

Prudential BSN Takaful Berhad

(Company No. 740651-H)
(Incorporated in Malaysia)

**Unaudited condensed interim
financial statements
for the half-year ended
30 June 2017**

Prudential BSN Takaful Berhad

(Company No. 740651-H)

(Incorporated in Malaysia)

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Prudential BSN Takaful Berhad

(Company No. 740651-H)

(Incorporated in Malaysia)

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Condensed interim financial statements

Unaudited statements of financial position as at 30 June 2017

	Note	As at 30 June 2017				As at 31 December 2016			
		Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Assets									
Property and equipment		25,542	-	-	25,542	22,602	-	-	22,602
Intangible assets		14,557	-	-	14,557	15,738	-	-	15,738
Investments	2	240,739	2,098,315	-	2,336,980	216,005	1,955,949	-	2,170,561
Deferred tax assets		757	-	48	805	745	-	65	810
Retakaful assets	3	-	14,583	589	15,172	-	14,518	562	15,080
Takaful receivables		-	-	89	89	-	-	71	71
Trade and other receivables		165,281	16,438	66	41,404	169,974	14,583	55	37,385
Current tax assets		7,610	-	-	7,610	8,111	-	-	8,111
Cash and cash equivalents		27,846	206,893	26,641	261,380	27,611	142,532	24,201	194,344
Total assets		482,332	2,336,229	27,433	2,703,539	460,786	2,127,582	24,954	2,464,702
Equity									
Share capital		58,824	-	-	58,824	58,824	-	-	58,824
Reserves		196,835	-	-	196,835	195,101	-	-	195,101
Total equity		255,659	-	-	255,659	253,925	-	-	253,925
Liabilities									
Participants' fund	4	-	2,071,086	9,720	2,078,732	-	1,877,452	8,751	1,884,810
Takaful contract liabilities	5	-	46,114	12,890	59,004	-	52,201	11,493	63,694
Provision for wakalah fees		35,347	-	-	35,347	29,697	-	-	29,697
Takaful payables		-	18,237	1,014	19,251	-	13,175	1,092	14,267
Trade and other payables		191,326	186,802	3,235	240,982	177,164	177,169	3,353	210,459
Current tax liabilities		-	5,692	574	6,266	-	3,811	265	4,076
Deferred tax liabilities		-	8,298	-	8,298	-	3,774	-	3,774
Total liabilities		226,673	2,336,229	27,433	2,447,880	206,861	2,127,582	24,954	2,210,777
Total equity and liabilities		482,332	2,336,229	27,433	2,703,539	460,786	2,127,582	24,954	2,464,702

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2016.

Prudential BSN Takaful Berhad

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Condensed interim financial statements

Unaudited statements of profit or loss and other comprehensive income for the period ended 30 June 2017

	← As at 30 June 2017 →				← As at 30 June 2016 →			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Operating revenue	337,361	765,372	4,616	780,391	298,670	690,819	4,281	698,688
Wakalah fee income	326,446	-	-	-	294,650	-	-	-
Gross contributions	-	745,238	4,208	748,934	-	652,899	3,945	656,412
Contributions ceded to retakaful	-	(20,665)	(173)	(20,838)	-	(16,757)	(860)	(17,617)
Increase in unearned contribution reserves	-	-	(1,016)	(1,016)	-	-	(1,040)	(1,040)
Net earned contributions	326,446	724,573	3,019	727,080	294,650	636,142	2,045	637,755
Surplus sharing from family takaful fund	12,000	-	-	-	-	-	-	-
Investment income	10,915	20,134	408	31,457	4,020	37,920	336	42,276
Realised gains/(losses)	24	1,674	-	1,698	(578)	(64)	-	(642)
Fair value gains/(losses)	160	56,557	-	56,717	2,247	(11,087)	-	(8,840)
Other operating income	90	378	-	468	80	259	-	339
Other income	23,189	78,743	408	90,340	5,769	27,028	336	33,133
Gross benefits and claims incurred	-	(273,746)	(1,154)	(274,900)	-	(237,735)	(256)	(237,991)
Claims ceded to retakaful	-	15,206	12	15,218	-	11,001	17	11,018
Gross change to contract liabilities	-	6,087	(382)	5,705	-	2,503	(289)	2,214
Change in contract liabilities ceded to retakaful	-	65	29	94	-	(457)	19	(438)
Net benefits and claims	-	(252,388)	(1,495)	(253,883)	-	(224,688)	(509)	(225,197)

