

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD

(Incorporated in Malaysia)

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Company No.

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MANULIFE INSURANCE BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

| | Note | As at 30.06.2022 RM'000 | As at 31.12.2021 RM'000 |
|--|-------|-------------------------------|-------------------------------|
| ASSETS | | | |
| Property and equipment | | 18,611 | 18,907 |
| Investment property | | 45,712 | 45,712 |
| Intangible assets | 12 | 38,382 | 40,152 |
| Loans and receivables | | 291,143 | 306,446 |
| Available-for-sale financial assets | 13(a) | 3,237,637 | 3,361,030 |
| Financial asset at fair value through profit or loss | 13(b) | 2,031,984 | 2,073,074 |
| Reinsurance assets | 14 | 7,183 | 10,829 |
| Insurance receivables | | 8,245 | 14,797 |
| Right-of-use assets | | 823 | 1,098 |
| Current tax assets | 16 | 22,245 | 22,245 |
| Cash and cash equivalents | | 100,630 | 119,131 |
| TOTAL ASSETS | | 5,802,595 | 6,013,421 |
| EQUITY, POLICYHOLDERS' FUND AND LIABILITIES | | | |
| Share capital | | 200,000 | 200,000 |
| Retained earnings | | 429,351 | 419,112 |
| Fair value reserves | | (12,045) | 10,272 |
| TOTAL EQUITY | | 617,306 | 629,384 |
| Insurance contract liabilities | 15 | 4,127,662 | 4,356,799 |
| Insurance claim liabilities | | 88,625 | 75,912 |
| Financial liability at fair value through profit or loss | | 107 | - |
| Deferred tax liabilities | | 16,360 | 47,254 |
| Reinsurance liabilities | | 752 | 1,702 |
| Insurance payables | | 776,987 | 759,105 |
| Lease liabilities | | 874 | 1,206 |
| Current tax liabilities | 16 | 343 | 4,028 |
| Other payables | | 173,579 | 138,031 |
| TOTAL LIABILITIES | | 5,185,289 | 5,384,037 |
| TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES | | 5,802,595 | 6,013,421 |

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

Company No.

200801013654 (814942-M)

MANULIFE INSURANCE BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

| | 30.06.2022 RM'000 | Cumulative 6 months ended 30.06.2021 RM'000 |
|---|----------------------|--|
| Premium income | | |
| Gross premiums | 519,026 | 473,575 |
| Premiums ceded to reinsurers | (37,892) | (48,180) |
| Net premiums | 481,134 | 425,395 |
| Investment income | 100,969 | 101,349 |
| Net realised gains | 29,878 | 99,842 |
| Net fair value losses | (203,109) | (2,637) |
| Fee income | 1,926 | 1,742 |
| Other operating income | 1,685 | 1,760 |
| Total revenue | 412,483 | 627,451 |
| Gross benefits and claims paid and payable | (377,927) | (400,668) |
| Claims ceded to reinsurers | 21,645 | 18,606 |
| Gross change in insurance contract liabilities | 96,417 | (91,565) |
| Change in insurance contract liabilities ceded to reinsurers | 950 | 757 |
| Net claims | (258,915) | (472,870) |
| Fee and commission expenses | (68,487) | (37,378) |
| Investment expenses | (5,027) | (4,919) |
| Management expenses | (82,876) | (71,287) |
| Other operating income/(expenses) | 15,886 | (9,541) |
| Other expenses | (140,504) | (123,125) |
| Profit before taxation | 13,064 | 31,456 |
| Taxation | (2,825) | (5,185) |
| Net profit for the financial period | 10,239 | 26,271 |
| Net profit attributable to: | | |
| Equity holder of the Company | 10,239 | 26,271 |
| Basic and diluted earnings per share (sen) | 2.93 | 7.51 |

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

| | 30.06.2022 | Cumulative 6 months ended 30.06.2021 |
|--|-------------------|---|
| | RM'000 | RM'000 |
| Net profit for the financial period | 10,239 | 26,271 |
| Other comprehensive loss, net of tax: | | |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods:- | | |
| Fair value change on available-for-sale financial assets: | | |
| - Gross fair value change | (170,093) | (179,697) |
| - Deferred tax | 15,056 | 16,052 |
| | (155,037) | (163,645) |
| Change in insurance contract liabilities arising from unrealised net fair value changes | 132,720 | 137,432 |
| Net loss | (22,317) | (26,213) |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods | (22,317) | (26,213) |
| Other comprehensive loss for the financial period | (22,317) | (26,213) |
| Total comprehensive (loss)/income for the financial period | (12,078) | 58 |
| Total comprehensive (loss)/income attributable to: | | |
| Equity holder of the Company | (12,078) | 58 |

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

| | Share capital | Non-distributable Fair value reserve | Distributable Retained earnings | Total equity |
|--|----------------------|---|--|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | 200,000 | 10,272 | 419,112 | 629,384 |
| Net profit for the financial period | - | - | 10,239 | 10,239 |
| Other comprehensive loss for the financial period | - | (22,317) | - | (22,317) |
| Total comprehensive (loss)/income for the financial period | - | (22,317) | 10,239 | (12,078) |
| At 30 June 2022 | <u>200,000</u> | <u>(12,045)</u> | <u>429,351</u> | <u>617,306</u> |
| At 1 January 2021 | 200,000 | 41,506 | 357,133 | 598,639 |
| Net profit for the financial period | - | - | 26,271 | 26,271 |
| Other comprehensive loss for the financial period | - | (26,213) | - | (26,213) |
| Total comprehensive (loss)/income for the financial period | - | (26,213) | 26,271 | 58 |
| At 30 June 2021 | <u>200,000</u> | <u>15,293</u> | <u>383,404</u> | <u>598,697</u> |

Included in the retained earnings are surplus from Non-participating life fund (net of deferred tax) of approximately RM 108,883,000 (1 January 2022: RM 96,585,000; 30 June 2021: RM 91,335,000; 1 January 2021: RM 68,652,000). These amounts are only distributable upon the actual recommended transfer from Non-participating Life Fund to the Shareholders' fund by the Appointed Actuary.

