



**Prudential Assurance
Malaysia Berhad**

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

**Unaudited Condensed Interim
Financial Statements
For The Half-Year Ended
30 June 2018
(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 2018 (Unaudited)

| | Note | 30.06.2018 RM'000 | 31.12.2017 RM'000 |
|-----------------------------------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Property and equipment | | 273,307 | 245,087 |
| Intangible assets | | 124,719 | 120,794 |
| Investments | 9 | 29,782,759 | 29,748,429 |
| Insurance receivables | | 60,852 | 56,494 |
| Other receivables | | 381,848 | 287,392 |
| Tax recoverable | | 105,128 | 44,021 |
| Cash and bank balances | | 39,668 | 102,510 |
| Total assets | | <u>30,768,281</u> | <u>30,604,727</u> |
| Equity, policyholders' funds and liabilities | | | |
| Share capital | | 100,000 | 100,000 |
| Retained earnings | | <u>1,595,305</u> | <u>1,527,072</u> |
| Total equity | | <u>1,695,305</u> | <u>1,627,072</u> |
| Insurance contract liabilities | 10 | 27,506,562 | 27,324,479 |
| Reinsurance liabilities | 11 | 11,795 | 7,973 |
| Deferred taxation | | 535,876 | 541,458 |
| Provisions | | 347,678 | 310,935 |
| Insurance payables | | 343,442 | 416,606 |
| Tax payable | | 9,120 | 9,033 |
| Other payables | | 318,503 | 367,171 |
| Total liabilities | | <u>29,072,976</u> | <u>28,977,655</u> |
| Total equity, policyholders' funds and liabilities | | <u>30,768,281</u> | <u>30,604,727</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 2018 (Unaudited)

| | 6 months period ended 30.06.2018 RM'000 | 6 months period ended 30.06.2017 RM'000 |
|-------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Operating revenue | <u>4,024,709</u> | <u>3,705,218</u> |
| Gross earned premiums | 3,407,996 | 3,157,909 |
| Premiums ceded to reinsurers | <u>(56,727)</u> | <u>(48,273)</u> |
| Net earned premiums | <u>3,351,269</u> | <u>3,109,636</u> |
| Investment income | 616,713 | 547,309 |
| Realised gains and losses | 108,575 | 201,721 |
| Fair value gains and losses | (1,126,207) | 936,032 |
| Fee and commission income | 168,336 | 154,942 |
| Other operating income | <u>50,025</u> | <u>45,864</u> |
| Other income | <u>(182,558)</u> | <u>1,885,868</u> |
| Gross benefits and claims paid | (1,675,635) | (1,561,258) |
| Claims ceded to reinsurers | 12,930 | 11,433 |
| Gross change in contract liabilities | (141,288) | (2,060,179) |
| Change in contract liabilities ceded to reinsurers | <u>(3,822)</u> | <u>2,133</u> |
| Net benefits and claims | <u>(1,807,815)</u> | <u>(3,607,871)</u> |
| Fee and commission expense | (655,802) | (588,735) |
| Depreciation of property and equipment | (8,637) | (7,858) |
| Amortisation of intangible assets | (8,562) | (4,740) |
| Management expenses | (323,314) | (317,339) |
| Other operating expenses | <u>(58,866)</u> | <u>(52,633)</u> |
| Other expenses | <u>(1,055,181)</u> | <u>(971,305)</u> |
| Profit before taxation | 305,715 | 416,328 |
| Taxation | <u>(37,482)</u> | <u>(192,584)</u> |
| Net profit/Total comprehensive income for the period | <u>268,233</u> | <u>223,744</u> |
| Earnings per share (sen) | | |
| Basic | <u>268.23</u> | <u>223.74</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 2018 (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 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 | 15 | - | (348,000) | (348,000) | (348,000) |
| At 30 June 2017 | 100,000 | 1,094,717 | 442,908 | 1,537,625 | 1,637,625 |

| Note | Share capital RM'000 | Retained earnings | | | Total equity RM'000 |
|------------------------------------------------------|-------------------------|------------------------------|-------------------------|-----------------|------------------------|
| | | Non-Distributable* RM'000 | Distributable RM'000 | Total RM'000 | |
| At 1 January 2018 | 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) |
| At 30 June 2018 | 100,000 | 1,200,456 | 394,849 | 1,595,305 | 1,695,305 |

