



Listening. Understanding. Delivering.

2020 Financial Statements

31 December 2020
Together with Director's and Auditor's Reports
(In Ringgit Malaysia)

**Prudential Assurance Malaysia
Berhad**

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

**Financial Statements –
31 December 2020
Together with Directors' and
Auditors' Reports**

(In Ringgit Malaysia)

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

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Prudential Assurance Malaysia Berhad

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

Directors' report for the year ended 31 December 2020

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2020.

Principal activities

The Company is a licensed insurer carrying on life business in Malaysia.

The Company is principally involved in the underwriting of life insurance business, which includes linked business and, related thereto, the investment of funds. There has been no significant change in the nature of these principal activities during the year.

Ultimate holding company

The ultimate holding company is Prudential plc., a company incorporated in the United Kingdom which is listed on the London, New York, Hong Kong and Singapore Stock Exchanges.

Results

	RM'000
Net profit for the year	<u>545,626</u>

Reserves and provisions

There was no material transfer to or from reserves and provisions during the year under review except as disclosed in the financial statements.

Insurance liabilities

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework").

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2019:
 - a final single tier dividend of 113.4% totalling RM113.4 million declared and paid on 25 June 2020.
- ii) In respect of the financial year ended 31 December 2020:
 - an interim single tier dividend of 113.5% totalling RM113.5 million declared and paid on 30 October 2020.

As at the date of financial statements, the Directors are considering a final dividend to be paid for the financial year under review.

Company No. 198301012262 (107655-U)

Directors of the Company

Directors who served during the financial year until the date of this report are:

Abdul Khalil bin Abdul Hamid
Lilian Lup-Yin Ng
Richard Patrick George Duxbury
Soon Dee Hwee
Anthony Albert Collingridge
Chin Kwai Fatt
Foong Pik Yee

Statement on corporate governance and internal controls

The Board of Directors (the Board) is committed to comply with the Policy Document on Corporate Governance, BNM/RH/PD 029-9 issued by Bank Negara Malaysia (BNM). The Board and the Chief Executive Officer (CEO) are collectively responsible for the proper stewardship of Prudential Assurance Malaysia Berhad (the Company). This is done by ensuring the achievement of corporate objectives, promoting sustainable growth and financial soundness as well as by ensuring reasonable standards of fair dealing without undue influence, and having in place sound corporate governance practices. This includes a consideration of the long term implications of the Board's decisions on the Company and its customers, officers and the general public.

1 Board of Directors

(a) Roles and Responsibilities of the Board

The role of the Board is to collectively be responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board is also to promote and protect the interests of PAMB. The Board provides advice in fine-tuning corporate strategies and ensures the effective execution of these strategies.

The Board is responsible for approving the Company's strategic plans and key policies, whilst providing effective oversight of the Management's performance, risk assessment and controls over business operations. The Board will apply high ethical standards in their decision making taking into account the interests of all stakeholders and ensure that high standards of good corporate governance are applied.

The principal responsibilities of the Board as prescribed in the Terms of Reference of the Board include the following:

- (i) Safeguard the credibility and reputation of the Company by ensuring the management team and all employees conduct business with highest levels of integrity.
- (ii) Adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(a) Roles and Responsibilities of the Board (continued)

- (iii) Promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.
- (iv) Oversee the selection, performance and remuneration and succession plans for the CEO, Control Function Heads and other members of the Senior Management Team such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company.
- (v) Supervise the affairs of the Company to ensure sound management by:
 - (a) Ensuring at all times, the assets are properly managed to meet its liabilities and in compliance with the relevant legal and regulatory requirements.
 - (b) Being well informed of the affairs of the Company by monitoring and supervising the affairs of the Company.
 - (c) Retaining minutes of Board meetings and record of actions by Directors in connection with their oversight responsibilities.
- (vi) Review and approve key policies, objectives and a clear framework that covers critical areas, including but not limited to solvency management, underwriting, claims management, reinsurance, investment, loans, risk management, financial planning and budgeting, and human resource management.
- (vii) Review and approve the adequacy of IT and cybersecurity strategic plans covering a period of no less than 3 years.
- (viii) Review and approve the effective implementation of a sound and robust Technology Risk Framework Management and Cyber Resilient Framework at least once every 3 years.
- (ix) Review and approve cloud strategy and cloud operational management.
- (x) Review and approve the outsourcing risk management framework and outsourcing plan, detailing the financial institution's planned outsourcing arrangements for the following financial year before the plan is submitted to BNM.
- (xi) Review and approve the Fair Treatment of Financial Consumers Framework.
- (xii) Adhere to the relevant disclosure requirements prescribed by the Companies Act 2016, Financial Services Act 2013, BNM Guidelines and any other applicable laws.
- (xiii) Promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(a) Roles and Responsibilities of the Board (continued)

- (xiv) Undertake various functions and responsibilities as specified by the Company in the guidelines and directives issued by the regulatory authorities from time to time.
- (xv) Observe all laws, rules and regulations as part of their statutory duties and be familiar with relevant laws, related regulations, interpretative rulings and notices and exercise care to see that these are not violated.

The Board members are provided with regular updates on key aspects of the Company's financials and operations including changes to regulatory requirements. Prior to each Board meeting, the Board members are provided with Notice of Board meetings and Board papers for each agenda items in advance to enable the Directors sufficient time to properly consider the issues and be prepared for discussion. Any additional information requested by the Directors is made available to them in a timely manner.

(b) Board Size and Composition

The Board comprised of 7 members including the Chairman as at the end of the financial year 2020. The Board size is conducive to decision making and is appropriate given the size of the Company's operations. The composition of the Board remains adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of executive, non-executive, independent and non-independent directors.

The composition of the Board during the financial year 2020 and up to the date of this report is as follows:

No.	Name	Designation	Appointment/ Resignation
1.	Abdul Khalil bin Abdul Hamid	Chairman Non-Independent Non-Executive Director	-
2.	Lilian Lup-Yin Ng	Member Executive Director	-
3.	Richard Patrick George Duxbury	Member Independent Non-Executive Director	-
4.	Soon Dee Hwee	Member Independent Non-Executive Director	-
5.	Anthony Albert Collingridge	Member Independent Non-Executive Director	-
6.	Chin Kwai Fatt	Member Independent Non-Executive Director	-
7.	Foong Pik Yee	Member Independent Non-Executive Director	-

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Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors

The Board members are nominated based on diverse background, mix of skills, experience and other core competencies to carry out effective oversight of the Company's operations in order to achieve its corporate objectives and fulfil its fiduciary responsibilities.

A brief background of each Director who served on the Board during the financial year 2020 is appended below:

(i) **Abdul Khalil Bin Abdul Hamid**, age 65 Chairman, Non-Independent Non-Executive Director

Abdul Khalil bin Abdul Hamid has been a member of the Board since 13 April 2007. He is currently a member of the Board Audit Committee, Board Risk Management Committee, Board Nominating Committee and Board Remuneration Committee.

He graduated from University Malaya, Kuala Lumpur in 1979 with a Bachelor of Economics (Hons) degree and has more than 40 years of experience in the financial industry. He started his career as a Resident Officer in HSBC in February 1979 and left in October 1985 as a Sub-Manager of the Customer Service Department at the Kuala Lumpur main office. He joined the Bank of Nova Scotia as an Account Manager in November 1985, where he managed a varied portfolio of corporate and commercial customers and the real estate and public sector business segments. His last position at the Bank of Nova Scotia was as a Manager, Personal Banking. In September 1995, he joined Affin Bank Berhad as Head, Syndications Department. At Affin Bank, Abdul Khalil was a member of the Islamic Banking Management Committee and the Credit Review and Recovery Committee. His last position with Affin Bank was as the Head of Credit Management Department. In April 2002, he joined the Bank of Tokyo-Mitsubishi UFJ (M) Berhad as an Executive Vice President, Operations and was appointed as an Advisor, Operations in October 2012 prior to retiring in October 2013.

He currently holds other directorships in Kuwait Finance House (Malaysia) Berhad and Mizuho Bank (Malaysia) Berhad.

(ii) **Lilian Lup-Yin Ng**, age 56 Executive Director

Lilian Lup-Yin Ng has been a member of the Board since 12 November 2015. She is currently a member of the Board Nominating Committee.

Lilian was appointed as the Chief Executive, Insurance of Prudential Corporation Asia (PCA) in 2015. She is leading the regional customer, channel and marketing strategy development and deployment of business solutions across the network of insurance businesses within PCA, driving business performance and competitive advantage in the digital world to deliver the customer ambitions and growth agenda. She is also accountable for the governance of PCA, including Legal and Government Relations.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(ii) **Lilian Lup-Yin Ng**, age 56 (continued) Executive Director (continued)

She has been part of the Prudential Group for over 20 years with extensive experience in the insurance sector. She has held a range of leadership roles within Prudential, including Chief Operating Officer, Insurance of PCA for 6 years. Lillian is a Fellow of the Institute of Actuaries of Australia and holds a Bachelor's Degree in Economics from Macquarie University (1987), Australia.

She currently serves as a Board member of Prudential BSN Takaful Berhad.

(iii) **Richard Patrick George Duxbury**, age 75 Independent Director

Richard Patrick George Duxbury has been a member of the Board since 5 February 2013. He is currently the chairman of the Board Nominating Committee and a member of the Board Audit Committee, Board Risk Management Committee and the Board Remuneration Committee.

His areas of expertise include risk management, governance, distribution and sales and dispute resolution. During his long career in financial services, he attended numerous internal and external residential training courses across a wide spectrum of key subjects and skills. He also completed a UK Board Director Training Course from the Financial Times in 2009 and qualified as an Interpersonal Mediation Practitioner from UK Mediation in 2012.

He was a long-time employee of Friends Provident Life and Pensions Ltd, a subsidiary of Friends Provident Group plc. He served in the said company from 1974 to 2008, beginning with various senior executive and non-executive appointments in the areas of sales, marketing operations and risk management. In 1990, he founded Friends Provident International and was appointed as its first Senior Executive Manager to establish and grow the business into a key profit stream for the group. Thereafter, he was appointed Head of International Sales and Distribution from 1998 to 2002, Director, International Sales and Distribution from 2002 to 2005 and Director, Strategic Development (International) from 2006 to 2008, responsible for merger and acquisition work in Asia. Subsequently, he joined FriendsLife Group and served as its Director, Strategic Development (International) from 2008 to 2012. His appointment included him providing board representation on the Asia-based joint ventures.

Whilst employed by Friends Provident Life and Pensions Ltd, he was also Deputy Chairman of the Association of International Life Offices (AILO) from 2001 to 2005. He currently serves as a dispute resolution mediator on the panel of the Kuala Lumpur Regional Centre for Arbitration (KLRCA). He holds no other directorship positions.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(iv) **Soon Dee Hwee**, age 60 Independent Director

Soon Dee Hwee has been a member of the Board since 7 March 2016. She is currently the chairperson of the Board Remuneration Committee and a member of the Board Audit Committee, Board Risk Management Committee and Board Nominating Committee.

She qualified as a Certified Public Accountant of the Malaysian Association of Certified Public Accountants in 1986, and as a Chartered Accountant by the Malaysian Institute of Accountants in 1987. She began her career in Hanafiah Raslan & Mohd in 1981, before joining KPMG in 1987. Thereafter, she moved to the corporate finance department in Bumiputra Merchant Bankers Berhad from 1989 to 1996, and subsequently the corporate finance department in Alliance Investment Bank Berhad from 1997 to 2003. Later, she came under the employment of Hwang-DBS Investment Bank Berhad, first as Head of Corporate Finance from 2003 to 2007, and later as Senior Vice President of the CEO's office from 2007 to 2014. She is currently a Senior Vice President in Hwang Capital (Malaysia) Sdn Bhd Group.

She also holds other directorships in Mynews Holdings Berhad and Asian Pac Holdings Berhad.

(v) **Anthony Albert Collingridge**, age 62 Independent Director

Anthony Albert Collingridge has been a member of the Board since 23 August 2017. He is currently a member of the Board Audit Committee, Board Risk Management Committee, Board Nominating Committee and Board Remuneration Committee.

After leaving school with A-Levels in English Literature and Ancient History, he joined the UK Civil Service in 1978 where he served for almost 40 years, mainly in business-facing roles. These included positions in the Department of Energy until 1995, Overseas Trade Services until 1999 and the Department of Trade and Industry until 2006. He then moved to Hong Kong for a posting with the Foreign and Commonwealth Office and transferred to Kuala Lumpur in 2011 where he joined the newly-formed Department for International Trade in 2016. He left Government service in 2017 and established Delta Gate Solutions Sdn Bhd in Kuala Lumpur. He currently acts as a Managing Director for the company and is mainly focused on international business development.

He was appointed to the Order of the British Empire by Her Majesty the Queen in 2007 for services to British trade and investment.