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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MANULIFE INSURANCE BERHAD

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

| | 6 months ended 30.06.2022 RM'000 | 6 months ended 30.06.2021 RM'000 |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the financial period | 10,239 | 26,271 |
| Adjustments for non-cash items | 59,493 | (182,344) |
| Operating income/(loss) before changes in operating assets and liabilities | 69,732 | (156,073) |
| Purchase of investments | (1,720,161) | (1,919,090) |
| Proceeds from disposal and maturity of investments | 1,548,896 | 1,908,004 |
| Interest income received | 66,880 | 58,377 |
| Dividend income received | 36,177 | 43,792 |
| Rental income received | 1,091 | 986 |
| Decrease in insurance receivables | 6,552 | 7,649 |
| Decrease/(increase) in reinsurance assets | 2,696 | (5,711) |
| Decrease/(increase) in loan receivables | 2,203 | (10,009) |
| (Increase)/decrease in other receivables | (5,781) | 2,440 |
| Decrease/(increase) in fixed and call deposits | 18,284 | (44,256) |
| (Decrease)/increase in insurance contract liabilities | (96,417) | 91,565 |
| Increase in insurance claims liabilities | 12,713 | 15,565 |
| Increase in payables | 55,474 | 37,075 |
| Cash (used in)/generated from operations | (1,661) | 30,314 |
| Interest paid | (31) | (31) |
| Income taxes paid | (14,637) | (19,567) |
| Net cash (outflow)/inflow from operating activities | (16,329) | 10,716 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (671) | (495) |
| Purchase of intangible assets | (670) | (438) |
| Net cash outflow from investing activities | (1,341) | (933) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of lease liabilities | (831) | (498) |
| Net cash outflow from financing activities | (831) | (498) |
| Net (decrease)/increase during the financial period | (18,501) | 9,285 |
| Cash and cash equivalents at 1 January | 119,131 | 84,747 |
| Cash and cash equivalents at 30 June | 100,630 | 94,032 |

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the unaudited condensed statement of cash flows comprise the following:

| | As at 30.06.2022 | As at 30.06.2021 |
|---------------------------|-----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| Cash and bank balances | 73,615 | 90,018 |
| Short-term deposits* | 27,015 | 4,014 |
| Cash and cash equivalents | <u>100,630</u> | <u>94,032</u> |

* Short-term deposits with original maturities of less than 3 months.

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

MANULIFE INSURANCE BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**1. BASIS OF PREPARATION**

The condensed interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and International Accounting Standard ("IAS") 34: Interim Financial Reporting and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2021, which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2021, except for the adoption of the following amendments/interpretation to MFRS:

| <u>Description</u> | <u>Effective Date</u> |
|---|-----------------------|
| Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 <i>Leases</i>) | 1 April 2021 |
| Annual Improvements to MFRS Standards 2018 – 2020 (Amendments to MFRS 1, MFRS 9, MFRS 141) | 1 January 2022 |
| Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>) | 1 January 2022 |
| Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 <i>Property, Plant and Equipment</i>) | 1 January 2022 |
| Reference to the Conceptual Framework (Amendments to MFRS 3 <i>Business Combinations</i>) | 1 January 2022 |

The adoption of the above amendments/interpretation to standards issued by Malaysian Accounting Standards Board ("MASB") in the current financial year do not have any material impact to the financial statements of the Company.

3. SEASONAL/CYCLICAL FACTORS

The business operations of the Company are subject to the sales cycle of the life insurance business.

4. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 June 2022.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. CHANGE IN ESTIMATES

There were no changes in the basis used for accounting estimates for the current financial period ended 30 June 2022, other than as disclosed in Note 15.

6. DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period ended 30 June 2022.

7. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date.

9. CHANGES IN COMPOSITION OF THE COMPANY

There is no change in the Company's composition for the current financial period to date.

10. CONTINGENT LIABILITIES

There were no contingent liabilities as at the date of this report since the last annual statement of financial position date.

11. SIGNIFICANT EVENTS

There is no significant event during the financial period to date.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. INTANGIBLE ASSET

| | Exclusive right RM'000 | Computer software RM'000 | Computer software in progress RM'000 | Distribution agreement RM'000 | Total RM'000 |
|--|---------------------------|--------------------------------|---|-------------------------------------|-----------------|
| Cost | | | | | |
| At 1 January 2021 | 43,000 | 15,361 | 2,648 | 28,739 | 89,748 |
| Additions | - | 153 | 878 | - | 1,031 |
| At 31 December 2021/1 January 2022 | 43,000 | 15,514 | 3,526 | 28,739 | 90,779 |
| Additions | - | - | 670 | - | 670 |
| Write-off | - | (1) | - | - | (1) |
| At 30 June 2022 | 43,000 | 15,513 | 4,196 | 28,739 | 91,448 |
| Accumulated amortisation | | | | | |
| At 1 January 2021 | 35,709 | 6,589 | - | 85 | 42,383 |
| Amortisation during the financial year | 5,966 | 2,294 | - | (16) | 8,244 |
| At 31 December 2021/1 January 2022 | 41,675 | 8,883 | - | 69 | 50,627 |
| Amortisation during the financial period | 1,325 | 1,093 | - | 22 | 2,440 |
| Write-off | - | (1) | - | - | (1) |
| At 30 June 2022 | 43,000 | 9,975 | - | 91 | 53,066 |
| Net carrying amount | | | | | |
| At 30 June 2022 | - | 5,538 | 4,196 | 28,648 | 38,382 |
| At 31 December 2021 | 1,325 | 6,631 | 3,526 | 28,670 | 40,152 |

The Exclusive Right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered between the Company and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2013. The Exclusive Right is amortised over the duration of the agreement and the annual amortisation amount is calculated with reference to the benefits generated from the partnership (which is defined as the annualized premium equivalent) in which the Company expects to recognise the related revenue.

The Distribution Agreement relates to a 20-year distribution right entered between the Company and an agency leadership corporation on 23 September 2019. The Distribution Agreement is amortised over the duration of the agreement and the annual amortisation amount is calculated based on the consumption pattern of the distribution, which is the contracted number of agents.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. FINANCIAL ASSETS

(a) Available-for-sale

| | As at 30.06.2022 | As at 31.12.2021 |
|--|---------------------|---------------------|
| | RM'000 | RM'000 |
| Equity securities | | |
| - Quoted in Malaysia | 507,862 | 629,191 |
| - Quoted outside Malaysia | 117,222 | 131,774 |
| - Unquoted in Malaysia | 1,944 | 1,944 |
| Real estate investment trusts | 11,698 | 18,644 |
| Unit trust funds – Investment in subsidiaries* (i) | 675,003 | 636,297 |
| Malaysian Government Securities | 343,089 | 275,260 |
| Government Investment Issues | 270,565 | 247,994 |
| Corporate debt securities | | |
| - Unquoted | 1,287,726 | 1,398,381 |
| Accrued interest | 22,528 | 21,545 |
| | <u>3,237,637</u> | <u>3,361,030</u> |
| Current | 1,422,150 | 1,572,867 |
| Non-current | <u>1,815,487</u> | <u>1,788,163</u> |
| | <u>3,237,637</u> | <u>3,361,030</u> |

* Being investment in unit trust funds managed by a related company.