* 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

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Condensed statement of cash flows

For the 6 months period ended 30 June 2018 (Unaudited)

| | 6 months period ended 30.06.2018 RM'000 | 6 months period ended 30.06.2017 RM'000 |
|----------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Cash flows from operating activities | | |
| Profit before taxation | 305,715 | 416,328 |
| Adjustments for: | | |
| Gain on disposal of property and equipment | - | (204) |
| Fair value loss/(gain) on investments | 1,126,207 | (936,032) |
| Depreciation of property and equipment | 8,637 | 7,858 |
| Amortisation of intangible assets | 8,562 | 4,740 |
| Property and equipment written off | 84 | 11 |
| Intangible assets written off | 7 | 1 |
| Property and equipment adjustment | (1,644) | - |
| Intangible assets adjustment | 1,925 | - |
| Operating gain/(loss) before changes in working capital | 1,449,493 | (507,298) |
| Changes in operating assets and liabilities: | | |
| Investments | (1,160,537) | (1,196,244) |
| Reinsurance assets | - | (2,165) |
| Insurance receivables | (4,358) | (653) |
| Other receivables | (94,456) | (38,658) |
| Insurance contract liabilities | 182,083 | 2,134,055 |
| Reinsurance liabilities | 3,822 | - |
| Provisions | 36,743 | 21,782 |
| Insurance payables | (73,164) | (29,149) |
| Other payables | (48,668) | 28,042 |
| Cash generated from operations | 290,958 | 409,712 |
| Tax paid | (104,084) | (16,672) |
| Net cash from operating activities | 186,874 | 393,040 |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (44,185) | (44,238) |
| Acquisition of intangible assets | (5,531) | (171) |
| Proceeds from disposal of property and equipment | - | 262 |
| Net cash used in investing activities | (49,716) | (44,147) |
| Cash flows from financing activity | | |
| Dividend paid to owners of the Company | (200,000) | (348,000) |
| Net cash used in financing activity | (200,000) | (348,000) |
| Net (decrease)/increase in cash and bank balances | (62,842) | 893 |
| Cash and bank balances at beginning of period | 102,510 | 33,699 |
| Cash and bank balances at end of period | 39,668 | 34,592 |

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 2017.

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 2017, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

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.

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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 2018.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2018.

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 2018.

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

| | 30.06.2018 | 31.12.2017 |
|--------------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Malaysian government securities | 1,165,284 | 1,023,717 |
| Debt securities | 11,949,136 | 11,916,769 |
| Equity securities | 11,656,550 | 12,386,039 |
| Unit and property trust funds | 345,567 | 367,009 |
| Foreign managed funds | 1,430,427 | 1,303,902 |
| Investment in structured products | 7,042 | 7,470 |
| Loans | 645,873 | 639,108 |
| Deposits with financial institutions | 2,582,880 | 2,104,415 |
| | <u>29,782,759</u> | <u>29,748,429</u> |

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

| | 30.06.2018 | 31.12.2017 |
|-------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Loans and receivables ("LAR") | 3,228,753 | 2,743,523 |
| Held-for-trading ("HFT") | <u>26,554,006</u> | <u>27,004,906</u> |
| | <u>29,782,759</u> | <u>29,748,429</u> |

The following investments mature after 12 months:

| | 30.06.2018 | 31.12.2017 |
|-----|-------------------|-------------------|
| | RM'000 | RM'000 |
| LAR | 2,178 | 2,544 |
| HFT | <u>11,817,405</u> | <u>12,465,241</u> |
| | <u>11,819,583</u> | <u>12,467,785</u> |

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9. Investments (continued)

(a) LAR

| | 30.06.2018 | 31.12.2017 |
|-----------------------------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Amortised cost | | |
| Fixed and call deposits with financial institutions | 2,582,880 | 2,104,415 |
| Policy loans | 620,903 | 610,153 |
| Mortgage loans | 338 | 438 |
| Unsecured loans | 24,632 | 28,517 |
| | <u>3,228,753</u> | <u>2,743,523</u> |

