

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**

(Incorporated in Malaysia)

**STATUTORY REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

<b>CONTENTS</b>	<b>PAGE</b>
DIRECTORS' REPORT	1 - 29
STATEMENT BY DIRECTORS	30
STATUTORY DECLARATION	30
INDEPENDENT AUDITORS' REPORT	31 - 34
STATEMENT OF FINANCIAL POSITION	35
STATEMENT OF PROFIT OR LOSS	36
STATEMENT OF TOTAL COMPREHENSIVE INCOME	37
STATEMENT OF CHANGES IN EQUITY	38
STATEMENT OF CASH FLOWS	39
NOTES TO THE FINANCIAL STATEMENTS	40 – 124

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT**

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 ACTIVITY**

The Company is principally engaged in the underwriting of life insurance business. There has been no significant change in the principal activity of the Company during the financial year.

## **FINANCIAL RESULTS**

	<b>RM'000</b>
Net profit for the financial year	<u>29,277</u>

## **DIVIDENDS**

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

## **RESERVES AND PROVISIONS**

Material transfers to or from reserves and provisions during the financial year are as disclosed in the financial statements.

## **SHARE CAPITAL**

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

## **PROVISION OF 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 for Insurers as required by Bank Negara Malaysia ("BNM").

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and satisfied themselves that there were no known bad debts to be written off and that adequate allowance for impairment losses had been made.

At the date of this report, the directors are not aware of any circumstances that would render it necessary to write off any bad debts or the amount of allowance for impairment losses in the financial statements of the Company inadequate to any substantial extent.

### **CURRENT ASSETS**

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets, which were unlikely to realise their values as shown in the accounting records of the Company in the ordinary course of business, have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Company misleading.

### **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) 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
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

### **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

### **SIGNIFICANT EVENTS**

There were no significant events which have occurred during the financial year other than as disclosed in note 38 to the financial statements.

### **DIRECTORS**

The directors who have held office during the financial year to the date of this report are:

Dato' Md Agil bin Mohd Natt

Vibha Hamsi Coburn (Appointed on 1 October 2020)

Arthur Jay Belfer

Lim Hun Soon @ David Lim

Vijayam A/P Nadarajah

Mary Bernadette James A/P N James (Appointed on 15 October 2020)

Renzo Christopher Viegas (Appointed on 1 November 2020)

Datuk Seri Panglima Mohd Annuar bin Zaini (Retired on 4 July 2020)

Lee Sang Hui (Resigned on 30 September 2020)

In accordance with Clause 20.6 of the Constitution of the Company, Mr. Lim Hun Soon @ David Lim shall retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election. Mr. Lim Hun Soon @ David Lim was appointed on 17 July 2012, he will reach his tenure of nine (9) years on 16 July 2021.

In accordance with Clause 20.8 of the Constitution of the Company, Mr. Renzo Christopher Viegas and Ms. Mary Bernadette James A/P N James shall retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS (CONTINUED)**

#### **Profile of Directors**

The following are the profile of the directors of the Company:

**Dato' Md Agil bin Mohd Natt**  
**Chairman/Independent Non-Executive Director**

Dato' Md Agil bin Mohd Natt ("Dato Agil"), aged 70, a Malaysian, was appointed to the Board on 29 June 2012. He holds a Bachelor of Science in Economics (Hons) degree from Brunel University, London and a Master of Science in Finance from the CASS Business School, London. He also attended the Advanced Management Program, Harvard Business School in the United States of America.

Dato' Agil started his career in Corporate Finance with Bumiputra Merchant Bankers Berhad in year 1977 before serving as Senior General Manager (Finance) at Island & Peninsular Bhd in 1982. He was also the Regional Chief Representative of Kleinwort Benson Ltd before joining Malayan Banking Berhad ("Maybank"). He served the Maybank Group in various capacities including as Senior General Manager, Corporate Banking, Chief Executive Officer of Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) and Executive Director and Deputy President of Maybank.

From year 2006 until his retirement in year 2011, Dato' Agil served as President and Chief Executive Officer of the International Centre for Education in Islamic Finance ("INCEIF"), The Global University of Islamic Finance, set up by Bank Negara Malaysia.

Dato' Agil currently sits on the Boards of Affin Bank Berhad and Sogo (KL) Department Store Sdn Bhd. He also sits on the Investment Panel of the Employees Provident Fund.

Dato' Agil is also the Chairman of the Board of Directors of Manulife Investment Management (M) Berhad ("MIMMB"), and is also a member of MIMMB's Investment Committee of Private Retirement Scheme and Unit Trust.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS (CONTINUED)**

#### **Profile of Directors (Continued)**

##### **Vibha Hamsi Coburn** **Chief Executive Officer/Executive Director**

Ms. Vibha Hamsi Coburn ("Ms. Vibha Coburn"), aged 56, an Australian, was appointed as Chief Executive Officer/Executive Director of Manulife Insurance Berhad on 1 October 2020. Ms. Vibha Coburn holds a Master of Business Administration from the University of Western Australia, post graduate diploma from the Securities Institute of Australia (CFA equivalent) and a Bachelor of Commerce (Hons) from Delhi University.

Ms. Vibha Coburn was formerly the Chief Distribution Officer at Manulife Asia, responsible for developing and executing strategy for Manulife distribution across Asia, including championing the adoption of digital channels. Under her leadership, Manulife's agency force grew significantly and became the world's third best amongst international insurers in terms of Million Dollar Round Table ("MDRT") membership. At the same time, she has helped to vastly strengthen Manulife's bancassurance capabilities, delivering strong growth to its regional partnership and renewing or establishing new partnerships in Vietnam, Indonesia and Myanmar. She has also championed the development and adoption of digital tools throughout all channels in distribution.

Prior to joining Manulife, Ms. Vibha Coburn had a wide range of senior roles over thirty (30) years in banking, insurance and management consulting across Asia, Europe and Australia. These included roles in e-business, sales, customer acquisition, finance, wealth management, liabilities, mortgages and credit cards.

Ms. Vibha Coburn also sits on the Boards of Manulife Holdings Berhad and Manulife Investment Management (M) Berhad.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS (CONTINUED)**

#### **Profile of Directors (Continued)**

##### **Lim Hun Soon @ David Lim** **Independent Non-Executive Director**

Mr. Lim Hun Soon @ David Lim ("Mr. David Lim"), aged 66, a Malaysian, was appointed to the Board on 17 July 2012. He graduated from the University of Leeds, United Kingdom ("UK") with a Bachelor of Arts in Economics. He qualified as a member of the Institute of Taxation, UK, the Institute of Chartered Accountants in England and Wales ("ICAEW") and the Malaysian Institute of Certified Public Accountants ("MICPA").

Mr. David Lim has had an extensive career serving as an auditor in KPMG (now known as KPMG PLT) for thirty-three (33) years, where he was admitted as a Partner in year 1990, and served in the Management Committee from year 1997 to year 2001 and in KPMG's Partnership Supervisory Council from year 2002 to year 2010. He was also the Asian Anchor Practice representative for Marketing in year 2000 to year 2001. In year 2006, he was assigned by KPMG (now known as KPMG PLT) to start up the Malaysian Audit Committee Institute ("ACI Malaysia"), which was a virtual worldwide initiative sponsored by KPMG (now known as KPMG PLT) to assist Independent Non-Executive Directors in enhancing their awareness and ability to implement effective board processes. He retired from KPMG (now known as KPMG PLT) in year 2011.

Mr. David Lim served as an Examiner for Company Law examinations in the MICPA for over ten years. He was also the Chairman of the MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee from year 2002 to year 2004.

In year 2013, Mr. David Lim was appointed as a Council Member of the ICAEW representing South East Asia (Malaysia) for a term of two (2) years, which was then renewed for a further two-year term. Mr. David Lim's appointment was extended for a third term of two (2) years from year 2017 till year 2019.

Mr. David Lim sits on the Boards of Sasbadi Holdings Berhad, Kawan Food Berhad, Ranhill Holdings Berhad and Press Metal Aluminium Holdings Berhad as an Independent Non-Executive Director. He also sits on the Boards of Affin Hwang Investment Bank Berhad, Rockwills Trustee Berhad, Fairview Schools Berhad and a few private limited companies.

Mr. David Lim is the Chairman of the Audit Committee and is a member of the Risk Management Committee and Nominating/Remuneration Committee of the Company. He is also a Director and the Chairman of the Group Audit Committee and is a member of the Group Risk Management Committee and Group Nominating/Remuneration Committee of Manulife Holdings Berhad.



**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS (CONTINUED)**

#### **Profile of Directors (Continued)**

##### **Vijayam A/P Nadarajah** **Independent Non-Executive Director**

Mrs. Vijayam A/P Nadarajah ("Mrs. Vijayam Nadarajah"), aged 59, a Malaysian, was appointed to the Board on 19 April 2019. She holds a Masters in Business Administration as well as a Bachelor's in Economics (with a major in accounting) from Monash University in Melbourne, Australia. She has also acquired a Bachelor of Laws from London University, United Kingdom. She is a Fellow Member of CPA Australia, a Chartered Accountant under the Malaysian Institute of Accountants, and a Fellow Member of the Institute of Internal Auditors Malaysia ("IIAM").

Mrs. Vijayam Nadarajah was the president of IIAM from year 1996 to year 1997, and was then reappointed as a governor to the Board of Governors of IIAM in year 2016 to year 2018. She co-chaired the taskforce on Guidance for Effective Internal Audit Function.

Mrs. Vijayam Nadarajah was the Independent Non-Executive Director of The Bank of Nova Scotia Berhad. Prior to her appointment to the Board of The Bank of Nova Scotia Berhad, she was a consultant for China Construction Bank Malaysia Berhad. She was in charge of overseeing the incorporation of a public company to set up the bank in Malaysia, and application for a bank license. During this process, she liaised with Bank Negara Malaysia ("BNM") on matters related to application of license and operational readiness audit. Furthermore, she advised on the structure and nomination of independent directors for the board, and also drafted the board charter and terms of reference of board committees, on top of other governance policies.

From year 2013 to year 2016, Mrs. Vijayam Nadarajah served as a Specialist for the Research and Development/Corporate Program of the Financial Accreditation Agency, which is an initiative supported by BNM and the Securities Commission Malaysia. She also served as Financial Controller at CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad, Assistant General Manager of Finance at Oriental Capital Assurance Berhad, as well as senior roles in RHB Bank Berhad and Sime Bank Berhad/UMBC Bank Berhad.

Mrs. Vijayam Nadarajah presently sits on the Boards of BNP Paribas Malaysia Berhad, MPI Generali Insurans Berhad and Monash University Malaysia Sdn Bhd. She is a consultant and trainer in topics such as risk management, compliance, internal audit and board governance.

Mrs. Vijayam Nadarajah is the Chairman of the Risk Management Committee and is a member of the Audit Committee and Nominating/Remuneration Committee of the Company. She is also a Director and Chairman of the Group Risk Management Committee and is a member of the Group Risk Management Committee and Group Nominating/Remuneration Committee of Manulife Holdings Berhad.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS (CONTINUED)**

#### **Profile of Directors (Continued)**

**Arthur Jay Belfer**  
**Independent Non-Executive Director**

Mr. Arthur Jay Belfer ("Mr. Belfer"), aged 64, an American, was appointed to the Board on 3 February 2020. Mr. Belfer has professional qualifications as both an Actuary (FSA) and an Accountant (CPA) from the USA. He is also a Fellow in the Life Management Institute ("FLMI"). He holds a Bachelor of Business Administration (B.B.A.) from the University of Michigan, School of Business Administration with Honors as a University of Michigan Regents Alumni Scholar.

Mr. Belfer has held senior executive positions with Asian branches of global insurance companies and has significant board experience. Mr. Belfer was the Regional Senior Actuary for John Hancock in Asia for 5 years to assist with the establishment of its business presence in the region.

He was a founder for American International Group's ("AIG") Asia Pacific Life Operations Life Insurance Region. Mr. Belfer established and grew the Region for over 15 years, of which 11 years were as the Regional Senior Executive. He also established and led the AIG Enterprise Risk Management for two years in Asia, bringing it out of the New York Headquarters and into the businesses within the Asian Region.

Mr. Belfer was the Chief Executive Officer for Prudential Life Assurance Thailand, and Managing Director for Prudential Corporation Asia from year 2015 to year 2017. Prior to that, he served as Country President (CEO) & Chairman of the Board for the Ace Group's Life Insurance Company in Thailand from year 2010 to year 2013.

Mr. Belfer is the Chairman of the Nominating/Remuneration Committee of the Company.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS (CONTINUED)**

#### **Profile of Directors (Continued)**

##### **Mary Bernadette James A/P N James (Appointed on 15 October 2020)** **Independent Non-Executive Director**

Ms. Mary Bernadette James A/P N James ("Ms. James"), aged 62, a Malaysian, was appointed to the Board on 15 October 2020. Ms. Mary James graduated with a Bachelor's degree in Finance & International Business from the University of Texas-Austin in 1988.

Ms. James was the Chief Information Officer ("CIO") & Head of Transformation Office for Bank Danamon Indonesia from 2016 to February 2020. In this role, she led digital transformation to meet the digital challenges of a mobile-first world, built digital partnerships with the business, and created new business opportunities, as well as built a consistent experience for customers across different lines of business. She built and implemented bank-wide Big Data Strategy within two years and garnered two global Big Data awards.

Prior to joining Danamon, Ms. James was the Group CIO and Head of Infrastructure for Alliance Bank Berhad, Malaysia from October 2010 to February 2016, and was part of the management team to create new values and culture for the organization and designed and implemented a talent management framework. Ms. James also created a division to take on major Business Process Re-engineering projects, and delivered multiple infrastructure projects, legacy modernization of applications and virtualization.

From year 2009 to year 2010, Ms. James was the Chief Information Officer at NIB Bank, Pakistan on a short-term assignment of two years to bring under control multiple failing projects and manage the cost overrun on these projects. Her major accomplishments were the rollout of Core Banking solutions nationwide across 250 branches within five months and management of IBM and Core Banking vendors to achieve savings of 30%.

Ms. James was also with Bank Danamon Indonesia from year 2004 to year 2009 as Program Manager and subsequently Head of Technology, where she was responsible for transactional systems and technology infrastructure. As program manager, she was responsible for the bank's critical and major IT projects, and also implemented the department organizational strategy, which involved organization realignment and optimization of IT resources.

Ms. James held multiple senior roles in Citigroup from year 1997 to year 2004, such as Senior Project Manager, Equities Technology Group, London, Head of Systems and Expert Group, System Owner, Sales and Marketing and Head of ELC Operations and Technology, Malaysia. She replaced the global middle office system and integrated the Helsinki Exchange across both the equities and derivatives business.

Ms. James is a member of the Audit Committee, Risk Management Committee and Nominating/Remuneration Committee of the Company.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS (CONTINUED)**

#### **Profile of Directors (Continued)**

##### **Renzo Christopher Viegas (Appointed on 1 November 2020)** **Independent Non-Executive Director**

Mr. Renzo Christopher Viegas ("Mr. Renzo Viegas"), aged 60, an Indian, was appointed to the Board on 1 November 2020. Mr. Renzo Viegas holds a Bachelor of Commerce from the University of Mumbai, India. He is a Chartered Accountant and Fellow Member of the Institute of Chartered Accountants of India.

Mr. Renzo Viegas started his working career with Citibank in year 1985, where he progressively held senior positions in various Asia Pacific countries including regional responsibilities until year 2008. His last held position was Chief Operating Officer and Chief Financial Officer of Citibank Malaysia.

In year 2008, Mr. Renzo Viegas joined RHB Bank Berhad as Director, Retail Banking where he managed the consumer, insurance, hire purchase and SME businesses. In 2011, he was appointed as the Principal Officer overseeing the overall operations of RHB Bank Berhad. His last held position was Deputy Chief Executive Officer ("CEO") of the bank with direct oversight of the Consumer and International businesses.

Mr. Renzo Viegas was the Deputy CEO and Executive Director of CIMB Bank from year 2012 to year 2015 with direct oversight of the Consumer and Commercial businesses and CEO of Group Consumer Banking from year 2015 to year 2016. He was responsible for the development of overall business strategies of consumer banking for the smooth implementation of the strategies, and transformed the consumer bank of the Group to become its growth engine. He provided support to the Group Chief Executive and other senior management, leveraging on the regional platform to better reap synergies and accelerate business delivery. He also served as Adviser to the Group CEO of CIMB Bank, where he was responsible for the development of overall Group business strategies until March 2019. He was also a non-independent director for CIMB Bank (Vietnam) Ltd from August 2018 to July 2019, and non-independent director for CIMB Bank PLC in Cambodia from November 2017 to July 2019.

Mr. Renzo Viegas served as non-executive director of Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad from May 2013 to July 2017.

Mr. Renzo Viegas is presently an independent non-executive director on the Board of Astro Malaysia Holdings Bhd. He is the Chairman of Audit and Risk Committee, Chairman of Strategy and Business Transformation Committee and member of the Remuneration Committee of Astro Malaysia Holdings Bhd.

Mr. Renzo Viegas is a member of the Audit Committee, Risk Management Committee and Nominating/Remuneration Committee of the Company. He is also a Director and member of the Group Audit Committee, Group Risk Management Committee and Group Nominating/Remuneration Committee of Manulife Holdings Berhad.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS (CONTINUED)**

**Directors' Training**

The Directors have participated in conferences, seminars and training programmes to keep abreast with the development in the business environment, financial sector issues and challenges as well as the new regulatory and statutory requirements. Several members of the Board have participated in the Financial Institutions Directors' Education ("FIDE") programme developed by Bank Negara Malaysia in collaboration with Perbadanan Insurans Deposit Malaysia and the International Centre for Leadership in Finance. The programme is aimed at promoting high impact boards in the financial institutions.

The training programmes and seminars attended by the directors during the financial year ended 31 December 2020 are, inter-alia, on areas relating to corporate governance, risk management, role of an effective Board, insurance, banking and finance. The conferences, seminars and training programmes attended by the directors during the financial year ended 31 December 2020 are as follows:

- FIDE FORUM: Digital Banking: Why does it matter
- FIDE FORUM: Covid-19 and Current Economic Reality: Implications for Financial Stability
- FIDE FORUM: Outthink the Competition: Excelling in a Post Covid-19 World
- Chartered Institute of Islamic Finance Professionals (CIIFP): 5 Conditions for Transforming Work to Worship
- Board & Executive Pay During and Post Covid
- Banking on Governance, Insuring Sustainability
- FIDE FORUM: Digital Financial Institutions series – Fidor's Experience
- CIIFP: Moratorium 2.0: Who Wins & Who loses?
- Institute for Management Development (IMD): Digital Transformation Program
- Staying relevant in the age of disruption
- ISRA Consulting: Islamic Finance for Board of Directors
- Ernst & Young: IFRS 17 Insurance Contracts
- FIDE FORUM: Climate Action: The Board's Leadership in Greening the Financial Sector
- IIS Global Insurance Forum
- FIDE FORUM: 3<sup>rd</sup> Distinguished Board Leadership Series – "Challenging Times: What Role Must the Board Play"
- Raising Defences – Section 17A, MACC Act
- FIDE FORUM: 4<sup>th</sup> Distinguished Board Leadership Series
- FIDE FORUM: Green Fintech: Ping An's Use of Technology to Support Green Finance Objectives
- FIDE FORUM: Risks: A Fresh Look from the Board's Perspective
- FIDE FORUM: Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses
- BNM-FIDE FORUM: Annual Dialogue with Governor of Bank Negara Malaysia
- FIDE FORUM: Board Effectiveness Focus Group Discussion with Directors
- Institute of Chartered Accountants of India - Malaysia Chapter: Impact of Industry 4.0
- The Pay TV Landscape Globally: Opportunities and Challenges for Astro Landscape
- Coverage for Cyber and IT Related Crime
- MIA Member Induction Course E-Learning (e-MIC)

The Board will continue to undergo other relevant training programmes and seminars to ensure that they remain well-equipped with the relevant knowledge as well as emergent strategic directions and ideas to discharge their duties effectively.

**Company No.****200801013654 (814942-M)****MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)****DIRECTORS' REPORT (CONTINUED)****DIRECTORS (CONTINUED)****DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as directors' remuneration and benefits in note 26 and note 32 to the financial statements) by reason of a contract made by the Company or a related company with a 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.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects 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, other than those arising from the Executive Stock Option Plan of the ultimate holding company.

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, particulars of interests of directors who held office at the end of the financial year in shares and options on shares in the ultimate holding company are as follows:

		<b>Number of ordinary shares</b>		
	<b>As at 1.1.2020</b>	<b>Acquired/ reinvested dividends</b>	<b>Disposed</b>	<b>As at 31.12.2020</b>
<b>Manulife Financial Corporation</b>				
- Direct interest				
Vibha Hamsi Coburn	-	1,839	-	1,839

		<b>Number of options on ordinary shares</b>		
	<b>As at 1.1.2020</b>	<b>Granted</b>	<b>Lapsed</b>	<b>As at 31.12.2020</b>
<b>Manulife Financial Corporation</b>				
- Direct interest				
Vibha Hamsi Coburn	31,243	14,011	-	45,254

Stock options are granted to selected individuals under Manulife Financial Corporation's ("MFC") Executive Stock Option Plan ("ESOP"). These options provide the holder with the right to purchase common shares of MFC at an exercise price equal to the higher of the prior day or prior five day average closing market price of common shares on the Toronto Stock Exchange on the date the options were granted and are valid for 10 years from the grant date.