(i) Unit trust funds – investment in subsidiaries

| | 2022 RM'000 | 2021 RM'000 |
|--------------------|----------------|----------------|
| At fair value: | | |
| Available-for-sale | <u>675,003</u> | <u>636,297</u> |

Details of the Company's unit trust funds – investment in subsidiaries in Malaysia are as follows:

| Name of wholesale unit trust fund | Principal activities | % of ownership held by the Company | |
|---|---------------------------------|------------------------------------|------|
| | | 2022 | 2021 |
| Manulife Cash Management Fund | Investment in money market fund | 84.7 | 88.2 |
| Manulife Wholesale Corporate Bond Fund | Investment in corporate bonds | 88.6 | 88.0 |
| Manulife Wholesale Government Bond Fund | Investment in sovereign bonds | 88.6 | 87.9 |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. FINANCIAL ASSETS (CONTINUED)

(b) Fair value through profit or loss - designated upon initial recognition

| | As at 30.06.2022 | As at 31.12.2021 |
|-----------------------------------|---------------------|---------------------|
| | RM'000 | RM'000 |
| Equity securities | | |
| - Quoted in Malaysia | 700,490 | 786,964 |
| - Quoted outside Malaysia | 6,927 | 19,489 |
| Private equity funds | | |
| - Unquoted outside Malaysia | 28,454 | 19,122 |
| Real estate investment trusts | 9,838 | 8,478 |
| Unit trust funds* | 166,232 | 180,784 |
| Malaysian Government Securities | 149,434 | 78,047 |
| Government Investment Issues | 121,932 | 117,396 |
| Corporate debt securities | | |
| - Unquoted | 664,751 | 634,838 |
| Mutual funds | | |
| - Quoted outside Malaysia | 173,471 | 217,928 |
| Forward foreign exchange contract | - | 933 |
| Accrued interest | 10,455 | 9,095 |
| | <u>2,031,984</u> | <u>2,073,074</u> |
| Current | 1,156,310 | 1,291,430 |
| Non-current | <u>875,674</u> | <u>781,644</u> |
| | <u>2,031,984</u> | <u>2,073,074</u> |

During the six months period ended 30 June 2022, there were no changes in classification of financial assets nor transfer between fair value hierarchy of financial assets as a result of a change in the purpose or the use of these financial assets.

14. REINSURANCE ASSETS/(LIABILITIES)

| | As at 30.06.2022 | As at 31.12.2021 |
|----------------------------------|---------------------|---------------------|
| | RM'000 | RM'000 |
| Reinsurance assets on: | | |
| - Insurance claims liabilities | <u>7,183</u> | <u>10,829</u> |
| Reinsurance liabilities on: | | |
| - Insurance contract liabilities | <u>(752)</u> | <u>(1,702)</u> |

MANULIFE INSURANCE BERHAD

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****15. INSURANCE CONTRACT LIABILITIES**

| | Gross | | Net | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As at 30.06.2022 | As at 31.12.2021 | As at 30.06.2022 | As at 31.12.2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Actuarial liabilities | 2,793,148 | 2,807,390 | 2,793,900 | 2,809,092 |
| Unallocated surplus | 72,436 | 26,535 | 72,436 | 26,535 |
| Fair value reserve | (9,269) | 123,451 | (9,269) | 123,451 |
| Asset revaluation reserve | 2,069 | 2,069 | 2,069 | 2,069 |
| Investment-linked policyholders' account | 1,269,278 | 1,397,354 | 1,269,278 | 1,397,354 |
| | <u>4,127,662</u> | <u>4,356,799</u> | <u>4,128,414</u> | <u>4,358,501</u> |
| Current | 1,462,413 | 1,604,312 | 1,463,233 | 1,605,009 |
| Non-current | <u>2,665,249</u> | <u>2,752,487</u> | <u>2,665,181</u> | <u>2,753,492</u> |
| | <u>4,127,662</u> | <u>4,356,799</u> | <u>4,128,414</u> | <u>4,358,501</u> |

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

| | Gross | | Net | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As at 30.06.2022 | As at 31.12.2021 | As at 30.06.2022 | As at 31.12.2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 4,356,799 | 4,360,216 | 4,358,501 | 4,364,473 |
| Inforce reserve movement | 28,276 | 81,467 | 27,454 | 79,376 |
| New business reserve | 17,820 | 23,961 | 17,692 | 23,497 |
| Discount rate and other changes | (60,338) | (19,229) | (60,338) | (19,229) |
| Unallocated surplus | 45,901 | 36,821 | 45,901 | 36,821 |
| Fair value reserve, net of tax | (132,720) | (153,701) | (132,720) | (153,701) |
| Asset revaluation reserve | | | | |
| - Revaluation adjustment | - | (523) | - | (523) |
| - Reversal of accumulated depreciation on revaluation | - | 231 | - | 231 |
| | - | (292) | - | (292) |
| Investment-linked policyholders' account | (128,076) | 27,556 | (128,076) | 27,556 |
| At 30 June/31 December | <u>4,127,662</u> | <u>4,356,799</u> | <u>4,128,414</u> | <u>4,358,501</u> |

As the Non-participating life fund's unallocated surplus and fair value reserve are classified as equity, only the associated Participating life fund's unallocated surplus and fair value reserve are included in the above presentation.

For the current period ended 30 June 2022, the applicable assumption changes resulted in lower actuarial liabilities of RM60.3 million (30 June 2021: lower actuarial liabilities of RM30.2 million), with a corresponding increase in unallocated surplus for the participating business of RM32.5 million (30 June 2021: increase in unallocated surplus of RM18.6 million) and increase in net profit before tax of RM27.8 million (30 June 2021: increase in net profit before tax of RM11.6 million).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. CURRENT TAX ASSET/(LIABILITY)

| | As at 30.06.2022 RM'000 | As at 31.12.2021 RM'000 |
|-----------------------|-------------------------------|-------------------------------|
| Current tax asset | 22,245 | 22,245 |
| Current tax liability | (343) | (4,028) |
| | <u>21,902</u> | <u>18,217</u> |

Included in the current tax asset are a pending appeal case arising from two notices of additional assessment ("Form JA") of RM22.2 million for Years of Assessment 2017 and 2018, and tax paid in excess to the Inland Revenue Board ("IRB"). The High Court rejected the Company's application for leave to apply for judicial review in a decision delivered on 14th July 2021. The Company will not be appealing against the decision of the High Court. A mention date for the Company's application to the Special Commissioner of Income Tax on the assessments has been fixed on 6th September 2022.

The Company has made the above tax payment in 2021. In line with the opinion by the external advisor and the letter from the Ministry of Finance to Life Insurance Association of Malaysia and Malaysia Takaful Association dated 25th February 2022, the Company strongly believes that there are good grounds to contest the additional assessment and hence has treated the above tax payment as tax recoverable.