(b) HFT

| | 30.06.2018 | 31.12.2017 |
|-----------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Fair value | | |
| Malaysian government securities | 1,165,284 | 1,023,717 |
| Debt securities | 11,949,136 | 11,916,769 |
| Equity securities | 11,656,550 | 12,386,039 |
| Unit and property trust funds | 345,567 | 367,009 |
| Foreign managed funds | 1,430,427 | 1,303,902 |
| Investment in structured products | 7,042 | 7,470 |
| | <u>26,554,006</u> | <u>27,004,906</u> |

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10. Insurance contract liabilities

| | Note | Gross RM'000 | 30.06.2018 Reinsurance RM'000 | Net RM'000 | Gross RM'000 | 31.12.2017 Reinsurance RM'000 | Net RM'000 |
|-------------------|-------|-------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|-------------------|
| Life insurance | 10(a) | 27,506,562 | 11,795 | 27,518,357 | 27,324,479 | 7,973 | 27,332,452 |
| General insurance | 10(b) | - | - | - | - | - | - |
| | | <u>27,506,562</u> | <u>11,795</u> | <u>27,518,357</u> | <u>27,324,479</u> | <u>7,973</u> | <u>27,332,452</u> |
| | | | Note 11 | | | Note 11 | |

(a) Life insurance

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

| | Gross RM'000 | 30.06.2018 Reinsurance RM'000 | Net RM'000 | Gross RM'000 | 31.12.2017 Reinsurance RM'000 | Net RM'000 |
|----------------------------------------------|-------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|-------------------|
| Actuarial liabilities | 11,749,406 | 11,795 | 11,761,201 | 11,422,163 | 7,973 | 11,430,136 |
| Net asset value attributable to unit holders | 15,083,095 | - | 15,083,095 | 15,269,050 | - | 15,269,050 |
| Provision for outstanding claims | 674,061 | - | 674,061 | 633,266 | - | 633,266 |
| | <u>27,506,562</u> | <u>11,795</u> | <u>27,518,357</u> | <u>27,324,479</u> | <u>7,973</u> | <u>27,332,452</u> |

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10. 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 | 306,629 | - | - | - | - | 306,629 |
| Premium received, net of reinsurance | - | 1,356,906 | 1,879,762 | (44,702) | - | 3,191,966 |
| Liabilities released for payments on death, surrender and other terminations | (263,502) | (683,321) | (1,168,596) | (19,940) | (1,481,787) | (3,617,146) |
| Claims incurred during the year | - | - | - | 99,097 | 1,636,674 | 1,735,771 |
| Accretion of interest | 27,799 | - | - | 15,287 | - | 43,086 |
| Other movements | 1,237 | - | - | 18,125 | - | 19,362 |
| New business | 85,648 | - | - | 8,584 | - | 94,232 |
| Change in valuation basis | 141,228 | - | - | (20,196) | - | 121,032 |
| Investment income | - | 445,897 | - | - | - | 445,897 |
| Expenses: Operating | | | | | | |
| - Commission and agency expenses | - | (155,944) | - | - | - | (155,944) |
| - Management expenses | - | (118,850) | - | - | - | (118,850) |
| Other income | - | 211,721 | - | - | - | 211,721 |
| Movement in tax | - | (40,647) | - | - | - | (40,647) |
| Policyholder's liability | 41,407 | - | - | - | - | 41,407 |
| Net asset value attributable to unit holders | - | - | 1,417,256 | - | - | 1,417,256 |
| Transfer to shareholder's fund | - | (31,774) | - | - | - | (31,774) |
| At 31 December 2017 | 1,454,274 | 9,552,963 | 15,269,050 | 422,899 | 633,266 | 27,332,452 |

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10. 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 2018 | 1,454,274 | 9,552,963 | 15,269,050 | 422,899 | 633,266 | 27,332,452 |
| Valuation premiums | 144,353 | - | - | - | - | 144,353 |
| Premium received, net of reinsurance | - | 646,290 | 1,017,465 | (26,039) | - | 1,637,716 |
| Liabilities released for payments on death, surrender and other terminations | (136,970) | (365,143) | (603,725) | (9,861) | (975,060) | (2,090,759) |
| Claims incurred during the period | - | - | - | 74,501 | 1,015,855 | 1,090,356 |
| Accretion of interest | 16,680 | - | - | 8,718 | - | 25,398 |
| Other movements | 1,097 | - | - | 10,767 | - | 11,864 |
| New business | 46,849 | - | - | 4,133 | - | 50,982 |
| Change in valuation basis | (45,991) | - | - | (8,913) | - | (54,904) |
| Investment income | - | 241,850 | - | - | - | 241,850 |
| Expenses: Operating | | | | | | |
| - Commission and agency expenses | - | (74,211) | - | - | - | (74,211) |
| - Management expenses | - | (55,321) | - | - | - | (55,321) |
| Other expenses | - | (154,974) | - | - | - | (154,974) |
| Movement in tax | - | (5,717) | - | - | - | (5,717) |
| Policyholder's liability | 18,967 | - | - | - | - | 18,967 |
| Net asset value attributable to unit holders (Note 17) | - | - | (599,695) | - | - | (599,695) |
| At 30 June 2018 | 1,499,259 | 9,785,737 | 15,083,095 | 476,205 | 674,061 | 27,518,357 |