		<b>Number of deferred/restricted/performance share units</b>		
	<b>As at 1.1.2020</b>	<b>Granted/ reinvested dividends</b>	<b>Vested</b>	<b>As at 31.12.2020</b>
<b>Manulife Financial Corporation</b>				
- Direct interest				
Vibha Hamsi Coburn	20,460	9,862	(9,373)	20,949

Deferred, restricted and performance share units granted to certain employees under Manulife Financial Corporation's ESOP entitle the holder to receive cash payment equal to the value of the same number of common shares plus credited dividends upon retirement or termination of employment or as they are vested, subject to any performance conditions.

**Company No.****200801013654 (814942-M)****MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)****DIRECTORS' REPORT (CONTINUED)****DIRECTORS (CONTINUED)****DIRECTORS' INTERESTS (CONTINUED)**

Other than as disclosed above, no other directors in office at the end of the financial year held any interest in the shares in the Company or its related corporations during the financial year.

By virtue of the above directors' interests in the shares of the ultimate holding company, the said directors are deemed to have an interest in the shares of the Company to the extent that the immediate holding company and the ultimate holding company have interest.

**CORPORATE GOVERNANCE****Board Meeting**

There were six (6) Board Meetings held during the year. The details of attendance of the Directors are as follows:-

<b>Name of Board of Directors</b>	<b>Designation</b>
Dato' Md Agil bin Mohd Natt	Chairman/Independent Non-Executive Director
Vibha Hamsi Coburn (appointed on 1 October 2020)	Chief Executive Officer/Executive Director
Arthur Jay Belfer	Independent Non-Executive Director
Lim Hun Soon @ David Lim	Independent Non-Executive Director
Vijayam A/P Nadarajah	Independent Non-Executive Director
Mary Bernadette James A/P N James (appointed on 15 October 2020)	Independent Non-Executive Director
Renzo Christopher Viegas (appointed on 1 November 2020)	Independent Non-Executive Director
Datuk Seri Panglima Mohd Annuar bin Zaini (retired on 4 July 2020)	Independent Non-Executive Director
Lee Sang Hui (resigned on 30 September 2020)	Chief Executive Officer/Executive Director

<b>Name of Board of Directors</b>	<b>Attendance</b>
Dato' Md Agil bin Mohd Natt	6 out of 6 meetings
Vibha Hamsi Coburn	1 out of 1 meeting
Arthur Jay Belfer	6 out of 6 meetings
Lim Hun Soon @ David Lim	6 out of 6 meetings
Vijayam A/P Nadarajah	6 out of 6 meetings
Mary Bernadette James A/P N James	1 out of 1 meeting
Renzo Christopher Viegas	1 out of 1 meeting
Datuk Seri Panglima Mohd Annuar bin Zaini	4 out of 4 meetings
Lee Sang Hui	5 out of 5 meetings

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

**Board responsibility and oversight**

The Board of Directors ("the Board") has generally complied with BNM's Policy Document on Corporate Governance (BNM/RH/PD/029-9). As at the date of this report, the Board comprises six (6) independent non-executive directors and one (1) executive director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board has overall responsibility for putting in place a framework of good corporate governance within the Company, including the processes for financial reporting, risk management and compliance. Board members bring their independent judgement, diverse knowledge and experience in deliberations on issues pertaining to strategy, performance, resources and business conduct. The overall principal responsibilities of the Board are as follows:-

1. Providing clear objectives and policies within which the Senior Management of the Company is to operate.
2. Ensuring that there are adequate controls and systems in place to facilitate the implementation of the Company's policies.
3. Monitoring Management's success in implementing the approved strategies, plans and budget within the approved risk appetites.
4. Understanding the principal risks of all aspects of the businesses in which the Company is engaged in, setting of risk appetites, and ensuring that systems are in place to effectively monitor and manage these risks with a view to the long-term viability and success of the Company.
5. Monitoring and assessing development which may affect the Company's strategic plans.
6. Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
7. Avoiding conflicts of interest and ensuring appropriate disclosure of possible conflicts of interest.
8. Upholding and observing banking and relevant laws, rules and regulations.
9. The Board has adopted a schedule of matters specifically reserved for its approval which include, among others, reviewing and approving the following:-
  - (i) Strategic/business plans and annual budget.
  - (ii) New investments, divestments, mergers and acquisitions, corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.
  - (iii) Acquisition and disposal of significant assets of the Company.
  - (iv) Annual and interim financial statements before publishing to the Company's website and submission to BNM.
  - (v) Appointment of new Directors, CEO and other senior management positions based on recommendations of the Nominating/Remuneration Committee.
  - (vi) Related party transactions and capital financing.



**Company No.****200801013654 (814942-M)****MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)****DIRECTORS' REPORT (CONTINUED)****CORPORATE GOVERNANCE (CONTINUED)****Board Committees****Nominating/Remuneration Committee**

The members of the Nominating/Remuneration Committee as at 31 December 2020 are as follows:

<b>Name</b>	<b>Designation</b>
Arthur Jay Belfer (appointed as member w.e.f. 5 February 2020, redesignated as Chairman w.e.f. 5 July 2020)	Chairman/Independent Non-Executive Director
Lim Hun Soon @ David Lim	Member/Independent Non-Executive Director
Vijayam A/P Nadarajah	Member/Independent Non-Executive Director
Mary Bernadette James A/P N James (appointed as member w.e.f. 15 October 2020)	Member/Independent Non-Executive Director
Renzo Christopher Viegas (appointed as member w.e.f. 1 November 2020)	Member/Independent Non-Executive Director

A total of nine (9) Nominating/Remuneration Committee Meetings were held, on 15 January 2020, 14 February 2020, 26 February 2020, 23 March 2020, 21 May 2020, 5 August 2020, 19 August 2020, 12 October 2020 and 25 November 2020, for the financial year ended 31 December 2020. The attendance of the Nominating/Remuneration Committee members are as follows:-

<b>Name of Members</b>	<b>Attendance</b>
Arthur Jay Belfer	8 out of 8 meetings
Lim Hun Soon @ David Lim	9 out of 9 meetings
Vijayam A/P Nadarajah	9 out of 9 meetings
Mary Bernadette James A/P N James	1 out of 1 meeting
Renzo Christopher Viegas	1 out of 1 meeting
Datuk Seri Panglima Mohd Annuar bin Zaini (retired on 4 July 2020)	5 out of 5 meetings

For the financial year ended 31 December 2020, the Nominating/Remuneration Committee has undertaken the following activities:

- (i) Reviewed the contribution and performance of each individual director, the Board as a whole and Board Committees;
- (ii) Reviewed and recommended the re-election of directors to the Board for recommendation to the shareholders for approval;
- (iii) Reviewed the Board nomination process;
- (iv) Reviewed the succession plan for senior management; and
- (v) Reviewed the training programmes to be attended by the Board.

**Company No.****200801013654 (814942-M)****MANULIFE INSURANCE BERHAD  
(Incorporated in Malaysia)****DIRECTORS' REPORT (CONTINUED)****CORPORATE GOVERNANCE (CONTINUED)****Board Committees (Continued)****Risk Management Committee**

The members of the Risk Management Committee as at 31 December 2020 are as follows:-

<b>Name</b>	<b>Designation</b>
Vijayam A/P Nadarajah	Chairman/Independent Non-Executive Director
Lim Hun Soon @ David Lim	Member/Independent Non-Executive Director
Mary Bernadette James A/P N James (appointed as member w.e.f. 15 October 2020)	Member/Independent Non-Executive Director
Renzo Christopher Viegas (appointed as member w.e.f. 1 November 2020)	Member/Independent Non-Executive Director

A total of four (4) Risk Management Committee Meetings were held on 24 February 2020, 18 May 2020, 17 August 2020 and 23 November 2020, for the financial year ended 31 December 2020. The attendance of the Risk Management Committee members are set out as follows:-

<b>Name of Members</b>	<b>Attendance</b>
Vijayam A/P Nadarajah	4 out of 4 meetings
Lim Hun Soon @ David Lim	4 out of 4 meetings
Mary Bernadette James A/P N James	1 out of 1 meeting
Renzo Christopher Viegas	1 out of 1 meeting
Arthur Jay Belfer (appointed as interim member w.e.f 5 July 2020 until a new director is onboarded)	1 out of 1 meeting
Datuk Seri Panglima Mohd Annuar bin Zaini (resigned on 4 July 2020)	2 out of 2 meetings

The Risk Management Committee is responsible for:

1. Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
2. Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
3. Ensuring adequate infrastructure, resources and systems are in place for effective risk management, i.e. ensuring that staff are responsible for implementing risk management systems and perform these duties independently of the Company's risk taking activities; and
4. Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Through the Risk Management Committee, the Board oversees the Enterprise Risk Management Framework of the Company. The Risk Management Committee advises the Audit Committee and the Board on areas of high risks faced by the Company and the adequacy of compliance and control throughout the organisation. The Risk Management Committee reviews the risk management policies formulated by management and makes relevant recommendations to the Board for approval.

**Company No.****200801013654 (814942-M)****MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)****DIRECTORS' REPORT (CONTINUED)****CORPORATE GOVERNANCE (CONTINUED)****Board Committees (Continued)****Audit Committee**

The members of the Audit Committee of the Company as at 31 December 2020 are as follows:-

<b>Name</b>	<b>Designation</b>
Lim Hun Soon @ David Lim	Chairman/Independent Non-Executive Director
Vijayam A/P Nadarajah	Member/Independent Non-Executive Director
Mary Bernadette James A/P N James (appointed as member w.e.f. 15 October 2020)	Member/Independent Non-Executive Director
Renzo Christopher Viegas (appointed as member w.e.f. 1 November 2020)	Member/Independent Non-Executive Director

A total of six (6) Audit Committee Meetings were held on 24 February 2020, 16 March 2020, 18 May 2020, 17 August 2020, 25 August 2020 and 23 November 2020, for the financial year ended 31 December 2020. The attendance of the Audit Committee members are set out as follows:-

<b>Name of Members</b>	<b>Attendance</b>
Lim Hun Soon @ David Lim	6 out of 6 meetings
Vijayam A/P Nadarajah	6 out of 6 meetings
Mary Bernadette James A/P N James	1 out of 1 meeting
Renzo Christopher Viegas	1 out of 1 meeting
Arthur Jay Belfer (appointed as interim member w.e.f 5 July 2020 until a new director is onboarded)	1 out of 1 meeting
Datuk Seri Panglima Mohd Annuar bin Zaini (retired on 4 July 2020)	3 out of 3 meetings

The main duties and responsibilities of the Audit Committee are to review audit issues concerning internal control and risk management identified by the internal auditors, external auditors and regulatory examiners. The Audit Committee annually reviews and approves the audit plan and budget to ensure that the Internal Audit function operates effectively. The Audit Committee reviews and verifies the related party transactions and conflicts of interest entered into by the Company and recommends the same to the Board for approval and consideration.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **CORPORATE GOVERNANCE (CONTINUED)**

#### **Key Internal Control and Risk Management Process**

##### Enterprise Risk Management Framework

The Company has a strong risk management culture which supports its risk management practices. Overall, the Company's Board of Directors is accountable for the oversight of risk management, and delegates this through a governance framework which is centered on the Three Lines of Defence Model and that includes risk oversight committees, risk managers and risk policies and practices.

The Board provides stewardship and Management oversight to ensure that the Management is qualified and competent. Organisational and procedural controls, and policies and procedures for major activities are reviewed, approved and monitored on a periodic basis.

Senior management directs and oversees the effective management of the Company's institutional operations, which includes developing business objectives, strategies, plans, organisational structure and controls and policies for the Board's review and approval. Senior Management executes and monitors the achievement of the Board approved business objectives, strategies, and plans, the effectiveness of the organisational structure and controls and corporate governance practices, culture and ethics.

The Risk Management Committee ("RMC") meets at least quarterly to review both the key risks identified by Management and plans for the mitigation of these risks. The key risk areas examined are strategic risk, insurance risk, market and liquidity risk, credit risk and operational risk. A formalised risk assessment is conducted quarterly by the respective risk managers, comprising the heads of business units. For the key risks identified, Management action plans are formulated and implemented. The results of the risk assessments are reviewed by the Enterprise Risk Management Committee ("ERM") before they are reported to the Board via the RMC, to ensure that the risk management monitoring is independent.

There is a clearly defined assignment of responsibilities to the Committees of the Board and to Management to provide oversight and governance over the Company's activities. The Board, through its Audit Committee ("AC") and RMC, is responsible for overseeing the Company's management of its principal risks. The Company Chief Executive Officer ("CEO") is directly accountable to the Board for all of the Company's risk taking activities and risk management practices. The Board and RMC delegate accountability for risk taking and risk management to the Company CEO. The Company CEO, supported by the Chief Risk Officer (CRO) and ERM establish risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting our risk culture throughout the Company. The ERM consists of the Company CEO, Company Chief Financial Officer ("CFO"), CRO, Chief Compliance Officer, Information Risk Officer, Appointed Actuary ("AA") and Chief Human Resources Officer.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

**Key Internal Control and Risk Management Process**

Internal Audit Services Function

The Charter for Audit Services – Malaysia (“AS-Malaysia”) is reviewed and approved by the AC annually.

The scope of AS-Malaysia’s work encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee and Senior Management on the adequacy and effectiveness of Manulife’s governance, risk management and internal control processes. Internal audit assessments include evaluating:

- The comprehensiveness, reliability, and integrity of financial and operating information, and the means used to identify, measure, analyse, classify, and report such information;
- The comprehensiveness and appropriateness of policies and procedures;
- The processes that ensure compliance with policies, procedures, laws, and regulations that could have a significant impact on operations, management or financial reporting;
- The means of safeguarding assets against accident, theft, malicious damage or other improper or illegal activities;
- The appropriateness and comprehensiveness of operating standards, the extent to which they are communicated and understood, and whether deviations from standards are identified, analysed and communicated, and corrective action taken; and
- Consultation and other services related to audit expertise as needs arise.

The annual audit plan is primarily driven by an independent assessment of inherent risk of the common units across the company and includes consideration of external information published by industry groups, and input from management, Committee members, regulators and other stakeholders. The objective of the inherent risk assessment exercise is to focus annual activity on the most important risks faced by Manulife while providing appropriate audit coverage over other areas over time. The progress of the internal audit plan, a summary of internal audit issues and the status of corrective actions performed to address the internal audit issues are reported to the AC when it meets.

The AC reviews audit issues concerning governance, internal controls and risk management as identified by AS-Malaysia, external auditors and regulatory examiners. The AC annually reviews and approves the internal audit plan and budget to ensure the AS-Malaysia’s function operates effectively. The AC meets at least quarterly to review the internal audit reports tabled by AS-Malaysia. Also, the AC has active oversight on AS-Malaysia’s independence and objectivity in relation to their scope of work.

Other Key Internal Controls

There is a detailed and formalised annual business and budget planning process to ensure that the Group’s business objectives are clearly defined. The Board reviews and approves the Group’s business plans. Comprehensive management reports are submitted to the Board as and when it meets throughout the year. The Board monitors the Group’s performance closely and Management promptly follows up on any variances identified.

An annual review of the current and future financial position of the Group’s insurance business is performed by the AA, as guided by Policy document issued by Bank Negara Malaysia’s (BNM/RH/GL/003-17) Financial Condition Report and (BNM/RH/GL/032-12) Risk Based Capital Framework for Insurers. These include annual assessment on various aspects of the Company’s financial condition, quarterly Capital Adequacy Ratio reporting, annual multi-period stress testing and assessing the Group’s insurance business’ ability to withstand various adverse scenarios as part of the capital assessment procedures. Generally the appointment and duties of the AA is in accordance with BNM/RH/STD 029-5 - Appointed Actuary: Appointment and Duties.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **CORPORATE GOVERNANCE (CONTINUED)**

#### **Key Internal Control and Risk Management Process (Continued)**

##### Other Key Internal Controls (Continued)

The risk and compliance culture of the Company is driven by a strong tone from the top, complemented by the tone from the middle, to embed the expected values and principles of conduct that shape the behaviour and attitude of staff across the Company. Policies and internal standard operating procedures are clearly defined, consistently communicated and continuously reinforced, to embed a culture that cultivates active identification, assessment and mitigation of risk as part of the responsibility of all staff across the Group. As part of the risk and compliance culture, the Company has instilled a compliance culture where the Board, senior management and every employee of the Company is committed to adhere to the requirement of relevant laws, rules, regulations and regulatory guidelines.

The Board recognises that compliance function forms an integral part of the Company's risk management and internal controls. The compliance function is to identify, assess, monitor the compliance risk of the entity and educate the business and support units to act in accordance with laws and regulations. In ensuring good governance, the Chief Compliance Officer has direct access to the Board with clear reporting lines to the extent permitted by the regulation.

As it is vital to have a robust and effective compliance framework in place, the Company has in place a Compliance Policy that is driven by the Compliance Department in managing compliance risk within the business. The Policy requires all entities within the group to adopt and implement the compliance policies and procedures which are reviewed on a periodic basis or as and when required to reflect current practices and the applicable regulatory requirements.

Using the Three Lines of Defence Model, all business and support unit are required to review and assess its established controls to ensure compliance to applicable laws and regulations. The compliance unit, as part of the second line of defence, will carry out scheduled compliance reviews on business and support units to assess the overall effectiveness of a business's compliance practices and protocols. The Board is provided with compliance reports on a regular basis to facilitate a holistic and overall view of all compliance matters across the company.

There are internal policies and procedures within the Company for recruitment, termination, rewards and benefits, and promotion of staff including continuous training programmes and two (2) reviews conducted at mid-year and year end. In addition, other relevant procedures are in place to ensure that staff are competent, adequately trained in carrying out their roles and responsibilities and focused on achieving the desired results and business objectives. Talent Management review is conducted on an annual basis through a robust process via a Talent Review committee comprises the CEO and Executive Management team. Succession planning is reviewed on an annual basis leveraging on outcomes of the annual talent review. Successors to key roles are identified in consultation with Senior Management team. Identified high potentials are reflected in the succession plans depending on the role, growth opportunity, personal aspirations and mobility. Several other key initiatives in helping the Company in building high performing team include series of employee engagement and employee retention initiatives and continuous education of effective execution of performance management.

A comprehensive business continuity management programme is established and updated continuously to reflect changes in the operating environment to provide enterprise-wide planning and arrangements of key resources and procedures that enable the Company to respond to and continue to operate mission-critical business functions, while considering all functions across a broad spectrum of interruptions to the business arising from internal and external events. Various business continuity tests are performed on an annual basis and covering alternate site tests, table top exercises, call tree tests, integrated simulation disaster recovery tests, etc. Results of the tests performed are presented to the Board via the Group CEO reports for their review as part of its oversight role.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **CORPORATE GOVERNANCE (CONTINUED)**

#### **Key Internal Control and Risk Management Process (Continued)**

##### Other Key Internal Controls (Continued)

The Information Risk Management function has in place, an existing risk assessment process that covers cyber security risk. The assessment is guided by policies and standards in place, in areas such as network security, encryption standards (for data at rest and in transit), operational security, application security, vulnerability management and logical access control.

There are clearly documented authority limits, policies and procedures that underpin the internal control process, e.g. staff integrity, staff competency, checks and balances, segregation of duties, independent checks and verification processes, system access controls and layers of internal transaction authorisation, which are set out in the policies and procedural manuals, guidelines, and directives issued by the Company and updated from time to time.

##### Risk Policies in Place

The Company's Enterprise Risk Policy sets out the overall ERM framework by defining policies and standards of practice related to risk governance, risk identification, risk measurement, risk monitoring, risk control and mitigation. There are various key risk policies in place to guide specific risk taking and Management activities.

**Company No.****200801013654 (814942-M)****MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)****DIRECTORS' REPORT (CONTINUED)****CORPORATE GOVERNANCE (CONTINUED)****Senior Management and Material Risk Takers**

The Company's Senior Management that has company-wide management responsibilities as at the date of this report comprised of the following personnel:-

- 1) Chief Executive Officer
- 2) Chief Financial Officer
- 3) Chief Agency Officer
- 4) Head of Partnership Distribution/Chief Partnership Officer
- 5) Appointed Actuary\*
- 6) Chief Risk Officer\*
- 7) Chief Compliance Officer\*

\* Personnel having control function

The Company's Senior Management is also deemed to be Material Risk Takers, who can materially commit or control significant amount of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile.

Total compensation awarded to the Senior Management (excluding control function) for the financial year is as below:-

<b>Total compensation (RM'000)</b>	<b>Non-Deferred</b>	<b>Deferred</b>			
	Awarded during the year	Granted during the year	Paid during the year	Implicit change in value*	Cumulative outstanding as at 31 December 2020
Fixed remuneration					
• Cash-based	4,352	-	-	-	-
• Shares and share-linked instruments	-	-	-	-	-
• Other	1,148	-	-	-	-
Variable remuneration					
• Cash-based	1,987	-	-	-	-
• Shares and share-linked instruments	11	1,414	241	(235)	3,182
• Other	23	-	-	-	-
	<b>7,521</b>	<b>1,414</b>	<b>241</b>	<b>(235)</b>	<b>3,182</b>

\* Implicit change in value represents the change in value of deferred compensation arising from change in share price and performance vesting conditions

All of the Senior Management and Material Risk Takers received variable remuneration for the financial year. There were no guaranteed bonuses, sign-on awards or severance payments paid to this group during the financial year.