He currently holds other directorships in Delta Gate Solutions Sdn. Bhd. and Cycle & Carriage Bintang Berhad.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(vi) Chin Kwai Fatt, age 66 Independent Director

Chin Kwai Fatt has been a member of the Board since 3 December 2018. He is currently the chairman of the Board Risk Management Committee and a member of the Board Audit Committee, Board Nominating Committee and Board Remuneration Committee.

He brings with him a combination of business insights, stakeholder management and servant leadership together with hands on experience in mergers and acquisitions, board engagement and technology strategy.

He has successfully managed a diverse range of professional services which include various deals, consulting, assurance and tax in a highly competitive environment. Since his admission as a Partner 25 years ago in 1991, he has held various leadership roles within PricewaterhouseCoopers (PwC) and the PwC Network. He served as a Managing Partner for PwC Malaysia for 12 years from 2000 to 2012. Prior to that, he was the Managing Consulting Services Leader from 1994 to 2000.

His leadership role extended beyond Malaysia with the formation of PwC South East Asia Peninsula (SEAPEN) Region in 2008 which covered over 3,000 people in Malaysia, Thailand, Vietnam, Cambodia and Laos. He was the Territory Senior Partner for PwC SEAPEN from 2008 to 2012. During this period, he was the SEAPEN representative in the PwC East Cluster Leadership Team. From 2012 to 2016, Kwai Fatt served as the Corporate Finance Leader in PwC. Upon his retirement as a Partner in June 2016, he took up the role of a Senior Adviser to PwC South East Asia Corporate Finance.

He currently holds another directorship in Dialog Group Berhad.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(vii) Foong Pik Yee, age 62 Independent Director

Foong Pik Yee has been a member of the Board since 1 July 2019. She is currently the chairperson of the Board Audit Committee and a member of the Board Risk Management Committee, Board Nominating Committee as well as Board Remuneration Committee.

She has over 35 years of experience in the banking sector and the accounting profession (audit and consultancy). She worked with international banks and a Malaysian public listed bank covering all aspects of general management, finance, risk management, sales and marketing, product management and operations. Her vast experience was acquired in Malaysia, Hong Kong, Singapore, Australia and Middle East.

She returned to Malaysia under Talentcorp's Returning Expert Programme and was the Chief Financial Officer of Hong Leong Bank from January 2013 to June 2019 where she directed and oversaw all matters relating to finance covering financial accounting, statutory and management reporting, capital management, taxation, corporate finance and investor relations.

She is a Chartered Accountant and Chartered Banker. She obtained her Bachelor of Commerce from the University of Melbourne, Australia and Master of Business Administration from Monash University, Australia. She serves on the Industry Advisory Board of Monash University, Malaysia since 2016 until to-date. She is also a mentor with ICAEW's Women in Leadership programme and a member of the Malaysia Australia Business Council mentoring programme.

She currently holds other directorships in AmBank Islamic Berhad and Paramount Corporation Berhad.

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Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(d) Training and Education provided to the Board

Members of the Board possess the necessary qualifications and experience to discharge their duties and responsibilities effectively. They are also continually assessed to ensure that they meet the fit and proper criteria prescribed under the BNM Guideline on Fit and Proper Criteria (BNM/RH/GL 018-5) and Section 60 of the Financial Services Act 2013 (FSA).

Members of the Board have attended training programmes and dialogues organised by ICLIF Leadership and Governance Centre, the Financial Institutions Directors' Education (FIDE) Forum, KPMG, PricewaterhouseCoopers and the Asia School of Business, amongst others. The Company is a registered corporate member of the FIDE Forum since 2012 and the Board has continuous access to the many discussion sessions organised by FIDE Forum throughout the year.

The Board also participates in Directors' briefing sessions organised by the Company Secretary with the aim of enhancing the Board's understanding and knowledge of actuarial and investment reports and regulatory developments, amongst others.

An induction programme is also conducted for newly appointed Directors. The new Directors are provided with a comprehensive information pack which contains the relevant laws and regulations on their roles and responsibilities, Terms of References of the Board and its Committees, Fit and Proper Policy and Procedures, Succession Planning Policy, Code of Ethics and the Company's strategic plans for the year. New Board members are also provided with the opportunity to meet with members of the Executive Committee to discuss the Company's operations. The Company Secretary facilitates the induction program by providing access to information on finance, strategic planning, operations and risk management, amongst others to assist the new Board Member during their familiarisation session.

Members of the Board are subject to retirement by rotation and re-election pursuant to Article 66A of the Articles of Association.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

2 Board Committees

The Board has established the following Board Committees to assist in the management of the Company's business and discharge of its duties:

- (i) Board Audit Committee
- (ii) Board Risk Management Committee
- (iii) Board Nominating Committee
- (iv) Board Remuneration Committee

(i) Board Audit Committee

No.	Name	Designation
1.	Foong Pik Yee (Appointed as Chairperson w.e.f. 1 April 2020)	Chairperson
2.	Soon Dee Hwee	Member
3.	Richard Patrick George Duxbury	Member
4.	Anthony Albert Collingridge	Member
5.	Abdul Khalil bin Abdul Hamid	Member
6.	Chin Kwai Fatt	Member

Roles and Responsibilities of the Board Audit Committee

The Board Audit Committee is responsible for reviewing the Company's financial statements and for the effectiveness of the Company's internal control and risk management systems. The Board Audit Committee also monitors the effectiveness and objectivity of the internal and external auditors. The Board Audit Committee meets at least once every quarter to review the reports submitted by the internal audit team, compliance team and the external auditor.

(ii) Board Risk Management Committee

No.	Name	Designation
1.	Chin Kwai Fatt (Appointed as Chairman w.e.f. 1 April 2020)	Chairman
2.	Richard Patrick George Duxbury	Member
3.	Soon Dee Hwee	Member
4.	Anthony Albert Collingridge	Member
5.	Abdul Khalil bin Abdul Hamid	Member
6.	Foong Pik Yee	Member

Roles and Responsibilities of the Board Risk Management Committee

The Board Risk Management Committee is responsible for the overall risk oversight of the effectiveness of the Company's Risk Framework. The Board Risk Management Committee provides leadership, direction and oversight with regard to the Company's overall risk appetite and tolerance and risk management framework which includes risk and business continuity management policies, processes and controls. The Board Risk Management Committee will also oversee senior officers in managing key risk areas and ensure that an appropriate risk management process is in place and functioning effectively. The Board Risk Management Committee meets at least once every quarter to review the Management's reports on risk exposure and risk management activities.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

2 Board Committees (continued)

(iii) Board Nominating Committee

No.	Name	Designation
1.	Richard Patrick George Duxbury	Chairman
2.	Soon Dee Hwee	Member
3.	Anthony Albert Collingridge	Member
4.	Abdul Khalil bin Abdul Hamid	Member
5.	Lilian Lup-Yin Ng	Member
6.	Chin Kwai Fatt	Member
7.	Foong Pik Yee	Member

Roles and Responsibilities of the Board Nominating Committee

The Board Nominating Committee is responsible for establishing a formal and transparent procedure for the appointment of Directors, the CEO, Control Function Heads, Senior Management Team (SMT) and the Company Secretary. The Board Nominating Committee also assesses the effectiveness of individual Directors, the Board as a whole (inclusive of its committees), CEO, Control Function Heads, SMT and the Company Secretary on an on-going basis. The Board Nominating Committee meets at least once a year to fulfil its responsibilities.

(iv) Board Remuneration Committee

No.	Name	Designation
1.	Soon Dee Hwee	Chairperson
2.	Richard Patrick George Duxbury	Member
3.	Anthony Albert Collingridge	Member
4.	Abdul Khalil bin Abdul Hamid	Member
5.	Chin Kwai Fatt	Member
6.	Foong Pik Yee	Member

Roles and Responsibilities of the Board Remuneration Committee

The Board Remuneration Committee is responsible for establishing a formal and transparent procedure for developing the remuneration policy for the Directors, CEO, Control Function Heads and Senior Management Team and to ensure that their compensation is competitive and consistent with the insurer's culture, objectives and strategy. The Board Remuneration Committee meets at least once a year to fulfil its responsibilities.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

3 Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2020

	Board	Board Audit Committee	Board Risk Management Committee	Board Nominating Committee	Board Remuneration Committee
Lilian Lup-Yin Ng	9 out of 9	N/A	N/A	3 out of 4	N/A
Abdul Khalil bin Abdul Hamid	9 out of 9	8 out of 8	7 out of 7	4 out of 4	3 out of 3
Soon Dee Hwee	9 out of 9	8 out of 8	7 out of 7	4 out of 4	3 out of 3
Anthony Albert Collingridge	9 out of 9	8 out of 8	7 out of 7	4 out of 4	3 out of 3
Richard Patrick George Duxbury	9 out of 9	7 out of 8	6 out of 7	4 out of 4	3 out of 3
Chin Kwai Fatt	9 out of 9	8 out of 8	7 out of 7	4 out of 4	3 out of 3
Foong Pik Yee	9 out of 9	8 out of 8	7 out of 7	4 out of 4	3 out of 3

N/A – Not Applicable (not a member)

4 Corporate independence

The Company has complied with the BNM's Guidelines on Related-Party Transactions (BNM/RH/GL 018-6) in respect of all its related-party undertaking. Full disclosure had been made to the Board, and when the amount involved in a transaction was material, the Board's approval for the transaction had also been sought.

5 Internal control framework

The Company has established a Risk Framework which describes the Company's philosophy and approach to risk management that provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management (processes or controls). The internal audit function provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which covers risk management and compliance.

Statement on corporate governance and internal controls (continued)

5 Internal control framework (continued)

- (a) In the Risk Framework, the Company applies the principle of three (3) lines of defence model: risk taking and management, risk control and oversight and independent assurance as illustrated below:

(i) First line of defence

The first line of defence comprises the business functions involved in the risk taking and management of the Company.

The business functions take and manage risk exposure in accordance with the risk appetite, mandate and limits set by the Company's Board of Directors.

(ii) Second line of defence

The second line of defence is the Risk Control and Oversight function which reports to the Chief Risk Officer, comprising:

- **Risk Management function**

The Risk Management function consists of Financial Risk, Operational Risk, Business Continuity and Information, Technology and Privacy Risk sections. The function identifies, measure, monitor, control and report on risk exposures that encompass risks at firm-wide, portfolio and business-line level, as well as both on and off-balance sheet exposures. The function provides review and oversight on management actions and strategic direction from the perspective of prudent risk management. The function supports the Board Risk Management Committee and is responsible for the implementation and coordination of risk initiatives and requirements across the business.

- **Compliance function**

Compliance function's main responsibility is to provide advice, guidance and support to the business functions on regulatory matters. The Compliance function also manages the regulatory changes within the Company by working closely with the relevant business functions in ensuring proper implementation of the regulatory changes. Monitoring and review activities are carried out by the Compliance function to provide the assurance that the business is carried out within the ambit of the regulatory requirements. Additionally, the Financial Crime Compliance function outlines the governing policies and manages matters relating to anti-money laundering, anti-bribery and corruption as well as conflicts of interest.

(iii) Third line of defence

The third line of defence is the Internal Audit function, which provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which also covers the risk management and compliance functions.

Statement on corporate governance and internal controls (continued)

5 Internal control framework (continued)

- (b) The key policies and procedures for each of the internal control/second line functions are as follows:
- (i) The review on the Risk Framework document is conducted from time to time, to reflect the latest changes in the Prudential Group, PCA or local regulatory requirements.
- (ii) For the Compliance function, the key policies and procedures include:
- Compliance Policy sets out the general compliance standards and provision of principal laws and regulations governing the Company's operations. The Compliance Policy includes Regulatory Engagement Protocol which entails the communication and information exchange with any relevant regulatory bodies. The Compliance Policy is reviewed annually and any subsequent significant changes are approved by the Board.
 - Anti-Money Laundering ("AML") & Counter-Terrorist Financing of Terrorism ("CFT") Policy sets out requirements, standards and guidance that support the Company's compliance with Prudential Group and Bank Negara Malaysia's guidelines. The AMLCFT Policy is reviewed annually and any changes are approved by the Board.
 - Anti-Bribery and Corruption Policy, including Gift and Hospitality (G&H) which sets out the minimum requirements that support the Company's compliance with Prudential Group Anti-Bribery and Corruption and Section 17A of Malaysian Anti-Corruption Commission Act. The Anti-Bribery and Corruption Policy is reviewed annually and any changes are approved by the Board.
 - Conflicts of Interest Policy is established to adopt measures to avoid conflict of interest, identify the existence of any conflicts of interest and to disclose the existence of conflict of interest. The Conflicts of Interest Policy is reviewed annually and any changes are approved by the Executive Risk Committee.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

6 Remuneration policy

The Remuneration Policy sets out guidelines which support the PAMB's objective of having an effective approach in place to reward employees in an appropriate way which:

- aligns incentives to business objectives to support the delivery of the Company's business plans, strategies and values;
- enables the recruitment and retention of high calibre employees and incentivises them to achieve success for the Company; and
- is consistent with the Company's risk appetite.