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10. Insurance contract liabilities (continued)

(b) General insurance

(i) Provision for outstanding claims

| | Gross RM'000 | 30.06.2018 Reinsurance RM'000 | Net RM'000 | Gross RM'000 | 31.12.2017 Reinsurance RM'000 | Net RM'000 |
|-----------------------------------------------------|-----------------|-------------------------------------|---------------|-----------------|-------------------------------------|---------------|
| At 1 January 2018/2017 | - | - | - | 52,589 | (2,901) | 49,688 |
| Claims incurred in the current accident period/year | - | - | - | 1,398 | (430) | 968 |
| Claims paid during the period/year | - | - | - | (12,634) | 560 | (12,074) |
| Written off | - | - | - | (1,577) | 66 | (1,511) |
| Transfer of business | - | - | - | (39,776) | 2,705 | (37,071) |
| At 30 June 2018/31 December 2017 | - | - | - | - | - | - |

(ii) Provision for unearned premiums

| | Gross RM'000 | 30.06.2018 Reinsurance RM'000 | Net RM'000 | Gross RM'000 | 31.12.2017 Reinsurance RM'000 | Net RM'000 |
|-----------------------------------------|-----------------|-------------------------------------|---------------|-----------------|-------------------------------------|---------------|
| At 1 January 2018/2017 | - | - | - | 9,702 | (1,108) | 8,594 |
| Premiums written during the period/year | - | - | - | 13,379 | (1,920) | 11,459 |
| Premiums earned during the period/year | - | - | - | (15,170) | 1,920 | (13,250) |
| Transfer of business | - | - | - | (7,911) | 1,108 | (6,803) |
| At 30 June 2018/31 December 2017 | - | - | - | - | - | - |

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11. Reinsurance liabilities

| | Note | 30.06.2018 RM'000 | 31.12.2017 RM'000 |
|-----------------------------------------------------|------|----------------------|----------------------|
| Reinsurance of insurance contracts - non current | 10 | <u>11,795</u> | <u>7,973</u> |

12. Regulatory capital requirements

The capital structure of the Company as at 30 June 2018, as prescribed under Bank Negara Malaysia's Risk Based Capital Framework for Insurers is provided below:

| | 30.06.2018 RM'000 | 31.12.2017 RM'000 |
|-------------------------------------------|----------------------|----------------------|
| Eligible Tier 1 Capital | | |
| Share capital (paid-up) | 100,000 | 100,000 |
| Reserves, including retained earnings | <u>4,196,538</u> | <u>4,140,213</u> |
| | 4,296,538 | 4,240,213 |
| Deduction | | |
| Intangible assets and deferred tax assets | <u>125,320</u> | <u>120,817</u> |
| Total capital available | <u>4,171,218</u> | <u>4,119,396</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

| | 30.06.2018 RM'000 | 31.12.2017 RM'000 |
|-----------------------------------|----------------------|----------------------|
| Authorised and contracted for | 23,573 | 41,483 |
| Authorised but not contracted for | <u>158,904</u> | <u>158,904</u> |
| | <u>182,477</u> | <u>200,387</u> |

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14. Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 30.06.2018 | 31.12.2017 |
|----------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Less than one year | 30,314 | 28,921 |
| Between one and five years | 32,467 | 41,009 |
| More than five years | - | - |
| | <u>62,781</u> | <u>69,930</u> |

The Company leases a number of office buildings under operating leases. The leases typically run for a period of at least 3 years, with an option to renew the lease after that date.