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

**Senior Management and Material Risk Takers (Continued)**

**Remuneration policy**

**(a) Compensation philosophy**

The Group Nominating/Remuneration Committee of the immediate holding company, Manulife Holdings Berhad, has reviewed and adopted the Manulife Global Compensation Policy ("MFC Global policy") with certain amendments to suit Manulife Holdings Berhad and its subsidiaries, and to align with the Corporate Governance standards of Bursa Malaysia and Bank Negara Malaysia. The Company has adopted the same policy as the Group.

Pay for performance is at the core of the Company's compensation approach. Compensation is tied to the achievement of our short, medium and long-term goals, so that a significant portion of what our executives earn is variable and not guaranteed.

There are five principles guiding every compensation decision:-

- (i) Compensation aligned with business strategy
  - Incentive compensation is tied to the achievement of key performance measures, prudently balancing time horizons and performance perspectives.
  - Performance measures are tied directly to our business strategy and shareholder value.
  - Performance share units vest and pay out based on relative and absolute Total Shareholders' Return ("TSR").
- (ii) Compensation aligned with long-term shareholder value
  - A significant part of our Senior Management's (excluding control function) compensation is directly affected by our share price.
  - The annual incentive plan incorporates measures tied to our future success.
  - Share ownership guidelines, clawback provisions and stock option exercise restrictions discourage the share recipients from taking undue risk.
- (iii) Compensation and performance benchmarked against peer companies
  - Executive pay is benchmarked against companies with which we compete for business, capital and talent.
- (iv) Compensation aligned with good governance practices
  - Our remuneration policy is aligned with the Financial Stability Board's Principles for Sound Compensation Practices and the Corporate Governance standards of Bursa Malaysia and Bank Negara Malaysia.
  - Employees must annually certify compliance with the Company's Code of Business Conduct and Ethics.
- (v) Compensation aligned with risk management objectives
  - Incentive compensation for the heads of control functions of our business is based on measures that are not directly linked to the business they oversee.
  - The Company carries out stress tests on compensation plan designs.
  - Senior Management compensation may be clawed back for wrongdoing, even when a financial restatement is not required.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

**Senior Management and Material Risk Takers (Continued)**

**Remuneration policy (Continued)**

**(b) Managing compensation risk**

Compensation is aligned with the Company's risk appetite and risk management objectives, and discourages inappropriate risk taking.

The Company uses a compensation risk framework to structure how the Company manages the risks associated with the compensation program and the design features that mitigate these risks. The framework includes four categories, which shape the development of our compensation program. The Company assesses the compensation program against the framework every year.

**(i) Business Risk**

Business risk has two aspects:

- the risk that the compensation program encourages behaviour that is not in line with the Company's business strategy, risk appetite statement and goal of generating long-term shareholder value; and
- the risk that the compensation program discourages the taking of healthy risks.

The Company seeks to manage both aspects of business risk by including performance measures in the incentive plans that align compensation with the Company's business strategy and reflect the impact employees have on performance.

**(ii) Talent Risk**

Talent risk is the risk that the compensation program will not attract and retain talented employees.

The Company seeks to manage this risk by designing compensation program to be competitive and appealing to the talent.

**(iii) Performance Risk**

Performance risk is the risk that the compensation program will not motivate employees to maintain high performance standards.

The Company seeks to manage this risk by including appropriate links between pay and performance and designing compensation to optimize business results.

**(iv) Compliance and Ethical Risk**

Compliance and ethical risk is the risk that the compensation program will encourage employees to engage in questionable, unethical or illegal behaviour.

The Company seeks to manage this risk through strong oversight and control mechanisms, and by structuring the compensation program in a way that minimises the potential incentive to breach compliance and ethical guidelines.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

**Senior Management and Material Risk Takers (Continued)**

**Remuneration policy (Continued)**

**(c) Mitigating compensation risk**

The Company seeks to manage potential risk through the risk management policies, design of the compensation program and proper oversight of the incentive plans, and integrating the consideration of the Company's risk appetite into the incentive plans and performance assessments.

Risk management policies

- Clawbacks – if a Corporate Vice president or above commits fraud, theft, embezzlement or serious misconduct, whether or not there is a financial restatement, Manulife's board can, at its discretion, cancel some or all of his or her vested or unvested incentive awards, and require repayment of incentive awards that have already been paid.
- Share ownership requirements – all executives are required to meet share ownership requirements.
- No hedging – executives and directors are not allowed to use strategies (for example, short selling, or buying or selling a call or put option or other derivatives) to hedge or offset a change in price of Manulife Financial Corporation's shares. This policy is incorporated into our Code of Business Conduct and Ethics. All employees and directors are required to certify compliance with the code every year.

Program design

- Compensation award horizons are appropriately balanced between short, medium and long term.
- Incentive plans include several performance measures, combining various performance scenarios.
- Specific risk control and capital adequacy measures are embedded in the performance share unit awards.
- Incentive plan awards depend on both company performance and total shareholder return ("TSR"), which links our strategy and risk appetite with improving shareholder outcomes and capital strength.
- Compensation for control functions is not linked to business performance, to promote unbiased oversight and advice to Manulife's senior management and Board of Directors.
- Annual incentives for divisional control function heads providing oversight are not directly linked to the performance of businesses they oversee.

Incentive plan oversight

- Manulife's management resources and compensation committee oversees all incentive plans, including payout distribution, control and monitoring processes and the potential impact they may have on business risk.
- The Nominating/Remuneration Committee of the Company reviews and approves the compensation decisions for Senior Management and Material Risk Taker.

Risk perspective in performance assessment

- Individual risk management objectives are included in annual goals for all senior leaders.
- The Company assesses employees against risk management criteria to make sure that the employees are mindful of the risks inherent in their jobs and are working within the boundaries of the Company's policies and practices, while still providing appropriate incentives for material risk takers to achieve the Company's objectives.
- Performance assessments are expected to reflect how the employee contributed to manage the Company's risk profile within the Company's risk appetite and also take into account any signals from Internal Audit, Compliance or Risk Management highlighting inappropriate actions.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **CORPORATE GOVERNANCE (CONTINUED)**

#### **Senior Management and Material Risk Takers (Continued)**

#### **Remuneration policy (Continued)**

##### **(d) Compensation program**

The Senior Management compensation program has six key components:-

Key components	Description of compensation	Details of remuneration
Base Salary	Fixed compensation based on role, performance, qualifications and experience.	<p>Each executive's salary depends on:</p> <ul style="list-style-type: none"><li>• qualifications, experience and role</li><li>• performance in the role</li><li>• past promotions and career progression</li><li>• salaries paid for comparable roles at peer companies</li><li>• salaries of comparable roles within Manulife</li></ul> <p>The Company benchmark salaries and salary ranges at least once a year against comparable roles in peer companies and other executives within the Manulife Group.</p>
Annual incentive • annual cash-based incentive  Awarded in February of the following year for the preceding year's performance	<p>Variable compensation designed to reward executives for meeting the Company's objectives and individual performance goals over a calendar year where performance is assessed based on "what" was achieved (contribution) and "how" they were achieved (exhibiting the Company's cultural behaviours).</p> <p>Ties compensation to short-term priorities that will result in sustainable performance over time.</p>	<p>We set a target award for each executive (a percentage of base salary) based on competitive market data and the executive's level.</p> <p>The amount we actually pay depends on a combination of company and individual performance.</p> <p>Company performance objectives are tied to the achievement of performance targets that position the company for future success.</p> <p>Individual performance objectives are aligned with our company strategy and fall into three categories:</p> <ul style="list-style-type: none"><li>• business objectives</li><li>• leadership objectives</li><li>• risk management objectives</li></ul>

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

**Senior Management and Material Risk Takers (Continued)**

**Remuneration policy (Continued)**

**(d) Compensation program (Continued)**

The Senior Management compensation program has six key components:- (continued)

Key components	Description of compensation	Details of remuneration
<p>Medium and long-term incentives (Equity-based incentives)</p> <ul style="list-style-type: none"> <li>restricted share units</li> <li>performance share units</li> <li>stock options</li> </ul> <p>Awarded at the beginning of each year to executives.</p> <p>Senior leaders at the Corporate Vice President level and below receive 100% of their award in restricted share units.</p>	<p>Variable compensation designed to reward executives for meeting company objectives and individual performance goals over a multi-year period.</p> <p>Ties compensation to company and share price performance over both the medium and long term.</p> <p>Strengthens retention and reinforces alignment with shareholder value, especially for more senior executives.</p>	<p>The Company sets awards for each executive based on level, contribution, potential and market competitiveness, and benchmark the award levels every year against comparable roles in peer companies.</p> <p>The amount each executive ultimately receives depends on Manulife Group's performance:</p> <ul style="list-style-type: none"> <li>the value of restricted share units depends on the price of Manulife Financial Corporation ("MFC")'s common shares at the time of vesting.</li> <li>the value of performance share units depends on the price of MFC's common shares at the time of vesting, as well as how we perform against internal and relative performance measures that are aligned with our company strategy.</li> <li>the value of stock options depends on the price of MFC's common shares at the time of grant and when stock options are exercised.</li> </ul> <p>The Company do not consider the outstanding value of restricted share units, performance share units and stock options an executive already holds when granting awards.</p>
Pension	Assists our employees as they save for their retirement	The Company offers supplemental defined contribution plan* in addition to statutory Employees Provident Fund ("EPF").
Benefits and wellness	Protects and invests in the well-being of our employees	The Company offers group term life, disability, health insurance, dental, optical and wellness and other programmes.
Perquisites	Offers market-competitive benefits	The Company offers perquisites depending on industry/market practice.

\* The supplemental defined contribution plan was discontinued from 31 January onwards.

The mix of components that make up total target direct compensation for the executives in Senior Management vary by level. The proportion of variable pay increases by level, making the link between pay and performance more pronounced for senior executives, because of the greater influence they have on our results. The combination of different incentive plans ensures that executives consider both the short-term and the long-term impact of their decisions.

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

## **DIRECTORS' REPORT (CONTINUED)**

### **CORPORATE GOVERNANCE (CONTINUED)**

#### **Senior Management and Material Risk Takers (Continued)**

#### **Remuneration policy (Continued)**

#### **(d) Compensation program (Continued)**

This combination of components and time horizons helps to drive performance, align executive interests with those of shareholders, provide for competitive pay opportunities and encourage retention. Company performance score is used to adjust variable compensation funding available to be awarded. The exact amount granted is determined through an assessment of individual performance against goals that are tied to the financial and operating results of the Company, including impact on risk culture.

#### **Management accountability**

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing policies on executive remuneration. None of the directors and senior management of the Company has, in any circumstances, conflict of interest referred to in the Financial Services Act, 2013.

The management meets all prescriptive requirements under this section, and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the areas of communication.

#### **Corporate independence**

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/018-6) in respect of all its related party undertakings. Necessary disclosures have been made to the Board and where required, the prior approval of the Board has also been obtained.

#### **Public accountability**

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

#### **Financial reporting**

The Company has maintained proper accounting records and the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 2016 in Malaysia.

### **INDEMNITY AND INSURANCE**

During the financial year, the indemnity given or insurance effected for any Directors and officers of the Company amounts to RM20,000,000 in aggregate with total annual premium of RM22,078.

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (CONTINUED)**

### **HOLDING COMPANIES**

The directors regard Manulife Holdings Berhad, a company incorporated in Malaysia, as the Company's immediate holding company, and Manulife Financial Corporation, a corporation incorporated in Canada, as the ultimate holding company.

### **AUDITORS AND AUDITORS' REMUNERATION**

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is disclosed in note 26 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 March 2021.



**DATO' MD AGIL BIN MOHD NATT**

CHAIRMAN

Kuala Lumpur, Malaysia



**VIBHA HAMSI COBURN**

CHIEF EXECUTIVE OFFICER/  
EXECUTIVE DIRECTOR

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) AND SECTION 251(3) OF THE COMPANIES ACT, 2016**

We, Dato' Md Agil bin Mohd Natt and Vibha Hamsi Coburn, being two of the directors of Manulife Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 35 to 124 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2021.

  
**DATO' MD AGIL BIN MOHD NATT**  
CHAIRMAN

  
**VIBHA HAMSI COBURN**  
CHIEF EXECUTIVE OFFICER/  
EXECUTIVE DIRECTOR

Kuala Lumpur, Malaysia

**STATUTORY DECLARATION**  
**PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016**

I, Tham Kok Yoke (MIA Membership No: 17299), being the officer primarily responsible for the financial management of Manulife Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 35 to 124 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

  
**THAM KOK YOKE**

Subscribed and solemnly declared by the abovenamed Tham Kok Yoke at Kuala Lumpur in Malaysia on 26 March 2021, before me.

  
**COMMISSIONER FOR OATHS**





**200801013654 (814942-M)**

**Independent auditors' report to the member of  
Manulife Insurance Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Manulife Insurance Berhad, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of total comprehensive income, statement of changes in equity and statement of 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 35 to 124.

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 report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 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 other information and we do not express any form of assurance conclusion thereon.

200801013654 (814942-M)

**Independent auditors' report to the member of  
Manulife Insurance Berhad (Continued)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (cont'd.)*

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information 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 this other information, 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 Company's ability 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.



200801013654 (814942-M)

**Independent auditors' report to the member of  
Manulife Insurance Berhad (Continued)  
(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

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 Company's internal control.
- 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 Company's ability 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 achieves fair presentation.

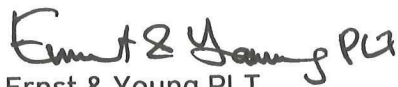
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

200801013654 (814942-M)

**Independent auditors' report to the member of  
Manulife Insurance Berhad (Continued)  
(Incorporated in Malaysia)**

**Other matters**

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.



Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
26 March 2021



Ahmad Hammami Bin Muhyidin  
No. 03313/07/2021 J  
Chartered Accountant

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	Note	2020 RM'000	2019 RM'000
<b>ASSETS</b>			
Property and equipment	4	20,537	16,642
Investment property	5	46,802	51,290
Intangible assets	6	47,365	43,539
Loans and receivables	7	314,710	230,157
Available-for-sale financial assets	8(a)	3,523,659	3,347,853
Financial assets at fair value through profit or loss	8(b)	1,827,526	1,699,309
Reinsurance assets	9	5,718	3,403
Insurance receivables	10	16,877	25,794
Right-of-use assets	18	1,995	1,859
Current tax asset	19	23,192	8,226
Cash and cash equivalents		84,747	61,927
<b>TOTAL ASSETS</b>		<b>5,913,128</b>	<b>5,489,999</b>
<b>EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>			
Share capital	11	200,000	200,000
Retained earnings	12	357,133	327,856
Fair value reserve	12	41,506	12,763
<b>TOTAL EQUITY</b>		<b>598,639</b>	<b>540,619</b>
Insurance contract liabilities	13	4,360,216	4,125,326
Insurance claims liabilities	14	56,304	53,464
Financial liability at fair value through profit or loss	15	21	-
Deferred tax liabilities	16	59,508	34,615
Reinsurance liabilities	9	4,257	5,412
Insurance payables	17	671,859	601,023
Lease liabilities	18	2,137	1,999
Current tax liability	19	22,245	-
Other payables	20	137,942	127,541
<b>TOTAL LIABILITIES</b>		<b>5,314,489</b>	<b>4,949,380</b>
<b>TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES</b>		<b>5,913,128</b>	<b>5,489,999</b>

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

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 RM'000	2019 RM'000
Premium income			
Gross premiums		927,527	893,528
Premiums ceded to reinsurers		(92,420)	(69,173)
Net premiums	21	835,107	824,355
Investment income	22	181,389	191,656
Net realised gains	23	54,682	42,591
Net fair value gains	24	81,180	80,692
Fee income	25	3,773	3,789
Other operating income		2,924	2,946
<b>Total revenue</b>		<b>1,159,055</b>	<b>1,146,029</b>
Gross benefits and claims paid and payable		(841,218)	(735,316)
Claims ceded to reinsurers		35,678	23,766
Gross change in insurance contract liabilities		(77,702)	(170,786)
Change in insurance contract liabilities ceded to reinsurers		1,155	(7,702)
<b>Net claims</b>		<b>(882,087)</b>	<b>(890,038)</b>
Fee and commission expenses		(48,219)	(49,739)
Investment expenses		(9,929)	(10,353)
Management expenses	26	(151,318)	(143,376)
Other operating expenses	28	(31,958)	(30,205)
<b>Other expenses</b>		<b>(241,424)</b>	<b>(233,673)</b>
<b>Profit before taxation</b>		<b>35,544</b>	<b>22,318</b>
Taxation	29	(6,267)	(9,188)
<b>Net profit for the financial year</b>		<b>29,277</b>	<b>13,130</b>
<b>Net profit attributable to:</b>			
Equity holder of the Company		29,277	13,130
Basic and diluted earnings per share (sen)	30	8.36	3.75

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

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 RM'000	2019 RM'000
<b>Net profit for the financial year</b>		29,277	13,130
<b>Other comprehensive income, net of tax:</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:-			
Fair value change of available-for-sale financial assets:			
- Gross fair value change	8(c)	203,495	104,567
- Deferred tax	16	(18,038)	(8,389)
		185,457	96,178
Change in insurance contract liabilities arising from unrealised net fair value change	13	(156,714)	(89,598)
Net income		28,743	6,580
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		28,743	6,580
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:-			
Surplus from revaluation of property:			
- Gross surplus from revaluation		474	238
Changes in insurance contract liabilities arising from revaluation of property	13	(474)	(238)
Net income		-	-
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		-	-
<b>Other comprehensive income for the financial year</b>		28,743	6,580
<b>Total comprehensive income for the financial year</b>		58,020	19,710
<b>Total comprehensive income attributable to:</b>			
Equity holder of the Company		58,020	19,710

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

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

		Non-distributable	Distributable	
	Share capital RM'000	Fair value reserve RM'000	Retained earnings* RM'000	Total equity RM'000
At 1 January 2019	150,000	6,183	314,737	470,920
Effect of adoption of MFRS 16	-	-	(11)	(11)
At 1 January 2019 (restated)	150,000	6,183	314,726	470,909
Net profit for the financial year	-	-	13,130	13,130
Other comprehensive income for the financial year	-	6,580	-	6,580
Total comprehensive income for the financial year	-	6,580	13,130	19,710
Issue of ordinary shares	50,000	-	-	50,000
At 31 December 2019/1 January 2020	200,000	12,763	327,856	540,619
Net profit for the financial year	-	-	29,277	29,277
Other comprehensive income for the financial year	-	28,743	-	28,743
Total comprehensive income for the financial year	-	28,743	29,277	58,020
At 31 December 2020	200,000	41,506	357,133	598,639

\*Included in the retained earnings are surplus from Non-participating life fund of the Company (net of deferred tax) of approximately RM68,652,000 (31 December 2019: RM68,652,000) as further disclosed in note 12. These amounts are only distributable upon the actual recommended transfer from the Non-participating life fund to the Shareholder's fund by the Appointed Actuary.

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



Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the financial year		29,277	13,130
Adjustments for non-cash items	31	(275,751)	(273,836)
Operating losses before changes in operating assets and liabilities		(246,474)	(260,706)
Purchase of investments	8(c)	(3,546,695)	(3,497,400)
Proceeds from disposal and maturity of investments		3,581,244	3,284,019
Interest income received		115,624	132,077
Dividend income received		65,311	64,363
Rental income received		1,976	2,066
Decrease/(increase) in insurance receivables		8,898	(1,450)
(Increase)/decrease in reinsurance assets		(3,470)	11,517
(Increase)/decrease in other receivables		(10,368)	1,891
(Increase)/decrease in loans receivable		(996)	4,020
(Increase)/decrease in fixed and call deposits		(72,243)	32,904
Increase in insurance contract liabilities		77,702	170,785
Increase/(decrease) in insurance claims liabilities		2,840	(1,550)
Increase in payables		82,593	44,559
Cash generated from/(used in) operations		55,942	(12,905)
Interest paid	18	(79)	(38)
Income taxes paid		(15,729)	(23,991)
Net cash inflow/(outflow) from operating activities		40,134	(36,934)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	4	(5,029)	(1,605)
Purchase of intangible assets	6	(11,121)	(3,057)
Proceeds from disposal of property and equipment		-	20
Net cash outflow from investing activities		(16,150)	(4,642)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	50,000
Payment of lease liabilities	18	(1,164)	(734)
Net cash (outflow)/inflow from financing activities		(1,164)	49,266
Net increase during the financial year		22,820	7,690
Cash and cash equivalents at 1 January		61,927	54,237
Cash and cash equivalents at 31 December		84,747	61,927

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows and statement of financial position comprises the following:

	2020 RM'000	2019 RM'000
Cash and bank balances	60,632	37,189
Short-term deposits*	24,115	24,738
Cash and cash equivalents	84,747	61,927

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

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

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES**

**General**

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The immediate holding company is Manulife Holdings Berhad, a public listed company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Berhad. The ultimate holding company is Manulife Financial Corporation, a corporation incorporated and domiciled in Canada and listed on the Toronto, New York and Hong Kong Stock Exchanges.

**Principal activities**

The Company is engaged principally in the underwriting of life insurance business. There have been no significant changes in the principal activities of the Company during the financial year.