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Condensed interim financial statements

Unaudited statements of profit or loss and other comprehensive income for the period ended 30 June 2017 (continued)

	← As at 30 June 2017 →				← As at 30 June 2016 →			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Surplus sharing to takaful operator	-	(12,000)	-	-	-	-	-	-
Wakalah fee expense	-	(324,987)	(1,459)	-	-	(293,389)	(1,261)	-
Management expenses	(156,117)	-	-	(156,117)	(138,698)	-	-	(138,698)
Commission expenses	(170,999)	-	-	(170,999)	(155,767)	-	-	(155,767)
Increase in provision for wakalah fees	(5,649)	-	-	(5,649)	(935)	-	-	(935)
Other operating expenses	(9,621)	(1,908)	75	(11,454)	(10,168)	(1,166)	(7)	(11,341)
Other expenses	(342,386)	(338,895)	(1,384)	(344,219)	(305,568)	(294,555)	(1,268)	(306,741)
Surplus attributable to participants before taxation	-	212,033	548	-	-	143,927	604	-
Tax expense attributable to participants	-	(6,403)	(327)	(6,730)	-	(661)	(119)	(780)
Surplus distributed to participants	-	(12,000)	-	(12,000)	-	-	-	-
Net surplus attributable to participants	-	(193,630)	(221)	(193,339)	-	(143,266)	(485)	(143,319)
Profit/(Loss) before zakat and taxation	7,249	-	-	7,249	(5,149)	-	-	(5,149)
Zakat	(976)	-	-	(976)	(821)	-	-	(821)
Tax expense	(4,539)	-	-	(4,539)	(1,239)	-	-	(1,239)
Net profit/(loss) and total comprehensive income/(loss) for the period	1,734	-	-	1,734	(7,209)	-	-	(7,209)

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2016.

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Condensed interim financial statements

Unaudited statement of changes in equity for the period ended 30 June 2017

	Non-distributable Share capital*		Distributable Retained earnings			Total equity RM'000
	Takaful operator RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	
At 1 January 2016	100,000	102,786	-	-	102,786	202,786
Net profit and total comprehensive income for the year	-	51,139	-	-	51,139	51,139
At 31 December 2016/1 January 2017	100,000	153,925	-	-	153,925	253,925
Net profit and total comprehensive income for the period	-	1,734	-	-	1,734	1,734
At 30 June 2017	100,000	155,659	-	-	155,659	255,659

* The Company's share premium account amounted to RM 41,176 has been combined with the Company's share capital in accordance to the new Companies Act 2016 ("New Act") that came into effect on 31 January 2017.

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Condensed interim financial statements

Unaudited statement of cash flows for the period ended 30 June 2017

	30 June 2017 RM'000	30 June 2016 RM'000
Cash flows from operating activities		
Profit/(Loss) before zakat and taxation	7,249	(5,149)
Adjustments for:		
Depreciation on property and equipment	1,601	1,525
Amortisation of intangible assets	1,457	2,847
Investment income	(31,457)	(42,276)
Realised gains on disposal of investments	(1,698)	(642)
Fair value (gains)/losses on investments	(56,717)	8,840
Increase in provision for wakalah fee	5,649	935
Loss from operations before changes in operating assets and liabilities	(73,916)	(33,920)
Tax paid	(4,049)	(15,615)
Increase in general takaful fund	969	485
Increase in family takaful fund	192,953	143,737
Decrease in retakaful assets	497	464
(Increase)/Decrease in takaful receivables	(18)	3,693
Increase in trade and other receivables	(2,047)	(908)
Decrease in takaful contract liabilities	(5,279)	(1,176)
Increase in takaful payables	4,984	5,596
Increase in trade and other payables	36,278	4,647
Net cash generated from operating activities	150,372	107,003
Cash flows from investing activities		
Investment income received	29,485	41,516
Purchase of property and equipment/intangible assets	(4,817)	(12,112)
Proceeds from disposal of investments	277,362	127,673
Purchase of investments	(385,366)	(285,202)
Net cash used in investing activities	(83,336)	(128,125)
Net increase/(decrease) in cash and cash equivalents	67,036	(21,122)
Cash and cash equivalents at 1 January	194,344	162,397
Cash and cash equivalents at 30 June	261,380	141,275
Cash and cash equivalents comprise:		
Cash and bank balances		
- Takaful operator	27,846	21,738
- Family takaful fund	206,893	97,506
- General takaful fund	26,641	22,031
	261,380	141,275

