>(2,901)</u>	<u>49,688</u>

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11. Insurance contract liabilities (continued)

(b) General insurance (continued)

(ii) Provision for unearned premiums

	Gross RM'000	30.06.2017 Reinsurance RM'000	Net RM'000	Gross RM'000	31.12.2016 Reinsurance RM'000	Net RM'000
At 1 January 2017/2016	9,702	(1,108)	8,594	14,033	(1,069)	12,964
Premiums written during the period/year	8,428	(1,485)	6,943	23,675	(2,888)	20,787
Premiums earned during the period/year	(9,599)	1,453	(8,146)	(28,006)	2,849	(25,157)
At 30 June 2017/31 December 2016	8,531	(1,140)	7,391	9,702	(1,108)	8,594

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12. Regulatory capital requirements

The capital structure of the Company as at 30 June 2017, as prescribed under Bank Negara Malaysia's Risk Based Capital Framework for Insurers is provided below:

	30.06.2017	31.12.2016
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	4,251,826	1,940,377
	<u>4,351,826</u>	<u>2,040,377</u>
Deduction		
Intangible assets and deferred tax assets	93,349	214
	<u>93,349</u>	<u>214</u>
Total capital available	<u><u>4,258,477</u></u>	<u><u>2,040,163</u></u>

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

13. Capital commitments

	30.06.2017	31.12.2016
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property and equipment	4,970	2,417
	<u>4,970</u>	<u>2,417</u>

14. Dividends

In prior interim period ended 30 June 2016, the Company paid a final single tier dividend of 380% totalling RM380 million for the year ended 31 December 2015 on 31 May 2016.

In the current interim period ended 30 June 2017, the Company paid a final single tier dividend of 348% totalling RM348 million for the year ended 31 December 2016 on 31 May 2017.

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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 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
Transactions:		
Outsourcing fees and other charges		
- Prudential Services Asia Sdn Bhd	26,140	23,985
Recharge expenses		
- Prudential Holdings Limited	15,214	10,345
Recharge income		
- Prudential BSN Takaful Berhad	(35,666)	(32,263)
Management fees		
- Eastspring Investments Berhad	31,801	30,600
	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Balances:		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	(28,957)	(29,332)
- Prudential Holdings Limited	(46,526)	(16,571)
- Eastspring Investments Berhad	(7,885)	(21,604)
- Pru Life Insurance Corporation of UK	(204)	(252)
- Prudential Services Ltd	(4)	-
Amount due from related companies:		
- Prudential BSN Takaful Berhad	25,604	26,072
- Prudential Vietnam Assurance Private Ltd	9	9
- Prudential Foundation Ltd	-	270
- Prudential Life Insurance Ghana Ltd	1	-

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16. Insurance funds

The Company's activities are organised by funds and segregated into the Life, General 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 and the Shareholder's and General Funds have been presented together as one fund.

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.

The general insurance business offers general insurance products which include Motor, Fire and Personal Accidents products. On 31 August 2017, the general insurance business of the Company will be transferred to The Pacific Insurance Berhad as approved by the Bank Negara Malaysia on 24 February 2017. The comparative statement of profit or loss and other comprehensive income has not been re-presented to show the discontinued operation separately from continuing operations as the results are immaterial in the context of the financial statements.

Condensed statement of financial position by funds as at 30 June 2017- unaudited

	Shareholder's and General funds		Life fund		Elimination*		Total	
	30.06.2017 RM'000	31.12.2016 RM'000	30.06.2017 RM'000	31.12.2016 RM'000	30.06.2017 RM'000	31.12.2016 RM'000	30.06.2017 RM'000	31.12.2016 RM'000
Assets								
Property and equipment	520	528	221,893	199,639	-	-	222,413	200,167
Intangible assets	2	-	75,393	65,900	-	-	75,395	65,900
Investments	620,752	279,779	27,727,519	25,936,216	-	-	28,348,271	26,215,995
Reinsurance assets	4,359	4,009	15,766	13,951	-	-	20,125	17,960
Insurance receivables	-	-	40,596	39,943	-	-	40,596	39,943
Other receivables	66,692	734,575	270,425	253,462	53,350	(636,228)	390,467	351,809
Tax recoverable	-	-	15,658	17,614	-	-	15,658	17,614
Cash and bank balances	10,105	2,467	24,487	31,232	-	-	34,592	33,699
Total assets	702,430	1,021,358	28,391,737	26,557,957	53,350	(636,228)	29,147,517	26,943,087