**Registered office and principal place of business**

The registered office and principal place of business of the Company is located at 16th Floor, Menara Manulife, 6 Jalan Gelenggang, Damansara Heights, 50490 Kuala Lumpur.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

**(a) Basis of preparation**

The financial statements of the Company have been prepared on a historical cost basis except as disclosed in this summary of significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

**(i) Adoption of new pronouncements in the current year**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new pronouncements effective from 1 January 2020 as follows:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 3 <i>Business Combinations – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest rate benchmark reform</i>	1 January 2020

The adoption of the above new pronouncements did not have any significant effect on the disclosures or amounts recognised in the Company's financial statements.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation (continued)**

**(ii) Standards and amendments/improvements to published standards and interpretations that are issued but not yet effective**

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company. The Company intends to adopt these new pronouncements, if applicable, when they become effective.

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Covid-19 - Related Rent Concessions (Amendment to MFRS 16 <i>Leases</i> )	1 June 2020
Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 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
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above new pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation (continued)**

**(ii) Standards and amendments/improvements to published standards and interpretations that are issued but not yet effective (continued)**

**MFRS 17 *Insurance Contracts***

MFRS 17 which was issued in August 2017, will replace MFRS 4 *Insurance Contracts*. MFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects, from recognition and measurement, presentation and disclosure.

MFRS 17 is effective for annual periods beginning on or after 1 January 2023. The Company will be adopting the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation for MFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have significant impact on the total profit and total equity of the Company together with the overall presentation and disclosures in the Company's financial statements.

The Company applied the temporary exemption under Amendments to MFRS 4 *Insurance Contract Liabilities: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* to defer the adoption of MFRS 9 until 1 January 2023, which is in line with the adoption of MFRS 17 *Insurance Contracts*, as the Company's activities are predominantly connected with insurance, and on the basis of meeting the predominance "insurance related industry" test under Amendments to MFRS 4, whereby the Company's insurance liabilities is more than 90% of the Company's total liabilities.

Accordingly, the Company's Financial Instruments will continue to be measured and classified in accordance with MFRS 139 as set out in note 2(e).

Additional disclosures as required under Amendments to MFRS 4 is included in note 37.

The Company will continue its implementation plan over the next few years.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Property and equipment**

Property and equipment is stated at cost or valuation, less accumulated depreciation and accumulated impairment losses, if any.

The cost of property and equipment includes expenditure that is directly attributable to the acquisition of the assets. Dismantlement, removal or restoration costs are included as part of the cost of property and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to the property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Land and building which are substantially occupied by the Company for its operations are classified under property and equipment.

Land and building are initially stated at cost and subsequently shown at fair value, based on independent valuation of the open market value on the existing use basis carried out by professional valuers less accumulated depreciation and any accumulated impairment losses. These valuations are reviewed annually and a formal valuation by an independent professional valuer is carried out once in every five years or earlier if the carrying values of the revalued asset are materially different from the market values. Professional and qualified external valuer is engaged to perform the formal valuation. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuer, which valuation techniques and inputs to use. The valuation result is presented to the Board of Directors for approval prior to the adoption of the valuation report.

The Company analyses the movements in the values of the property on an annual basis. Desktop valuation is performed by the Company in the interim period to obtain an indicative fair value of the property. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the valuation report and other relevant documents. The Company, in conjunction with the external valuers, also compares the change in the fair value of the property with relevant external sources to determine whether the change is reasonable.

When the land and building are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

The surplus arising on revaluation is credited to the asset revaluation reserve account within insurance contract liabilities except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to the profit or loss. A deficit arising on revaluation is recognised as an expense except that, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserve account and which has not been subsequently reversed or utilised, it is charged directly to that account.

No depreciation is charged on freehold land. Leasehold building is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is shorter than the leasehold period.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Property and equipment (continued)**

Work in progress is not depreciated until the asset is ready for its intended use.

All other property and equipment are depreciated on a straight line basis to write off the cost of the assets to the residual values over their estimated useful lives. The principal annual rates of depreciation used are as follows:

Building	- 50 years (subsequent to revaluation, the revalued amounts are depreciated over the remaining useful lives following the date of the latest valuation)
Furniture, fittings and equipment	- 10% to 20%
Motor vehicles	- 20%
Renovations	- 10%

The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each reporting date.

At each reporting date, the Company assesses whether there is any indication of impairment of property and equipment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(j)(ii) on impairment of non-financial assets.

On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in profit or loss. On disposal of revalued assets, the amounts of any remaining revaluation surplus relating to those assets are transferred to retained earnings.

Repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

**(c) Intangible assets**

**(i) Exclusive right**

The exclusive right arises from the 10-year exclusive bancassurance agreement entered into between the Company with Alliance Bank Malaysia Berhad ("ABMB"). 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.

**(ii) Computer software**

Cost of software rights acquired or developed is amortised on a straight-line basis over a period of four years.

Computer software in progress is not amortised until the asset is ready for its intended use.

**(iii) Distribution agreement**

The distribution agreement arises from the 20-year distribution right entered into between the Company and an agency leadership corporation. 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.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Intangible assets (continued)**

At each reporting date, the Company assesses whether there is any indication of impairment of its intangible assets. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(j)(ii) on impairment of non-financial assets.

**(d) Leases**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

**(i) As Lessee**

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made on or before the commencement date, any indirect costs incurred and an estimate of the 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 incentive 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.

Subsequently, the right-of-use asset is 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 the right-of-use assets are determined on the same basis as those of property and equipment (see note 2(b)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Company presents its right-of-use assets in 'right-of-use assets' and 'lease liabilities' in the balance sheet.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and leases 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.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Leases (continued)**

**(ii) As Lessor**

The Company classifies all leases for which it is a lessor as operating leases, because each of these leases does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term and are reported as rental income. The accounting policy for rental income is set out in note 2(t).

The sublease of the Company is classified as a finance lease. The Company derecognised the right-of-use asset, to the extent that it is subject to the sublease, and recognised a net investment in sublease. The net investment in sublease is presented within "other debtors" in the Loans and Receivables.

**(e) Financial instruments**

**(i) Classification, recognition and measurement of financial assets**

The Company classifies the financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, available-for-sale ("AFS") financial assets and loans and receivables ("LAR").

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition.

**(1) FVTPL**

Financial assets at FVTPL include financial assets held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. 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 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 are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

Derivative financial instruments held by the Company are forward foreign exchange contracts to hedge its currency risks. Any fair value gains on these derivative financial instruments are recognised as financial assets.



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Financial instruments (continued)**

**(i) Classification, recognition and measurement of financial assets (continued)**

**(2) HTM**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

**(3) LAR**

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. All transaction costs directly attributable to the acquisition are also included in the cost of the investments. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less any allowance for impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

**(4) AFS**

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial measurement, AFS are remeasured at fair value, with gains or losses recognised in other comprehensive income, except for impairment losses.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

On derecognition, the cumulative fair value gains and losses previously recognised in other comprehensive income are reclassified to profit or loss.

**(ii) Derecognition of financial assets**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred and the Company have also transferred substantially all risks and rewards of ownership.

On derecognition of financial asset in its entirety, the difference between the carrying amount and the sum of consideration received or receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All financial assets, except for FVTPL, are subject to review for impairment as set out in note 2(j)(i).

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Fair value of financial instruments**

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposits/placements and accrued interests/profits. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

**(g) 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 at inception.

Derivative financial instruments held by the Company are forward foreign exchange contracts to hedge its currency risks. Any fair value losses on these derivative financial instruments are recognised as financial liabilities.

Other financial liabilities are measured at amortised cost using the effective interest method. Interest expense and any gains or losses on derecognition are recognised in the profit or loss.

**(h) Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Investment property**

Investment property comprises land and building held by the Company which are held for long term rental yields or for capital appreciation or both and are not substantially occupied by the Company.

Investment property is initially measured at cost including related and incidental expenditure incurred, and is subsequently carried at fair value by the directors based on independent valuation of the open market values on existing use basis carried out by professional valuer. These valuations are reviewed annually and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment property are materially different from the market value. Professional and qualified external valuer is engaged to perform the formal valuation. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuer, which valuation techniques and inputs to use. The valuation result is presented to the Board of Directors for approval prior to the adoption of the valuation report.

The Company analyses the movements in the values of the property on an annual basis. Desktop valuation is performed by the Company in the interim period to obtain an indicative fair value of the property. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to the valuation report and other relevant documents. The Company, in conjunction with the external valuer, also compares the change in the fair value of the property with relevant external sources to determine whether the change is reasonable.

Any changes in the fair values of investment property are recorded in the profit or loss.

On disposal of investment property, the difference between net proceeds and the carrying amount is recognised in the profit or loss as appropriate.

If an investment property becomes owner-occupied, it is reclassified to property and equipment at its carrying value at the date of transfer.

**(j) Impairment of assets**

**(i) Financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

**Financial assets carried at amortised cost**

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. The impairment assessment is performed at each reporting date.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Impairment of assets (continued)**

**(i) Financial assets (continued)**

**Financial assets carried at amortised cost (continued)**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced and the impairment loss is recorded in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**AFS financial assets**

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment losses as previously recognised in the profit or loss, is transferred from equity or insurance contract liabilities to the profit or loss.

Reversal of impairment losses on equity instruments classified as AFS financial assets are not recognised in the profit or loss. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. Reversal of impairment losses on debt instruments classified as AFS financial assets are reversed through the profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the profit or loss.

**(ii) Non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

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.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Employee benefits**

**(i) Short-term employee benefits**

Wages, salaries, allowances, paid annual leave and sick leave, bonuses, social security contributions and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Company.

**(ii) Post-employment benefits**

The Company is required to contribute to the Employees' Provident Fund, a defined contribution plan.

Other than the mandatory contributions to the Employees' Provident Fund, the Company makes contributions to a separately funded defined contribution retirement benefits scheme ("the Scheme"), which is operated by the immediate holding company and administered by the Trustees of the Scheme, for all employees of the Group, including employees of the Company. Under the Scheme, the Company shall make contributions to the Scheme at such rate and at such frequency as shall be determined from time to time by the immediate holding company and the Trustees of the Scheme, with the advice of an Actuary, provided that the total contribution by the Company to the Scheme and to the Employees' Provident Fund does not exceed 15% of the employees' salary. Actuarial investigation is carried out periodically to assess the financial condition of the Scheme.

Following the resolution of the Trustees of the Scheme, the Scheme was dissolved on 31 January 2021. Upon completion of the closure of the Scheme, the Trustees of the Scheme will distribute the net assets of the Scheme to its employees via the Employees' Provident Fund.

The contribution payable for the financial year is charged to the profit or loss. Once the contributions have been paid, the Company has no further payment obligations.

**(iii) Share-based compensation**

The Company participated in share-based compensation plans granted to certain employees of Manulife Financial Corporation Group as consideration for services rendered. These plans include both equity-settled share-based and cash-settled share-based compensation scheme to eligible employees.

**(i) Equity-settled share-based compensation**

The fair value of equity-settled share-based compensation granted to employees as at the grant date is recognised in the profit and loss over the vesting periods of the grant. The fair value of the grant is measured using the Black-Scholes option pricing model, with the market price or strike price being the closing transaction price of Manulife Financial Corporation ("MFC") shares prior to the grant date. In valuing the share-based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MFC if applicable.

At each date of the statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Employee benefits (continued)**

**(iii) Share-based compensation (continued)**

**(ii) Cash-settled share-based compensation**

Cash-settled share-based compensation relates to the employee services received in exchange for the grant of the share appreciation rights. The fair value of the compensation is recognised in the profit or loss over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights of MFC. At each date of the statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the profit or loss.

The cumulative liability incurred net of any directly attributable transaction costs, will be reversed as cash is paid at the end of the vesting period.

**(l) Foreign currencies**

**(i) Functional and Presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

**(ii) Transactions and balances**

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

**(iii) Operations denominated in functional currency other than Ringgit Malaysia**

The results and financial position of investment-linked funds' operations (none of which has the currency of a hyperinflationary economy) with functional currency that is different from the presentation currency of the Company are translated into the presentation currency as follows:

- (1) Assets and liabilities for the statement of financial position presented are translated at the closing rate at the date of the statement of financial position; and
- (2) Income and expenses for profit or loss are translated at the average exchange rate unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, in which case income and expenses are translated using the exchange rates at the date of the transactions.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) Product classification**

An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. For purposes of MFRS 4 *Insurance Contracts*, the Company defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the Company, including investment-linked contracts, are considered insurance contracts as at the date of the statement of financial position. The investment components of the investment-linked contracts are not unbundled.

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the Company, fund or other entity that issues the contract.

Contracts in the Participating life funds are classified as insurance contracts with DPF and contracts in the Non-participating life funds are classified as insurance contracts without DPF.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Reinsurance**

The Company cedes insurance risk in the normal course of business for 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 or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

**(o) Life insurance underwriting results**

**(i) Gross premiums**

Premium income includes premium recognised in the Life fund and the Investment-linked funds. Premium income of the Life fund is recognised as soon as the amount of the premium can be reliably measured. 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.

Premium income of the Investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

**(ii) Reinsurance premiums**

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relates.



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Life insurance underwriting results (continued)**

**(iii) Commission and agency expenses**

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

**(iv) Benefits, claims and expenses**

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

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

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

- (1) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (2) 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.

**(p) 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 receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the 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 and impairment loss is calculated under the same method used for these financial assets as set out in note 2(j)(i) on impairment.

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

**(q) Assets held for sale**

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) Taxation**

*Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax is recognised in the statement of profit or loss.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses 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 benefit will be realised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled. Deferred tax is recognised in the profit or loss except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the insurance contract liabilities, in which case, the deferred tax is also charged or credited to other comprehensive income or directly in equity or directly in the insurance contract liabilities.

**(s) Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank balances and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Other revenue recognition**

Interest income is recognised as it accrues using the effective interest rate method in profit or loss. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the assets.

Dividend income is recognised in the 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.

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Realised gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Fee income is recognised when the services are provided.

**(u) Dividends on ordinary share capital**

Dividends on ordinary shares are recognised as a liability in the financial year in which it is declared and approved by the Company's shareholder.

**(v) Contingent liabilities and contingent assets**

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(w) Insurance contract liabilities**

**(i) Actuarial liabilities**

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by the gross premium valuation method, a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a Participating life policy, appropriate level of 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 the appropriate risk discount rate. The liability is 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 life policies, the guaranteed benefits liabilities of Participating life policies, Non-participating annuity policies and non-unit liabilities of Investment-linked policies.

The liability in respect of policies of a Participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised insurance contract liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test.

Any inadequacy is recorded in the profit or loss, initially by impairing PVIF and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(w) Insurance contract liabilities (continued)**

**(ii) Unallocated surplus**

Surpluses of contracts under the Participating life funds are attributable to policyholders and shareholder and the amount and timing of distribution to both the policyholders and shareholder are determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statement of financial position and is made in accordance with the provisions of the Financial Services Act 2013 and policy documents issued by BNM.

Unallocated surplus of Participating life funds, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholder by the end of the financial year, are held within the insurance contract liabilities.

Unallocated surplus for Non-participating funds is recognised as equity, as the policyholders do not have any rights over this unallocated surplus. The shareholder will ultimately have the rights over this unallocated surplus upon the recommendation of distribution by the Appointed Actuary. Hence, the unallocated surplus represents the residual interest of the shareholder in the assets of the Non-participating fund after deducting all its liabilities and it is recognised as equity accordingly.

**(iii) Fair value reserve**

Fair value gains and losses on AFS financial assets of Participating life fund are initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

**(iv) Asset revaluation reserve**

Revaluation surplus and deficit of freehold property of the Participating life fund are initially recognised in other comprehensive income. Subsequently, an equivalent amount of adjustment to the insurance contract liabilities is recognised.

**(v) Net asset value attributable to unit holders**

The unit liability of Investment-linked policies is equal to the net asset value of the Investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality, morbidity costs and expense charges.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(x) Fair value measurement**

Fair value of an asset or liability is measured at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption 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 assets, 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.

The valuation techniques and categories of fair values of assets and liabilities are further described in note 4, note 5, note 33(b) and note 33(c).

**(y) Investment in subsidiary**

A subsidiary is an entity over which the Company has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The power to use its power over the investee to affect its return.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less accumulated impairment losses.

On disposal of subsidiary, the difference between the net disposal proceed and the carrying amount is recognised as gain or loss on disposal in the income statement.

In accordance with the exemption provisions of MFRS 10 *Consolidated Financial Statements*, consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of Manulife Holdings Berhad, a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Berhad, which produces financial statements available for public use and which comply with MFRS and IFRS.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In the process of applying the Company's accounting policies, the Company establishes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events and reinsurance premium levels that are believed to be reasonable with the knowledge and information then available. Best estimate assumptions are constantly reviewed to ensure that they remain relevant and valid. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:-

- (i) Valuation of freehold property and investment property – note 4 and note 5
- (ii) Impairment of financial assets – note 2(j)(i)
- (iii) Impairment of intangible assets – note 2(j)(ii)

The estimates, assumptions and judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future are discussed below.

**Leases**

Incremental borrowing rates for leases

The Company uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

**Valuation of actuarial liabilities**

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, surrender rates (including lapses, Investment-linked premium, persistency and partial withdrawal), policyholders' bonuses/dividends and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be different than the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate or assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities. All contracts are subject to a liability adequacy test, which reflect management's best current estimate.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**
**Valuation of actuarial liabilities (continued)**

The key assumptions used in the estimation of actuarial liabilities are as follows:

Interest rate

The discount rates used for the valuation of Non-participating life fund (except for universal life Non-participating policy), Non-participating annuity fund, Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life funds under the "Risk-Based Capital Framework for Insurers" are described below:-

- (i) For cash flows with duration of less than 15 years, Malaysian Government Bond zero coupon spot yields of matching duration are used; and
- (ii) For cash flows with duration of 15 years or more, Malaysian Government Bond zero coupon spot yields of 15 years to maturity are used

where duration is the term to maturity of each future cash flow.

Zero coupon spot yields as at current financial year end are obtained from Bond Pricing Agency Malaysia Sdn. Bhd. (a bond pricing agency approved by BNM) and used for the valuation of guaranteed liabilities for all products, except for the US dollar denominated variable annuity ("VA") which used the corresponding US treasury yield as the valuation interest rate.

For the valuation of total benefits liabilities of the Participating life funds and universal life Non-participating policy, a suitable discount rate based on the historical yield and future investment outlook of the respective fund is used.

The table below shows the valuation discounting forward yields for the respective Life funds, after taking into consideration the applicable adjustment on investment expense and investment income tax.

Calendar Year	Resultant Valuation Discounting Yields				
	Ordinary Par	Annuity Par	Non-Par Annuity + Non-Par + IL	Non-Par Universal Life	IL SIP (VA)
2021	4.57%	1.73%	1.73%	3.86%	0.10%
2022	4.63%	1.95%	1.95%	3.89%	0.16%
2023	4.69%	2.14%	2.14%	3.91%	0.25%
2024	4.75%	2.34%	2.34%	3.93%	0.55%
2025	4.81%	2.64%	2.64%	3.96%	0.74%
2026	4.88%	3.31%	3.31%	3.98%	1.23%
2027	4.94%	3.05%	3.05%	4.01%	1.52%
2028	5.00%	2.85%	2.85%	4.03%	1.40%
2029	5.06%	3.13%	3.13%	4.05%	1.59%
2030	5.12%	3.07%	3.07%	4.08%	1.77%
2031	5.18%	4.62%	4.62%	4.10%	1.50%
2032	5.18%	5.59%	5.59%	4.10%	1.61%
2033	5.18%	6.73%	6.73%	4.10%	1.71%
2034	5.18%	5.15%	5.15%	4.10%	1.82%
2035	5.18%	2.84%	2.84%	4.10%	1.92%
2036	5.18%	3.40%	3.40%	4.10%	1.19%
2037+	5.18%	3.40%	3.40%	4.10%	1.19%



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**Valuation of actuarial liabilities (continued)**

Mortality, morbidity, critical illness, expenses and surrenders (including lapses, Investment-linked premium, persistency and partial withdrawal)

Assumptions on mortality are derived from the Company's historical experience and from reinsurance premium table, where applicable. For morbidity assumptions, they are based on reinsurance premium tables, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risks to longevity, prudent allowance is made for expected future mortality improvements.

Assumptions on future expenses are based on current expense levels with appropriate expected expense inflation adjustments.

Assumptions on surrenders (including lapses, Investment-linked premium, persistency and partial withdrawal) are derived from the Company's historical experience.

All assumptions are monitored through regular experience studies to ensure relevance and appropriateness.

For the Non-participating life fund, Non-participating annuity fund, Investment-linked operating fund and the guaranteed benefits liabilities of the Participating life funds, provision of risk for adverse deviation ("PRAD") assumptions are added to the best estimate assumptions.

For the valuation of total benefit liabilities of the Participating life funds, the best estimates assumptions are used.

***Participating Policyholders' Bonuses/Dividends***

Continuance of current bonus level (reflected with Bonus Revision 2020 which was effective from 1 January 2021) is assumed in the best estimate valuation.