The Company has entered into a contract to lease a new office premise which has yet to commence during the financial period. A summary of the non-cancellable long-term lease commitments are as follows:

| | 30.06.2018 | 31.12.2017 |
|----------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Less than one year | - | - |
| Between one and five years | 69,662 | 62,763 |
| More than five years | 237,666 | 251,643 |
| | <u>307,328</u> | <u>314,406</u> |

15. Dividends

In prior 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.

In the current 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.

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16. Related party disclosures

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

| | 6 months period ended 30.06.2018 RM'000 | 6 months period ended 30.06.2017 RM'000 |
|--------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Transactions: | | |
| Outsourcing fees and other charges | | |
| - Prudential Services Asia Sdn Bhd | 26,218 | 26,140 |
| Recharge expenses | | |
| - Prudential Holdings Limited | 7,392 | 15,214 |
| Recharge income | | |
| - Prudential BSN Takaful Berhad | (33,275) | (35,666) |
| Management fees | | |
| - Eastspring Investments Berhad | 33,115 | 31,801 |
| | 30.06.2018 RM'000 | 31.12.2017 RM'000 |
| Balances: | | |
| Amount due to related companies: | | |
| - Prudential Services Asia Sdn Bhd | (25,683) | (3,422) |
| - Prudential Holdings Limited | (24,752) | (2,544) |
| - Eastspring Investments Berhad | (24,085) | (26,330) |
| - Prudential Hong Kong Limited | (3) | - |
| - Prudential Services Limited | (6) | (6) |
| - Prudential Assurance Company Singapore (Pte) Limited | (7) | - |
| Amount due from related companies: | | |
| - Prudential BSN Takaful Berhad | 19,353 | 3,403 |
| - Prudential Vietnam Assurance Private Ltd | - | 9 |
| - Prudential (Cambodia) Life Assurance PLC | 7 | 5 |

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17. Insurance funds

The Company's activities are organised by funds and segregated into 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 30 August 2017, the general insurance business of the Company was transferred to The Pacific Insurance Berhad ("TPIB") as approved by BNM on 24 February 2017. The transfer was concluded in March 2018. The comparative statement of profit or loss and other comprehensive income has not been 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 2018 - unaudited

| | Shareholder's and General funds | | Life fund | | Elimination* | | Total | |
|------------------------|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 30.06.2018 RM'000 | 31.12.2017 RM'000 | 30.06.2018 RM'000 | 31.12.2017 RM'000 | 30.06.2018 RM'000 | 31.12.2017 RM'000 | 30.06.2018 RM'000 | 31.12.2017 RM'000 |
| Assets | | | | | | | | |
| Property and equipment | 44 | 51 | 273,263 | 245,036 | - | - | 273,307 | 245,087 |
| Intangible assets | - | 1 | 124,719 | 120,793 | - | - | 124,719 | 120,794 |
| Investments | 501,967 | 379,212 | 29,280,792 | 29,369,217 | - | - | 29,782,759 | 29,748,429 |
| Insurance receivables | - | - | 60,852 | 56,494 | - | - | 60,852 | 56,494 |
| Other receivables | 6,382 | 352,846 | 339,267 | 255,383 | 36,199 | (320,837) | 381,848 | 287,392 |
| Tax recoverable | 62,268 | 22,409 | 42,860 | 21,612 | - | - | 105,128 | 44,021 |
| Cash and bank balances | 2,707 | 14,097 | 36,961 | 88,413 | - | - | 39,668 | 102,510 |
| Total assets | 573,368 | 768,616 | 30,158,714 | 30,156,948 | 36,199 | (320,837) | 30,768,281 | 30,604,727 |

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17. Insurance funds (continued)

Condensed statement of financial position by funds as at 30 June 2018 - unaudited (continued)