17. FINANCIAL ASSET/(LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives

The table below shows the fair value of derivative financial instruments, recorded as asset or liability, together with their notional amounts. The notional amount, recorded gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

| | | Fair value (loss)/gain recognised as | | |
|--------------------------------------|------------------------------|---|----------------------------------|-------------------------------------|
| | Notional amount RM'000 | Financial Asset RM'000 | Financial Liability RM'000 | Net carrying amount RM'000 |
| 30 June 2022 | | | | |
| Hedging derivative: | | | | |
| Forward foreign exchange contract | | | | |
| - Less than 1 year | 94,706 | - | (107) | (107) |
| 31 December 2021 | | | | |
| Hedging derivative: | | | | |
| Forward foreign exchange contract | | | | |
| - Less than 1 year | 119,952 | 933 | - | 933 |

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2021.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****18. SIGNIFICANT RELATED PARTY TRANSACTIONS**

Related party transactions have been entered into in the normal course of business under negotiated terms with the respective parties. The significant related party transactions during the financial period between the Company and its related parties are set out as below:

| | 30.06.2022 | Cumulative 6 months ended 30.06.2021 |
|---|-------------------|---|
| | RM'000 | RM'000 |
| Expenses/(income): | | |
| Intermediate holding company | | |
| Reimbursement of personnel expenses | 1,621 | 1,918 |
| Reimbursement of software maintenance expenses | 2,342 | 2,178 |
| Provision of IT infrastructure support and maintenance services | | |
| - Paid and payable | 8,421 | 5,704 |
| - Waiver of prior year's expenses | - | (2,232) |
| Reimbursement of overhead expenses | (364) | (383) |
| Reimbursement of finance support expenses | 98 | 90 |
| Reimbursement of HR support expenses | 340 | 311 |
| Provision of staff claims system | 16 | 15 |
| Reimbursement of consultation fee | 73 | 16 |
| Provision of compliance support | 38 | - |
| Reimbursement of travelling expenses | 11 | - |
| Reimbursement of education and training expenses | - | 33 |
| Provision of IT development services | - | 129 |
| Subsidiaries of ultimate holding company | | |
| Provision of IT infrastructure support and maintenance services | 1,565 | 40 |
| Investment consulting services | 207 | - |
| Subsidiaries of immediate holding company | | |
| Outsourcing fee income | (1,402) | (1,253) |
| Outsourcing fee expenses | 174 | - |
| Fund management expenses | 5,850 | 5,906 |
| Rental of office premises | (346) | (348) |
| Management fees and maintenance charges | 50 | 50 |
| Immediate holding company | | |
| Outsourcing fee income | (547) | (499) |
| Outsourcing fee expenses | 501 | 251 |
| Rental income | (43) | (45) |
| Rental expenses | 758 | 813 |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****19. FINANCIAL INSTRUMENTS****Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- i) Available-for-sale ("AFS");
- ii) Fair value through profit or loss - designated upon initial recognition ("FVTPL");
- iii) Loans and receivables excluding prepayments ("LAR"); and
- iv) Other financial liabilities measured at amortised cost ("OL").

| | AFS | FVTPL | LAR | OL | Total |
|------------------------------|------------------|------------------|----------------|----------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 30 June 2022 | | | | | |
| Financial assets | | | | | |
| Loans and receivables | - | - | 283,857 | - | 283,857 |
| AFS financial assets | 3,237,637 | - | - | - | 3,237,637 |
| Financial assets at FVTPL | - | 2,031,984 | - | - | 2,031,984 |
| Insurance receivables | - | - | 8,245 | - | 8,245 |
| Cash and cash equivalents | - | - | 100,630 | - | 100,630 |
| | <u>3,237,637</u> | <u>2,031,984</u> | <u>392,732</u> | <u>-</u> | <u>5,662,353</u> |
| Financial liabilities | | | | | |
| Financial liability at FVTPL | - | - | 107 | - | 107 |
| Insurance payables | - | - | - | 776,987 | 776,987 |
| Other payables | - | - | - | 173,579 | 173,579 |
| | <u>-</u> | <u>-</u> | <u>107</u> | <u>950,566</u> | <u>950,673</u> |
| 31 December 2021 | | | | | |
| Financial assets | | | | | |
| Loans and receivables | - | - | 297,348 | - | 297,348 |
| AFS financial assets | 3,361,030 | - | - | - | 3,361,030 |
| Financial assets at FVTPL | - | 2,073,074 | - | - | 2,073,074 |
| Insurance receivables | - | - | 14,797 | - | 14,797 |
| Cash and cash equivalents | - | - | 119,131 | - | 119,131 |
| | <u>3,361,030</u> | <u>2,073,074</u> | <u>431,276</u> | <u>-</u> | <u>5,865,380</u> |
| Financial liabilities | | | | | |
| Insurance payables | - | - | - | 759,105 | 759,105 |
| Other payables | - | - | - | 138,031 | 138,031 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>897,136</u> | <u>897,136</u> |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****20. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY****a) Freehold property and investment property**

The fair value of the Company's freehold property and investment property is determined based on the income method conducted by an independent qualified valuer.

Under the income method, the market value of the properties is determined based on the net annual income which is derived by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of the investment.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:-

Level 1 – Fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the properties.

The fair value of freehold property and investment property is classified within Level 3 of the fair value hierarchy. The fair value of the properties is as follows:

| | Freehold property | | Investment property | |
|---|--|--|--|--|
| | As at 30.06.2022 RM'000 | As at 31.12.2021 RM'000 | As at 30.06.2022 RM'000 | As at 31.12.2021 RM'000 |
| Carrying amount | 10,256 | 10,369 | 45,712 | 45,712 |
| Fair value as stated in valuation report* | 10,369 | 10,369 | 45,712 | 45,712 |

* Based on the valuation conducted by an independent qualified valuer as at 31 December 2021.

Description of valuation techniques used and significant unobservable inputs to valuation of freehold properties and investment properties:

| | Valuation technique | Significant unobservable inputs | Range |
|-------------------------------------|----------------------------|--|---------------|
| 2021 | | | |
| Freehold/ investment property | Income method | Term period's net yield | 5.00% - 6.50% |
| | | Reversionary period's net yield | 6.00% |
| | | Void factor | 5.00% |
| | | Average rental for term period | RM4.55 psf |
| | | Average rental for reversionary period | RM4.69 psf |
| | | Outgoings for term period | RM1.70 psf |
| | | Outgoings for reversionary period | RM1.75 psf |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****20. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)****a) Freehold property and investment property (continued)**

Significant increase or decrease in each of the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the properties.