The key features of the remuneration system which is embedded in the policy include the following:

- * Governance and oversight processes;
- * Remuneration structures such as base salary, cash allowance, discretionary Annual Incentive Bonus (AIB) payments, Long Term Incentive Plan (LTIP) and benefits;
- * Performance management approach;
- * Identification of 'other material risk takers';
- * Identification and roles of control functions;
- * Anti-avoidance and anti-hedging.

The Company has ten (10) Senior Management members comprising of the Chief Executive Officer and Chief Officers in the Executive Committee. There are three (3) Other Material Risk Takers including Head of Pricing, Head of Underwriting and Head of Operations Management.

The Company's remuneration system is subjected to the Board's active oversight to ensure that the system operates as intended and is in line with the business and risk strategies, corporate values and long-term interests of the Company. The Company is guided by a set of principles promoting sound and effective risk management to ensure that the Company does not encourage risk-taking that exceeds the level of tolerated risk of the Company. The prudent risk-taking approach encourages individuals to act in the interests of the Company as a whole, taking into consideration various stakeholders such as customers, shareholders, businesses and employees' objectives. The assessment from the Control Functions Heads and the Board Risk Management Committee ensures that risk exposures and risk outcomes are adequately considered. In order to achieve objective assessment and reporting, the appraisal and remuneration of the control functions are based on functional and individual components which are independent of the businesses that they support.

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

The Company's 2020 achievement is measured by both financial and non-financial metrics, which captures the achievement of quantitative as well as qualitative performance and other risk adjusted measures. Non-financial metrics included are health and protection sales, customer excellence, people development as well as building future ready distribution capabilities in supporting the business and ensuring long term sustainability.

The Company's discretionary AIB scheme is designed to link the reward of the employees against the Company's financial and non-financial metrics as well as individual's performance. The individual performance includes the pre-agreed bonus participation rate that reflects the criticality of the individual's contribution.

The Company has a discretionary LTIP which is a deferred remuneration component to align the interests of participants with the long-term performance of the Company. The plan is designed to incentivise key performers to grow the Company and to share in the success of this growth. LTIP awards are determined based on business and individual performance, potential for advancement, market practice and individual retention risk assessment.

Overall, the variable remuneration mix of AIB and LTIP are awarded based on the criticality and accountability level of the role as well as the individual's performance.

In the event the Company's performance is weak, the adjustments for fixed and/ or variable remuneration will be performed accordingly. The Company defines weak performance as the deviation of achieved performance against a set of objectives with pre-defined thresholds and targets.

The Company is fully compliant with the requirements of Part D of the Corporate Guidelines, with regards to alignment of the remuneration for individuals with prudent risk taking and adopting multi-year framework with payout schedules. This reflects the time horizon of risks and promoting behaviours that are aligned to the intended effects of the Company's incentive structure.

The quantitative remuneration disclosure for the Senior Management members comprising of Chief Executive Officer and Chief Officers in the Executive Committee and Other Material Risk Takers, for the financial year 2020 are shown below.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

The quantitative remuneration disclosure for the Senior Management Team for the financial year 2020 is shown in the table below:

Total value of remuneration awards for the financial year 2020 (RM)		
	Unrestricted	Deferred
Fixed Remuneration		
Cash based	13,629,087	-
Shares and share-linked instruments	-	-
Other	139,012	-
Variable Remuneration		
Cash based	11,240,043	10,762
Shares and share-linked instruments	-	9,405,032 *
Other	1,003,967	-
Grand Total	26,012,109	9,415,794

* Deferred remuneration mainly refers to LTIP and is based on value of shares granted in financial year 2020. The total amount of outstanding deferred remuneration for year 2020 was RM2,347,780. The total amount paid out during the financial year was RM7,860,380.

All Senior Management members have variable remuneration. One of the members received a sign on award with the total value of RM10,762. None of the members received any severance payment and guaranteed bonus.

The qualitative remuneration disclosure for Other Material Risk Takers for the financial year 2020 is shown in the table below:

Total value of remuneration awards for the financial year 2020 (RM)		
	Unrestricted	Deferred
Fixed Remuneration		
Cash based	2,091,134	-
Shares and share-linked instruments	-	-
Other	3,928	-
Variable Remuneration		
Cash based	735,658	-
Shares and share-linked instruments	-	633,702 *
Other	114,765	-
Grand Total	2,945,485	633,702

* Deferred remuneration refers to LTIP and is based on value of shares granted in financial year 2020. The total amount of outstanding deferred remuneration for year 2020 was RM151,583. The total amount paid out during the financial year was RM384,628.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

Other Material Risk Takers have variable remuneration. None of them received any guaranteed bonus, severance payment and sign-on award.

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2020	Shares Granted	Released/ Lapsed	At 31.12.2020
Interests in Prudential plc:				
Prudential plc Share Plan:				
Lilian Lup-Yin Ng				
- own	416,894	272,196	(221,920)	467,170

	Number of ordinary shares			
	At 1.1.2020	Acquired	Disposed	At 31.12.2020
Interests in Prudential plc:				
Ordinary Shares:				
Lilian Lup-Yin Ng				
- own	24,889	30,947	-	55,836

None of the other Directors holding office at 31 December 2020 had any interest in the shares of the Company and its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by Directors or the fixed salary of a full-time employee of the Company as shown in Note 23 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Company No. 198301012262 (107655-U)

Issue of shares

There were no changes in the issued and paid-up ordinary share capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

The following disclosure on particulars of indemnity given to, or insurance effected for any officer of the Company is made pursuant to Section 289 (7) of the Companies Act 2016:

	Amount paid RM	Sum assured RM
Directors & Officers Liability Insurance and Comprehensive Crime and Professional Indemnity Insurance	<u>783,400</u>	<u>134,307,835</u>

Other statutory information

- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:
- (i) all known bad debts have been written off and adequate allowance made for doubtful debts; and
 - (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts or the provision for insurance liabilities in the Company inadequate to any substantial extent; or
 - (ii) that would render the values attributed to the current assets in the financial statements of the Company misleading; or
 - (iii) which have arisen which render adherence to existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

Company No. 198301012262 (107655-U)

Other statutory information (continued)

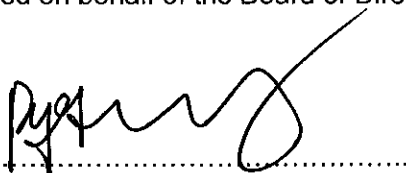
- (c) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the financial performance of the Company for the financial year in which this report is made.

For the purpose of paragraphs (c) and (d), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

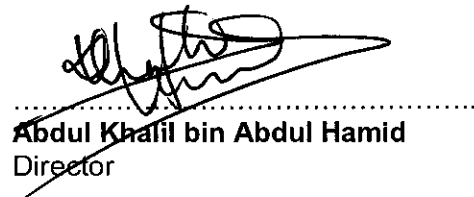
Auditors

The auditors, Messrs KPMG PLT, have indicated their willingness to accept re-appointment. The auditors' remuneration is disclosed in Note 23 to the financial statements.

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



.....
Foong Pik Yee
Director



.....
Abdul Khalil bin Abdul Hamid
Director

Kuala Lumpur,

Date: 19 March 2021

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)

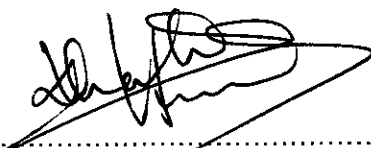
**Statement by Directors pursuant to
Section 251(2) of the Companies Act 2016**

We, Foong Pik Yee and Abdul Khalil bin Abdul Hamid being two of the Directors of Prudential Assurance Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 30 to 95 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and cash flows for the financial year then ended.

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



.....
Foong Pik Yee
Director



.....
Abdul Khalil bin Abdul Hamid
Director

Kuala Lumpur,

Date: 19 March 2021

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))

(Incorporated in Malaysia)


**Statutory declaration pursuant to
Section 251(1)(b) of the Companies Act 2016**

I, Ng Sim Kheng being the officer primarily responsible for the financial management of Prudential Assurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ng Sim Kheng, NRIC: 641017-07-5480 at Kuala Lumpur in the Federal Territory on 19 March 2021.


.....
Ng Sim Kheng

Before me:


No: W 681
RAJEEV SAIGAL A/L
RAMLABAYA SAIGAL
BCIR/548
Commissioner for Oaths
Kuala Lumpur
1 JAN 2019 - 31 DIS 2021

NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR



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

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PRUDENTIAL ASSURANCE MALAYSIA BERHAD

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prudential Assurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 to 95.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Other Matter

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read 'KPMG'.

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

A handwritten signature in black ink, appearing to read 'Mok Wan Kong'.

Mok Wan Kong
Approval Number: 02877/12/2022 J
Chartered Accountant

Petaling Jaya

Date: 19 March 2021

Prudential Assurance Malaysia Berhad

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

Statement of financial position as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Property and equipment	3	323,170	299,868
Right-of-use assets	4	177,973	188,448
Intangible assets	5	202,958	179,008
Investments	7	38,955,544	34,423,671
Insurance receivables	8	104,695	80,409
Other receivables	9	485,077	400,220
Tax recoverable		29,681	35,099
Cash and bank balances		34,602	77,441
		<u>40,313,700</u>	<u>35,684,164</u>
Assets classified as held for sale	6	1,532	-
Total assets		<u>40,315,232</u>	<u>35,684,164</u>
Equity, policyholders' funds and liabilities			
Share capital	10	100,000	100,000
Retained earnings	11	1,868,472	1,549,746
Total equity		<u>1,968,472</u>	<u>1,649,746</u>
Insurance contract liabilities	12	36,373,295	32,019,306
Reinsurance liabilities	13	5,545	7,872
Deferred taxation	14	592,823	497,017
Lease liabilities		180,253	188,868
Provisions	15	231,271	411,549
Insurance payables	16	359,518	330,300
Tax payable		26,511	10,951
Other payables	17	577,544	568,555
Total liabilities		<u>38,346,760</u>	<u>34,034,418</u>
Total equity, policyholders' funds and liabilities		<u>40,315,232</u>	<u>35,684,164</u>

The statement of financial position of the Company presented by funds is disclosed in Note 33.

The accompanying notes form an integral part of these financial statements.

Prudential Assurance Malaysia Berhad

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

Statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Operating revenue	18	<u>8,918,093</u>	<u>9,074,061</u>
Gross earned premiums		7,578,688	7,745,160
Premiums ceded to reinsurers		<u>(119,123)</u>	<u>(104,907)</u>
Net earned premiums		<u>7,459,565</u>	<u>7,640,253</u>
Investment income	19	1,339,405	1,328,901
Realised gains and losses	20	460,202	219,345
Fair value gains and losses	21	1,063,762	416,531
Fee and commission income	22	379,204	347,633
Other operating income		<u>123,307</u>	<u>89,232</u>
Other income		<u>3,365,880</u>	<u>2,401,642</u>
Gross benefits and claims paid		(3,726,521)	(3,811,498)
Claims ceded to reinsurers		35,405	25,391
Gross change in contract liabilities		(4,000,171)	(3,413,848)
Change in contract liabilities ceded to reinsurers		<u>2,327</u>	<u>4,636</u>
Net benefits and claims		<u>(7,688,960)</u>	<u>(7,195,319)</u>
Fee and commission expense		(1,387,218)	(1,378,708)
Depreciation of property and equipment	3	(17,700)	(18,097)
Depreciation of right-of-use assets	4	(36,686)	(26,328)
Amortisation of intangible assets	5	(24,340)	(24,001)
Management expenses	23	(669,291)	(687,738)
Other operating expenses		<u>(161,655)</u>	<u>(132,383)</u>
Other expenses		<u>(2,296,890)</u>	<u>(2,267,255)</u>
Operating profit		839,595	579,321
Finance cost		<u>(8,922)</u>	<u>(5,946)</u>
Profit before taxation		830,673	573,375
Taxation	24	<u>(285,047)</u>	<u>(185,358)</u>
Net profit/Total comprehensive income for the year		<u>545,626</u>	<u>388,017</u>
Earnings per share (sen)			
Basic	25	<u>545.63</u>	<u>388.02</u>

The statement of profit or loss and other comprehensive income of the Company presented by funds is disclosed in Note 33.

The accompanying notes form an integral part of these financial statements.