| | Shareholder's and General funds | | Life fund | | Elimination* | | Total | |
|---------------------------------------------------------------|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 30.06.2018 RM'000 | 31.12.2017 RM'000 | 30.06.2018 RM'000 | 31.12.2017 RM'000 | 30.06.2018 RM'000 | 31.12.2017 RM'000 | 30.06.2018 RM'000 | 31.12.2017 RM'000 |
| Equity, policyholders' funds and liabilities | | | | | | | | |
| Total equity | 494,849 | 694,063 | 1,200,456 | 933,009 | - | - | 1,695,305 | 1,627,072 |
| Insurance contract liabilities | - | - | 27,506,562 | 27,324,479 | - | - | 27,506,562 | 27,324,479 |
| Reinsurance liabilities | - | - | 11,795 | 7,973 | - | - | 11,795 | 7,973 |
| Deferred taxation | 76 | 137 | 535,800 | 541,321 | - | - | 535,876 | 541,458 |
| Provisions | 63,480 | 65,480 | 284,198 | 245,455 | - | - | 347,678 | 310,935 |
| Insurance payables | 3,285 | - | 340,157 | 416,606 | - | - | 343,442 | 416,606 |
| Tax payable | - | 2,226 | 9,120 | 6,807 | - | - | 9,120 | 9,033 |
| Other payables | 11,678 | 6,710 | 270,626 | 681,298 | 36,199 | (320,837) | 318,503 | 367,171 |
| Total liabilities | 78,519 | 74,553 | 28,958,258 | 29,223,939 | 36,199 | (320,837) | 29,072,976 | 28,977,655 |
| Total equity, policyholders' funds and liabilities | 573,368 | 768,616 | 30,158,714 | 30,156,948 | 36,199 | (320,837) | 30,768,281 | 30,604,727 |

* Refers to elimination of Interfund balances.

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17. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2018 - unaudited

| | Shareholder's and General funds | | Life fund | | Total | |
|----------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| | 6 months period ended 30.06.2018 | 6 months period ended 30.06.2017 | 6 months period ended 30.06.2018 | 6 months period ended 30.06.2017 | 6 months period ended 30.06.2018 | 6 months period ended 30.06.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating revenue | 7,135 | 15,382 | 4,017,574 | 3,689,836 | 4,024,709 | 3,705,218 |
| Gross earned premiums | - | 9,599 | 3,407,996 | 3,148,310 | 3,407,996 | 3,157,909 |
| Premiums ceded to reinsurers | - | (1,453) | (56,727) | (46,820) | (56,727) | (48,273) |
| Net earned premiums | - | 8,146 | 3,351,269 | 3,101,490 | 3,351,269 | 3,109,636 |
| Investment income | 7,135 | 5,783 | 609,578 | 541,526 | 616,713 | 547,309 |
| Realised gains and losses | (33) | (26) | 108,608 | 201,747 | 108,575 | 201,721 |
| Fair value gains and losses | (307) | 229 | (1,125,900) | 935,803 | (1,126,207) | 936,032 |
| Fee and commission income | - | - | 168,336 | 154,942 | 168,336 | 154,942 |
| Other operating income | 39,558 | 40,236 | 10,467 | 5,628 | 50,025 | 45,864 |
| Other income | 46,353 | 46,222 | (228,911) | 1,839,646 | (182,558) | 1,885,868 |
| Gross benefits and claims paid | - | (6,797) | (1,675,635) | (1,554,461) | (1,675,635) | (1,561,258) |
| Claims ceded to reinsurers | - | 237 | 12,930 | 11,196 | 12,930 | 11,433 |
| Gross change in contract liabilities | - | 6,492 | (141,288) | (2,066,671) | (141,288) | (2,060,179) |
| Change in contract liabilities ceded to reinsurers | - | 318 | (3,822) | 1,815 | (3,822) | 2,133 |
| Net benefits and claims | - | 250 | (1,807,815) | (3,608,121) | (1,807,815) | (3,607,871) |

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17. Insurance funds (continued)

Condensed statement of profit or loss and other comprehensive income by funds for the 6 months period ended 30 June 2018 - unaudited (continued)

| | Shareholder's and General funds | | Life fund | | Total | |
|-----------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| | 6 months period ended 30.06.2018 RM'000 | 6 months period ended 30.06.2017 RM'000 | 6 months period ended 30.06.2018 RM'000 | 6 months period ended 30.06.2017 RM'000 | 6 months period ended 30.06.2018 RM'000 | 6 months period ended 30.06.2017 RM'000 |
| Fee and commission expense | (3,285) | (1,672) | (652,517) | (587,063) | (655,802) | (588,735) |
| Depreciation of property and equipment | (3) | (7) | (8,634) | (7,851) | (8,637) | (7,858) |
| Amortisation of intangible assets | - | - | (8,562) | (4,740) | (8,562) | (4,740) |
| Management expenses | (8,406) | (5,835) | (314,908) | (311,504) | (323,314) | (317,339) |
| Other operating expenses | (32,230) | (33,331) | (26,636) | (19,302) | (58,866) | (52,633) |
| Other expenses | (43,924) | (40,845) | (1,011,257) | (930,460) | (1,055,181) | (971,305) |
| Profit before taxation | 2,429 | 13,773 | 303,286 | 402,555 | 305,715 | 416,328 |
| Taxation | (1,643) | (2,846) | (35,839) | (189,738) | (37,482) | (192,584) |
| Net profit/Total comprehensive income for the period | 786 | 10,927 | 267,447 | 212,817 | 268,233 | 223,744 |