The reconciliation from beginning to ending balances for the freehold property and investment property are as follows:

| | Freehold property | | Investment property | |
|---|--------------------------|---------------|----------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 10,369 | 10,604 | 45,712 | 46,802 |
| Additions | - | 288 | - | - |
| Depreciation charge for the period/year | (113) | (231) | - | - |
| Fair value loss | - | (292) | - | (1,090) |
| At 30 June/31 December | <u>10,256</u> | <u>10,369</u> | <u>45,712</u> | <u>45,712</u> |

b) Financial assets and financial liabilities**(i) Determination of fair values**

The fair values of the Company's financial assets and financial liabilities are determined as follows:

- (i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and cash equivalents, insurance payables and other payables (other than amount payable under Distribution Agreement) are reasonable approximations of their fair values due to the relatively short term maturity of these balances and the immaterial impact of discounting;
- (ii) The carrying amount of amount payable under Distribution Agreement discounted using the discount rate that reflects the current market assessment of the time value of money, are reasonable approximations of their fair values;
- (iii) The fair values of quoted equities and investments in real estate investment trusts are based on quoted market prices as at the reporting date;
- (iv) The fair values of Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities are based on indicative market prices;
- (v) The fair values of negotiable instruments of deposit are calculated using the discounted cash flow method based on the maturity of the instruments at discount rates representing the average market rates quoted by at least two licensed banks;
- (vi) The fair values of mutual funds and unit trust funds are based on the net asset values of the underlying funds as at the reporting date; and
- (vii) The fair values of forward foreign exchange contracts are based on valuations provided by the financial institutions making reference to quoted market prices.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

20. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)

b) Financial assets and financial liabilities (continued)

(i) Determination of fair values

The fair values of the Company's financial assets and financial liabilities are determined as follows: (continued)

- (viii) The fair values of private equity funds are measured based on the private equity funds' net asset value or fair values reported in the investees' financial statements.

(ii) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****20. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)****b) Financial assets and financial liabilities (continued)****(ii) Fair value hierarchy (continued)**

The following table presents the Company's financial assets and liabilities that are carried at fair value as at reporting date.

| | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---------------------------------------|---------------------------------------|---------------------------|---------------------------|---------------------------|
| 30 June 2022 | | | | |
| AFS financial assets | | | | |
| Equity securities | | | | |
| - Quoted in Malaysia | 507,862 | 507,862 | - | - |
| - Quoted outside Malaysia | 117,222 | 117,222 | - | - |
| Real estate investment trusts | 11,698 | 11,698 | - | - |
| Unit trust funds | 675,003 | 675,003 | - | - |
| Malaysian Government Securities | 343,089 | - | 343,089 | - |
| Government Investment Issues | 270,565 | - | 270,565 | - |
| Corporate debt securities | | | | |
| - Unquoted | 1,287,726 | - | 1,287,726 | - |
| Accrued interest | 22,528 | - | 22,528 | - |
| | <u>3,235,693</u> | <u>1,311,785</u> | <u>1,923,908</u> | <u>-</u> |
| Financial assets at FVTPL | | | | |
| Equity securities | | | | |
| - Quoted in Malaysia | 700,490 | 700,490 | - | - |
| - Quoted outside Malaysia | 6,927 | 6,927 | - | - |
| Private equities | | | | |
| - Unquoted outside Malaysia | 28,454 | - | - | 28,454 |
| Real estate investment trusts | 9,838 | 9,838 | - | - |
| Unit trust funds | 166,232 | 166,232 | - | - |
| Malaysian Government Securities | 149,434 | - | 149,434 | - |
| Government Investment Issues | 121,932 | - | 121,932 | - |
| Corporate debt securities | | | | |
| - Unquoted | 664,751 | - | 664,751 | - |
| Mutual funds | | | | |
| - Quoted outside Malaysia | 173,471 | 173,471 | - | - |
| Accrued interest | 10,455 | - | 10,455 | - |
| | <u>2,031,984</u> | <u>1,056,958</u> | <u>946,572</u> | <u>28,454</u> |
| | <u>5,267,677</u> | <u>2,368,743</u> | <u>2,870,480</u> | <u>28,454</u> |
| Financial liabilities at FVTPL | | | | |
| Forward foreign exchange contract | 107 | - | 107 | - |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****20. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)****b) Financial assets and financial liabilities (continued)****(ii) Fair value hierarchy (continued)**

The following table presents the Company's financial assets and liabilities that are carried at fair value as at reporting date. (continued)

| | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|------------------------------------|---------------------------------------|---------------------------|---------------------------|---------------------------|
| 31 December 2021 | | | | |
| AFS financial assets | | | | |
| Equity securities | | | | |
| - Quoted in Malaysia | 629,191 | 629,191 | - | - |
| - Quoted outside Malaysia | 131,774 | 131,774 | - | - |
| Real estate investment trusts | 18,644 | 18,644 | - | - |
| Unit trust funds | 636,297 | 636,297 | - | - |
| Malaysian Government Securities | 275,260 | - | 275,260 | - |
| Government Investment Issues | 247,994 | - | 247,994 | - |
| Corporate debt securities | | | | |
| - Unquoted | 1,398,381 | - | 1,398,381 | - |
| Accrued interest | 21,545 | - | 21,545 | - |
| | <u>3,359,086</u> | <u>1,415,906</u> | <u>1,943,180</u> | <u>-</u> |
| Financial assets at FVTPL | | | | |
| Equity securities | | | | |
| - Quoted in Malaysia | 786,964 | 786,964 | - | - |
| - Quoted outside Malaysia | 19,489 | 19,489 | - | - |
| Private equities | | | | |
| - Unquoted outside Malaysia | 19,122 | - | - | 19,122 |
| Real estate investment trusts | 8,478 | 8,478 | - | - |
| Unit trust funds | 180,784 | 180,784 | - | - |
| Malaysian Government Securities | 78,047 | - | 78,047 | - |
| Government Investment Issues | 117,396 | - | 117,396 | - |
| Corporate debt securities | | | | |
| - Unquoted | 634,838 | - | 634,838 | - |
| Mutual funds | | | | |
| - Quoted outside Malaysia | 217,928 | 217,928 | - | - |
| Forward foreign exchange contracts | 933 | - | 933 | - |
| Accrued interest | 9,095 | - | 9,095 | - |
| | <u>2,073,074</u> | <u>1,213,643</u> | <u>840,309</u> | <u>19,122</u> |
| | <u>5,432,160</u> | <u>2,629,549</u> | <u>2,783,489</u> | <u>19,122</u> |

Unquoted equity securities of RM1,944,444 (31 December 2021: RM1,944,444) of the Company as disclosed in Note 13(a) are not disclosed in the fair value hierarchy above as they are measured at cost as fair value is not readily available.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the current and previous financial periods.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****20. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)****b) Financial assets and financial liabilities (continued)****(iii) Financial assets which are measured at fair value using significant unobservable inputs (Level 3)**

The reconciliation from beginning to ending balance for the investment in private equity funds:

| | Private Equity Funds RM'000 | Total RM'000 |
|---|--|-------------------------|
| At 1 January 2021 | - | - |
| Total loss recognised in profit or loss | (125) | (125) |
| Capital contributions | 19,246 | 19,246 |
| Currency movement | 1 | 1 |
| At 31 December 2021/1 January 2022 | 19,122 | 19,122 |
| Total gain recognised in profit or loss | 144 | 144 |
| Capital contributions | 7,829 | 7,829 |
| Currency movement | 1,359 | 1,359 |
| At 30 June 2022 | 28,454 | 28,454 |