Prudential Assurance Malaysia Berhad

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

Statement of changes in equity for the year ended 31 December 2020

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non-Distributable* RM'000	Distributable RM'000	Total RM'000	
At 1 January 2019		100,000	976,631	615,598	1,592,229	1,692,229
Net profit/Total comprehensive income for the year		-	65,577	322,440	388,017	388,017
Dividends paid during the year	26	-	-	(430,500)	(430,500)	(430,500)
At 31 December 2019/ 1 January 2020		100,000	1,042,208	507,538	1,549,746	1,649,746
Net profit/Total comprehensive income for the year		-	34,506	511,120	545,626	545,626
Dividends paid during the year	26	-	-	(226,900)	(226,900)	(226,900)
At 31 December 2020		100,000	1,076,714	791,758	1,868,472	1,968,472
		Note 10		Note 11		

* 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 form an integral part of these financial statements.

Prudential Assurance Malaysia Berhad

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

Statement of cash flows for the year ended 31 December 2020

	2020 RM'000	2019 RM'000
Cash flows from operating activities		
Profit before taxation	830,673	573,375
Adjustments for:		
(Gain)/loss on disposal of property and equipment	(743)	17
Property and equipment written off	1,761	5,761
Intangible assets written off	1,531	5,861
Fair value gain on investments	(1,063,762)	(416,531)
Depreciation of property and equipment	17,700	18,097
Depreciation of right-of-use assets	36,686	26,328
Amortisation of intangible assets	24,340	24,001
Interest expense on lease liabilities	8,922	5,946
Operating (loss)/gain before changes in working capital	(142,892)	242,855
Changes in operating assets and liabilities:		
Investments	(3,468,111)	(3,074,023)
Insurance receivables	(24,286)	(38,832)
Other receivables	(84,857)	(2,859)
Insurance contract liabilities	4,353,989	3,562,160
Reinsurance liabilities	(2,327)	(4,636)
Provisions	(180,278)	38,446
Insurance payables	29,218	(15,552)
Other payables	8,989	46,682
Cash generated from operations	489,445	754,241
Tax paid	(168,263)	(143,691)
Net cash from operating activities	321,182	610,550
Cash flows from investing activities		
Acquisition of property and equipment	(44,716)	(105,719)
Acquisition of intangible assets	(49,804)	(11,122)
Proceeds from disposal of property and equipment	1,147	51
Net cash used in investing activities	(93,373)	(116,790)
Cash flows from financing activities		
Interest paid on lease liabilities	(8,922)	(5,946)
Payment of lease liabilities	(34,826)	(23,841)
Dividend paid to owners of the Company	(226,900)	(430,500)
Net cash used in financing activities	(270,648)	(460,287)
Net (decrease)/increase in cash and bank balances	(42,839)	33,473
Cash and bank balances at beginning of year	77,441	43,968
Cash and bank balances at end of year	34,602	77,441

The accompanying notes form an integral part of these financial statements.

Prudential Assurance Malaysia Berhad

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

Notes to the financial statements

Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Registered office and principal place of business

Level 20, Menara Prudential
Persiaran TRX Barat
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia

The Company is principally involved in the underwriting of life insurance business, which includes linked business and, related thereto, the investment of funds. There has been no significant change in the nature of these principal activities during the year.

The holding company is Sri Han Suria Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Prudential plc., a company incorporated in the United Kingdom which is listed on the London, New York, Hong Kong and Singapore Stock Exchanges.

These financial statements were approved by the Board of Directors on 19 March 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act 2016 and the Financial Services Act 2013 in Malaysia.

The following are accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

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

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

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020 and 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1, amendments to MFRS 3 and amendments to MFRS 141 which are not applicable to the Company.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the abovementioned accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

(i) MFRS 9, *Financial Instruments*

In November 2014, the MASB issued MFRS 9, *Financial Instruments*. The Standard is applicable for annual periods beginning on or after 1 January 2018.

In 2016, the MASB published amendments to MFRS 4, *Insurance Contracts: Applying MFRS 9 with MFRS 4* to address concerns arising from the different effective dates of MFRS 9 and MFRS 17, *Insurance Contracts*. The amendments include an optional temporary exemption from applying MFRS 9 and the associated amendments until MFRS 17 comes into effect.

The Company met the eligibility criteria for temporary exemption under the amendments to MFRS 4 from applying MFRS 9 and has accordingly deferred the adoption of MFRS 9.

This temporary exemption from applying MFRS 9 is available to companies whose predominant activity is to issue insurance contracts based on the eligibility criteria at 31 December 2015 as set out in the amendments. At 31 December 2015, the percentage of total carrying amount of the Company's liabilities connected with insurance relative to its total liabilities was greater than 90 per cent.

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 9, *Financial Instruments* (continued)

The fair value information of the Company's financial assets as of 31 December 2020 with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPi) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis are shown in the table below, together with all other financial assets.

Financial assets on the Company's statement of financial position	Financial assets that pass the SPPi test		All other financial assets	
	Fair value 2020 RM'000	Movement in the fair value during the year RM'000	Fair value 2020 RM'000	Movement in the fair value during the year RM'000
Investments	-	-	3,339,711	46,245
Malaysian government securities	-	-	13,849,133	185,860
Debt securities	-	-	14,169,641	678,180
Equity securities	-	-	549,824	12,844
Unit and property trust funds	-	-	2,712,351	140,093
Foreign managed funds	-	-	6,411	279
Investment in structured products	-	-	284	261
Derivatives	638,937	-	-	-
Loans	3,689,252	-	-	-
Deposit with financial institutions	104,695	-	-	-
Insurance receivables	485,077	-	-	-
Other receivables	34,602	-	-	-
Cash and bank balances	-	-	-	-
Total financial assets	4,952,563	-	34,627,355	1,063,762

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 17, *Insurance Contracts*

MFRS 17 replaces the guidance in MFRS 4, *Insurance Contracts*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 17.

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, other than as disclosed in Note 2(e)(ii).

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 2(e)(ii) and Note 31	- Fair value measurement of financial instruments
Note 2(t)	- Valuation of life insurance contract liabilities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Property and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses. Other items of property and equipment are stated at cost less any accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Capital work-in-progress contains all costs incurred on assets that are not yet completed to working condition. When the assets have been completed to working condition and are ready for its intended use, all related costs under the capital work-in-progress will be transferred to the relevant components of property and equipment or intangible assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "realised gains and losses" in profit or loss.

2. Significant accounting policies (continued)

(b) Property and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Motor vehicles	5 years
Computer equipment	5 years
Office furniture, fittings and equipment	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(c) Leases

(i) Definition of a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

2. Significant accounting policies (continued)

(c) Leases (continued)

(i) Definition of a lease (continued)

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date or date the asset is available for use, whichever is earlier. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

2. Significant accounting policies (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

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 or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant accounting policies (continued)

(d) Intangible asset

(i) Recognition and measurement

Intangible assets comprise software development costs, computer software and licenses.

Intangible assets that are acquired by the Company are measured on initial recognition at cost. Cost includes expenditures that are directly attributable to acquisition of the intangible assets such as licenses, development, major enhancement, technical knowledge, design and implementation of new processes or systems etc. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation except for software-in-development which is not subject to amortisation until the development is completed and the asset is available for use. Software-in-development is part of the capital work-in-progress under property and equipment. It will subsequently transfer to intangible asset when the development has been completed and ready for its intended use.

(ii) Amortisation

All intangible assets are amortised from the date they are available for use over the useful economic life. The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each reporting period. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in the accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss.

(iii) Computer software and licenses

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technology or commercial obsolescence and subject to certain expected capacity and usage beyond which the performance may not be at the optimum level.

The acquired computer software and licenses are amortised using the straight-line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at the end of each reporting date.

2. Significant accounting policies (continued)

(e) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. In the event an embedded derivative is recognised separately, the host contract is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:-

Financial assets

(a) Fair value through profit or loss

Fair value through profit or loss ("FVTPL") category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition. Investments typically bought with the intention to sell in the near future are classified as held-for-trading ("HFT"). For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset-liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Fair value through profit or loss (continued)

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value with the gain or loss recognised in profit or loss.

(b) Loans and receivables ("LAR"), excluding insurance receivables

LAR category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as LAR are subsequently measured at amortised cost using the effective interest method.

(c) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(f)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(e)(iv), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(f)(i)).

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must otherwise be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(f)(ii) below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of an unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(iii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(iii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(h) Product classification

The Company issues life insurance contracts that transfer significant insurance risk from policyholders to the Company. These are classified as insurance contracts.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Disclosures on the various life insurance contracts are classified into the principal components as follows:

- Life insurance participating contracts
- Life insurance non-participating contracts
- Investment-linked contracts

The Company does not unbundle any insurance contracts as its accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the profit or loss.

(i) Life insurance participating contracts

Insurance contracts that contain discretionary participating features ("DPF") are classified as participating policies. The DPF entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- (a) that could be a significant portion of the total contractual benefits;
- (b) whose amount and/or timing is contractually at the discretion of the Company;
- (c) that are based on realised and/or unrealised investment returns on a specified pool of assets; and
- (d) that are based on the performance of a specified pool of contracts or a specified type of contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to policyholders.

The DPF is classified as a liability in the Company's statement of financial position and as part of claims and benefits incurred in the profit or loss, as it does not recognise the guaranteed element separately.

2. Significant accounting policies (continued)

(h) Product classification (continued)

(ii) Life insurance non-participating contracts

Non-participating contracts are contracts that contain no discretionary benefits. All benefits under non-participating contracts are guaranteed at the outset. Variable benefits, if any, are formula-based, using relevant market data, as disclosed in the product terms and conditions. For protection based contracts, the Company usually guarantee a fixed level of benefit that is payable upon a claim event (e.g., death, disability, critical illness). In return, the policyholders will pay contractual premiums over the term of the contract which are reviewable on policy anniversary for certain products and riders.

(iii) Investment-linked contracts

Investment-linked contracts are contracts that transfer only insurance risk from policyholders to the Company. Whilst the insurance risk arising from the protection coverage is borne by the Company, the investment risk is predominantly borne by the policyholders. Policyholders of investment-linked contracts use their premium, after charges (if any) to purchase units in investment funds which are set up by the Company. Charges for insurance protection coverage and administration are deducted from the policyholders' investment fund balances by way of cancellation of units. The charges for insurance protection coverage include mortality and morbidity charges.

(i) Life insurance underwriting results

Surplus transfer

The surplus transferable from the Life fund to the profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders.

Premium income

Premium is recognised as soon as the amount of the premium can be reliably measured.

i) *Investment-linked business*

First premium income is recognised on the assumption of risk and subsequent premiums are recognised on a cash basis. Subsequent risk is assumed based on sufficiency of units of the policyholder.

ii) *Non-linked business*

First premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and are recoverable.

2. Significant accounting policies (continued)

(i) Life insurance underwriting results (continued)

Reinsurance premium

Gross reinsurance premium are recognised as an expense when payable or on the date on which the policy is effective.

Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the profit or loss in the period in which they are incurred.

Benefits, claims and expenses

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates.
- (b) death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of contingency covered.
- (c) for accident and health business, provision is made for the cost of claims, together with related expenses, and Incurred but Not Reported ("IBNR") is estimated at reporting date, using a mathematical method of estimation by the Appointed Actuary based on past claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

2. Significant accounting policies (continued)

(j) Life insurance liabilities

The insurance liabilities for contracts held within the participating insurance fund are taken as the higher of the following at the fund level:

- (i) sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the risk-free discount rate.
- (ii) sum of the present value of future guaranteed and non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at a suitable rate, taking into account historical yields and the future investment outlook of the fund.

The insurance liabilities for traditional non-participating contracts are determined as the sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the risk-free discount rate.

For investment-linked and Universal Life type policies, insurance liabilities were set up based on a cash flow projection method set to ensure that any future negative cash flows that would otherwise arise are eliminated. The liabilities include an appropriate amount to cover the guaranteed minimum benefits offered under certain contracts, calculated using a stochastic method.

The insurance liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating and investment-linked life policies, and the valuation of guaranteed benefits insurance liabilities of participating life policies.

The valuation of insurance contract liabilities is determined according to the RBC Framework which meets the requirement of liability adequacy test under MFRS 4.

The unallocated surplus on participating insurance fund remains to be presented as part of life insurance liabilities, in accordance with the requirements of the BNM's Guidelines on Financial Reporting (BNM/RH/PD 032-13).

The unallocated surpluses of the non-participating and investment-linked life insurance businesses of the Company represent the residual shareholder interest in the assets of the non-participating and investment-linked life funds after consideration of all liabilities. It comprises of surplus arising within the life funds but not yet transferred to the shareholder's fund and the amount is only distributed upon recommendation by the Appointed Actuary at financial year end.

2. Significant accounting policies (continued)

(k) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Reinsurance liabilities represent the portion of the negative life insurance contract liabilities under coinsurance agreement.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(l) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contributions to the Employee's Provident Fund ("EPF") are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

Gratuities payable to entitled employees are computed based on a certain percentage of the monthly basic salaries and are remitted to the EPF when due.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits held with financial institutions which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Company in the management of their short-term commitments. It excludes deposits which are held for investment purpose.