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17. Insurance funds (continued)

Investment-linked funds

Condensed statement of assets and liabilities as at 30 June 2018 (unaudited)

| | 30.06.2018 | 31.12.2017 |
|----------------------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Assets | | |
| Investments | 15,121,307 | 15,439,601 |
| Other receivables | 67,804 | 39,724 |
| Tax recoverable | 38,800 | 17,957 |
| Cash and bank balances | 1,680 | 32,350 |
| Total assets | <u>15,229,591</u> | <u>15,529,632</u> |
| Liabilities | | |
| Deferred taxation | 118,943 | 191,428 |
| Tax payable | 6,227 | 4,361 |
| Other payables | 21,326 | 64,793 |
| Total liabilities | <u>146,496</u> | <u>260,582</u> |
| Net asset value of funds (Note 10(a)) | <u>15,083,095</u> | <u>15,269,050</u> |

Condensed statement of income and expenditure

For the 6 months period ended 30 June 2018 (unaudited)

| | 6 months | 6 months |
|---------------------------------------------------------------------------|---------------------|---------------------|
| | period ended | period ended |
| | 30.06.2018 | 30.06.2017 |
| | RM'000 | RM'000 |
| Investment income | 280,079 | 248,861 |
| Realised gains and losses | 73,819 | 173,008 |
| Fair value gains and losses | (907,000) | 793,807 |
| Fee and commission income | 29,937 | 28,302 |
| Other operating income | 1,034 | 3,141 |
| | <u>(522,131)</u> | <u>1,247,119</u> |
| Fee and commission expense | (136,308) | (124,041) |
| (Loss)/Profit before taxation | <u>(658,439)</u> | <u>1,123,078</u> |
| Taxation | 58,744 | (83,405) |
| Net (loss)/profit/Total comprehensive (loss)/profit for the period | <u>(599,695)</u> | <u>1,039,673</u> |

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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.

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 | | |
| 30 June 2018 | | | | | |
| Financial assets | | | | | |
| Malaysian government securities | - | 1,165,284 | - | 1,165,284 | 1,165,284 |
| Debt securities | - | 11,949,136 | - | 11,949,136 | 11,949,136 |
| Equity securities | 11,651,254 | - | 5,296 | 11,656,550 | 11,656,550 |
| Unit and property trust funds | 215,906 | 129,661 | - | 345,567 | 345,567 |
| Foreign managed funds | - | 1,430,427 | - | 1,430,427 | 1,430,427 |
| Investment in structured products | 127 | 6,915 | - | 7,042 | 7,042 |
| | <u>11,867,287</u> | <u>14,681,423</u> | <u>5,296</u> | <u>26,554,006</u> | <u>26,554,006</u> |

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19. 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 2017 | | | | | |
| Financial assets | | | | | |
| Malaysian government securities | - | 1,023,717 | - | 1,023,717 | 1,023,717 |
| Debt securities | - | 11,916,769 | - | 11,916,769 | 11,916,769 |
| Equity securities | 12,380,743 | - | 5,296 | 12,386,039 | 12,386,039 |
| Unit and property trust funds | 288,776 | 78,233 | - | 367,009 | 367,009 |
| Foreign managed funds | - | 1,303,902 | - | 1,303,902 | 1,303,902 |
| Investment in structured products | 140 | 7,330 | - | 7,470 | 7,470 |
| | <u>12,669,659</u> | <u>14,329,951</u> | <u>5,296</u> | <u>27,004,906</u> | <u>27,004,906</u> |

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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 2018 (30 June 2017: 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 2017/31 December 2017/30 June 2018 | <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 23 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 2018 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: 8 August 2018