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**4. PROPERTY AND EQUIPMENT**

	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>Cost/valuation</b>							
At 1 January 2019		10,313	135	19,108	240	3,779	33,575
Additions		-	586	978	-	41	1,605
Disposal		-	-	(7)	-	-	(7)
Write off	26	-	-	(423)	-	(654)	(1,077)
Revaluation adjustment	13	32	-	-	-	-	32
At 31 December 2019/1 January 2020		10,345	721	19,656	240	3,166	34,128
Additions		-	3,939	1,082	8	-	5,029
Transfer to furniture, fittings and equipment		-	(1,304)	1,314	-	(10)	-
Revaluation adjustment	13	259	-	-	-	-	259
At 31 December 2020		10,604	3,356	22,052	248	3,156	39,416
<u>Comprising assets stated at 31 December 2020:</u>							
Valuation		10,604	-	-	-	-	10,604
Cost		-	3,356	22,052	248	3,156	28,812
		10,604	3,356	22,052	248	3,156	39,416
<u>Comprising assets stated at 31 December 2019:</u>							
Valuation		10,345	-	-	-	-	10,345
Cost		-	721	19,656	240	3,166	23,783
		10,345	721	19,656	240	3,166	34,128

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**4. PROPERTY AND EQUIPMENT (CONTINUED)**

	Note	Building RM'000	Work in progress RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>Accumulated depreciation</b>							
At 1 January 2019		-	-	15,168	168	1,126	16,462
Charge for the financial year	26	206	-	1,014	46	389	1,655
Disposal		-	-	(5)	-	-	(5)
Write off	26	-	-	(330)	-	(90)	(420)
Reversal on revaluation	13	(206)	-	-	-	-	(206)
At 31 December 2019/1 January 2020		-	-	15,847	214	1,425	17,486
Charge for the financial year	26	215	-	1,052	24	317	1,608
Reversal on revaluation	13	(215)	-	-	-	-	(215)
At 31 December 2020		-	-	16,899	238	1,742	18,879
<b>Net carrying amount</b>							
At 31 December 2020		10,604	3,356	5,153	10	1,414	20,537
At 31 December 2019		10,345	721	3,809	26	1,741	16,642

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**4. PROPERTY AND EQUIPMENT (CONTINUED)**

The net book value of the revalued building had the asset been carried at cost less accumulated depreciation is as follows:

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Building	<u>5,910</u>	<u>6,067</u>

The Company has carried out a valuation on the freehold property based on the income method conducted by an independent qualified valuer, Justin Chee Ting Hwang, MRICS, MRISM, MPEPS, Registered Valuer (V-774) of Knight Frank Malaysia Sdn Bhd (200201017816 (585479-A)). The valuation of the freehold property was adopted for the financial year ended 31 December 2020. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2020.

Under the income method, the market value of the property 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 the freehold property is classified within Level 3 of the fair value hierarchy. The fair value of the property is as follows:

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Fair value as stated in valuation report	<u>10,604</u>	<u>10,345</u>

The reconciliation from beginning to ending balances for the freehold property is as disclosed on page 64 and page 65.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**4. PROPERTY AND EQUIPMENT (CONTINUED)**

Description of valuation techniques used and significant unobservable inputs to valuation of the freehold property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2020			
Freehold 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	RM4.76 psf
		Outgoings for term period	RM1.75 psf
		Outgoings for reversionary period	RM1.75 psf
2019			
Freehold property	Income method	Term period's net yield	5.75%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.50 – RM4.82 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.70 psf

A 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 freehold property.

**5. INVESTMENT PROPERTY**

	Note	2020 RM'000	2019 RM'000
At 1 January		51,290	51,105
Fair value (loss)/gain	24	(4,488)	185
At 31 December		<u>46,802</u>	<u>51,290</u>
Represented by:			
Freehold property		<u>46,802</u>	<u>51,290</u>

The following are amounts arising from investment property that have been recognised in the profit or loss during the financial year:

	2020 RM'000	2019 RM'000
Rental income (note 22)	1,996	1,805
Direct operating expenses arising from investment property that generate rental income	(1,818)	(2,103)
Direct operating expenses arising from investment property that did not generate rental income	<u>(322)</u>	<u>(322)</u>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**5. INVESTMENT PROPERTY (CONTINUED)**

The Company has carried out a valuation on the investment property based on the income method conducted by an independent qualified valuer, Justin Chee Ting Hwang, MRICS, MRISM, MPEPS, Registered Valuer (V-774) of Knight Frank Malaysia Sdn Bhd (200201017816 (585479-A)). The valuation of the investment property was adopted for the financial year ended 31 December 2020. The recognised revalued amount was based on the valuation exercise performed as at 31 December 2020.

The fair value of the investment property is categorised under Level 3 of the fair value hierarchy and the description of valuation techniques used and significant unobservable inputs to valuation of the investment property are as set out below:

	Valuation technique	Significant unobservable inputs	Range
2020 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	RM4.76 psf
		Outgoings for term period	RM1.75 psf
		Outgoings for reversionary period	RM1.75 psf
2019 Investment property	Income method	Term period's net yield	5.75%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.50 – RM4.82 psf
		Average rental for reversionary period	RM4.50 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.70 psf

A 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 investment property.

The reconciliation from beginning to ending balances for investment property is as disclosed on page 67.

**Company No.****200801013654 (814942-M)****MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)****6. INTANGIBLE ASSETS**

	<b>Note</b>	<b>Exclusive right RM'000</b>	<b>Computer software RM'000</b>	<b>Computer software in progress RM'000</b>	<b>Distribution agreement RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>						
At 1 January 2019		40,000	6,871	1,606	-	48,477
Additions		-	519	892	28,739	30,150
Transfer to computer software		-	22	(22)	-	-
At 31 December 2019/1 January 2020		40,000	7,412	2,476	28,739	78,627
Additions		3,000	149	7,972	-	11,121
Transfer to computer software		-	7,800	(7,800)	-	-
At 31 December 2020		43,000	15,361	2,648	28,739	89,748
<b>Accumulated amortisation</b>						
At 1 January 2019		24,802	3,852	-	-	28,654
Amortisation during the financial year	26	5,249	1,165	-	20	6,434
At 31 December 2019/1 January 2020		30,051	5,017	-	20	35,088
Amortisation during the financial year	26	5,658	1,572	-	65	7,295
At 31 December 2020		35,709	6,589	-	85	42,383
<b>Net carrying amount</b>						
At 31 December 2020		7,291	8,772	2,648	28,654	47,365
At 31 December 2019		9,949	2,395	2,476	28,719	43,539

The Exclusive right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered into between the Company and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2013. The Exclusive right is amortised in accordance with note 2(c)(i).

The distribution agreement relates to a 20-year distribution right entered into between the Company and an agency leadership corporation on 23 September 2019 and is amortised in accordance with note 2(c)(iii). The distribution right is partially paid at the end of the financial year. The remaining amount payable under the distribution agreement over the contract term is as disclosed in note 20(ii).

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**7. LOANS AND RECEIVABLES**

		<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Loans receivable:			
Policy loans		141,064	148,872
Mortgage loans		7,128	1,365
Staff loans		555	486
Other unsecured loan		2,972	-
		<u>151,719</u>	<u>150,723</u>
Allowance for impairment loss		(289)	(283)
	(i)	<u>151,430</u>	<u>150,440</u>
Fixed and call deposits with licensed banks in Malaysia		123,645	51,402
Accrued interest		8	6
	(ii)	<u>123,653</u>	<u>51,408</u>
Other receivables:			
Amount due from related companies (note 32)	(iii)	1,279	2,205
Amount due from immediate holding company (note 32)		2,593	-
Accrued dividend income		3,099	948
Accrued rental income		33	13
Deposits		841	843
Net investment in sublease	(vi)	48	-
Other debtors		25,167	16,854
		<u>33,060</u>	<u>20,863</u>
Allowance for impairment loss		(290)	(290)
	(iv)	<u>32,770</u>	<u>20,573</u>
Prepayments	(v)	<u>6,857</u>	<u>7,736</u>
Total		<u>314,710</u>	<u>230,157</u>



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**7. LOANS AND RECEIVABLES (CONTINUED)**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Loans receivable:		
Receivable within 12 months	907	474
Receivable after 12 months	150,523	149,966
	<u>151,430</u>	<u>150,440</u>
(ii) Fixed and call deposits with licensed banks in Malaysia:		
Receivable within 12 months	123,653	51,408
Receivable after 12 months	-	-
	<u>123,653</u>	<u>51,408</u>
(iii) The amounts due from immediate holding company/related companies are unsecured, trade related, interest free and repayable on demand.		
(iv) Other receivables:		
Receivable within 12 months	32,770	20,573
Receivable after 12 months	-	-
	<u>32,770</u>	<u>20,573</u>
(v) Prepayments:		
Current	1,992	5,213
Non-current	4,865	2,523
	<u>6,857</u>	<u>7,736</u>
(vi) Net investment in sublease relates to a 3-year sub-tenancy agreement entered into between the Company and Manulife Investment Management (M) Berhad, where the Company is the sublessor.		
	<b>Net</b>	<b>Total</b>
	<b>investment</b>	<b>RM'000</b>
	<b>in sublease</b>	<b>RM'000</b>
	<b>RM'000</b>	
At 31 December 2019/1 January 2020	-	-
Additions	71	71
Interest income on sublease	3	3
Rent collection from sub-tenant	(26)	(26)
At 31 December 2020	<u>48</u>	<u>48</u>

The carrying amounts of other receivables and fixed and call deposits approximate fair values due to the relatively short-term maturity of these balances. The carrying amount of loans receivable approximates fair value due to the insignificant impact of discounting.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**8. FINANCIAL ASSETS**
**(a) Available-for-sale**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Equity securities		
- Quoted in Malaysia	933,213	818,542
- Quoted outside Malaysia	169,407	96,806
- Unquoted in Malaysia	1,944	1,944
Real estate investment trusts	14,704	15,398
Unit trust fund*	78,725	75,362
Unit trust funds - Investment in subsidiary* (i)	465,603	479,929
Malaysian Government Securities	324,663	328,298
Government Investment Issues	217,067	203,367
Corporate debt securities		
- Unquoted	1,298,649	1,308,379
Accrued interest	19,684	19,828
	<u>3,523,659</u>	<u>3,347,853</u>
Current	1,735,176	1,557,128
Non-current	1,788,483	1,790,725
	<u>3,523,659</u>	<u>3,347,853</u>

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

**(i) Unit trust funds – investment in subsidiary**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At fair value:		
Available-for-sale	<u>465,603</u>	<u>479,929</u>

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

Name of wholesale unit trust fund	Principal activities	% of ownership held by the Company	
		2020	2019
Manulife Cash Management Fund	Investment in money market fund	86.8	85.8
Manulife Wholesale Corporate Bond Fund	Investment in corporate bonds	85.2	86.3
Manulife Wholesale Government Bond Fund	Investment in sovereign bonds	84.2	86.3

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**8. FINANCIAL ASSETS (CONTINUED)**

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

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Equity securities		
- Quoted in Malaysia	712,512	580,616
- Quoted outside Malaysia	13,231	6,987
Real estate investment trusts	5,747	8,314
Unit trust funds*	161,892	167,215
Malaysian Government Securities	66,372	48,314
Government Investment Issues	62,831	25,298
Corporate debt securities		
- Unquoted	492,617	415,097
Mutual funds		
- Quoted outside Malaysia	304,436	438,118
Forward foreign exchange contract (note 15)	1,149	3,802
Accrued interest	6,739	5,548
	<u>1,827,526</u>	<u>1,699,309</u>
Current	1,212,705	1,307,198
Non-current	614,821	392,111
	<u>1,827,526</u>	<u>1,699,309</u>

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

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**8. FINANCIAL ASSETS (CONTINUED)**
**(c) Carrying value of financial assets**

The financial assets and its movements are further analysed as follows:-

	<b>Available- for-sale RM'000</b>	<b>Fair value through profit or loss RM'000</b>	<b>Total RM'000</b>
At 1 January 2019	3,060,316	1,555,566	4,615,882
Purchases	2,560,062	937,338	3,497,400
Maturities	(58,850)	(6,000)	(64,850)
Disposals	(2,290,562)	(892,123)	(3,182,685)
Fair value gain recorded in:			
Profit or loss (note 24)	-	111,471	111,471
Other comprehensive income	104,567	-	104,567
Allowance for impairment losses (note 24)	(21,975)	-	(21,975)
Net amortisation of premiums (note 22)	(3,175)	(852)	(4,027)
Unrealised exchange loss	-	(6,672)	(6,672)
Movement in accrued interest	(2,530)	581	(1,949)
At 31 December 2019/1 January 2020	3,347,853	1,699,309	5,047,162
Purchases	2,229,934	1,316,761	3,546,695
Maturities	(36,600)	(4,950)	(41,550)
Disposals	(2,138,695)	(1,297,433)	(3,436,128)
Fair value gain recorded in:			
Profit or loss (note 24)	-	123,426	123,426
Other comprehensive income	203,495	-	203,495
Allowance for impairment losses (note 24)	(78,902)	-	(78,902)
Net amortisation of premiums (note 22)	(3,282)	(1,460)	(4,742)
Unrealised exchange loss	-	(9,318)	(9,318)
Movement in accrued interest	(144)	1,191	1,047
At 31 December 2020	<u>3,523,659</u>	<u>1,827,526</u>	<u>5,351,185</u>

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**9. REINSURANCE ASSETS/(LIABILITIES)**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Reinsurance assets on:		
- Insurance claims liabilities	<u>5,718</u>	<u>3,403</u>
Reinsurance liabilities on:		
- Insurance contract liabilities	<u>(4,257)</u>	<u>(5,412)</u>

**10. INSURANCE RECEIVABLES**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Due premiums including agents' balances	14,028	16,733
Due from reinsurers	<u>3,775</u>	<u>9,968</u>
	17,803	26,701
Allowance for impairment loss	<u>(926)</u>	<u>(907)</u>
	<u>16,877</u>	<u>25,794</u>
Receivable within 12 months	<u>16,877</u>	<u>25,794</u>

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short term maturity.

Amount due from reinsurers that have been offset against amount due to reinsurers are as follows:

	<b>Gross carrying amount RM'000</b>	<b>Gross amount offset RM'000</b>	<b>Net amount reported RM'000</b>
<b>31 December 2020</b>			
Commissions receivables	16,927	-	16,927
Claims recoveries	12,077	-	12,077
Premiums ceded	<u>-</u>	<u>(25,229)</u>	<u>(25,229)</u>
	<u>29,004</u>	<u>(25,229)</u>	<u>3,775</u>
<b>31 December 2019</b>			
Commissions receivables	19,496	-	19,496
Claims recoveries	6,657	-	6,657
Premiums ceded	<u>-</u>	<u>(16,185)</u>	<u>(16,185)</u>
	<u>26,153</u>	<u>(16,185)</u>	<u>9,968</u>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**11. SHARE CAPITAL**

	<b>2020</b>		<b>2019</b>	
	<b>Number of shares</b>	<b>Nominal value</b>	<b>Number of shares</b>	<b>Nominal Value</b>
	<b>'000</b>	<b>RM'000</b>	<b>'000</b>	<b>RM'000</b>
<u>Issued and fully paid up:</u>				
Ordinary shares:				
At 1 January	350,000	200,000	300,000	150,000
Issued for cash	-	-	50,000	50,000
At 31 December	<u>350,000</u>	<u>200,000</u>	<u>350,000</u>	<u>200,000</u>

In 2019, the Company increased its share capital from RM150,000,003 to RM200,000,003 via creation and subsequent allotment of 50,000,000 ordinary shares of RM1.00 each, fully paid in cash by the shareholder of the Company. The new ordinary shares allotted ranked pari passu with all shares in existence at the date of allotment.

**12. RESERVES**

	<b>Note</b>	<b>2020 RM'000</b>	<b>2019 RM'000</b>
<b>Non-distributable:</b>			
Fair value reserve, held by:			
Non-participating life fund		26,796	9,906
Shareholder's fund		14,710	2,857
	(i)	<u>41,506</u>	<u>12,763</u>
<b>Non-distributable:</b>			
Retained earnings	(ii)	68,652	68,652
<b>Distributable:</b>			
Retained earnings	(iii)	<u>288,481</u>	<u>259,204</u>
		<u>357,133</u>	<u>327,856</u>

- (i) Fair value reserve is in respect of fair value gains or losses on available-for-sale financial assets, net of deferred tax.
- (ii) Non-distributable retained earnings are surplus arising from Non-participating life fund, net of deferred tax. These amounts are only distributable upon actual recommended transfer from the Non-participating (including Investment-linked operating fund) life fund to the Shareholder's fund by the Appointed Actuary.
- (iii) Under the single tier system, the Company is able to frank the payment of dividends out of its entire distributable retained earnings as at the date of the statement of financial position, subject to the approval by Bank Negara Malaysia under section 51 of the Financial Services Act 2013.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**13. INSURANCE CONTRACT LIABILITIES**

	<b>Gross</b>		<b>Net</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Actuarial liabilities	2,721,191	2,728,546	2,725,448	2,733,958
Unallocated deficit	(10,286)	(71,285)	(10,286)	(71,285)
Fair value reserve	277,152	120,438	277,152	120,438
Asset revaluation reserve	2,361	1,887	2,361	1,887
Investment-linked policyholders' account	1,369,798	1,345,740	1,369,798	1,345,740
	<u>4,360,216</u>	<u>4,125,326</u>	<u>4,364,473</u>	<u>4,130,738</u>
Current	1,582,158	1,380,174	1,583,135	1,381,410
Non-current	<u>2,778,058</u>	<u>2,745,152</u>	<u>2,781,338</u>	<u>2,749,328</u>
	<u>4,360,216</u>	<u>4,125,326</u>	<u>4,364,473</u>	<u>4,130,738</u>

The insurance contract liabilities and movements in its key components are further analysed as follows:

	<b>Gross</b>		<b>Net</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	4,125,326	3,864,705	4,130,738	3,862,415
Inforce reserve movement	60,222	75,995	59,277	81,601
New business reserve	21,840	28,552	21,630	30,648
Discount rate and other changes	(89,417)	129,111	(89,417)	129,111
Unallocated surplus/(deficit)	60,999	(106,984)	60,999	(106,984)
Fair value reserve, net of tax	156,714	89,598	156,714	89,598
Asset revaluation reserve				
- Revaluation adjustment (note 4)	259	32	259	32
- Reversal of accumulated depreciation on revaluation (note 4)	215	206	215	206
	<u>474</u>	<u>238</u>	<u>474</u>	<u>238</u>
Investment-linked policyholders' account	24,058	44,111	24,058	44,111
At 31 December	<u>4,360,216</u>	<u>4,125,326</u>	<u>4,364,473</u>	<u>4,130,738</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 year ended 31 December 2020, the applicable estimate changes on the assumption resulted in lower actuarial liabilities of RM89.4 million (2019: higher actuarial liabilities of RM129.1 million), with a corresponding increase in unallocated surplus for the participating business of RM95.0 million (2019: decrease in unallocated surplus of RM102.7 million) and decrease in net profit before tax of RM5.6 million (2019: decrease in net profit before tax of RM26.4 million).

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**14. INSURANCE CLAIMS LIABILITIES**

	<b>Gross</b>		<b>Net</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for outstanding claims	<u>56,304</u>	<u>53,464</u>	<u>50,586</u>	<u>50,061</u>
Current	<u>56,304</u>	<u>53,464</u>	<u>50,586</u>	<u>50,061</u>

**15. 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. Derivative financial instruments are recognised as financial asset or financial liability in accordance with the policy described in note 2(e)(i)(1) and note 2(g).

	<b>Fair value gain/(loss) recognised as</b>		<b>Net carrying amount RM'000</b>
	<b>Notional amount</b>	<b>Financial asset</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2020</b>			
<b>Hedging derivative:</b>			
Forward foreign exchange contract			
- Less than 1 year (note 8(b))	196,038	1,149	1,149
- Less than 1 year	<u>4,368</u>	<u>-</u>	<u>(21)</u>
<b>31 December 2019</b>			
<b>Hedging derivative:</b>			
Forward foreign exchange contract			
- Less than 1 year (note 8(b))	<u>322,819</u>	<u>3,802</u>	<u>3,802</u>

**16. DEFERRED TAX LIABILITIES**

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.

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax liabilities	<u>59,508</u>	<u>34,615</u>
Current	48,130	20,164
Non-current	<u>11,378</u>	<u>14,451</u>
	<u>59,508</u>	<u>34,615</u>



Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**16. DEFERRED TAX LIABILITIES (CONTINUED)**

The components and movements of deferred tax liabilities/(assets) during the financial year are as follows:

	Unallocated surplus RM'000	Revaluation- investment property RM'000	Accelerated depreciation RM'000	Revaluation- investments RM'000	Others RM'000	Total RM'000
At 1 January 2019	21,680	165	256	(5,212)	(10)	16,879
<b>Recognised in:</b>						
Profit or loss:						
- Other operating expenses (note 28)	-	14	157	9,127	-	9,298
- Taxation (note 29)	-	-	-	49	-	49
Other comprehensive loss						
- Fair value reserve	-	-	-	8,389	-	8,389
At 31 December 2019/1 January 2020	21,680	179	413	12,353	(10)	34,615
<b>Recognised in:</b>						
Profit or loss:						
- Other operating (income)/expenses (note 28)	-	(359)	(34)	7,453	-	7,060
- Taxation (note 29)	-	-	-	(205)	-	(205)
Other comprehensive loss						
- Fair value reserve	-	-	-	18,038	-	18,038
At 31 December 2020	21,680	(180)	379	37,639	(10)	59,508

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**17. INSURANCE PAYABLES**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Due to reinsurers	3,538	2,731
Due to agents	3,264	3,342
Due to insureds	665,057	594,950
	<u>671,859</u>	<u>601,023</u>
Current	<u>671,859</u>	<u>601,023</u>

The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short-term maturity.