2. Significant accounting policies (continued)

(n) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property and equipment once classified as held for sale are not depreciated.

(o) Provision

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Long-term life field agents benefits

The Company is also obligated under the agreement with the life field agents to pay retirement benefits to eligible agents upon retirement. Such retirement benefits have been provided for in the financial statements to the extent of the Company's contractual liability.

(p) Other revenue recognition

Interest on loans is recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayment is in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

2. Significant accounting policies (continued)

(p) Other revenue recognition (continued)

Dividend is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Gains or losses arising on disposal of investments are credited or charged to the profit or loss.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax base. Deferred tax is not recognised for temporary differences arises from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2. Significant accounting policies (continued)

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Significant accounting judgements, estimates and assumptions

Valuation of life insurance contract liabilities (including investment contract liabilities with DPF)

The liability for life insurance contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's current best estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, persistency rates and discount rates. The Company base mortality and morbidity rates on established industry tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future maintenance expenses are based on current expense levels, adjusted for expected expense inflation adjustments, as appropriate.

Persistency rates are based on the Company's recent historical experience of lapses, surrenders, premium persistency and partial withdrawals.

Discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian government security. In the case of the total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

2. Significant accounting policies (continued)

(u) Fair value measurements

Fair value of an asset or a liability, except for lease transaction, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

The Company recognises transfers between levels of the fair value hierarchy as of the event or change in circumstances that carried the transfers.

(v) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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3. Property and equipment

Cost	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2019	8,728	59,297	3,693	64,518	153,918	145,126	435,280
Additions	-	-	-	3,154	1,202	101,363	105,719
Disposal	-	-	-	(86)	(47)	-	(133)
Written off	-	-	(289)	(7,249)	(29,609)	-	(37,147)
Transfer from capital work-in-progress #	-	-	-	356	4,239	(53,974)	(49,379)
At 31 December 2019/1 January 2020	8,728	59,297	3,404	60,693	129,703	192,515	454,340
Additions	-	-	-	1,591	2,782	40,343	44,716
Disposal	-	-	(1,625)	-	-	-	(1,625)
Written off	-	-	-	(1,608)	(7,322)	-	(8,930)
Transfer from capital work-in-progress #	-	-	-	310	41,999	(42,326)	(17)
Transfer to assets held for sale (Note 6)	-	(2,793)	-	-	-	-	(2,793)
At 31 December 2020	8,728	56,504	1,779	60,986	167,162	190,532	485,691

In relation to certain capital work-in-progress and computer software that were reclassified to intangible assets. See Note 5.

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3. Property and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2019	-	23,078	2,036	45,937	96,775	-	167,826
Charge for the year	-	1,186	591	5,909	10,411	-	18,097
Disposal	-	-	-	(47)	(18)	-	(65)
Written off	-	-	(289)	(6,097)	(25,000)	-	(31,386)
At 31 December 2019/1 January 2020	-	24,264	2,338	45,702	82,168	-	154,472
Charge for the year	-	1,186	454	6,174	9,886	-	17,700
Disposal	-	-	(1,221)	-	-	-	(1,221)
Written off	-	-	-	(1,562)	(5,607)	-	(7,169)
Transfer to assets held for sale (Note 6)	-	(1,261)	-	-	-	-	(1,261)
At 31 December 2020	-	24,189	1,571	50,314	86,447	-	162,521
Net carrying amounts							
At 1 January 2019	8,728	36,219	1,657	18,581	57,143	145,126	267,454
At 31 December 2019/1 January 2020	8,728	35,033	1,066	14,991	47,535	192,515	299,868
At 31 December 2020	8,728	32,315	208	10,672	80,715	190,532	323,170

3. Property and equipment (continued)

Included in property and equipment are the costs of the following fully depreciated assets which are still in use:

	2020 RM'000	2019 RM'000
At cost		
Motor vehicles	716	658
Computer equipment	55,378	42,410
Office furniture, fittings and equipment	39,146	35,707
	<u>95,240</u>	<u>78,775</u>

The strata titles of land and buildings with a cost of RM8,103,953 (2019: RM8,103,953) are in the process of being transferred to the Company.

4. Right-of-use assets

	Leasehold land RM'000	Lease buildings RM'000	Total RM'000
Carrying amount			
At 1 January 2019	2,067	38,139	40,206
Additions	-	174,570	174,570
Depreciation	(111)	(26,217)	(26,328)
At 31 December 2019	<u>1,956</u>	<u>186,492</u>	<u>188,448</u>
Carrying amount			
At 1 January 2020	1,956	186,492	188,448
Additions	-	26,211	26,211
Depreciation	(111)	(36,575)	(36,686)
At 31 December 2020	<u>1,845</u>	<u>176,128</u>	<u>177,973</u>

The strata title of a leasehold land with a cost of RM80,000 (2019: RM80,000) is in the process of being transferred to the Company.

4.1 Extension options

Headquarters office building

The headquarters office building lease contains an extension option exercisable by the Company up to nine years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Company and not by the lessor. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension option. The Company will reassess whether it is reasonably certain to exercise the option if there is a significant event or change in circumstances within its control.

4. Right-of-use assets (continued)

4.1 Extension options (continued)

Branch and agency office premises

The branch and agency office premises leases contain extension options exercisable by the Company ranging from 1 year to 3 years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company will reassess whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

	Lease liabilities recognised (discounted) RM'000	Potential future lease payment not included in lease liabilities (discounted) RM'000	Historical rate of extension options %
Lease buildings	180,253	162,744	25

5. Intangible assets

	Software and licenses RM'000
Cost	
At 1 January 2019	191,854
Additions	11,122
Written off	(7,525)
Transfer from capital work-in-progress	49,379
At 31 December 2019/1 January 2020	244,830
Additions	49,804
Written off	(2,434)
Transfer from capital work-in-progress	17
At 31 December 2020	292,217
Amortisation	
At 1 January 2019	43,485
Amortisation for the year	24,001
Written off	(1,664)
At 31 December 2019/1 January 2020	65,822
Amortisation for the year	24,340
Written off	(903)
At 31 December 2020	89,259

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5. Intangible assets (continued)

Carrying amounts	RM'000
At 1 January 2019	<u>148,369</u>
At 31 December 2019/1 January 2020	<u>179,008</u>
At 31 December 2020	<u>202,958</u>

6. Assets classified as held for sale

	Building RM'000
At 1 January 2020	-
Transferred from property and equipment (Note 3)	<u>1,532</u>
At 31 December 2020	<u>1,532</u>

7. Investments

	2020 RM'000	2019 RM'000
Malaysian government securities	3,339,711	1,956,357
Debt securities	13,849,133	13,885,544
Equity securities	14,169,641	12,475,184
Unit and property trust funds	549,824	502,484
Foreign managed funds	2,712,351	2,134,155
Investment in structured products	6,411	6,234
Derivatives	284	-
Loans	638,937	641,617
Deposits with financial institutions	<u>3,689,252</u>	<u>2,822,096</u>
	<u>38,955,544</u>	<u>34,423,671</u>

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

	2020 RM'000	2019 RM'000
Loans and receivables ("LAR")	4,328,189	3,463,713
Held-for-trading ("HFT")	<u>34,627,355</u>	<u>30,959,958</u>
	<u>38,955,544</u>	<u>34,423,671</u>

The following investments mature after 12 months:

	2020 RM'000	2019 RM'000
LAR	133	3,126
HFT	<u>16,428,642</u>	<u>15,764,166</u>
	<u>16,428,775</u>	<u>15,767,292</u>

7. Investments (continued)

(a) LAR

	2020 RM'000	2019 RM'000
Amortised cost		
Fixed and call deposits with financial institutions	3,689,252	2,822,096
Policy loans	621,517	621,820
Mortgage loans	3,176	219
Unsecured loans	14,244	19,578
	<u>4,328,189</u>	<u>3,463,713</u>

(b) HFT

	2020 RM'000	2019 RM'000
Fair value		
Malaysian government securities	3,339,711	1,956,357
Debt securities	13,849,133	13,885,544
Equity securities	14,169,641	12,475,184
Unit and property trust funds	549,824	502,484
Foreign managed funds	2,712,351	2,134,155
Investment in structured products	6,411	6,234
Derivatives	284	-
	<u>34,627,355</u>	<u>30,959,958</u>

(c) Carrying values of financial instruments

	LAR RM'000	HFT RM'000	Total RM'000
At 1 January 2019	3,111,237	27,821,880	30,933,117
Purchases/Placements	173,258,243	7,703,538	180,961,781
Maturities	(172,902,499)	(261,584)	(173,164,083)
Disposals	-	(4,868,586)	(4,868,586)
Fair value gains recorded in:			
Profit or loss	-	416,531	416,531
New loans	105,650	-	105,650
Redemption or repayment	(116,475)	-	(116,475)
Interest receivable	7,557	-	7,557
Movement in foreign exchange rate	-	148,179	148,179
At 31 December 2019/ 1 January 2020	3,463,713	30,959,958	34,423,671
Purchases/Placements	270,414,693	9,145,017	279,559,710
Maturities	(269,547,537)	(694,464)	(270,242,001)
Disposals	-	(5,846,195)	(5,846,195)
Fair value gains recorded in:			
Profit or loss	-	1,063,762	1,063,762
New loans	149,524	-	149,524
Redemption or repayment	(149,460)	-	(149,460)
Interest receivable	(2,744)	-	(2,744)
Movement in foreign exchange rate	-	(723)	(723)
At 31 December 2020	<u>4,328,189</u>	<u>34,627,355</u>	<u>38,955,544</u>

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8. Insurance receivables

	2020 RM'000	2019 RM'000
Due premiums including agents/brokers and co-insurers balances	34,129	35,213
Due from reinsurers and cedants	<u>70,566</u>	<u>45,196</u>
	<u>104,695</u>	<u>80,409</u>

(a) Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purposes:

	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2020			
Due from reinsurers and cedants	211,267	(140,701)	70,566
Due to reinsurers and cedants	(140,701)	140,701	-
	<u>70,566</u>	<u>-</u>	<u>70,566</u>
2019			
Due from reinsurers and cedants	162,122	(116,926)	45,196
Due to reinsurers and cedants	(116,926)	116,926	-
	<u>45,196</u>	<u>-</u>	<u>45,196</u>

Certain amounts due from reinsurers and cedants and amounts due to reinsurers and cedants were set off for presentation purposes because there are enforceable rights to set off or to realise the asset and settle the liability simultaneously.

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9. Other receivables

	2020 RM'000	2019 RM'000
Other receivables, deposits and prepayments	188,991	121,441
Income due and accrued	261,207	227,480
Amounts due from related companies	<u>34,879</u>	<u>51,299</u>
	<u>485,077</u>	<u>400,220</u>

The amounts due from related companies are unsecured, interest free and receivable on demand.

10. Share capital

	Amount 2020 RM'000	Number of shares 2020 '000	Amount 2019 RM'000	Number of shares 2019 '000
Issued and fully paid with no par value:				
Ordinary shares				
At beginning and end of year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

11. Retained earnings

The Company may distribute single tier exempt dividend to its shareholder out of its distributable retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013 ("FSA"), the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio ("CAR") position is less than the Company's Individual Target Capital Level or if the payment of dividend would impair its CAR position to below its individual target.

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12. Insurance contract liabilities

	2020		2019		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Reinsurance RM'000	Net RM'000
Life insurance	36,373,295	5,545	36,378,840	7,872	32,027,178
					Note 13

Life insurance

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

	Note	2020		2019			
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities		15,363,420	5,545	15,368,965	14,126,899	7,872	14,134,771
Net asset value attributable to unit holders	33	19,734,826	-	19,734,826	16,971,176	-	16,971,176
Provision for outstanding claims	12(a),12(b)	1,275,049	-	1,275,049	921,231	-	921,231
		36,373,295	5,545	36,378,840	32,019,306	7,872	32,027,178

12(a) Provisions for IBNR claims were reviewed in light of the COVID-19 pandemic resulting in the Movement Control Order ("MCO") which was effective from 18th March 2020 and the subsequent Conditional and Recovery Movement Control orders. Delays in submission of claims during this period have resulted in a significant reduction in claims during the year. As a result, a total of RM108 million of IBNR claims provision was set up for mortality, critical illness and medical reimbursement claims.