Description of valuation methodology and significant unobservable inputs to valuation of private equity funds:

| | Fair Value RM'000 | Valuation Methodology | Unobservable Input | Input Values |
|----------------------|----------------------------------|------------------------------|-------------------------------|-------------------------|
| 2022 | | | | |
| Private equity funds | 28,454 | Net asset value ("NAV") | NAV | NAV |
| 2021 | | | | |
| Private equity funds | 19,122 | Net asset value ("NAV") | NAV | NAV |

21. TOTAL CAPITAL ASSETS

The capital structure of the Company as prescribed under the Risk-Based Capital Framework is as below:

| | As at 30.06.2022 RM'000 | As at 31.12.2021 RM'000 |
|-----------------------------------|--|--|
| Eligible Tier 1 Capital | | |
| Share capital (paid-up) | 200,000 | 200,000 |
| Retained earnings of the Company* | 320,019 | 322,527 |
| Eligible contract liabilities | 601,583 | 519,677 |
| | 1,121,602 | 1,042,204 |
| Eligible Tier 2 Capital | | |
| Eligible reserves | (19,244) | 135,792 |
| Amounts deducted from capital | (42,744) | (45,242) |
| Total Capital Available | 1,059,614 | 1,132,754 |

* Only distributable retained earnings of the Company are included in the determination of Total Capital Available.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

22. CAPITAL AND OTHER COMMITMENTS

| | As at 30.06.2022 RM'000 | As at 31.12.2021 RM'000 |
|--|---|--|
| Other commitments | | |
| Exclusive bancassurance agreement | | |
| - Authorised but not provided for | (i) <u>3,000</u> | <u>4,500</u> |
| Distribution agreement | | |
| - Authorised but not provided for | (ii) <u>5,363</u> | <u>5,363</u> |
| Investment in Private Equity Funds | | |
| At 1 January | 30,505 | - |
| Capital committed during the financial period/year | - | 49,751 |
| Capital called during the financial period/year | (7,829) | (19,246) |
| Currency movement | <u>2,336</u> | <u>-</u> |
| At 30 June 2022/31 December 2021 | (iii) <u>25,012</u> | <u>30,505</u> |
| (i) | The Company is committed to pay annual fees under the terms of the exclusive bancassurance agreement. The annual fees will be expensed off to the profit or loss in the year of settlement. | |
| (ii) | The Company is committed to pay annual consultancy fees under the terms of the Distribution Agreement. The annual consultancy fees will be amortised to profit or loss over 20 years. | |
| (iii) | The Company is committed to deliver the capital contributions pursuant to the terms of the Limited Partnership Agreements. | |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****23. INSURANCE FUNDS**

The Company's activities are managed by funds and segregated into Life fund, Investment-linked funds and Shareholders' fund in accordance with the Financial Services Act 2013.

The Company's unaudited condensed statement of financial position and statement of profit or loss have been further analysed by funds as follows:

Interim Statement of Financial Position by Funds as at 30 June 2022

| | Shareholder's Fund | Insurance Funds | | Elimination | Total |
|---|-------------------------------|------------------------|-------------------------------------|--------------------|------------------|
| | | Life Fund | Investment- linked funds | | |
| Assets | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Property and equipment | - | 18,611 | - | - | 18,611 |
| Investment property | - | 45,712 | - | - | 45,712 |
| Intangible assets | 28,649 | 9,733 | - | - | 38,382 |
| Loans and receivables | 177,402 | 152,872 | 107,501 | (146,632) | 291,143 |
| Available-for-sale financial assets | 442,460 | 2,795,177 | - | - | 3,237,637 |
| Financial assets at fair value through profit or loss | - | 865,015 | 1,166,969 | - | 2,031,984 |
| Reinsurance assets | - | 7,183 | - | - | 7,183 |
| Insurance receivables | - | 8,245 | - | - | 8,245 |
| Right-of-use assets | 823 | - | - | - | 823 |
| Current tax assets | - | 22,245 | - | - | 22,245 |
| Cash and cash equivalents | 16,428 | 66,923 | 17,279 | - | 100,630 |
| Total assets | 665,762 | 3,991,716 | 1,291,749 | (146,632) | 5,802,595 |
| Equity, Policyholders' Funds and Liabilities | | | | | |
| Share capital | 200,000 | - | - | - | 200,000 |
| Retained earnings | 429,351 | - | - | - | 429,351 |
| Fair value reserves | (12,045) | - | - | - | (12,045) |
| Total equity | 617,306 | - | - | - | 617,306 |
| Insurance contract liabilities | - | 2,858,384 | 1,269,278 | - | 4,127,662 |
| Insurance claim liabilities | - | 88,625 | - | - | 88,625 |
| Financial liability at fair value through profit or loss | - | - | 107 | - | 107 |
| Deferred tax liabilities | 24,994 | (4,323) | (4,311) | - | 16,360 |
| Reinsurance liabilities | - | 752 | - | - | 752 |
| Insurance payables | - | 776,987 | - | - | 776,987 |
| Lease liabilities | 874 | - | - | - | 874 |
| Current tax liabilities | (9,761) | 68 | 10,036 | - | 343 |
| Other payables | 32,349 | 271,223 | 16,639 | (146,632) | 173,579 |
| Total equity, policyholders' funds and liabilities | 665,762 | 3,991,716 | 1,291,749 | (146,632) | 5,802,595 |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****23. INSURANCE FUNDS (CONTINUED)****Interim Statement of Financial Position by Funds as at 31 December 2021**