Amount due to reinsurers that have been offset against amount due from reinsurers are as follows:

	<b>Gross</b> <b>carrying</b> <b>amount</b> <b>RM'000</b>	<b>Gross</b> <b>amount</b> <b>offset</b> <b>RM'000</b>	<b>Net</b> <b>amount</b> <b>reported</b> <b>RM'000</b>
<b>31 December 2020</b>			
Premiums ceded	6,051	-	6,051
Commissions receivables	-	(122)	(122)
Claims recoveries	-	(2,391)	(2,391)
	<u>6,051</u>	<u>(2,513)</u>	<u>3,538</u>
<b>31 December 2019</b>			
Premiums ceded	6,463	-	6,463
Commissions receivables	-	(511)	(511)
Claims recoveries	-	(3,221)	(3,221)
	<u>6,463</u>	<u>(3,732)</u>	<u>2,731</u>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**18. LEASES**
**(a) Right-of-use assets**

	<b>Note</b>	<b>Office Rental RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 January 2019		705	705
Additions		1,977	1,977
At 31 December 2019/1 January 2020		2,682	2,682
Additions		1,180	1,180
At 31 December 2020		<u>3,862</u>	<u>3,862</u>
<b>Accumulated depreciation</b>			
At 1 January 2019		-	-
Charge for the year	26	823	823
At 31 December 2019/1 January 2020		823	823
Charge for the year	26	1,044	1,044
At 31 December 2020		<u>1,867</u>	<u>1,867</u>
<b>Net book value</b>			
At 31 December 2020		<u>1,995</u>	<u>1,995</u>
At 31 December 2019		<u>1,859</u>	<u>1,859</u>

This note provides information for leases where the Company is a lessee.

The Company has entered into operating lease agreements for office rental. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 3 years.

The Company also has certain leases of office equipment with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Depreciation expense of right-of-use assets (note 26)	1,044	823
Interest expense on lease liabilities (note 26)	79	38
Expense related to short-term leases (note 26)	1,733	2,009
Expense related to leases of low-value assets (note 26)	98	85
Total amount recognised in profit or loss	<u>2,954</u>	<u>2,955</u>

The total cash outflow for leases in 2020 was RM2,995,000 (2019: RM2,828,000).

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**18. LEASES (CONTINUED)**
**(b) Lease liabilities**

	<b>Lease Liabilities: Office Rental RM'000</b>	<b>Total RM'000</b>
<b>Lease liabilities</b>		
At 1 January 2019	716	716
Increase	1,979	1,979
Payment of lease liabilities	(734)	(734)
Interest expense on lease liabilities (note 26)	38	38
At 31 December 2019/1 January 2020	1,999	1,999
Increase	1,223	1,223
Payment of lease liabilities	(1,164)	(1,164)
Interest expense on lease liabilities (note 26)	79	79
At 31 December 2020	2,137	2,137
	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Of which are:		
Current lease liabilities	64	999
Non-current lease liabilities	2,073	1,000
	2,137	1,999

**19. CURRENT TAX ASSET/(LIABILITY)**

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
Current tax asset	23,192	8,226
Current tax liability	(22,245)	-
	947	8,226

Included in the current tax asset is a pending appeal case arising from two notices of additional assessment ("Forms JA") of RM22.2 million for years of assessment ("YA") 2017 and 2018, and tax paid in excess to the Inland Revenue Board ("IRB").

On 30 December 2020, IRB had issued the abovementioned Forms JA to the Company for additional tax (inclusive of tax penalty of 45%) amounting to RM22,245,003. The Company disagrees with the additional assessment imposed by IRB and had submitted a notice of appeal by filing Form Q with the Special Commissioner of Income Tax ("SCIT") on 25 January 2021. Meanwhile, judicial review application was filed on 10 February 2021 and the matter has been fixed for hearing in the near future. As this additional tax issue involves other insurers, the industry via the life association, is seeking audience with the Ministry of Finance on the matter.

Notwithstanding the appeal, the Company will make the above tax payment in financial year ending 2021. In line with the opinion by the external advisor, the Company believes strongly that there are good grounds to contest the additional assessment and hence has treated the above tax payment as tax recoverable.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**20. OTHER PAYABLES**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Other creditors	51,329	36,064
Accrued liabilities	63,466	58,070
Amount due to related companies (note 32)	(i) 642	407
Amount due to immediate holding company (note 32)	(i) -	5,907
Amount payable under Distribution Agreement	(ii) 22,505	27,093
	<u>137,942</u>	<u>127,541</u>
Current	123,113	106,165
Non-current	<u>14,829</u>	<u>21,376</u>
	<u>137,942</u>	<u>127,541</u>

- (i) The amounts due to immediate holding company and related companies are unsecured, trade related, interest free and repayable on demand. The carrying amounts disclosed above approximate fair values as at the end of the financial year due to their short-term maturity. All amounts are payable within one year.
- (ii) The amount payable under the Distribution Agreement relates to the remaining unpaid distribution right as disclosed in note 6 and is the expected present value of estimated future cash outflows of amount payable under the agreement, discounted using the discount rate that reflects the current market assessment of the time value of money.

**21. NET PREMIUMS**

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
First year premium	162,397	147,240
Renewal year premium	627,253	599,832
Single premium	45,457	77,283
	<u>835,107</u>	<u>824,355</u>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**22. INVESTMENT INCOME**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Financial assets at FVTPL - designated upon initial recognition</b>		
Interest/profit sharing income	23,770	21,925
Dividend income		
- equity securities		
- quoted in Malaysia	16,390	18,057
- quoted outside Malaysia	57	108
- real estate investment trusts	480	1,542
- unit trust funds	3,426	5,371
- mutual funds - outside Malaysia	2,550	3,561
Net amortisation of premiums (note 8(c))	(1,460)	(852)
<b>AFS financial assets</b>		
Interest income	82,179	95,561
Dividend income		
- equity securities		
- quoted in Malaysia	23,496	24,772
- quoted outside Malaysia	1,824	2,424
- unquoted in Malaysia	292	908
- real estate investment trusts	609	937
- unit trust funds	18,338	6,179
Net amortisation of premiums (note 8(c))	(3,282)	(3,175)
<b>Loans and receivables</b>		
Interest/profit sharing income	10,417	11,927
<b>Investment property</b>		
Rental income (note 5)	1,996	1,805
<b>Cash and cash equivalents</b>		
Interest/profit sharing income	307	606
	<u>181,389</u>	<u>191,656</u>

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**23. NET REALISED GAINS**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Property and equipment</b>		
Gain on disposal of property and equipment	-	18
<b>AFS financial assets</b>		
<u>Realised gains:</u>		
Equity securities - quoted in Malaysia	38,597	9,461
Equity securities - quoted outside Malaysia	811	-
Real estate investment trusts	-	848
Unit trust funds	2,879	52
Debt securities	13,775	32,212
<u>Realised losses:</u>		
Real estate investment trusts	(1,380)	-
Total net realised gains for AFS financial assets	54,682	42,573
Total net realised gains	54,682	42,591

**24. NET FAIR VALUE GAINS**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Investment property</b>		
Unrealised fair value (loss)/gain (note 5)	(4,488)	185
<b>Financial assets at FVTPL</b>		
<b>- designated upon initial recognition</b>		
<u>Fair value gains</u>		
Realised	41,144	10,581
Unrealised (note 8(c))	126,099	111,513
<u>Fair value losses</u>		
Realised	-	(19,570)
Unrealised (note 8(c))	(2,673)	(42)
Net fair value gain on financial assets		
FVTPL - designated upon initial recognition	164,570	102,482
<b>AFS financial assets</b>		
Impairment losses on quoted equities (note 8(c))	(78,902)	(21,975)
Total net fair value gain	81,180	80,692

**25. FEE INCOME**

Fee income comprises outsourcing fee income earned from related companies.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**26. MANAGEMENT EXPENSES**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Staff costs (note 26(a))	70,325	62,326
Directors' remuneration: (note 26(b))		
- Fees	406	366
- Other emoluments	4,163	2,402
Auditors' remuneration:		
- Statutory audit	423	423
- Audit related services	27	37
Depreciation of property and equipment (note 4)	1,608	1,655
Depreciation of right-of-use assets (note 18)	1,044	823
Interest expense on lease liabilities (note 18)	79	38
Expense relating to short-term leases (note 18)		
- Immediate holding company (note 32)	1,614	1,604
- Others	119	405
Expense relating to leases of low-value assets (note 18)	98	85
Amortisation of intangible assets (note 6)	7,295	6,434
Property and equipment written off (note 4)	-	657
Allowance for impairment loss on loans receivable	6	148
Allowance for impairment loss on insurance receivables	19	4
Bancassurance service fee	3,000	3,000
Credit card charges	2,933	3,190
Fund management expenses	8,933	7,037
Information technology outsourcing expenses	8,849	8,160
Interest expense under Distribution Agreement	2,133	1,176
Marketing and advertising expenses	2,737	5,177
Bancassurance incentives and allowances	12,885	11,442
Printing and postage expenses	2,745	2,603
Professional fee	3,096	3,023
Outsourcing fees	3,757	4,287
Software maintenance expenses	5,480	7,296
Training expenses	1,701	1,325
Travelling and entertainment expenses	1,754	2,691
Utilities and office maintenance expenses	2,125	2,057
Other expenses	1,964	3,505
	<u>151,318</u>	<u>143,376</u>



Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**26. MANAGEMENT EXPENSES (CONTINUED)**

**(a) Staff costs**

		<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Staff costs		57,918	49,317
Retirement benefits contributions	(i)	7,667	7,134
Share-based payments	(ii)	184	540
Other staff-related expenses		4,556	5,335
Total staff costs		<u>70,325</u>	<u>62,326</u>

- (i) The retirement benefits contributions of the Company were made to the defined contribution plan as mentioned in note 2(k)(ii) to the financial statements.
- (ii) Share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(k)(iii) to the financial statements.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**26. MANAGEMENT EXPENSES (CONTINUED)**
**(b) Directors' remuneration**

The aggregate amounts of non-deferred emoluments received by directors of the Company during the financial year are detailed as follows:-

	2020 RM'000	2019 RM'000
<b><u>Chief Executive Officers ("CEO")</u></b>		
<u>Vibha Hamsi Coburn</u>		
Fixed remuneration		
• Salaries	594	-
• Contribution to defined contribution plan	7	-
	<u>601</u>	<u>-</u>
<u>Lee Sang Hui</u>		
Fixed remuneration		
• Salaries	1,594	1,564
• Contribution to defined contribution plan	-	163
• Benefits in kind	19	64
• Tax equalisation **	1,101	-
	<u>2,714</u>	<u>1,791</u>
Variable Remuneration		
• Bonus	848	205
• Others	-	406
	<u>848</u>	<u>611</u>
	<u>3,562</u>	<u>2,402</u>
Total for CEOs	<u>4,163</u>	<u>2,402</u>
<b><u>Non-Executive directors:</u></b>		
Fixed remuneration		
• Fees	406	366
	<u>4,569</u>	<u>2,768</u>

\* No deferred emoluments received by Directors during the financial year ended 31 December 2020 (2019: Nil).

\*\* Tax equalisation refers to the tax incurred by the Company on behalf of the previous CEO who is on international assignment so as to allow him a tax neutral position for working in Malaysia. Included in the current year amount are payments with respect to prior year amounting to approximately RM333,000.

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**26. MANAGEMENT EXPENSES (CONTINUED)**

**(b) Directors' remuneration (continued)**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Represented by:		
Directors' fees	406	366
Director's emoluments	3,043	2,338
Benefits in kind	19	64
Tax equalisation	1,101	-
	<u>4,163</u>	<u>2,402</u>
	<u>4,569</u>	<u>2,768</u>

The number of executive and non-executive directors whose total remuneration received during the financial year fall within the following bands are analysed as below:

	<b>Number of directors</b>	
	<b>2020</b>	<b>2019</b>
<b><u>Chief Executive Officers ("CEO")/Executive directors</u></b>		
RM3,500,000-RM4,000,000	1	-
RM2,000,000-RM2,500,000	-	1
RM500,000-RM1,000,000	<u>1</u>	<u>-</u>
<b><u>Non-Executive directors:</u></b>		
Below RM50,000	3	-
Above RM50,000	<u>4</u>	<u>4</u>

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**26. MANAGEMENT EXPENSES (CONTINUED)**

- (c) Directors' fees (non-deferred fixed remuneration) received by the directors during the financial year are as follows:

	2020 RM'000	2019 RM'000
<b>Non-Executive directors:</b>		
Dato' Md Agil bin Mohd Natt	87	103
Arthur Jay Belfer	69	-
Lim Hun Soon @ David Lim	89	97
Vijayam A/P Nadarajah	89	72
Mary Bernadette James A/P N James (Appointed on 15 October 2020)	14	-
Renzo Christopher Viegas (Appointed on 1 November 2020)	14	-
Datuk Seri Panglima Mohd Annuar Bin Zaini*	44	94
	<u>406</u>	<u>366</u>

\* Datuk Seri Panglima Mohd Annuar Bin Zaini retired as Independent Non-Executive Director on 4 July 2020.

**27. SHARE-BASED COMPENSATION**

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefit expense were as follows:

	2020 RM'000	2019 RM'000
RSU expenses	184	540
	<u>184</u>	<u>540</u>

Restricted share units ("RSU") are granted to certain employees of MFC Group as part of the annual performance reward cycle and has a vesting period of over 35 months from grant date. Each RSU entitles the recipient to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting, subject to any performance conditions. These RSU expenses are paid out in cash at the end of the vesting period.

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**28. OTHER OPERATING EXPENSES**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Foreign exchange		
- Realised gain	(7,741)	(5,589)
- Unrealised loss	9,368	6,568
Interest on agent's bond withheld	16	15
Others	6,681	7,996
Tax expense on investment income of Life fund and Investment-linked funds:		
- Current tax	16,574	11,917
- Deferred tax (note 16)	7,060	9,298
	<u>23,634</u>	<u>21,215</u>
	<u>31,958</u>	<u>30,205</u>

The income tax for the Life fund and Investment-linked funds of the insurance business is calculated based on the tax rate of 8% of the assessable investment income, net of allowable deductions for the financial year.

**29. TAXATION**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Current tax</b>		
Current financial year	6,794	9,828
Overprovision in prior financial years	<u>(322)</u>	<u>(689)</u>
	6,472	9,139
<b>Deferred tax</b>		
Current financial year (note 16)	<u>(205)</u>	<u>49</u>
	<u>6,267</u>	<u>9,188</u>

The current income tax for the Company is calculated based on the tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)****29. 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 of the Company is as below:

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Profit before taxation	35,544	22,318
Taxation at Malaysia statutory tax rate of 24%	8,531	5,356
Section 110B tax credit set off	(2,828)	(971)
Income not subject to tax	(4,033)	(74)
Expenses not deductible for tax purposes	4,919	5,566
	6,589	9,877
Overprovision in prior financial years	(322)	(689)
Tax expense	6,267	9,188

**30. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share of the Company is calculated by dividing the net profit attributable to ordinary equity holder of the Company for the financial year over the number of ordinary shares in issue during the financial year.

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Profit for the year attributable to ordinary equity holder (RM'000)	29,277	13,130
Number of shares in issue ('000)	350,000	350,000
Basic earnings per share (sen)	8.36	3.75

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share have not been presented.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)****31. ADJUSTMENTS FOR NON-CASH ITEMS**

Non-cash items in the statement of cash flows comprise of:

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
Interest income	(116,673)	(130,019)
Dividend income	(67,462)	(63,859)
Rental income	(1,996)	(1,805)
Net amortisation of premiums	4,742	4,027
Gains on disposal of AFS financial assets	(54,682)	(42,573)
Fair value loss/(gain) on investment property	4,488	(185)
Fair value gain on FVTPL financial assets	(164,570)	(102,482)
Impairment losses on AFS financial assets	78,902	21,975
Depreciation of property and equipment	1,608	1,655
Gain on disposal of property and equipment	-	(18)
Property and equipment written off	-	657
Amortisation of intangible assets	7,295	6,434
Depreciation of right-of-use assets	1,044	823
Allowance for impairment loss on insurance receivables	19	4
Allowance for impairment loss on loans receivable	6	148
Tax on investment income of Life fund and Investment-linked funds	23,634	21,215
Taxation	6,267	9,188
Realised foreign exchange gain	(7,741)	(5,589)
Unrealised foreign exchange loss	9,368	6,568
	<u>(275,751)</u>	<u>(273,836)</u>

**Company No.**

**200801013654 (814942-M)**

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**32. SIGNIFICANT RELATED PARTY DISCLOSURES**

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its holding companies and subsidiaries of holding companies. The related parties of, and their relationship with the Company are as follows:

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Relationship</b>
Manulife Financial Corporation ("MFC")	Canada	Ultimate holding company
Manulife Financial Asia Limited ("MFAL")	Hong Kong	Intermediate holding company
Manulife Holdings Berhad ("MHB")	Malaysia	Immediate holding company
Britama Properties Sdn Bhd	Malaysia	Subsidiary of immediate holding company
Manulife Investment Management (M) Berhad	Malaysia	Subsidiary of immediate holding company
Manulife Insurance Labuan Limited	Malaysia	Subsidiary of immediate holding company
Manulife Investment Management (Hong Kong) Limited	Hong Kong	Subsidiary of ultimate holding company
Manulife IT Delivery Center, Asia Inc. ("MITDC")	Philippines	Subsidiary of ultimate holding company

In the normal course of business, the Company undertakes various transactions with other companies deemed related parties by virtue of being subsidiaries and associated companies of MFC, collectively known as the MFC Group.

Related parties also include key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel of the Company include the directors and certain members of senior management of the Company. Total compensation paid to the Company's directors are disclosed in note 26.



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**
**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 year between the Company and its related parties are set out below:

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Expenses/(income)</b>		
<b>Intermediate holding company</b>		
Reimbursement of personnel expenses	3,821	5,964
Reimbursement of software maintenance expenses	3,209	2,874
Reimbursement of consultation fee	7	-
Reimbursement of overhead expense	(759)	(558)
Reimbursement of travelling and administrative expenses	-	8
Provision of IT development services	7,204	29
Provision of IT infrastructure support and maintenance services	9,008	2,451
Provision of finance support	187	191
Provision of HR support	646	661
Provision of staff claims system	32	31
	<hr/>	<hr/>
<b>Subsidiary of the ultimate holding company</b>		
Provision of IT development services	1,034	-
	<hr/>	<hr/>
<b>Subsidiaries of the immediate holding company</b>		
Outsourcing fee income	(2,783)	(2,829)
Rental income	(695)	(692)
Fund management expenses	11,074	11,143
Management fees and maintenance charges	99	99
	<hr/>	<hr/>
<b>Immediate holding company</b>		
Outsourcing fee income	(998)	(968)
Outsourcing fees	1,066	811
Rental income	(90)	(101)
Rental expenses (note 26)	1,614	1,604
	<hr/>	<hr/>

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

**Key management personnel**

Total compensation paid to the Company's key management personnel are as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries, other short-term employee benefits and other directors' emoluments	13,909	10,570
Retirement benefits contribution	(i) 1,054	665
RSU expenses	(ii) 184	540
	<u>15,147</u>	<u>11,775</u>

(i) The retirement benefits contributions were made to the defined contribution plan as mentioned in note 2(k)(ii) to the financial statements.

(ii) The share-based payments incurred during the financial year relates to the share-based compensation granted to employees as mentioned in note 2(k)(iii)(ii) to the financial statements.

**Significant related party balances**

Related party balances outstanding for the Company which are included in the notes to the financial statements are as follows:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and receivables (note 7)		
- Amount due from related companies	1,279	2,205
- Amount due from immediate holding company	2,593	-
	<u>3,872</u>	<u>2,205</u>
Other payables (note 20)		
- Amount due to related companies	642	407
- Amount due to immediate holding company	-	5,907
	<u>642</u>	<u>6,314</u>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**33. FINANCIAL INSTRUMENTS**
**(a) 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").

	<b>AFS</b>	<b>FVTPL</b>	<b>LAR</b>	<b>OL</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2020</b>					
<b>Financial assets</b>					
Loans and receivables	-	-	307,853	-	307,853
AFS financial assets	3,523,659	-	-	-	3,523,659
Financial assets at FVTPL	-	1,827,526	-	-	1,827,526
Insurance receivables	-	-	16,877	-	16,877
Cash and cash equivalents	-	-	84,747	-	84,747
	<u>3,523,659</u>	<u>1,827,526</u>	<u>409,477</u>	<u>-</u>	<u>5,760,662</u>
<b>Financial liabilities</b>					
Financial liability at FVTPL	-	21	-	-	21
Insurance payables	-	-	-	671,859	671,859
Other payables	-	-	-	137,942	137,942
	<u>-</u>	<u>21</u>	<u>-</u>	<u>809,801</u>	<u>809,822</u>
<b>31 December 2019</b>					
<b>Financial assets</b>					
Loans and receivables	-	-	222,421	-	222,421
AFS financial assets	3,347,853	-	-	-	3,347,853
Financial assets at FVTPL	-	1,699,309	-	-	1,699,309
Insurance receivables	-	-	25,794	-	25,794
Cash and cash equivalents	-	-	61,927	-	61,927
	<u>3,347,853</u>	<u>1,699,309</u>	<u>310,142</u>	<u>-</u>	<u>5,357,304</u>
<b>Financial liabilities</b>					
Insurance payables	-	-	-	601,023	601,023
Other payables	-	-	-	127,541	127,541
	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,564</u>	<u>728,564</u>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**33. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) 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, is a reasonable approximation of its fair value;
- (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.