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2016.

Explanatory Notes Pursuant to Malaysian Financial Reporting Standard (MFRS) 134 *Interim Financial Reporting*

1. Basis of preparation

The unaudited condensed interim financial statements of the Company for the period ended 30 June 2017 have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and Takaful Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The Companies Act 2016 ("New Act") came into effect on 31 January 2017 and hence the financial statements for the financial year ending 31 December 2017 will be prepared in accordance with New Act.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Company will cease to have par or nominal value; and
- (c) the Company's share premium account will become part of the Company's share capital.

The adoption of the New Act did not have any financial impact on the Company for the current period ended 30 June 2017.

The significant accounting policies applied in the unaudited condensed interim financial statements are consistent with those adopted in the audited annual financial statement of the Company for the financial year ended 31 December 2016, except for the adoption of the following amendments to MFRSs during the current financial period:

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

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)*

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2016. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2016.

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2. Investments

	30 June 2017				31 December 2016			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Malaysian government investment issue	3,307	206,916	-	210,223	3,306	204,995	-	208,301
Islamic debts securities	140,490	896,141	-	1,036,631	127,691	852,820	-	980,511
Equity securities	-	865,931	-	865,931	-	743,891	-	743,891
Unit trust funds	52,280	39,875	-	92,155	32,287	33,492	-	65,779
Deposits with financial institutions	42,588	89,452	-	132,040	51,328	120,751	-	172,079
Investment-linked funds	2,074	-	-	-	1,393	-	-	-
	<u>240,739</u>	<u>2,098,315</u>	<u>-</u>	<u>2,336,980</u>	<u>216,005</u>	<u>1,955,949</u>	<u>-</u>	<u>2,170,561</u>

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

	30 June 2017				31 December 2016			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Loans and receivables ("L&R")								
- Deposits with financial institutions	42,588	89,452	-	132,040	51,328	120,751	-	172,079
Fair value through profit or loss ("FVTPL")								
- Held-for-trading								
Malaysian government investment issue	3,307	206,916	-	210,223	3,306	204,995	-	208,301
Islamic debts securities	140,490	896,141	-	1,036,631	127,691	852,820	-	980,511
Equity securities	-	865,931	-	865,931	-	743,891	-	743,891
Unit trust funds	52,280	39,875	-	92,155	32,287	33,492	-	65,779
Investment-linked funds	2,074	-	-	-	1,393	-	-	-
	<u>198,151</u>	<u>2,008,863</u>	<u>-</u>	<u>2,204,940</u>	<u>164,677</u>	<u>1,835,198</u>	<u>-</u>	<u>1,998,482</u>
	<u>240,739</u>	<u>2,098,315</u>	<u>-</u>	<u>2,336,980</u>	<u>216,005</u>	<u>1,955,949</u>	<u>-</u>	<u>2,170,561</u>

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2. Investments (continued)

(b) Carrying values of financial investments are as follows:

Company	L&R RM'000	FVTPL RM'000	Total RM'000
At 1 January 2016	108,724	1,798,177	1,906,901
Purchases	63,355	514,537	577,892
Maturities/disposals	-	(280,026)	(280,026)
Fair value gains recognised in profit or loss	-	(34,206)	(34,206)
At 31 December 2016/1 January 2017	172,079	1,998,482	2,170,561
Purchases	-	385,366	385,366
Maturities/disposals	(40,039)	(235,625)	(275,664)
Fair value gains recognised in profit or loss	-	56,717	56,717
At 30 June 2017	132,040	2,204,940	2,336,980