| Assets | Shareholder's Fund RM'000 | Insurance Funds | | Elimination RM'000 | Total RM'000 |
|---|--|-----------------------------|--|-------------------------------|-------------------------|
| | | Life Fund RM'000 | Investment- linked funds RM'000 | | |
| Property and equipment | - | 18,907 | - | - | 18,907 |
| Investment property | - | 45,712 | - | - | 45,712 |
| Intangible assets | 29,995 | 10,157 | - | - | 40,152 |
| Loans and receivables | 210,352 | 196,783 | 80,785 | (181,474) | 306,446 |
| Available-for-sale financial assets | 442,603 | 2,918,427 | - | - | 3,361,030 |
| Financial assets at fair value through profit or loss | - | 749,897 | 1,323,177 | - | 2,073,074 |
| Reinsurance assets | - | 10,829 | - | - | 10,829 |
| Insurance receivables | - | 14,797 | - | - | 14,797 |
| Right-of-use asset | 1,098 | - | - | - | 1,098 |
| Current tax assets | - | 22,245 | - | - | 22,245 |
| Cash and cash equivalents | 19,906 | 80,641 | 18,584 | - | 119,131 |
| Total assets | 703,954 | 4,068,395 | 1,422,546 | (181,474) | 6,013,421 |
| Equity, Policyholders' Funds and Liabilities | | | | | |
| Share capital | 200,000 | - | - | - | 200,000 |
| Retained earnings | 419,112 | - | - | - | 419,112 |
| Fair value reserves | 10,272 | - | - | - | 10,272 |
| Total equity | 629,384 | - | - | - | 629,384 |
| Insurance contract liabilities | - | 2,959,445 | 1,397,354 | - | 4,356,799 |
| Insurance claim liabilities | - | 75,912 | - | - | 75,912 |
| Deferred tax liabilities | 29,356 | 8,373 | 9,525 | - | 47,254 |
| Reinsurance liabilities | - | 1,702 | - | - | 1,702 |
| Insurance payables | - | 759,105 | - | - | 759,105 |
| Lease liabilities | 1,206 | - | - | - | 1,206 |
| Current tax liability | (4,861) | 1,273 | 7,616 | - | 4,028 |
| Other payables | 48,869 | 262,585 | 8,051 | (181,474) | 138,031 |
| Total equity, policyholders' funds and liabilities | 703,954 | 4,068,395 | 1,422,546 | (181,474) | 6,013,421 |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****23. INSURANCE FUNDS (CONTINUED)****Statement of Profit or Loss by Funds for the six months period ended 30 June 2022**

| | Shareholder's fund | Insurance funds | | Elimination | Total |
|--|-----------------------|------------------|-----------------------------|----------------|------------------|
| | | Life fund | Investment- linked funds | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Premium income | | | | | |
| Gross premiums | - | 353,120 | 166,362 | (456) | 519,026 |
| Premiums ceded to reinsurers | - | (37,892) | - | - | (37,892) |
| Net premiums | - | 315,228 | 166,362 | (456) | 481,134 |
| Investment income | 9,663 | 74,096 | 17,210 | - | 100,969 |
| Net realised gains | 898 | 28,980 | - | - | 29,878 |
| Net fair value losses | (925) | (41,003) | (161,181) | - | (203,109) |
| Fee income | - | 10,883 | - | (8,957) | 1,926 |
| Other operating income | - | 157 | 1,528 | - | 1,685 |
| Total revenue | 9,636 | 388,341 | 23,919 | (9,413) | 412,483 |
| Gross benefits and claims paid and payable | - | (215,590) | (162,337) | - | (377,927) |
| Claims ceded to reinsurers | - | 21,645 | - | - | 21,645 |
| Gross change in insurance contract liabilities | - | (31,660) | 128,077 | - | 96,417 |
| Change in insurance contract liabilities ceded to reinsurers | - | 950 | - | - | 950 |
| Net claims | - | (224,655) | (34,260) | - | (258,915) |
| Fee and commission expenses | - | (68,487) | - | - | (68,487) |
| Investment expenses | (91) | (4,936) | - | - | (5,027) |
| Management expenses | (6,317) | (74,221) | (11,783) | 9,445 | (82,876) |
| Other operating (expenses)/income | (6,347) | 141 | 22,124 | (32) | 15,886 |
| Other (expenses)/income | (12,755) | (147,503) | 10,341 | 9,413 | (140,504) |
| (Loss)/profit from operations | (3,119) | 16,183 | - | - | 13,064 |
| Transfer from/(to) revenue account | 16,183 | (16,183) | - | - | - |
| Profit before taxation | 13,064 | - | - | - | 13,064 |
| Taxation | (2,825) | - | - | - | (2,825) |
| Net profit for the financial period | 10,239 | - | - | - | 10,239 |

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****23. INSURANCE FUNDS (CONTINUED)****Statement of Profit or Loss by Funds for the six months period ended 30 June 2021**

| | Shareholder's fund | Insurance funds | | Elimination | Total |
|--|-----------------------|---------------------|---------------------------------------|----------------|------------------|
| | RM'000 | Life fund RM'000 | Investment- linked funds RM'000 | RM'000 | RM'000 |
| Premium income | | | | | |
| Gross premiums | - | 313,830 | 160,250 | (505) | 473,575 |
| Premiums ceded to reinsurers | - | (48,180) | - | - | (48,180) |
| Net premiums | - | 265,650 | 160,250 | (505) | 425,395 |
| Investment income | 11,112 | 71,787 | 18,450 | - | 101,349 |
| Net realised gains | 2,542 | 97,300 | - | - | 99,842 |
| Net fair value (losses)/gains | (588) | (33,659) | 31,610 | - | (2,637) |
| Fee income | - | 10,718 | - | (8,976) | 1,742 |
| Other operating income | - | 240 | 1,520 | - | 1,760 |
| Total revenue | 13,066 | 412,036 | 211,830 | (9,481) | 627,451 |
| Gross benefits and claims paid and payable | - | (195,950) | (204,718) | - | (400,668) |
| Claims ceded to reinsurers | - | 18,606 | - | - | 18,606 |
| Gross change in insurance contract liabilities | - | (92,388) | 823 | - | (91,565) |
| Change in insurance contract liabilities ceded to reinsurers | - | 757 | - | - | 757 |
| Net claims | - | (268,975) | (203,895) | - | (472,870) |
| Fee and commission expenses | - | (37,378) | - | - | (37,378) |
| Investment expenses | (99) | (4,820) | - | - | (4,919) |
| Management expenses | (7,401) | (61,811) | (11,560) | 9,485 | (71,287) |
| Other operating (expenses)/income | (3,956) | (9,206) | 3,625 | (4) | (9,541) |
| Other expenses | (11,456) | (113,215) | (7,935) | 9,481 | (123,125) |
| Profit from operations | 1,610 | 29,846 | - | - | 31,456 |
| Transfer from/(to) revenue account | 29,846 | (29,846) | - | - | - |
| Profit before taxation | 31,456 | - | - | - | 31,456 |
| Taxation | (5,185) | - | - | - | (5,185) |
| Net profit for the financial period | 26,271 | - | - | - | 26,271 |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

23. INSURANCE FUNDS (CONTINUED)

Information on cash flows by Funds

| | Shareholders' fund | Insurance funds | | Total |
|---|-----------------------|-----------------|-----------------------------|----------|
| | | Life fund | Investment- linked funds | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 30 June 2022 | | | | |
| Cash flows from: | | | | |
| Operating activities | (3,478) | (11,546) | (1,305) | (16,329) |
| Investing activities | - | (1,341) | - | (1,341) |
| Financing activities | - | (831) | - | (831) |
| Net decrease in cash and cash equivalents | (3,478) | (13,718) | (1,305) | (18,501) |
| At beginning of financial year | 19,906 | 80,641 | 18,584 | 119,131 |
| At end of financial period | 16,428 | 66,923 | 17,279 | 100,630 |
| 30 June 2021 | | | | |
| Cash flows from: | | | | |
| Operating activities | (11,641) | 12,314 | 10,043 | 10,716 |
| Investing activities | - | (933) | - | (933) |
| Financing activities | - | (498) | - | (498) |
| Net (decrease)/increase in cash and cash equivalents | (11,641) | 10,883 | 10,043 | 9,285 |
| At beginning of financial year | 25,850 | 50,019 | 8,878 | 84,747 |
| At end of financial period | 14,209 | 60,902 | 18,921 | 95,032 |