**(c) 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.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**33. FINANCIAL INSTRUMENTS (CONTINUED)**
**(c) Fair value hierarchy (continued)**

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.

The following table presents the Company's financial assets/liabilities that are carried at fair value as at 31 December 2020 and 31 December 2019.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000
<b>31 December 2020</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	933,213	933,213	-
- Quoted outside Malaysia	169,407	169,407	-
Real estate investment trusts	14,704	14,704	-
Unit trust funds	544,328	544,328	-
Malaysian Government Securities	324,663	-	324,663
Government Investment Issues	217,067	-	217,067
Corporate debt securities			
- Unquoted	1,298,649	-	1,298,649
Accrued interest	19,684	-	19,684
	<u>3,521,715</u>	<u>1,661,652</u>	<u>1,860,063</u>
<b>Financial assets at FVPTL</b>			
Equity securities			
- Quoted in Malaysia	712,512	712,512	-
- Quoted outside Malaysia	13,231	13,231	-
Real estate investment trusts	5,747	5,747	-
Unit trust funds	161,892	161,892	-
Malaysian Government Securities	66,372	-	66,372
Government Investment Issues	62,831	-	62,831
Corporate debt securities			
- Unquoted	492,617	-	492,617
Mutual funds			
- Quoted outside Malaysia	304,436	304,436	-
Forward foreign exchange contract	1,149	-	1,149
Accrued interest	6,739	-	6,739
	<u>1,827,526</u>	<u>1,197,818</u>	<u>629,708</u>
	<u>5,349,241</u>	<u>2,859,470</u>	<u>2,489,771</u>

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**33. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair value hierarchy (continued)**

	<b>Carrying amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>
<b>31 December 2019</b>			
<b>AFS financial assets</b>			
Equity securities			
- Quoted in Malaysia	818,542	818,542	-
- Quoted outside Malaysia	96,806	96,806	-
Real estate investment trusts	15,398	15,398	-
Unit trust funds	555,291	555,291	-
Malaysian Government Securities	328,298	-	328,298
Government Investment Issues	203,367	-	203,367
Corporate debt securities			
- Unquoted	1,308,379	-	1,308,379
Accrued interest	19,828	-	19,828
	<u>3,345,909</u>	<u>1,486,037</u>	<u>1,859,872</u>
<b>Financial assets at FVPTL</b>			
Equity securities			
- Quoted in Malaysia	580,616	580,616	-
- Quoted outside Malaysia	6,987	6,987	-
Real estate investment trusts	8,314	8,314	-
Unit trust funds	167,215	167,215	-
Malaysian Government Securities	48,314	-	48,314
Government Investment Issues	25,298	-	25,298
Corporate debt securities			
- Unquoted	415,097	-	415,097
Mutual funds			
- Quoted outside Malaysia	438,118	438,118	-
Forward foreign exchange contract	3,802	-	3,802
Accrued interest	5,548	-	5,548
	<u>1,699,309</u>	<u>1,201,250</u>	<u>498,059</u>
	<u>5,045,218</u>	<u>2,687,287</u>	<u>2,357,931</u>

Unquoted equity securities of RM1,944,444 (31 December 2019: RM1,944,444) of the Company as disclosed in note 8(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 and Level 2 of the fair value hierarchy during the current and previous financial years.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT**

**(a) Risk management framework**

The Board of Directors (the "Board") of the Company has oversight responsibility for risk management. Industry best practices and governance standards for financial institutions require the Board to establish risk management policies and practices and, in delegating this responsibility to management, to ensure that these policies and practices remain adequate, comprehensive and prudent in light of changing circumstances.

The Board's Risk Management Committee ("RMC"), is responsible for overseeing the Company's management of its principal risks. The Board and RMC delegate accountability for risk-taking and risk management to the Chief Executive Officer ("CEO"). The CEO, supported by the Chief Risk Officer ("CRO") and Enterprise Risk Management Committee, established risk policies, guide risk-taking activity, monitor material risk exposures, and develop strategic risk management priorities, thereby continuously shaping and promoting the risk management culture throughout the Company.

Risk management policies and practices form an integral part of the Board and Senior Management's oversight of risks and the Company's financial position. Accordingly, along with capital management and financial management, risk management is one of the three pillars of the Company's prudential framework. As such, the Company's risk policies and practices must be directly aligned with the Company's capital management and financial management frameworks. The amount of risk the Company assumes, and plans to assume, defines its required consolidated risk-based capital. Conversely, the amount of available capital defines the amount of risk it is prudent to assume. This relationship dictates the need for alignment between capital and risk management.

The Company's risk-taking activities are undertaken with the understanding that risk-taking and effective risk management are necessary and integral to achieving strategic objectives and managing business operations.

The Company seeks to strategically optimise risk-taking and risk management to support long-term revenue and earnings growth, with the ultimate objective of increasing shareholder's value. This is done by:

- Capitalising on business opportunities that are aligned with the Company's overall risk appetite and return expectations;
- Identifying, measuring and assessing, and monitoring and reporting on principal risks undertaken; and
- Proactively executing effective risk controls and mitigation programs.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(b) Regulatory framework**

The Company is required to comply with the Financial Services Act 2013 (Act 758) as well as guidelines and circulars issued by Bank Negara Malaysia ("BNM").

**(c) Capital management**

The Capital Management Plan is developed and endorsed by the Board. The plan lays out the management actions in response to various Capital Adequacy Ratio ("CAR") scenarios. The Company manages its capital with the following objectives:

- To maintain the required level of stability of the Company, thereby providing a degree of security to policyholders;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulator and stakeholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- To maintain strong and healthy capital ratios in order to support its business objectives and maximise shareholder value.

The Company's internal target solvency range is above the minimum regulatory capital requirement outlined under the Risk-Based Capital Framework ("the Framework") prescribed by BNM at 130%.

The Company has fully complied with its internal target solvency range during the reported financial years.

The capital structure of the Company as at 31 December 2020 and 31 December 2019, as prescribed under the Framework are as follows:

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	200,000	200,000
Retained earnings of the Company*	288,481	259,204
Eligible contract liabilities	401,284	442,974
	<u>889,765</u>	<u>902,178</u>
<b>Eligible Tier 2 Capital</b>		
Eligible reserves	321,019	135,088
Amounts deducted from capital	(43,827)	(43,170)
<b>Total Capital Available</b>	<u>1,166,957</u>	<u>994,096</u>

\* Only distributable retained earnings (note 12) of the Company are included in the determination of Total Capital Available.



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**34. RISK MANAGEMENT (CONTINUED)**
**(d) Insurance risk**

Insurance risk is the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced with respect to mortality and morbidity claims, policyholders' behaviour and expenses.

The Company has implemented product design and pricing policies and underwriting and claims management policies to manage its insurance risks.

The Company also limits its exposure to loss within the insurance operations through participation in reinsurance arrangements. For insurance contracts issued in 2020, the Company generally retains a maximum of RM300,000 for mortality risk per life, RM300,000 for accelerated critical illness risk per life and RM200,000 for additional critical illness per life, with the excess being reinsured through surplus treaties, coinsurance treaties and facultative reinsurance treaties. The Company is neither dependent on a single reinsurer at this moment nor are the operations of the Company substantially dependent upon any reinsurance contract.

The table below sets out the concentration of the actuarial liabilities as at the date of the statement of financial position, gross and net of reinsurance, by class of business.

	<b>Gross</b>		<b>Net</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Whole life	981,848	997,756	981,848	997,756
Endowment	898,688	806,350	898,688	806,350
Term	69,530	67,859	73,787	73,271
Annuity	254,962	238,518	254,962	238,518
Others	516,163	618,063	516,163	618,063
	<u>2,721,191</u>	<u>2,728,546</u>	<u>2,725,448</u>	<u>2,733,958</u>

**Sensitivities**

The analysis below is performed on plausible movements in key assumptions (with all other assumptions held constant) with resulting impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions may have a significant effect in determining the ultimate actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current level of economic assumptions.

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(d) Insurance risk (continued)**

	Change in assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
Increase/(decrease)					
<b>31 December 2020</b>					
Mortality/morbidity	+10	19,183	14,951	(14,951)	(11,362)
Discount rate	-1	38,795	38,999	(38,999)	(29,639)
Expenses	+10	8,697	8,697	(8,697)	(6,610)
Lapse and surrender rates	+10	2,320	2,246	(2,246)	(1,707)
<b>31 December 2019</b>					
Mortality/morbidity	+10	18,505	15,041	(15,041)	(11,431)
Discount rate	-1	36,739	36,991	(36,991)	(28,113)
Expenses	+10	7,763	7,763	(7,763)	(5,900)
Lapse and surrender rates	+10	2,122	1,961	(1,961)	(1,491)

\* Impact on equity is stated after considering tax effects

In the sensitivity analysis above, the impact from the changes in assumptions in the table above to the Company's profit before tax and equity arise from Non-participating life fund policies. There is no material impact to the Participating life funds within the range of changes in assumptions as the participating nature of the Participating life funds give the Company the flexibility to adjust the policyholders' bonus or dividends.

The method used and significant assumptions made to derive the sensitivity information did not change from the previous financial year.

**(e) Credit risk**

Credit risk is the risk of loss due to inability or unwillingness of an issuer or borrower to service its debt obligations. The risk arising from lending and investing activities is monitored regularly with respect to single customer limit, exposure to sector type, credit rating and remaining term to maturity, according to the guidelines and limits approved by the Board and within the guidelines issued by BNM.

As at the date of the statement of financial position, the credit exposure of the Company is within the guidelines and limits approved by the Board. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

The Company has minimal exposure to credit risk on unrated Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities as these are either issued or guaranteed by the Federal Government of Malaysia. All the remaining unquoted corporate debt securities are issued by companies with minimum rating of 'BBB'.

Policy loans are secured against the surrender value of the policies and carry substantially no credit risk. Mortgage loans are secured against the properties charged to the Group. Staff loans consists of vehicle loans and mortgage loans which are secured against the properties. Loan to agency leadership corporation is unsecured in nature.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(e) Credit risk (continued)**

Credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in the policy documents on the expiry of which either the premium is paid or the policy will be terminated.

Fixed and call deposits are placed with financial institutions approved by the Investment Committee of the Company and with ratings of 'A' or better.

Reinsurance arrangements are maintained with reinsurers with international ratings of 'A' or better.

There has been no significant change in the credit risk objectives, policies and processes in the current financial year as compared to the previous financial year.

The table below shows the Company's maximum exposure to credit risk for the components in the statement of financial position by classifying financial and insurance assets according to the Company's credit rating of counterparties except for the Investment-linked funds' assets, as the Company does not have any direct exposure to credit risk in those assets as the credit risk is borne by the investment-linked policyholders.

The Investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities.

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(e) Credit risk (continued)**

	<u>Neither past-due nor impaired</u>		<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Investment -linked funds</u>	<u>Total</u>
	<u>Rating (BBB to AAA)</u>	<u>Not rated</u>					
<b>31 December 2020</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>AFS financial assets</u>							
Equity securities	-	-	1,104,564	-	-	-	1,104,564
Real estate investment trusts	-	-	14,704	-	-	-	14,704
Unit trust funds	-	-	544,328	-	-	-	544,328
Malaysian Government Securities	-	324,663	-	-	-	-	324,663
Government Investment Issues	-	217,067	-	-	-	-	217,067
Corporate debt securities	994,253	304,396	-	-	-	-	1,298,649
Accrued interest	11,357	8,327	-	-	-	-	19,684
<u>Financial assets at FVTPL</u>							
<u>- designated upon initial recognition</u>							
Equity securities	-	-	-	-	-	725,743	725,743
Real estate investment trusts	-	-	-	-	-	5,747	5,747
Unit trust funds	-	-	-	-	-	161,892	161,892
Malaysian Government Securities	-	64,041	-	-	-	2,331	66,372
Government Investment Issues	-	41,941	-	-	-	20,890	62,831
Corporate debt securities	326,517	94,908	-	-	-	71,192	492,617
Mutual funds	-	-	-	-	-	304,436	304,436
Forward foreign exchange contract	-	-	-	-	-	1,149	1,149
Accrued interest	3,502	1,988	-	-	-	1,249	6,739
<u>Loans and receivables</u>							
Loans receivable	-	151,126	-	130	463	-	151,719
Fixed and call deposits	43,341	-	-	-	-	80,312	123,653
Other receivables	-	19,090	-	-	290	13,680	33,060
Reinsurance assets	1,215	4,503	-	-	-	-	5,718
Insurance receivables	-	16,877	-	-	926	-	17,803
Cash and cash equivalents	75,850	19	-	-	-	8,878	84,747
Allowance for impairment losses	-	-	-	-	(1,505)	-	(1,505)
<b>Total financial and insurance assets</b>	<b>1,456,035</b>	<b>1,248,946</b>	<b>1,663,596</b>	<b>130</b>	<b>174</b>	<b>1,397,499</b>	<b>5,766,380</b>

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(e) Credit risk (continued)**

	<u>Neither past-due nor impaired</u>		<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Investment -linked funds</u>	<u>Total</u>
	<u>Rating (BBB to AAA)</u>	<u>Not rated</u>					
<b>31 December 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>AFS financial assets</u>							
Equity securities	-	-	917,292	-	-	-	917,292
Real estate investment trusts	-	-	15,398	-	-	-	15,398
Unit trust funds	-	-	555,291	-	-	-	555,291
Malaysian Government Securities	-	328,298	-	-	-	-	328,298
Government Investment Issues	-	203,367	-	-	-	-	203,367
Corporate debt securities	1,001,487	306,892	-	-	-	-	1,308,379
Accrued interest	11,342	8,486	-	-	-	-	19,828
<u>Financial assets at FVTPL</u>							
<u>- designated upon initial recognition</u>							
Equity securities	-	-	-	-	-	587,603	587,603
Real estate investment trusts	-	-	-	-	-	8,314	8,314
Unit trust funds	-	-	-	-	-	167,215	167,215
Malaysian Government Securities	-	48,314	-	-	-	-	48,314
Government Investment Issues	-	25,298	-	-	-	-	25,298
Corporate debt securities	241,267	83,539	-	-	-	90,291	415,097
Mutual funds	-	-	-	-	-	438,118	438,118
Forward foreign exchange contract	-	-	-	-	-	3,802	3,802
Accrued interest	2,748	1,663	-	-	-	1,137	5,548
<u>Loans and receivables</u>							
Loans receivable	-	150,183	-	51	489	-	150,723
Fixed and call deposits	2,325	-	-	-	-	49,083	51,408
Other receivables	-	13,456	-	-	290	7,117	20,863
Reinsurance assets	1,753	1,650	-	-	-	-	3,403
Insurance receivables	-	25,794	-	-	907	-	26,701
Cash and cash equivalents	56,505	-	-	-	-	5,422	61,927
Allowance for impairment losses	-	-	-	-	(1,480)	-	(1,480)
<b>Total financial and insurance assets</b>	<b>1,317,427</b>	<b>1,196,940</b>	<b>1,487,981</b>	<b>51</b>	<b>206</b>	<b>1,358,102</b>	<b>5,360,707</b>

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(e) Credit risk (continued)**

**Age analysis of financial assets past-due but not impaired**

	<b>&lt; 30 days RM'000</b>	<b>31 to 60 days RM'000</b>	<b>61 to 90 days RM'000</b>	<b>91 to 180 days RM'000</b>	<b>Over 180 days RM'000</b>	<b>Total RM'000</b>
<b>31 December 2020</b>						
Loans receivable	-	-	-	-	130	130
	-	-	-	-	130	130
<b>31 December 2019</b>						
Loans receivable	-	-	9	-	42	51
	-	-	9	-	42	51

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**34. RISK MANAGEMENT (CONTINUED)**
**(e) Credit risk (continued)**
**Impaired financial assets**

For assets to be classified as “past due and impaired”, contractual payments must be in arrears for more than three months based on objective evidence that an impairment loss has been incurred. The Company records impairment allowance for loans receivables, insurance receivables and other receivables in a separate allowance for impairment loss account. A reconciliation of the allowance for impairment losses for loans receivable, insurance receivables and other receivables is as follows:

	<b>Loans receivable RM'000</b>	<b>Insurance receivables RM'000</b>	<b>Other receivables RM'000</b>	<b>Total RM'000</b>
At 1 January 2020	283	907	290	1,480
Allowance for impairment losses during the financial year	6	19	-	25
At 31 December 2020	<u>289</u>	<u>926</u>	<u>290</u>	<u>1,505</u>
At 1 January 2019	135	1,063	290	1,488
Allowance for impairment losses during the financial year	148	4	-	152
Write-off	-	(160)	-	(160)
At 31 December 2019	<u>283</u>	<u>907</u>	<u>290</u>	<u>1,480</u>

Allowance for impairment loss arose from individual impairment assessments during the financial year. There was no allowance of impairment loss arising from collective assessments.

**(f) Market risk**

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.

Market risk is managed through the segmentation of product liabilities with similar characteristics and the establishment of investment policies and goals for each segment. The Company's investment policies and goals reflect the asset mix, asset quality, sector mix, currency mix, interest rate risk exposure and liquidity targets.

There has been no significant change in the market risk objectives, policies and processes in the current financial year as compared to the previous financial year.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**34. RISK MANAGEMENT (CONTINUED)**
**(f) Market risk (continued)**
**(i) Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company manages the risk through matching the currency of the assets with the currency of the liabilities which these assets support. The Company has direct exposure to foreign currency risk in certain foreign currency denominated investments except for those in participating life fund and investment linked-business, of which the foreign currency risk is borne by the policyholders.

**Exposure to foreign currency risk**

The Company's exposure to the foreign currency (a currency which is other than the functional currency of the Company), based on carrying amounts as at the end of the reporting period was:

	<b>Denominated in USD</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Equity securities – quoted outside Malaysia	31,849	-
Amount due (to)/from related parties	(179)	47
Cash and cash equivalents	8,079	8,128
	<u>39,749</u>	<u>8,175</u>

The following table demonstrates the sensitivity to a reasonably possible change in currency, with all other variables held constant:

	<b>Impact on profit before tax</b>		<b>Impact on equity</b>	
	<b>Increase/(decrease)</b>		<b>Increase/(decrease)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Changes in foreign currency rates</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
USD + 5%	395	409	1,987	409
USD - 5%	<u>(395)</u>	<u>(409)</u>	<u>(1,987)</u>	<u>(409)</u>

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises due to differences in pricing or tenure of investments and liabilities. Interest rate risk is managed by the insurance contract liability, by limiting the interest rate guarantees that are embedded in the insurance plans that are marketed. The interest rate risk is also managed through setting the appropriate asset benchmark reflecting the liability profile and the availability of suitable instruments in the investment market. The participating nature of the Participating life fund gives the Company the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low interest rates.



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**34. RISK MANAGEMENT (CONTINUED)**
**(f) Market risk (continued)**
**(ii) Interest rate risk (continued)**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	<b>Impact on profit before tax</b>		<b>Impact on equity*</b>	
	<b>(Decrease)/increase</b>		<b>(Decrease)/increase</b>	
<b>Change in variable:</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Interest rate</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
+ 100 basis point	<u>(7,345)</u>	<u>(576)</u>	<u>(5,802)</u>	<u>(455)</u>
- 100 basis point	<u>3,755</u>	<u>(3,931)</u>	<u>2,966</u>	<u>(3,105)</u>

\* Impact on equity is stated after considering tax effects

The above impact to the Company's equity arose from the investments in fixed income securities which are classified as AFS and FVTPL financial assets and the actuarial liabilities of the Non-participating funds; the impact to the Company's profit before tax arose from fixed income securities which are classified as FVTPL financial assets and the actuarial liabilities of the Non-participating funds. Any adverse impact on the Participating life fund results arising from changes in interest rate risk will be negated by an equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in interest rate risk to fixed income securities and actuarial liabilities of the Participating life fund of the Company is retained in the insurance contract liabilities.

**(iii) Price risk**

The Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company has acknowledged the inherent risk of investing in equities. The Board has set internal limits for maximum equity exposure, industry type exposure and individual stock exposure, which are consistent with BNM's guidelines, and has also imposed daily trading limits. In addition, the Investment Committee at its monthly meeting discusses the economic and market outlook, reviews transactions and deliberates on further equity allocation. The participating nature of the Participating life fund gives the Company the flexibility to adjust the policyholders' bonus or dividends in the event of persistently high or low equity returns.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**34. RISK MANAGEMENT (CONTINUED)**
**(f) Market risk (continued)**
**(iii) Price risk (continued)**

	<b>Impact on profit before tax</b>		<b>Impact on equity*</b>	
	<b>Increase/(decrease)</b>		<b>Increase/(decrease)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Change in variable:</b>				
<u>Market price</u>				
+15%	-	-	83,121	79,632
- 15%	-	-	(83,121)	(79,632)

\* Impact on equity is stated after considering tax effects

The above impact to the Company's equity arose from the Non-participating life fund and Shareholder's fund investments in equity securities, unit trust funds and real estate investment trusts which are classified as AFS financial assets. Any adverse impact on the Participating life fund results arising from changes in price risk will be negated by an equivalent decrease in unallocated surplus in the insurance contract liabilities and vice versa. Hence, the impact arising from changes in price risk to equity securities, unit trust funds and real estate investment trusts of the Participating life fund is retained in the insurance contract liabilities.