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16. Insurance funds (continued)

Condensed statement of financial position by funds as at 30 June 2017- unaudited (continued)

	Shareholder's and General funds		Life fund		Elimination*		Total	
	30.06.2017 RM'000	31.12.2016 RM'000	30.06.2017 RM'000	31.12.2016 RM'000	30.06.2017 RM'000	31.12.2016 RM'000	30.06.2017 RM'000	31.12.2016 RM'000
Equity, policyholders' funds and liabilities								
Total equity	542,907	879,981	1,094,718	881,900	-	-	1,637,625	1,761,881
Insurance contract liabilities	54,628	62,291	25,824,123	23,682,405	-	-	25,878,751	23,744,696
Deferred taxation	151	44	584,799	437,133	-	-	584,950	437,177
Provisions	66,765	69,092	212,238	188,129	-	-	279,003	257,221
Insurance payables	935	693	389,785	419,176	-	-	390,720	419,869
Tax payable	26,302	4,979	8,884	4,024	-	-	35,186	9,003
Other payables	10,742	4,278	277,190	945,190	53,350	(636,228)	341,282	313,240
Total liabilities	159,523	141,377	27,297,019	25,676,057	53,350	(636,228)	27,509,892	25,181,206
Total equity, policyholders' funds and liabilities	702,430	1,021,358	28,391,737	26,557,957	53,350	(636,228)	29,147,517	26,943,087

* 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 2017– unaudited

	Shareholder's and General funds		Life fund		Total	
	6 months period ended 30.06.2017	6 months period ended 30.06.2016	6 months period ended 30.06.2017	6 months period ended 30.06.2016	6 months period ended 30.06.2017	6 months period ended 30.06.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	15,382	27,666	3,689,836	3,522,008	3,705,218	3,549,674
Gross earned premiums	9,599	15,113	3,148,310	3,044,231	3,157,909	3,059,344
Premiums ceded to reinsurers	(1,453)	(1,434)	(46,820)	(46,529)	(48,273)	(47,963)
Net earned premiums	8,146	13,679	3,101,490	2,997,702	3,109,636	3,011,381
Investment income	5,783	12,553	541,526	477,777	547,309	490,330
Realised gains and losses	(26)	(4)	201,747	(14,545)	201,721	(14,549)
Fair value gains and losses	229	741	935,803	(136,401)	936,032	(135,660)
Fee and commission income	-	-	154,942	136,886	154,942	136,886
Other operating income	40,236	35,623	5,628	5,357	45,864	40,980
Other income	46,222	48,913	1,839,646	469,074	1,885,868	517,987
Gross benefits and claims paid	(6,797)	(7,905)	(1,554,461)	(1,333,039)	(1,561,258)	(1,340,944)
Claims ceded to reinsurers	237	208	11,196	11,131	11,433	11,339
Gross change in contract liabilities	6,492	8,985	(2,066,671)	(1,040,011)	(2,060,179)	(1,031,026)
Change in contract liabilities ceded to reinsurers	318	2,499	1,815	2,745	2,133	5,244
Net benefits and claims	250	3,787	(3,608,121)	(2,359,174)	(3,607,871)	(2,355,387)

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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 2017– unaudited (continued)