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

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12. Insurance contract liabilities (continued)**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 2019	1,627,120	10,035,548	15,529,820	504,247	772,919	28,469,654
Valuation premiums	290,174	-	-	-	-	290,174
Premium received, net of reinsurance	-	1,175,946	2,339,706	(62,694)	-	3,452,958
Liabilities released for payments on death, surrender and other terminations	(359,329)	(822,388)	(1,179,930)	(25,170)	(2,376,116)	(4,762,933)
Claims incurred during the year	-	-	-	144,411	2,524,428	2,668,839
Accretion of interest	39,023	-	-	19,499	-	58,522
Other movements	(4,794)	-	-	19,108	-	14,314
New business	615,207	-	-	10,390	-	625,597
Change in valuation basis	166,501	-	-	11,732	-	178,233
Investment income	-	516,246	-	-	-	516,246
Expenses: Operating	-	(135,091)	-	-	-	(135,091)
- Commission and agency expenses	-	(111,625)	-	-	-	(111,625)
- Management expenses	-	557,767	-	-	-	557,767
Other income	-	(76,050)	-	-	-	(76,050)
Movement in tax	-	-	-	-	-	-
Policyholder's liability	32,082	-	281,580	-	-	32,082
Net asset value attributable to unit holders (Note 33)	-	-	281,580	-	-	281,580
Transfer to shareholder's fund	-	(33,089)	-	-	-	(33,089)
At 31 December 2019	2,405,984	11,107,264	16,971,176	621,523	921,231	32,027,178

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12. Insurance contract liabilities (continued)**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 2020	2,405,984	11,107,264	16,971,176	621,523	921,231	32,027,178
Valuation premiums	331,240	-	-	-	-	331,240
Premium received, net of reinsurance	-	1,145,655	2,488,864	(73,390)	-	3,561,129
Liabilities released for payments on death, surrender and other terminations	(384,310)	(835,973)	(1,054,415)	(28,835)	(1,852,586)	(4,156,119)
Claims incurred during the year	-	-	-	156,623	2,206,404	2,363,027
Accretion of interest	55,175	-	-	13,298	-	68,473
Other movements	(3,107)	-	-	9,383	-	6,276
New business	147,351	-	-	11,579	-	158,930
Change in valuation basis	95,607	-	-	31,917	-	127,524
Investment income	-	531,717	-	-	-	531,717
Expenses: Operating	-	-	-	-	-	-
- Commission and agency expenses	-	(127,319)	-	-	-	(127,319)
- Management expenses	-	(119,400)	-	-	-	(119,400)
Other income	-	346,691	-	-	-	346,691
Movement in tax	-	(65,123)	-	-	-	(65,123)
Policyholder's liability	27,837	-	-	-	-	27,837
Net asset value attributable to unit holders (Note 33)	-	-	1,329,201	-	-	1,329,201
Transfer to shareholder's fund	-	(32,422)	-	-	-	(32,422)
At 31 December 2020	2,675,777	11,951,090	19,734,826	742,098	1,275,049	36,378,840

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13. Reinsurance liabilities

	Note	2020 RM'000	2019 RM'000
Reinsurance of insurance contracts - non-current	12	<u>5,545</u>	<u>7,872</u>

14. Deferred taxation

	Note	2020 RM'000	2019 RM'000
At 1 January		497,017	441,546
Recognised in profit or loss	24	<u>95,806</u>	<u>55,471</u>
At 31 December		<u>592,823</u>	<u>497,017</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Movement in recognised temporary differences during the year presented after appropriate offsetting:

	At 1.1.2019 RM'000	Recognised in profit or loss (Note 24) RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss (Note 24) RM'000	At 31.12.2020 RM'000
Property and equipment capital allowances	7,485	841	8,326	1,085	9,411
Fair value gains and losses	125,651	33,922	159,573	83,825	243,398
Unallocated surplus	308,410	20,708	329,118	10,896	340,014
Net tax liabilities	<u>441,546</u>	<u>55,471</u>	<u>497,017</u>	<u>95,806</u>	<u>592,823</u>

15. Provisions

	2020 RM'000	2019 RM'000
At 1 January	411,549	373,103
Provision for the year	<u>97,009</u>	<u>74,253</u>
Utilised during the year	<u>508,558</u> <u>(277,287)</u>	<u>447,356</u> <u>(35,807)</u>
At 31 December	<u>231,271</u>	<u>411,549</u>
Payable after 12 months	<u>208,906</u>	<u>371,750</u>

Provisions consist of Retirement Gratuity Benefits payable to eligible life field agents upon retirement.

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16. Insurance payables

	2020	2019
	RM'000	RM'000
Due to agents and intermediaries	215,544	206,057
Advance premiums and premium deposits	<u>143,974</u>	<u>124,243</u>
	<u>359,518</u>	<u>330,300</u>

17. Other payables

	2020	2019
	RM'000	RM'000
Other payables and accrued liabilities	430,689	466,485
Amounts due to related companies	<u>146,855</u>	<u>102,070</u>
	<u>577,544</u>	<u>568,555</u>

The amounts due to related companies are unsecured, interest free and repayable on demand.

18. Operating revenue

	Note	2020	2019
		RM'000	RM'000
Gross earned premiums		7,578,688	7,745,160
Investment income	19	<u>1,339,405</u>	<u>1,328,901</u>
		<u>8,918,093</u>	<u>9,074,061</u>

19. Investment income

	2020	2019
	RM'000	RM'000
Rental income	6,993	7,111
Financial assets at FVTPL - held for trading		
Interest income		
- Malaysian government securities	100,984	69,824
- Cagamas bonds	14,387	11,843
- Unquoted debentures, bonds and loan stocks of corporations	624,197	634,748
Dividend income		
- Equity securities quoted in Malaysia	419,798	429,660
- Equity securities unquoted in Malaysia	-	932
Financial assets at LAR		
Interest income		
- Fixed and call deposits	95,745	104,190
- Policy loans	42,460	40,625
- Mortgage loans	9	14
- Other loans	34	35
Others	<u>34,798</u>	<u>29,919</u>
	<u>1,339,405</u>	<u>1,328,901</u>

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20. Realised gains and losses

	2020 RM'000	2019 RM'000
Property and equipment		
Realised gain/(loss)	743	(17)
FVTPL financial assets - held for trading		
Realised gains:		
Equity securities		
- quoted in Malaysia	880,176	249,041
Debt securities		
- unquoted in Malaysia	66,749	22,435
Other securities		
- collective investment scheme	118,569	182,839
- investment in structured products	31	635
	<u>1,065,525</u>	<u>454,950</u>
Realised losses:		
Equity securities		
- quoted in Malaysia	(565,818)	(193,258)
Debt securities		
- unquoted in Malaysia	(8,817)	(3,575)
Other securities		
- collective investment scheme	(31,431)	(38,755)
	<u>(606,066)</u>	<u>(235,588)</u>
Total net realised gains from FVTPL financial assets	<u>459,459</u>	<u>219,362</u>
	<u>460,202</u>	<u>219,345</u>

21. Fair value gains and losses

	2020 RM'000	2019 RM'000
Financial assets - held for trading	<u>1,063,762</u>	<u>416,531</u>

22. Fee and commission income

	2020 RM'000	2019 RM'000
Policyholder administration and investment management services	<u>379,204</u>	<u>347,633</u>

23. Management expenses

	Note	2020 RM'000	2019 RM'000
Employee benefits expense	23(a)	338,443	325,213
Directors' remuneration	23(b)	1,376	1,358
Auditors' remuneration:			
Audit fees		1,119	1,073
Audit-related services fees		135	177
Retirement benefits		6,224	5,763
Property and equipment written off		1,761	5,761
Intangible assets written off		1,531	5,861
Outsourcing fees (#)		17,732	49,022
Other expenses		294,508	278,086
Expenses relating to short-term and low-value leases		6,462	15,424
		<u>669,291</u>	<u>687,738</u>

- This amount is in relation to fees for outsourcing services provided by a related company.

	2020 RM'000	2019 RM'000
(a) Employee benefits expense		
Wages and salaries	281,044	271,142
Social security contributions	1,348	1,319
Contributions to defined contribution plan, EPF	37,841	32,214
Other benefits	18,210	20,538
	<u>338,443</u>	<u>325,213</u>

(b) Chief Executive Officer and Directors' remuneration

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	2020 RM'000	2019 RM'000
Chief Executive Officer:		
- Gan Leong Hin		
Salaries and other emoluments	2,282	2,217
Bonus	1,567	1,603
Deferred Bonus Plan	1,567	1,603
Long Term Incentive Plan Dividend	57	39
Contributions to defined contribution plan, EPF	330	318
Estimated money value of benefits-in-kind	136	124
	<u>5,939</u>	<u>5,904</u>

23. Management expenses (continued)

(b) Chief Executive Officer and Directors' remuneration (continued)

	Note	2020 RM'000	2019 RM'000
Non-Executive Directors:			
- Ho Yik		-	257
- Abdul Khalil bin Abdul Hamid		300	257
- Foong Pik Yee		220	86
- Richard Patrick George Duxbury		216	199
- Soon Dee Hwee		218	202
- Anthony Albert Collingridge		202	173
- Chin Kwai Fatt		220	184
		<u>1,376</u>	<u>1,358</u>
		<u>7,315</u>	<u>7,262</u>
Amount included in employee benefits expense	28(b)	<u>5,939</u>	<u>5,904</u>

Non-Executive Directors only received director's fees as remuneration.

24. Taxation

	Note	2020 RM'000	2019 RM'000
Current income tax:			
Malaysian income tax		184,313	121,363
Under provision in prior years		4,928	8,524
		<u>189,241</u>	<u>129,887</u>
Deferred tax:			
Relating to origination and reversal of temporary differences			
Current year		84,910	34,763
Unallocated surplus		10,896	20,708
	14	<u>95,806</u>	<u>55,471</u>
		<u>285,047</u>	<u>185,358</u>

The income tax for the Shareholder's fund is calculated based on the tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on tax rate of 8% (2019: 8%) of the estimated assessable surplus for the financial year. The taxes of the respective funds are disclosed in Note 33 – Insurance funds.

24. Taxation (continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	2020 RM'000	2019 RM'000
Profit before taxation	<u>830,673</u>	<u>573,375</u>
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	199,362	137,610
Taxation rate differential of 16% in respect of Life Fund (2019: 16%)	20,794	2,839
Income not subject to tax	(658,170)	(653,378)
Non-deductible expenses	788,433	745,280
Section 110B tax credit set-off and single tier tax relief*	(70,300)	(55,517)
Under provision in prior years	<u>4,928</u>	<u>8,524</u>
Tax expense for the year	<u>285,047</u>	<u>185,358</u>

* Section 110B tax credit set-off and single tier tax relief will only be available for utilisation as a relief to set-off against the transfer of a requisite amount of the Life fund surplus to shareholder's fund, which will be recommended by the Appointed Actuary at the end of the financial year.

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

25. Earnings per share

Basic earnings per share is calculated by dividing profit for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2020	2019
Profit attributable to ordinary shareholders (RM'000)	545,626	388,017
Weighted average number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	<u>545.63</u>	<u>388.02</u>

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares as at the reporting date.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

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26. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2020			
Final 2019 single tier	113.4	113,400	25 June 2020
Interim 2020 single tier	113.5	<u>113,500</u>	30 October 2020
		<u>226,900</u>	
2019			
Final 2018 single tier	221.5	221,500	28 May 2019
Interim 2019 single tier	209.0	<u>209,000</u>	04 November 2019
		<u>430,500</u>	

27. Capital commitments

The capital commitments are in respect of:

- property and equipment
- intangible assets
- relocation cost

	2020 RM'000	2019 RM'000
Authorised and contracted for	<u>6,696</u>	<u>7,518</u>

28. Related party disclosures

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year:

	2020 RM'000	2019 RM'000
Transactions:		
Outsourcing fees and other charges/(income)		
- Prudential Services Asia Sdn Bhd	18,123	49,361
- Prudential BSN Takaful Berhad	(87,653)	(77,770)
Recharge expenses		
- Prudential Holdings Limited	-	25,128
- Prudential Corporation Holdings Limited	71,956	-
Management fees		
- Eastspring Investments Berhad	46,365	68,468
- Eastspring Al-Wara' Investments Berhad	<u>3,637</u>	<u>-</u>

28. Related party disclosures (continued)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year: (continued)

	2020 RM'000	2019 RM'000
Balances:		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	(16,164)	(23,650)
- Prudential Holdings Limited	(22,974)	(70,110)
- Eastspring Investments Berhad	(6,796)	(4,092)
- Prudential Corporation Holdings Limited	(96,518)	-
- Eastspring Al-Wara' Investments Berhad	(722)	-
Amount due from related companies:		
- Prudential BSN Takaful Berhad	29,863	47,081
- Prudence Foundation Ltd	270	-
- PT Prudential Life Assurance	1,065	-

- (b) Compensation of senior management members

Members of senior management comprise those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any executive director of the Company.