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2. Investments (continued)

(c) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Company	Fair value of 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	Total RM'000		
30 June 2017						
Malaysian government investment issue	-	210,223	-	210,223	210,223	210,223
Islamic debt securities	-	1,036,631	-	1,036,631	1,036,631	1,036,631
Equity securities	865,931	-	-	865,931	865,931	865,931
Unit trust funds	92,155	-	-	92,155	92,155	92,155
	<u>958,086</u>	<u>1,246,854</u>	<u>-</u>	<u>2,204,940</u>	<u>2,204,940</u>	<u>2,204,940</u>
31 December 2016						
Malaysian government investment issue	-	208,301	-	208,301	208,301	208,301
Islamic debt securities	-	980,511	-	980,511	980,511	980,511
Equity securities	743,891	-	-	743,891	743,891	743,891
Unit trust funds	65,779	-	-	65,779	65,779	65,779
	<u>809,670</u>	<u>1,188,812</u>	<u>-</u>	<u>1,998,482</u>	<u>1,998,482</u>	<u>1,998,482</u>

There are no financial instruments which are not carried at fair value.

2. Investments (continued)

(c) Fair value information (continued)

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period. (2016: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

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3. Retakaful asset

		← 30 June 2017 →			← 31 December 2016 →		
	Note	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Retakaful for actuarial liabilities	4	4	-	4	4	-	4
Retakaful for takaful contract liabilities	5	14,579	589	15,168	14,514	562	15,076
		<u>14,583</u>	<u>589</u>	<u>15,172</u>	<u>14,518</u>	<u>562</u>	<u>15,080</u>

4. Participants' fund

(i) Family takaful fund

Family takaful fund at end of the period/year comprise the following:

		← 30 June 2017 →			← 31 December 2016 →		
		Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Actuarial liabilities		92,570	(4)	92,566	80,182	(4)	80,178
Seed money		2,074	-	2,074	1,393	-	1,393
Participants' account		1,976,442	-	1,976,442	1,795,877	-	1,795,877
		<u>2,071,086</u>	<u>(4)</u>	<u>2,071,082</u>	<u>1,877,452</u>	<u>(4)</u>	<u>1,877,448</u>

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4. Participants' fund (continued)

(i) Family takaful fund (continued)

The family takaful contract liabilities and its movements are analysed as follows:

	← 30 June 2017 →			← 31 December 2016 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Total Participants' fund						
At 1 January	1,877,452	(4)	1,877,448	1,635,908	(7)	1,635,901
Contribution received	745,238	(20,665)	724,573	1,364,708	(33,131)	1,331,577
Liabilities paid for death, maturities, surrenders, benefits and claims	(273,746)	15,206	(258,540)	(464,672)	20,973	(443,699)
Benefits and claims experience variation	(1,080)	5,459	4,379	14,442	12,161	26,603
Fees deducted	(326,517)	-	(326,517)	(615,923)	-	(615,923)
Credit of profit or change in unit-prices	78,365	-	78,365	5,334	-	5,334
Changes in assumptions	2,155	-	2,155	(1,063)	-	(1,063)
Certificate movement	(1,350)	-	(1,350)	(2,649)	-	(2,649)
Other movements	972	-	972	817	-	817
Profit attributable to the takaful operator	(12,000)	-	(12,000)	(47,500)	-	(47,500)
Profit payable/paid to participants	(12,000)	-	(12,000)	(10,778)	-	(10,778)
Taxation	(6,403)	-	(6,403)	(1,172)	-	(1,172)
At 30 June/31 December	<u>2,071,086</u>	<u>(4)</u>	<u>2,071,082</u>	<u>1,877,452</u>	<u>(4)</u>	<u>1,877,448</u>

4. Participants' fund (continued)**(i) Family takaful fund (continued)****Valuation of family takaful contract liabilities**

The liability for family takaful 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 best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount rates. The mortality and morbidity assumptions are based on retakaful operators' tables adjusted when appropriate to reflect the unique risk exposure, product characteristics, target markets, own claims severity and frequency experiences.