	Shareholder's and General funds		Life fund		Total	
	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000	6 months period ended 30.06.2017 RM'000	6 months period ended 30.06.2016 RM'000
Fee and commission expense	(1,672)	(1,828)	(587,063)	(555,070)	(588,735)	(556,898)
Depreciation of property and equipment	(7)	(55)	(7,851)	(8,557)	(7,858)	(8,612)
Amortisation of intangible assets	0	-	(4,740)	-	(4,740)	-
Management expenses	(5,835)	(11,661)	(311,504)	(278,120)	(317,339)	(289,781)
Other operating expenses	(33,331)	(30,193)	(19,302)	(15,606)	(52,633)	(45,799)
Other expenses	(40,845)	(43,737)	(930,460)	(857,353)	(971,305)	(901,090)
Profit before taxation	13,773	22,642	402,555	250,249	416,328	272,891
Taxation	(2,846)	(6,151)	(189,738)	(71,142)	(192,584)	(77,293)
Net profit/Total comprehensive income for the periods	10,927	16,491	212,817	179,107	223,744	195,598

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16. Insurance funds (continued)

Investment-linked funds

Condensed statement of assets and liabilities as at 30 June 2017 (unaudited)

	30.06.2017	31.12.2016
	RM'000	RM'000
Assets		
Investments	14,615,539	13,195,929
Other receivables	55,272	58,375
Tax recoverable	12,814	15,265
Cash and bank balances	7,809	566
Total assets	<u>14,691,434</u>	<u>13,270,135</u>
Liabilities		
Deferred taxation	180,220	116,194
Tax payable	5,171	3,026
Other payables	12,246	10,287
Total liabilities	<u>197,637</u>	<u>129,507</u>
Net asset value of funds (Note 11(a))	<u>14,493,797</u>	<u>13,140,628</u>

Condensed statement of income and expenditure For the 6 months period ended 30 June 2017 (unaudited)

	6 months	6 months
	period ended	period ended
	30.06.2017	30.06.2016
	RM'000	RM'000
Investment income	248,861	220,618
Realised gains and losses	173,008	(14,376)
Fair value gains and losses	793,807	(178,308)
Fee and commission income	28,302	24,523
Other operating income	3,141	3,176
	<u>1,247,119</u>	<u>55,633</u>
Fee and commission expense	(124,041)	(110,331)
Profit before taxation	1,123,078	(54,698)
Taxation	(83,405)	8,221
Net profit/(loss)/ Total comprehensive income/(loss) for the period	<u>1,039,673</u>	<u>(46,477)</u>

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17. 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		
30 June 2017					
Financial assets					
Malaysian government securities	-	1,122,185	-	1,122,185	1,122,185
Debt securities	-	10,943,552	-	10,943,552	10,943,552
Equity securities	11,822,943	-	5,296	11,828,239	11,828,239
Unit and property trust funds	325,771	-	-	325,771	325,771
Foreign managed funds	-	1,327,798	-	1,327,798	1,327,798
Investment in structured products	1,678	7,759	-	9,437	9,437
	<u>12,150,392</u>	<u>13,401,294</u>	<u>5,296</u>	<u>25,556,982</u>	<u>25,556,982</u>

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17. 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		
31 December 2016					
Financial assets					
Malaysian government securities	-	1,067,048	-	1,067,048	1,067,048
Debt securities	-	10,345,213	-	10,345,213	10,345,213
Equity securities	10,353,887	-	5,296	10,359,183	10,359,183
Unit and property trust funds	524,159	-	-	524,159	524,159
Foreign managed funds	-	1,213,189	-	1,213,189	1,213,189
Investment in structured products	1,435	7,736	-	9,171	9,171
	<u>10,879,481</u>	<u>12,633,186</u>	<u>5,296</u>	<u>23,517,963</u>	<u>23,517,963</u>

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17. 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 2017 (30 June 2016: 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 2016/31 December 2016/30 June 2017	<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 24 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 2017 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:

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Soon Dee Hwee
Director

.....
Abdul Khalil bin Abdul Hamid
Director

Kuala Lumpur,

Date: 22nd August 2017