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

24. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 *INSURANCE CONTRACTS*

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

| For the six-month period ended 30 June 2022 | Fair value as at 1 January 2022 RM'000 | Change in fair value* RM'000 | Fair value as at 30 June 2022 RM'000 | Result of the cash flows characteristics test | Classification and measurement under MFRS 9 |
|--|---|------------------------------------|---|---|---|
| Financial assets | | | | | |
| Equity securities | | | | | |
| - Quoted in Malaysia | 1,416,155 | (207,803) | 1,208,352 | Non-SPPI | FVTPL |
| - Quoted outside Malaysia | 151,263 | (27,114) | 124,149 | Non-SPPI | FVTPL |
| - Unquoted | 1,944 | - | 1,944 | Non-SPPI | FVTPL |
| Private equity funds | 19,122 | 9,332 | 28,454 | Non-SPPI | FVTPL |
| Real estate investment trusts | 27,122 | (5,586) | 21,536 | Non-SPPI | FVTPL |
| Unit trust funds | 817,081 | 24,154 | 841,235 | Non-SPPI | FVTPL |
| Malaysian Government Securities | 353,307 | 139,216 | 492,523 | SPPI | FVOCI |
| Government Investment Issues | 365,390 | 27,107 | 392,497 | SPPI | FVOCI |
| Corporate debt securities | | | | | |
| - Unquoted | 2,033,219 | (80,742) | 1,952,477 | SPPI | FVOCI |
| Mutual funds | 217,928 | (44,457) | 173,471 | Non-SPPI | FVTPL |
| Forward foreign exchange contract | 933 | (933) | - | Non-SPPI | FVTPL |
| Accrued interest | 30,640 | 2,343 | 32,983 | SPPI | FVOCI |
| Loans and receivables | 297,348 | (13,491) | 283,857 | SPPI | Amortised cost |
| Insurance receivables | 14,797 | (6,552) | 8,245 | SPPI | Amortised cost |
| Cash and cash equivalents | 119,131 | (18,501) | 100,630 | SPPI | Amortised cost |
| | <u>5,865,380</u> | <u>(203,027)</u> | <u>5,662,353</u> | | |

* Includes purchases, disposals, maturities and realised/unrealised gains/(losses).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

24. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 *INSURANCE CONTRACTS* (CONTINUED)

| For the financial year ended 31 December 2021 | Fair value as at 1 January 2021 RM'000 | Change in fair value* RM'000 | Fair value as at 31 December 2021 RM'000 | Result of the cash flows characteristics test | Classification and measurement under MFRS 9 |
|--|---|------------------------------------|--|---|---|
| Financial assets | | | | | |
| Equity securities | | | | | |
| - Quoted in Malaysia | 1,645,725 | (229,570) | 1,416,155 | Non-SPPI | FVTPL |
| - Quoted outside Malaysia | 182,638 | (31,375) | 151,263 | Non-SPPI | FVTPL |
| - Unquoted | 1,944 | - | 1,944 | Non-SPPI | FVTPL |
| Private equity funds | - | 19,122 | 19,122 | Non-SPPI | FVTPL |
| Real estate investment trusts | 20,451 | 6,671 | 27,122 | Non-SPPI | FVTPL |
| Unit trust funds | 706,220 | 110,861 | 817,081 | Non-SPPI | FVTPL |
| Malaysian Government Securities | 391,035 | (37,728) | 353,307 | SPPI | FVOCI |
| Government Investment Issues | 279,898 | 85,492 | 365,390 | SPPI | FVOCI |
| Corporate debt securities | | | | | |
| - Unquoted | 1,791,266 | 241,953 | 2,033,219 | SPPI | FVOCI |
| Mutual funds | 304,436 | (86,508) | 217,928 | Non-SPPI | FVTPL |
| Forward foreign exchange contract | 1,149 | (216) | 933 | Non-SPPI | FVTPL |
| Accrued interest | 26,423 | 4,217 | 30,640 | SPPI | FVOCI |
| Loans and receivables | 307,853 | (10,505) | 297,348 | SPPI | Amortised cost |
| Insurance receivables | 16,877 | (2,080) | 14,797 | SPPI | Amortised cost |
| Cash and cash equivalents | 84,747 | 34,384 | 119,131 | SPPI | Amortised cost |
| | <u>5,760,662</u> | <u>104,718</u> | <u>5,865,380</u> | | |

* Includes purchases, disposals, maturities and realised/unrealised gains/(losses).

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****24. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 *INSURANCE CONTRACTS*
(CONTINUED)**

The following table shows the fair value of financial assets by credit quality:

| As at 30 June 2022 | AAA RM'000 | AA RM'000 | A RM'000 | Non-rated RM'000 | Total RM'000 |
|---------------------------------|-----------------------|----------------------|---------------------|-----------------------------|-------------------------|
| Financial assets | | | | | |
| Malaysian Government Securities | - | - | - | 492,523 | 492,523 |
| Government Investment Issues | - | - | - | 392,497 | 392,497 |
| Corporate debt securities | | | | | |
| - Unquoted | 926,423 | 679,816 | 510 | 345,728 | 1,952,477 |
| Accrued interest | 12,737 | 7,553 | 1 | 12,692 | 32,983 |
| Loans and receivables | 99,589 | - | - | 184,268 | 283,857 |
| Insurance receivables | - | - | - | 8,245 | 8,245 |
| Cash and cash equivalents | 87,725 | 39 | 12,856 | 10 | 100,630 |
| | <u>1,126,474</u> | <u>687,408</u> | <u>13,367</u> | <u>1,435,963</u> | <u>3,263,212</u> |
| As at 31 December 2021 | | | | | |
| Financial assets | | | | | |
| Malaysian Government Securities | - | - | - | 353,307 | 353,307 |
| Government Investment Issues | - | - | - | 365,390 | 365,390 |
| Corporate debt securities | | | | | |
| - Unquoted | 959,014 | 692,091 | 8,554 | 373,560 | 2,033,219 |
| Accrued interest | 12,668 | 7,221 | 138 | 10,613 | 30,640 |
| Loans and receivables | 117,872 | - | - | 179,476 | 297,348 |
| Insurance receivables | - | - | - | 14,797 | 14,797 |
| Cash and cash equivalents | 110,697 | 12 | 8,422 | - | 119,131 |
| | <u>1,200,251</u> | <u>699,324</u> | <u>17,114</u> | <u>1,297,143</u> | <u>3,213,832</u> |