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

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments and allowing for future growth of the business, as appropriate. Expenses are borne by the takaful operator and do not affect the family takaful fund.

Lapse rate is based on the historical experience of lapses. Discount rate for liabilities accord a level of guarantee no less certain than that accorded by a Government Islamic Issue.

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4. Participants' fund (continued)

Participants' fund at end of the period/year comprise the following:

(ii) General takaful fund

	← 30 June 2017 →			← 31 December 2016 →		
	Retakaful			Retakaful		
	Gross RM'000	(Note 3) RM'000	Net RM'000	Gross RM'000	(Note 3) RM'000	Net RM'000
Participants' account	9,720	-	9,720	8,751	-	8,751
	<u>9,720</u>	<u>-</u>	<u>9,720</u>	<u>8,751</u>	<u>-</u>	<u>8,751</u>

(iii) Company

Actuarial liabilities	92,570	(4)	92,566	80,182	(4)	80,178
Participants' account	1,986,162	-	1,986,162	1,804,628	-	1,804,628
	<u>2,078,732</u>	<u>(4)</u>	<u>2,078,728</u>	<u>1,884,810</u>	<u>(4)</u>	<u>1,884,806</u>

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5. Takaful contract liabilities

(a) Family takaful fund

	← 30 June 2017 →			← 31 December 2016 →		
	Retakaful			Retakaful		
	Gross RM'000	(Note 3) RM'000	Net RM'000	Gross RM'000	(Note 3) RM'000	Net RM'000
Provision for claims reported by participants	28,505	(14,579)	13,926	34,996	(14,514)	20,482
Provision by IBNR	17,609	-	17,609	17,205	-	17,205
Provision for outstanding claims	<u>46,114</u>	<u>(14,579)</u>	<u>31,535</u>	<u>52,201</u>	<u>(14,514)</u>	<u>37,687</u>
At 1 January	52,201	(14,514)	37,687	70,122	(8,729)	61,393
Claims incurred during the period/year	267,255	(15,271)	251,984	442,391	(26,758)	415,633
Claims paid during the period/year	(273,746)	15,206	(258,540)	(464,672)	20,973	(443,699)
Increase in IBNR	404	-	404	4,360	-	4,360
At 30 June/31 December	<u>46,114</u>	<u>(14,579)</u>	<u>31,535</u>	<u>52,201</u>	<u>(14,514)</u>	<u>37,687</u>

(b) General takaful fund

	← 30 June 2017 →			← 31 December 2016 →		
	Retakaful			Retakaful		
	Gross RM'000	(Note 3) RM'000	Net RM'000	Gross RM'000	(Note 3) RM'000	Net RM'000
Provision for claims reported by participants	876	(411)	465	829	(411)	418
Provision by IBNR	796	(171)	625	462	(143)	319
Provision for outstanding claims	<u>1,672</u>	<u>(582)</u>	<u>1,090</u>	<u>1,291</u>	<u>(554)</u>	<u>737</u>
Provision for unearned contributions	11,218	(7)	11,211	10,202	(8)	10,194
	<u>12,890</u>	<u>(589)</u>	<u>12,301</u>	<u>11,493</u>	<u>(562)</u>	<u>10,931</u>

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5. Takaful contract liabilities (continued)

(b) General takaful fund (continued)

(i) Provision for outstanding claims

	← 30 June 2017 →			← 31 December 2016 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
At 1 January	1,291	(554)	737	1,503	(549)	954
Claims incurred in the current accident period/ year	1,043	(95)	948	991	(90)	901
Adjustment to claims incurred in prior accident years due to changes in assumptions	(255)	54	(201)	(369)	(66)	(435)
Claims paid during the period/year	(406)	12	(394)	(834)	151	(683)
At 30 June/31 December	<u>1,673</u>	<u>(583)</u>	<u>1,090</u>	<u>1,291</u>	<u>(554)</u>	<u>737</u>