The remuneration of the senior management members during the year was as follows:

	Note	2020 RM'000	2019 RM'000
Short-term employee benefits		23,346	20,089
Contributions to defined contribution plan, EPF		2,666	2,536
Share-based payment		13,261	11,201
		<u>39,273</u>	<u>33,826</u>
Included in the total senior management members are:			
Chief Executive Officer's remuneration	23(b)	<u>5,939</u>	<u>5,904</u>

29. Risk management framework

The Board of Directors assumes the overall responsibility for the Company's financial risk management. In order to fulfil this responsibility, the Board approves the overall framework for managing the risks faced by the Company. The Board Risk Management Committee is responsible for risk management strategies, policies and risk tolerance limits and meets every quarter to consider reports on key risks identified and the management of such risks.

29. Risk management framework (continued)

Detailed policies and procedures exist at the Company and the items of particular relevance to financial risk management include:

- i) Actuarial Procedures Manuals: Policies for all aspects of actuarial management including for regulatory reporting and asset-liability management.
- ii) Financial Procedures Manuals: Financial control policies including for financial reporting, capital commitments and business planning.
- iii) Investment Guidelines: Investment management policies including the setting out of mandates between the Company and its fund managers.

Capital management framework

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligation and regulatory requirement, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth.

The RBC Framework for the insurance industry came into effect on 1 January 2009. Under the RBC Framework, the insurer is responsible for setting an individual target capital level and maintaining the capital adequacy level above the target. The Company considers the business direction, the changing business environment and risk profile in setting the individual target capital level. The individual target capital level is higher than the minimum capital requirement of 130% under the RBC Framework regulated by BNM.

In addition to satisfying the RBC Framework, the Company is also subject to Prudential Group's economic capital framework. Stress tests are conducted on the statement of financial position of the Company to ensure that the Company will have adequate economic capital to qualify for its targeted minimum financial strength rating in a comprehensive array of scenarios.

There were no changes in the Company's approach to capital management during the year.

Governance and regulatory framework

The Company is required to comply with the requirements of the Financial Services Act 2013, relevant laws and guidelines from BNM and Life Insurance Association of Malaysia ("LIAM").

The Company is also required to comply with the Prudential Group's Corporate Governance Manual Framework. If there is any conflict with the local laws or regulations, the stricter will apply.

30. Insurance risk

Life insurance contracts

The risk under any insurance contract is the uncertainty as to when the insured event occurs and the severity of the claim.

30. Insurance risk (continued)

Life insurance contracts (continued)

Insurance risk to the Company includes mortality, morbidity, expenses, lapse and surrenders. Concentrations of insurance risk may arise from events such as catastrophe which could impact heavily on the Company's liabilities. Such concentrations may arise from a single insurance contract or through a group of related contracts, and relate to circumstances where significant liabilities could arise.

For life insurance participating contracts, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the policyholder.

For life insurance non-participating contracts, the risk arises from the Company's obligation to pay guaranteed policy benefits even when investment returns are poor, or when claim experience is worse than expected.

For investment-linked contracts, the investment risks are borne by policyholder while charges to cover the cost of insurance are usually fully reviewable to allow for any deterioration in experience.

The Company has in place policies, guidelines and limits in managing the insurance risk which include monitoring of actual experience, or using reinsurance to diversify risk and limit net losses potential. The Company has catastrophe reinsurance to limit the catastrophic losses.

The concentration of risk for each type of insurance contract is reflected by the insurance contract liabilities as disclosed in Note 12.

Multi-period stress test is performed annually to demonstrate the significant threats to the financial condition of the Company and the potential impact of the management actions. Through this exercise, the Company can make an informed decision on future business growth and risk management.

Key assumptions

The determination of insurance contract liabilities is dependent on the assumptions made by the management of the Company. These estimates are reviewed and adjusted (if necessary) each year in order to establish contract liabilities which reflect best estimate assumptions and Provision of Risk Margin for Adverse Deviation ("PRAD").

Information on key assumptions to which the estimation of liabilities is sensitive is provided below.

Mortality

Mortality refers to the rates at which death occurs for a defined group of people. Insurance mortality assumptions are generally based on five-year averages of Company's own experience as well as industry past and emerging experience.

Morbidity

Morbidity refers to both the rates of accidents or sickness and the rates of recovery therefrom. Generally, the assumptions are based on reinsurer's morbidity rates, adjusted to reflect Company's own experience.

30. Insurance risk (continued)

Persistency

Insurance contracts are terminated through lapses and surrenders, where lapses represent termination of policies due to non-payment of premiums and surrender represent voluntary termination of policies by policyholder. Generally, persistency assumptions are based on five-year averages of the Company's own experience, with allowance for any trend after taking into account policyholders' behaviour. The assumption varies by product type and policy duration.

Discount rate

Generally, the time value of money is considered by discounting the insurance contract liabilities using risk free rate. The RBC Framework requires all insurers to use Malaysian government securities yield as the risk free rate.

Expenses

Insurance contract liabilities provide for future policy-related expenses which includes cost of premium collection, preparation and mailing of policy statements and related direct and indirect expenses and overheads. Expense assumptions are mainly based on the Company's recent experience using an internal expense allocation methodology. Future expense assumptions reflect inflation.

Sensitivities

The sensitivity analysis below shows the impact on Shareholder's Equity from movements in key assumptions used to value life insurance contract liabilities.

	Change in assumptions %	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity net of tax RM'000
2020				
(Dr)/Cr				
Risk-free discount rate	+1	(250,826)	256,927	195,265
Mortality/Morbidity	+10	229,610	(206,412)	(156,873)
Expenses	+10	44,911	(34,205)	(25,996)
Lapse and surrender rates	+10	(15,288)	1,063	808
2019				
(Dr)/Cr				
Risk-free discount rate	+1	(217,488)	222,709	169,258
Mortality/Morbidity	+10	231,549	(206,694)	(157,087)
Expenses	+10	45,628	(34,497)	(26,217)
Lapse and surrender rates	+10	386	(10,405)	(7,908)

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

31. Financial risks

Credit risk

Credit risk is the risk of loss for the Company's business, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).

The Company's exposure to credit risk arises mainly from investment in corporate debt securities as well as deposits placed with licensed financial institutions in Malaysia. To manage this, the Company evaluates minimum credit ratings of financial instruments issued and strict adherence to the credit exposure guidelines for fixed income securities and deposits.

There is no significant concentration of credit risk as at end of the reporting date.

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Note	Insurance and	Investment	Total
		shareholder's	-linked	
2020		funds	funds	RM'000
		RM'000	RM'000	RM'000
LAR	7(a)			
Fixed and call deposits		2,746,492	942,760	3,689,252
Policy loans		621,517	-	621,517
Mortgage loans		3,176	-	3,176
Unsecured loans		14,244	-	14,244
Financial investments at FVTPL	7(b)			
Malaysian government securities		2,780,778	558,933	3,339,711
Debt securities		10,865,773	2,983,360	13,849,133
Investment in structured products		-	6,411	6,411
Derivatives		-	284	284
Insurance receivables	8	104,695	-	104,695
Other receivables	9	384,899	100,178	485,077
Cash and bank balances		8,221	26,381	34,602
		<u>17,529,795</u>	<u>4,618,307</u>	<u>22,148,102</u>

31. Financial risks (continued)

Credit risk (continued)

Credit exposure (continued)

2019	Note	Insurance and	Investment	Total
		shareholder's	-linked	
		funds	funds	
		RM'000	RM'000	RM'000
LAR	7(a)			
Fixed and call deposits		2,229,686	592,410	2,822,096
Policy loans		621,820	-	621,820
Mortgage loans		219	-	219
Unsecured loans		19,578	-	19,578
Financial investments at FVTPL	7(b)			
Malaysian government securities		1,606,016	350,341	1,956,357
Debt securities		10,821,305	3,064,239	13,885,544
Investment in structured products		-	6,234	6,234
Insurance receivables	8	80,409	-	80,409
Other receivables	9	343,009	57,211	400,220
Cash and bank balances		69,407	8,034	77,441
		<u>15,791,449</u>	<u>4,078,469</u>	<u>19,869,918</u>

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the credit ratings of counterparties.

2020	Investment grade*(BBB to AAA)	Not rated	Investment	Total
			-linked funds	
	RM'000	RM'000	RM'000	RM'000
LAR				
Fixed and call deposits	2,656,492	90,000	942,760	3,689,252
Policy loans	-	621,517	-	621,517
Mortgage loans	-	3,176	-	3,176
Unsecured loans	-	14,244	-	14,244
Financial investments at FVTPL				
Malaysian government securities	2,780,778	-	558,933	3,339,711
Debt securities	10,865,773	-	2,983,360	13,849,133
Investment in structured products	-	-	6,411	6,411
Derivatives	-	-	284	284
Insurance receivables	-	104,695	-	104,695
Other receivables	-	384,899	100,178	485,077
Cash and bank balances	8,117	104	26,381	34,602
	<u>16,311,160</u>	<u>1,218,635</u>	<u>4,618,307</u>	<u>22,148,102</u>

31. Financial risks (continued)**Credit risk (continued)****Credit exposure by credit rating (continued)**

	Investment grade*(BBB to AAA) RM'000	Not rated RM'000	Investment -linked funds RM'000	Total RM'000
2019				
LAR				
Fixed and call deposits	2,139,686	90,000	592,410	2,822,096
Policy loans	-	621,820	-	621,820
Mortgage loans	-	219	-	219
Unsecured loans	-	19,578	-	19,578
Financial investments at FVTPL				
Malaysian government securities	1,606,016	-	350,341	1,956,357
Debt securities	10,821,305	-	3,064,239	13,885,544
Investment in structured products	-	-	6,234	6,234
Insurance receivables	-	80,409	-	80,409
Other receivables	-	343,009	57,211	400,220
Cash and bank balances	68,742	665	8,034	77,441
	<u>14,635,749</u>	<u>1,155,700</u>	<u>4,078,469</u>	<u>19,869,918</u>

* Based on public ratings assigned by external rating agencies including RAM Holdings ("RAM"), Malaysian Rating Corporation Berhad ("MARC") and other equivalent rating agencies.

The ageing of insurance and other receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2020				
Not past due	589,772	-	-	589,772
Past due 0 - 3 months	-	-	-	-
Past due 4 - 6 months	-	-	-	-
Past due 7 - 12 months	-	-	-	-
Past due more than 12 months	-	-	-	-
	<u>589,772</u>	<u>-</u>	<u>-</u>	<u>589,772</u>
2019				
Not past due	480,629	-	-	480,629
Past due 0 - 3 months	-	-	-	-
Past due 4 - 6 months	-	-	-	-
Past due 7 - 12 months	-	-	-	-
Past due more than 12 months	-	-	-	-
	<u>480,629</u>	<u>-</u>	<u>-</u>	<u>480,629</u>

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31. Financial risks (continued)

Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate sufficient cash resources to meet its financial obligations as they fall due in business as usual and stress scenarios. Liquidity management seeks to ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrender, withdrawals, claims and maturing liabilities.

Maturity profiles

The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations, including interest payable.

For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

2020	Carrying value RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities						
(net of reinsurance liabilities):						
Par	11,951,090	232,088	954,461	7,921,181	2,843,360	11,951,090
Non-par	2,675,777	228,340	604,478	359,992	1,482,967	2,675,777
Investment-linked:						
Non-unit	742,098	-	-	-	742,098	742,098
Unit	19,734,826	-	-	-	19,734,826	19,734,826
	1,275,049	1,275,049	-	-	-	1,275,049
Provision for outstanding claims						
Lease liabilities	180,253	33,576	83,443	122,352	-	239,371
Provisions	231,271	10,069	57,460	151,446	12,296	231,271
Insurance payables	359,518	359,518	-	-	-	359,518
Other payables	577,544	577,544	-	-	-	577,544
Total liabilities	37,727,426	2,716,184	1,699,842	8,554,971	24,815,547	37,786,544

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31. Financial risks (continued)

Liquidity risk (continued)

Maturity profiles (continued)

2019	Carrying value RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities (net of reinsurance liabilities):						
Par	11,107,264	216,365	795,610	7,255,263	2,840,026	11,107,264
Non-par	2,405,984	59,258	754,687	244,026	1,348,013	2,405,984
Investment-linked:						
Non-unit	621,523	-	-	-	621,523	621,523
Unit	16,971,176	-	-	-	16,971,176	16,971,176
Provision for outstanding claims	921,231	921,231	-	-	-	921,231
Lease liabilities	188,868	31,536	83,445	136,812	-	251,793
Provisions	411,549	17,917	102,251	269,499	21,882	411,549
Insurance payables	330,300	330,300	-	-	-	330,300
Other payables	568,555	568,555	-	-	-	568,555
Total liabilities	33,526,450	2,145,162	1,735,993	7,905,600	21,802,620	33,589,375

31. Financial risks (continued)

Market risk

Market risk is the risk of an unexpected change in fair value of a financial instrument due to adverse movement in prices, interest rate, or foreign currency exchange rates.