(ii) Provision for unearned contributions

	← 30 June 2017 →			← 31 December 2016 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
At 1 January	10,202	(8)	10,194	7,688	(8)	7,680
Contributions written in the period/year	4,209	(173)	4,036	8,617	(1,447)	7,170
Contributions earned during the period/year	(3,194)	175	(3,019)	(6,103)	1,447	(4,656)
At 30 June/31 December	<u>11,217</u>	<u>(6)</u>	<u>11,211</u>	<u>10,202</u>	<u>(8)</u>	<u>10,194</u>

5. Takaful contract liabilities (continued)**(b) General takaful fund (continued)****(iii) Valuation of general takaful contract liabilities**

For general takaful contracts, estimates have to be made for both the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (“IBNR”) at the reporting date.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position’s liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson and Ultimate Loss Ratio methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in future, for example, isolated occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, certificate features and claims handling procedures.

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5. Takaful contract liabilities (continued)

(c) Company

	← 30 June 2017 →			← 31 December 2016 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Provision for claims reported by participants	29,381	(14,990)	14,391	35,825	(14,925)	20,900
Provision by IBNR	18,405	(171)	18,234	17,667	(143)	17,524
Provision for outstanding claims	47,786	(15,161)	32,625	53,492	(15,068)	38,424
Provision for unearned contributions	11,218	(7)	11,211	10,202	(8)	10,194
	<u>59,004</u>	<u>(15,168)</u>	<u>43,836</u>	<u>63,694</u>	<u>(15,076)</u>	<u>48,618</u>

6. Investment-linked business

Unaudited statement of financial position as at 30 June 2017

	30 June 2017	31 December 2016
	RM'000	RM'000
Assets		
Investments	1,049,973	901,321
Income due and accrued	3,996	3,028
Amount due from family takaful fund	50,733	53,354
Cash and bank balances	1,687	614
Total investment-linked business assets	<u>1,106,389</u>	<u>958,317</u>
Liabilities		
Other payables	1,818	13,952
Current tax liabilities	666	379
Amount due to takaful operator	11,942	9,115
Deferred tax liabilities	8,126	4,142
Total investment-linked business liabilities	<u>22,552</u>	<u>27,588</u>
Net asset value of funds	<u>1,083,837</u>	<u>930,729</u>
Represented by:		
Unit holders' account	<u>1,083,837</u>	<u>930,729</u>

Unaudited statement of profit or loss and other comprehensive income for the period ended 30 June 2017

	30 June 2017	30 June 2016
	RM'000	RM'000
Investment income	14,394	11,250
Realised gains	1,567	992
Fair value gains/(losses)	49,805	(32,518)
Investment management fees	(6,431)	(5,144)
Other operating income	15	44
Investment and other income/(loss) before taxation	<u>59,350</u>	<u>(25,376)</u>
Tax expense	(4,269)	2,440
Investment and other income/(loss) after taxation	<u>55,081</u>	<u>(22,936)</u>

7. Regulatory capital requirement

The capital structure of the Company as at 30 June 2017, as prescribed under the Risk Based Capital Framework for Takaful Operators (RBCT) is provided below:

	30 June 2017	31 December 2016
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital	58,824	58,824
Reserves, including retained earnings	<u>272,781</u>	<u>267,334</u>
	<u>331,605</u>	<u>326,158</u>
Tier 2 Capital		
Eligible reserves	-	-
Amounts deducted from capital	<u>(45,124)</u>	<u>(44,564)</u>
Total capital available	<u><u>286,481</u></u>	<u><u>281,594</u></u>

8. Seasonal or Cyclical Factors

The Company's business operations were not materially affected by any seasonal or cyclical factors during the period ended 30 June 2017.

10. Unusual items

There were no items of unusual nature and amount affecting assets, liabilities, equity, net income or cash flows of the Company during the period ended 30 June 2017.

11. Change in estimates

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

12. Debt and equities securities

There were no issuance, repurchase and repayment of debt, equity and securities by the Company during period ended 30 June 2017.

13. Dividends

No dividend was declared and paid during the period ended 30 June 2017.

14. Subsequent events

There were no significant events subsequent to the end of the reporting date that require disclosure or adjustment to the unaudited condensed interim financial statements.

15. Changes in the composition of the Company

There was no change in the composition of the Company during the period ended 30 June 2017.

16. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2016 was not qualified.