Price risk is the risk that the market values of financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

Interest rate risk is the risk that the value of future cash flow of a financial instrument will fluctuate due to impact of changes in market interest rates on interest income from cash and bank balances and other fixed income instruments.

In managing this risk, the Company monitors interest rate movements and other economic indicators and takes appropriate measures to ensure that the investment objectives can continue to be met. In addition, this risk is mitigated as the Company holds a diversified portfolio of securities.

The Company faces foreign currency risk, primarily because some of its investments in equity, debt securities and collective investment schemes are held in currencies other than Ringgit Malaysia to improve the diversification of its portfolio.

Such foreign investments are limited to 10% with no country limit, subject to foreign investments being in jurisdiction with sovereign ratings at least equivalent to that of Malaysia.

The sensitivity analysis on price risk, as below is analysed based on the assumption that all other variables remain constant and the Company's equity investments moved in correlation with FTSE Bursa Malaysia KLCI ("FBMKLCI").

	Change in market price		Impact on profit or loss		Impact on insurance contract liabilities	
	2020	2019	2020	2019	2020	2019
			RM'000	RM'000	RM'000	RM'000
FBMKLCI	+/-10%	+/-10%	+/-10,178	+/-8,179	+/-1,598,194	+/-1,367,700

31. Financial risks (continued)

Market risk (continued)

The sensitivity analysis on interest rate risk, as below is analysed based on the assumption that all other variables remain constant and the Company's debt securities fair value moved in correlation with the prevailing market profit rates:

	Change in interest rate		Impact on profit or loss		Impact on insurance contract liabilities	
	2020	2019	2020	2019	2020	2019
			RM'000	RM'000	RM'000	RM'000
Interest rate	+25bp	+25bp	(55,466)	(57,978)	(275,878)	(285,641)
Interest rate	-25bp	-25bp	57,174	59,750	285,134	294,939

The Company faces foreign currency risk, primarily because some of its investments in collective investment schemes are held in currencies other than Ringgit Malaysia to improve the diversification of its portfolio. Below is the sensitivity analysis on foreign currency risk which the Company has exposed to:

Denominated in	Change in variables		Impact on profit or loss		Impact on insurance contract liabilities	
	2020	2019	2020	2019	2020	2019
			RM'000	RM'000	RM'000	RM'000
USD	+/-5%	+/-5%	-	-	+/-118,905	+/-90,565
EUR	+/-5%	+/-5%	-	-	-	+/-2,415
SGD	+/-5%	+/-5%	-	-	+/-4,497	+/-3,827
AUD	+/-5%	+/-5%	-	-	+/-1,293	-
GBP	+/-5%	+/-5%	-	-	+/-74	-

Operational risk

Operational risk relates to the risk of potential loss from a breakdown in internal processes, systems, deficiencies in people and management or operational failure arising from external events. The Company mitigates operational risk by establishing appropriate policies, internal control and procedures and contingency planning.

Fair value information

The carrying amounts of fixed and call deposits with financial institutions, policy loans, mortgage loans, unsecured loans, cash and bank balances, short-term receivables and short-term payables reasonably approximate their fair value due to relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value, by valuation hierarchy. There is no financial instrument not carried at fair value for which fair value is disclosed during the financial year.

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31. Financial risks (continued)

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		
2020					
Financial assets					
Malaysian government securities	-	3,339,711	-	3,339,711	3,339,711
Debt securities	-	13,849,133	-	13,849,133	13,849,133
Equity securities	14,164,345	-	5,296	14,169,641	14,169,641
Unit and property trust funds	294,789	255,035	-	549,824	549,824
Foreign managed funds	-	2,712,351	-	2,712,351	2,712,351
Investment in structured products	-	6,411	-	6,411	6,411
Derivatives	-	284	-	284	284
	14,459,134	20,162,925	5,296	34,627,355	34,627,355
2019					
Financial assets					
Malaysian government securities	-	1,956,357	-	1,956,357	1,956,357
Debt securities	-	13,885,544	-	13,885,544	13,885,544
Equity securities	12,469,888	-	5,296	12,475,184	12,475,184
Unit and property trust funds	294,293	208,191	-	502,484	502,484
Foreign managed funds	-	2,134,155	-	2,134,155	2,134,155
Investment in structured products	-	6,234	-	6,234	6,234
	12,764,181	18,190,481	5,296	30,959,958	30,959,958

31. Financial risks (continued)

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 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 financial year (2019: 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 2019/31 December 2019/ 31 December 2020	5,296	5,296

32. Regulatory capital requirements

The capital structure of the Company as at 31 December 2020, as prescribed under the RBC Framework is provided below:

	Note	2020 RM'000	2019 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	10	100,000	100,000
Reserves, including retained earnings		<u>4,317,889</u>	<u>1,878,863</u>
		<u>4,417,889</u>	<u>1,978,863</u>
Deduction			
Intangible assets and deferred tax assets		<u>202,961</u>	<u>75,897</u>
Total capital available		<u>4,214,928</u>	<u>1,902,966</u>

For life insurer with participating business, the 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.

33. 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 statement of financial position and 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.

33. Insurance funds (continued)**Statement of financial position by funds as at 31 December 2020**

	Shareholder's fund		Life fund		Elimination*		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Property and equipment	42	59	323,128	299,809	-	-	323,170	299,868
Right-of-use assets	-	-	177,973	188,448	-	-	177,973	188,448
Intangible assets	1	1	202,957	179,007	-	-	202,958	179,008
Investments	298,743	311,759	38,656,801	34,111,912	-	-	38,955,544	34,423,671
Insurance receivables	-	-	104,695	80,409	-	-	104,695	80,409
Other receivables	646,378	364,270	430,514	348,981	(591,815)	(313,031)	485,077	400,220
Tax recoverable	11,402	33,094	18,279	2,005	-	-	29,681	35,099
Cash and bank balances	3,182	2,156	31,420	75,285	-	-	34,602	77,441
	959,748	711,339	39,945,767	35,285,856	(591,815)	(313,031)	40,313,700	35,684,164
Assets classified as held for sale	-	-	1,532	-	-	-	1,532	-
Total assets	959,748	711,339	39,947,299	35,285,856	(591,815)	(313,031)	40,315,232	35,684,164
Equity, policyholders' funds and liabilities								
Total equity	891,758	607,538	1,076,714	1,042,208	-	-	1,968,472	1,649,746
Insurance contract liabilities	-	-	36,373,295	32,019,306	-	-	36,373,295	32,019,306
Reinsurance liabilities	-	-	5,545	7,872	-	-	5,545	7,872
Deferred taxation	583	416	592,240	496,601	-	-	592,823	497,017
Lease liabilities	-	-	180,253	188,868	-	-	180,253	188,868
Provisions	16,850	57,756	214,421	353,793	-	-	231,271	411,549
Insurance payables	13,072	15,938	346,446	314,362	-	-	359,518	330,300
Tax payable	-	-	26,511	10,951	-	-	26,511	10,951
Other payables	37,485	29,691	1,131,874	851,895	(591,815)	(313,031)	577,544	568,555
	67,990	103,801	38,870,585	34,243,648	(591,815)	(313,031)	38,346,760	34,034,418
Total liabilities	67,990	103,801	38,870,585	34,243,648	(591,815)	(313,031)	38,346,760	34,034,418
Total equity, policyholders' funds and liabilities	959,748	711,339	39,947,299	35,285,856	(591,815)	(313,031)	40,315,232	35,684,164

* Refers to elimination of Interfund balances.

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33. Insurance funds (continued)

Statement of profit or loss and other comprehensive income by funds for the year ended 31 December 2020

	Shareholder's fund		Life fund		Total	
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	8,753	12,839	8,909,340	9,061,222	8,918,093	9,074,061
Gross earned premiums	-	-	7,578,688	7,745,160	7,578,688	7,745,160
Premiums ceded to reinsurers	-	-	(119,123)	(104,907)	(119,123)	(104,907)
Net earned premiums	-	-	7,459,565	7,640,253	7,459,565	7,640,253
Investment income	8,753	12,839	1,330,652	1,316,062	1,339,405	1,328,901
Realised gains and losses	42	1,654	460,160	217,691	460,202	219,345
Fair value gains and losses	576	938	1,063,186	415,593	1,063,762	416,531
Fee and commission income	-	-	379,204	347,633	379,204	347,633
Other operating income	87,858	86,075	35,449	3,157	123,307	89,232
Other income	97,229	101,506	3,268,651	2,300,136	3,365,880	2,401,642
Gross benefits and claims paid	-	-	(3,726,521)	(3,811,498)	(3,726,521)	(3,811,498)
Claims ceded to reinsurers	-	-	35,405	25,391	35,405	25,391
Gross change in contract liabilities	-	-	(4,000,171)	(3,413,848)	(4,000,171)	(3,413,848)
Change in contract liabilities ceded to reinsurers	-	-	2,327	4,636	2,327	4,636
Net benefits and claims	-	-	(7,688,960)	(7,195,319)	(7,688,960)	(7,195,319)
Fee and commission expense	(34,004)	(31,458)	(1,353,214)	(1,347,250)	(1,387,218)	(1,378,708)
Depreciation of property and equipment	(10)	(8)	(17,690)	(18,089)	(17,700)	(18,097)
Depreciation of right-of-use assets	-	-	(36,686)	(26,328)	(36,686)	(26,328)
Amortisation of intangible assets	-	-	(24,340)	(24,001)	(24,340)	(24,001)
Management expenses	(30,088)	(44,018)	(639,203)	(643,720)	(669,291)	(687,738)
Other operating expenses	(81,278)	(71,288)	(80,377)	(61,095)	(161,655)	(132,383)
Other expenses	(145,380)	(146,772)	(2,151,510)	(2,120,483)	(2,296,890)	(2,267,255)

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33. Insurance funds (continued)

Statement of profit or loss and other comprehensive income by funds for the year ended 31 December 2020 (continued)

	Shareholder's fund						Total	
	2020		2019		2020		2019	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating (loss)/profit	(48,151)	(45,266)	887,746	624,587	839,595	579,321		
Finance cost	-	-	(8,922)	(5,946)	(8,922)	(5,946)		
(Loss)/ Profit before transfer	(48,151)	(45,266)	878,824	618,641	830,673	573,375		
Transfer from revenue accounts	643,958	420,000	(643,958)	(420,000)	-	-		
Profit before taxation	595,807	374,734	234,866	198,641	830,673	573,375		
Taxation	(84,687)	(52,294)	(200,360)	(133,064)	(285,047)	(185,358)		
Net profit/Total comprehensive income for the year	511,120	322,440	34,506	65,577	545,626	388,017		

33. Insurance funds (continued)**Investment-linked funds****Statement of assets and liabilities as at 31 December 2020**

	2020 RM'000	2019 RM'000
Assets		
Investments	19,811,779	16,999,605
Other receivables	100,178	57,211
Tax recoverable	11	2,005
Cash and bank balances	26,381	8,034
Total assets	<u>19,938,349</u>	<u>17,066,855</u>
Liabilities		
Deferred taxation	145,879	82,226
Tax payable	19,780	3,889
Other payables	37,864	9,564
Total liabilities	<u>203,523</u>	<u>95,679</u>
Net asset value of funds (Note 12)	<u>19,734,826</u>	<u>16,971,176</u>

Statement of income and expenditure for the year ended 31 December 2020

	2020 RM'000	2019 RM'000
Investment income	573,230	584,531
Realised gains and losses	285,512	59,596
Fair value gains and losses	795,895	(129,649)
Fee and commission income	66,443	60,847
Other operating income	13,244	597
	<u>1,734,324</u>	<u>575,922</u>
Fee and commission expense	(303,427)	(282,768)
Profit before taxation	1,430,897	293,154
Taxation	(101,696)	(11,574)
Net profit/Total comprehensive income for the year	<u>1,329,201</u>	<u>281,580</u>

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33. Insurance funds (continued)

Information on cash flows by funds for the year ended 31 December 2020

	Shareholder's fund		Life fund		Total	
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from/(used in):						
Operating activities	227,926	431,202	93,256	179,348	321,182	610,550
Investing activities	-	(42)	(93,373)	(116,748)	(93,373)	(116,790)
Financing activities	(226,900)	(430,500)	(43,748)	(29,787)	(270,648)	(460,287)
Net increase /(decrease) in cash and bank balances	1,026	660	(43,865)	32,813	(42,839)	33,473
Cash and bank balances at beginning of year	2,156	1,496	75,285	42,472	77,441	43,968
Cash and bank balances at end of year	3,182	2,156	31,420	75,285	34,602	77,441

34. Operating segments

Segment information is presented based on the Company's management and internal reporting structure. The Company does not present information by business segment as it is principally involved in the underwriting of life insurance business which includes investment-linked business. The financial position and performance of the life insurance business of the Company have been disclosed separately within these financial statements.

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



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