**(g) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet unexpected cash flow. In addition, the Company has large holdings of government bonds that can be liquidated at short notice to meet unexpected liquidity needs.

It is unusual for a Company transacting insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period within which such liabilities will require settlement. The amount and maturities in respect of insurance contract liabilities are thus based on management's estimate based on statistical techniques and past experiences.

There has been no significant change in the liquidity risk objectives, policies and processes in the current financial year as compared to the previous financial year.

The table below analyses the Company's financial and insurance assets and financial and insurance liabilities into their relevant maturity groups based on the remaining undiscounted contractual obligations.

All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities and amount payable under distribution agreement which are presented based on their expected cash flows.

The Investment-linked funds are the assets of the investment-linked contracts backing the investment-linked policyholders' account in the insurance contract liabilities. Investment-linked fund liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under the "Investment-linked funds" column.

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(g) Liquidity risk (continued)**

<b>31 December 2020</b>	<b>Carrying value RM'000</b>	<b>Up to a year RM'000</b>	<b>1-3 years RM'000</b>	<b>3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Investment- linked funds RM'000</b>	<b>Total RM'000</b>
Equity securities	1,830,307	-	-	-	-	1,104,564	725,743	1,830,307
Real estate investment trusts	20,451	-	-	-	-	14,704	5,747	20,451
Malaysian Government Securities	391,035	15,572	31,145	31,145	590,434	-	2,331	670,627
Government Investment Issues	279,898	10,639	21,277	21,277	404,798	-	20,890	478,881
Corporate debt securities	1,791,266	133,601	406,632	451,765	1,164,957	-	71,192	2,228,147
Unit trust funds	706,220	-	-	-	-	544,328	161,892	706,220
Mutual funds	304,436	-	-	-	-	-	304,436	304,436
Forward foreign exchange contract	1,149	-	-	-	-	-	1,149	1,149
Accrued interest								
- AFS financial assets	19,684	19,684	-	-	-	-	-	19,684
- FVTPL financial assets	6,739	5,490	-	-	-	-	1,249	6,739
Loans receivable	151,430	907	2,199	1,957	5,502	140,865	-	151,430
Fixed and call deposits	123,653	43,341	-	-	-	-	80,312	123,653
Other receivables	32,770	19,090	-	-	-	-	13,680	32,770
Reinsurance assets	5,718	5,718	-	-	-	-	-	5,718
Insurance receivables	16,877	16,877	-	-	-	-	-	16,877
Cash and cash equivalents	84,747	75,869	-	-	-	-	8,878	84,747
<b>Total financial and insurance assets</b>	<b>5,766,380</b>	<b>346,788</b>	<b>461,253</b>	<b>506,144</b>	<b>2,165,691</b>	<b>1,804,461</b>	<b>1,397,499</b>	<b>6,681,836</b>
Insurance contract liabilities	4,360,216	338,481	219,626	370,370	4,798,598	-	1,369,798	7,096,873
Insurance claims liabilities	56,304	56,304	-	-	-	-	-	56,304
Forward foreign exchange contract	21	-	-	-	-	-	21	21
Reinsurance liabilities	4,257	4,257	-	-	-	-	-	4,257
Insurance payables	671,859	671,859	-	-	-	-	-	671,859
Other payables	137,942	113,204	14,028	2,341	-	-	11,390	140,963
<b>Total financial and insurance liabilities</b>	<b>5,230,599</b>	<b>1,184,105</b>	<b>233,654</b>	<b>372,711</b>	<b>4,798,598</b>	<b>-</b>	<b>1,381,209</b>	<b>7,970,277</b>

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(g) Liquidity risk (continued)**

	Carrying value	Up to a year	1-3 years	3-5 years	Over 5 years	No maturity date	Investment- linked funds	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Equity securities	1,504,895	-	-	-	-	917,292	587,603	1,504,895
Real estate investment trusts	23,712	-	-	-	-	15,398	8,314	23,712
Malaysian Government Securities	376,612	15,737	31,473	31,473	591,456	-	-	670,139
Government Investment Issues	228,665	9,663	19,325	19,325	366,536	-	-	414,849
Corporate debt securities	1,723,476	130,171	388,365	346,348	1,279,367	-	90,291	2,234,542
Unit trust funds	722,506	-	-	-	-	555,291	167,215	722,506
Mutual funds	438,118	-	-	-	-	-	438,118	438,118
Forward foreign exchange contract	3,802	-	-	-	-	-	3,802	3,802
Accrued interest								
- AFS financial assets	19,828	19,828	-	-	-	-	-	19,828
- FVTPL financial assets	5,548	4,411	-	-	-	-	1,137	5,548
Loans receivable	150,440	426	571	265	499	148,679	-	150,440
Fixed and call deposits	51,408	2,325	-	-	-	-	49,083	51,408
Other receivables	20,573	13,456	-	-	-	-	7,117	20,573
Reinsurance assets	3,403	3,403	-	-	-	-	-	3,403
Insurance receivables	25,794	25,794	-	-	-	-	-	25,794
Cash and cash equivalents	61,927	56,505	-	-	-	-	5,422	61,927
Total financial and insurance assets	5,360,707	281,719	439,734	397,411	2,237,858	1,636,660	1,358,102	6,351,484
Insurance contract liabilities	4,125,326	125,962	268,040	405,824	5,069,193	-	1,345,740	7,214,759
Insurance claims liabilities	53,464	53,464	-	-	-	-	-	53,464
Reinsurance liabilities	5,412	5,412	-	-	-	-	-	5,412
Insurance payables	601,023	601,023	-	-	-	-	-	601,023
Other payables	127,541	99,576	16,126	8,183	157	-	8,653	132,695
Total financial and insurance liabilities	4,912,766	885,437	284,166	414,007	5,069,350	-	1,354,393	8,007,353

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**34. RISK MANAGEMENT (CONTINUED)**

**(h) Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, risk management policies and procedures, systems' failures, human performance failures or from external events. The Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people throughout the Company. The Company uses an established programme of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

**35. CAPITAL AND OTHER COMMITMENTS**

	<b>2020</b> <b>RM'000</b>	<b>2019</b> <b>RM'000</b>
<b>Other commitments</b>		
<b>Exclusive bancassurance agreement</b>		
- Authorised but not provided for	(i) <u>7,500</u>	<u>10,500</u>
<b>Distribution agreement</b>		
- Authorised but not provided for	(ii) <u>5,363</u>	<u>8,293</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 fee under the terms of the Distribution Agreement. The annual consultancy fee will be amortised to profit or loss over 20 years.	

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**36. INSURANCE FUNDS**

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

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

**Statement of Financial Position by Funds**

31 December 2020	Shareholder's fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
<b>Assets</b>					
Property and equipment	-	20,537	-	-	20,537
Investment property	-	46,802	-	-	46,802
Intangible assets	35,945	11,420	-	-	47,365
Loans and receivables	174,182	195,186	93,992	(148,650)	314,710
Available-for-sale financial assets	421,708	3,101,951	-	-	3,523,659
Financial assets at fair value through profit or loss	-	532,897	1,294,629	-	1,827,526
Reinsurance assets	-	5,718	-	-	5,718
Insurance receivables	-	16,877	-	-	16,877
Right-of-use asset	1,995	-	-	-	1,995
Current tax assets	7,151	20,477	(4,436)	-	23,192
Cash and cash equivalents	25,850	50,019	8,878	-	84,747
<b>Total assets</b>	<b>666,831</b>	<b>4,001,884</b>	<b>1,393,063</b>	<b>(148,650)</b>	<b>5,913,128</b>
<b>Equity, Policyholders' Funds and Liabilities</b>					
Share capital	200,000	-	-	-	200,000
Retained earnings	357,133	-	-	-	357,133
Fair value reserve	41,506	-	-	-	41,506
<b>Total equity</b>	<b>598,639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>598,639</b>
Insurance contract liabilities	-	2,990,418	1,369,798	-	4,360,216
Insurance claims liabilities	-	56,304	-	-	56,304
Financial liability at fair value through profit or loss	-	-	21	-	21
Deferred tax liabilities	25,626	22,028	11,854	-	59,508
Reinsurance liabilities	-	4,257	-	-	4,257
Insurance payables	-	671,859	-	-	671,859
Lease liabilities	2,137	-	-	-	2,137
Current tax liability	-	22,245	-	-	22,245
Other payables	40,429	234,773	11,390	(148,650)	137,942
<b>Total equity, policyholders' funds and liabilities</b>	<b>666,831</b>	<b>4,001,884</b>	<b>1,393,063</b>	<b>(148,650)</b>	<b>5,913,128</b>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**36. INSURANCE FUNDS (CONTINUED)**
**Statement of Financial Position by Funds (continued)**

31 December 2019	Shareholder's fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment-linked funds RM'000		
<b>Assets</b>					
Property and equipment	-	16,642	-	-	16,642
Investment property	-	51,290	-	-	51,290
Intangible assets	38,668	4,871	-	-	43,539
Loans and receivables	98,676	165,148	56,200	(89,867)	230,157
Available-for-sale financial assets	440,613	2,907,240	-	-	3,347,853
Financial assets at fair value through profit or loss	-	402,829	1,296,480	-	1,699,309
Reinsurance assets	-	3,403	-	-	3,403
Insurance receivables	-	25,794	-	-	25,794
Right-of-use assets	1,859	-	-	-	1,859
Current tax asset	9,950	(1,387)	(337)	-	8,226
Cash and cash equivalents	15,225	41,280	5,422	-	61,927
<b>Total assets</b>	<b>604,991</b>	<b>3,617,110</b>	<b>1,357,765</b>	<b>(89,867)</b>	<b>5,489,999</b>
<b>Equity, Policyholders' Funds and Liabilities</b>					
Share capital	200,000	-	-	-	200,000
Retained earnings	327,856	-	-	-	327,856
Fair value reserve	12,763	-	-	-	12,763
<b>Total equity</b>	<b>540,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>540,619</b>
Insurance contract liabilities	-	2,779,586	1,345,740	-	4,125,326
Insurance claims liabilities	-	53,464	-	-	53,464
Deferred tax liabilities	22,089	9,154	3,372	-	34,615
Reinsurance liabilities	-	5,412	-	-	5,412
Insurance payables	-	601,023	-	-	601,023
Lease liability	1,999	-	-	-	1,999
Other payables	40,284	168,471	8,653	(89,867)	127,541
<b>Total equity, policyholders' funds and liabilities</b>	<b>604,991</b>	<b>3,617,110</b>	<b>1,357,765</b>	<b>(89,867)</b>	<b>5,489,999</b>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**36. INSURANCE FUNDS (CONTINUED)**
**Statement of Profit or Loss by Funds**

2020	Shareholder's fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment- linked funds RM'000		
Premium income					
Gross premiums	-	623,879	304,654	(1,006)	927,527
Premiums ceded to reinsurers	-	(92,420)	-	-	(92,420)
Net premiums	-	531,459	304,654	(1,006)	835,107
Investment income	13,925	139,332	28,132	-	181,389
Net realised gains	5,207	49,475	-	-	54,682
Net fair value (losses)/ gains	(3,037)	(69,502)	153,719	-	81,180
Fee income	-	19,232	-	(15,459)	3,773
Other operating income	-	516	2,408	-	2,924
<b>Total revenue</b>	<b>16,095</b>	<b>670,512</b>	<b>488,913</b>	<b>(16,465)</b>	<b>1,159,055</b>
Gross benefits and claims paid and payable	-	(412,306)	(428,912)	-	(841,218)
Claims ceded to reinsurers	-	35,678	-	-	35,678
Gross change in contract liabilities	-	(53,644)	(24,058)	-	(77,702)
Change in insurance contract liabilities ceded to reinsurers	-	1,155	-	-	1,155
<b>Net claims</b>	<b>-</b>	<b>(429,117)</b>	<b>(452,970)</b>	<b>-</b>	<b>(882,087)</b>
Fee and commission expenses	-	(48,219)	-	-	(48,219)
Investment expenses	(211)	(9,718)	-	-	(9,929)
Management expenses	(15,130)	(131,155)	(21,486)	16,453	(151,318)
Other operating expenses	(6,636)	(10,877)	(14,457)	12	(31,958)
<b>Other expenses</b>	<b>(21,977)</b>	<b>(199,969)</b>	<b>(35,943)</b>	<b>16,465</b>	<b>(241,424)</b>
(Loss)/profit from operations	(5,882)	41,426	-	-	35,544
Transfer from/(to) revenue account	41,426	(41,426)	-	-	-
<b>Profit before taxation</b>	<b>35,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,544</b>
Taxation	(6,267)	-	-	-	(6,267)
<b>Net profit for the financial year</b>	<b>29,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,277</b>



**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**36. INSURANCE FUNDS (CONTINUED)**
**Statement of Profit or Loss by Funds (continued)**

2019	Shareholder's fund RM'000	Insurance funds		Elimination RM'000	Total RM'000
		Life fund RM'000	Investment- linked funds RM'000		
Premium income					
Gross premiums	-	600,432	294,331	(1,235)	893,528
Premiums ceded to reinsurers	-	(69,173)	-	-	(69,173)
Net premiums	-	531,259	294,331	(1,235)	824,355
Investment income	14,985	141,978	34,693	-	191,656
Net realised gains	19,329	23,262	-	-	42,591
Net fair value (losses)/ gains	(802)	2,919	78,575	-	80,692
Fee income	-	19,246	-	(15,457)	3,789
Other operating income	-	388	2,558	-	2,946
<b>Total revenue</b>	<b>33,512</b>	<b>719,052</b>	<b>410,157</b>	<b>(16,692)</b>	<b>1,146,029</b>
Gross benefits and claims paid and payable	-	(400,095)	(335,221)	-	(735,316)
Claims ceded to reinsurers	-	23,766	-	-	23,766
Gross change in contract liabilities	-	(126,675)	(44,111)	-	(170,786)
Change in insurance contract liabilities ceded to reinsurers	-	(7,702)	-	-	(7,702)
<b>Net claims</b>	<b>-</b>	<b>(510,706)</b>	<b>(379,332)</b>	<b>-</b>	<b>(890,038)</b>
Fee and commission expenses	-	(49,739)	-	-	(49,739)
Investment expenses	(810)	(9,543)	-	-	(10,353)
Management expenses	(14,939)	(125,099)	(20,041)	16,703	(143,376)
Other operating expenses	(8,463)	(10,947)	(10,784)	(11)	(30,205)
<b>Other expenses</b>	<b>(24,212)</b>	<b>(195,328)</b>	<b>(30,825)</b>	<b>16,692</b>	<b>(233,673)</b>
Profit from operations	9,300	13,018	-	-	22,318
Transfer from/(to) revenue account	13,018	(13,018)	-	-	-
<b>Profit before taxation</b>	<b>22,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,318</b>
Taxation	(9,188)	-	-	-	(9,188)
<b>Net profit for the financial year</b>	<b>13,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,130</b>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**36. INSURANCE FUNDS (CONTINUED)**
**Information on cash flows by Funds**

	Shareholder's fund	Insurance funds		Total
		Life fund	Investment- linked funds	
	RM'000	RM'000	RM'000	RM'000
<b>2020</b>				
<b>Cash flows from:</b>				
Operating activities	13,625	23,053	3,456	40,134
Investing activities	(3,000)	(13,150)	-	(16,150)
Financing activities	-	(1,164)	-	(1,164)
Net increase in cash and cash equivalents	10,625	8,739	3,456	22,820
At beginning of financial year	15,225	41,280	5,422	61,927
At end of financial year	<u>25,850</u>	<u>50,019</u>	<u>8,878</u>	<u>84,747</u>
<b>2019</b>				
<b>Cash flows from:</b>				
Operating activities	(41,768)	9,667	(4,833)	(36,934)
Investing activities	-	(4,642)	-	(4,642)
Financing activities	50,000	(734)	-	49,266
Net increase/(decrease) in cash and cash equivalents	8,232	4,291	(4,833)	7,690
At beginning of financial year	6,993	36,989	10,255	54,237
At end of financial year	<u>15,225</u>	<u>41,280</u>	<u>5,422</u>	<u>61,927</u>

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

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

As disclosed in note 2(a)(ii), the Company will be deferring the adoption of MFRS 9 as allowed under Amendments to MFRS 4. 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 financial year ended 31 December 2020	Fair value as at 1 January 2020 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2020 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
<b>Financial assets</b>					
Equity securities					
- Quoted in Malaysia	1,399,158	246,567	1,645,725	Non-SPPI	FVTPL
- Quoted outside Malaysia	103,793	78,845	182,638	Non-SPPI	FVTPL
- Unquoted	1,944	-	1,944	Non-SPPI	FVTPL
Real estate investment trusts	23,712	(3,261)	20,451	Non-SPPI	FVTPL
Unit trust funds	722,506	(16,286)	706,220	Non-SPPI	FVTPL
Malaysian Government Securities	376,612	14,423	391,035	SPPI	FVOCI
Government Investment Issues	228,665	51,233	279,898	SPPI	FVOCI
Corporate debt securities					
- Unquoted	1,723,476	67,790	1,791,266	SPPI	FVOCI
Mutual funds	438,118	(133,682)	304,436	Non-SPPI	FVTPL
Forward foreign exchange contract	3,802	(2,653)	1,149	Non-SPPI	FVTPL
Accrued interest	25,376	1,047	26,423	SPPI	FVOCI
Loans and receivables	222,421	85,432	307,853	SPPI	Amortised cost
Insurance receivables	25,794	(8,917)	16,877	SPPI	Amortised cost
Cash and cash equivalents	61,927	22,820	84,747	SPPI	Amortised cost
	<u>5,357,304</u>	<u>403,358</u>	<u>5,760,662</u>		

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

Company No.

200801013654 (814942-M)

**MANULIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

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

For the financial year ended 31 December 2019	Fair value as at 1 January 2019 RM'000	Change in fair value* RM'000	Fair value as at 31 December 2019 RM'000	Result of the cash flows characteristics test	Classification and measurement under MFRS 9
<b>Financial assets</b>					
Equity securities					
- Quoted in Malaysia	1,225,905	173,253	1,399,158	Non-SPPI	FVTPL
- Quoted outside Malaysia	114,225	(10,432)	103,793	Non-SPPI	FVTPL
- Unquoted	1,944	-	1,944	Non-SPPI	FVTPL
Real estate investment trusts	14,217	9,495	23,712	Non-SPPI	FVTPL
Unit trust funds	315,087	407,419	722,506	Non-SPPI	FVTPL
Malaysian Government Securities	344,324	32,288	376,612	SPPI	FVOCI
Government Investment Issues	157,010	71,655	228,665	SPPI	FVOCI
Corporate debt securities					
- Unquoted	1,915,533	(192,057)	1,723,476	SPPI	FVOCI
Mutual funds	496,354	(58,236)	438,118	Non-SPPI	FVTPL
Forward foreign exchange contract	3,958	(156)	3,802	Non-SPPI	FVTPL
Accrued interest	27,325	(1,949)	25,376	SPPI	FVOCI
Loans and receivables	268,848	(46,427)	222,421	SPPI	Amortised cost
Insurance receivables	24,344	1,450	25,794	SPPI	Amortised cost
Cash and cash equivalents	54,237	7,690	61,927	SPPI	Amortised cost
	<u>4,963,311</u>	<u>393,993</u>	<u>5,357,304</u>		

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

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**
**37. ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 *INSURANCE CONTRACTS* (CONTINUED)**

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

	<b>AAA RM'000</b>	<b>AA RM'000</b>	<b>A RM'000</b>	<b>Non-rated RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2020</b>					
<b>Financial assets</b>					
Malaysian Government Securities	-	-	-	391,035	391,035
Government Investment Issues	-	-	-	279,898	279,898
Corporate debt securities					
- Unquoted	766,120	621,730	4,112	399,304	1,791,266
Accrued interest	9,357	6,508	70	10,488	26,423
Loans and receivables	123,653	-	-	184,200	307,853
Insurance receivables	-	-	-	16,877	16,877
Cash and cash equivalents	80,415	-	4,313	19	84,747
	<u>979,545</u>	<u>628,238</u>	<u>8,495</u>	<u>1,281,821</u>	<u>2,898,099</u>
<b>As at 31 December 2019</b>					
<b>Financial assets</b>					
Malaysian Government Securities	-	-	-	376,612	376,612
Government Investment Issues	-	-	-	228,665	228,665
Corporate debt securities					
- Unquoted	850,792	472,531	9,721	390,432	1,723,476
Accrued interest	10,658	4,445	91	10,182	25,376
Loans and receivables	51,408	-	-	171,013	222,421
Insurance receivables	-	-	-	25,794	25,794
Cash and cash equivalents	59,736	6	2,144	41	61,927
	<u>972,594</u>	<u>476,982</u>	<u>11,956</u>	<u>1,202,739</u>	<u>2,664,271</u>

**MANULIFE INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)**

**38. SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS**

**COVID-19 Impact**

The COVID-19 pandemic has significantly disrupted many business operations around the world and resulted in a volatile financial market throughout 2020. Since the COVID-19 crisis, the global GDP has fallen by 4.2%. Nonetheless, with the rollout of vaccine in most of the countries, including Malaysia, have brought hope and a recovery path to the people.

The pandemic has undoubtedly impacted the Company, which dampened its business operations as well as investments. The management have closely monitored the situation and positioning of the Company to preserve and strengthen our business operations and responded to business uncertainty as well as to support our communities.

Based on the assessment performed by the management, and based on available information, the COVID-19 pandemic thus far has no material financial impact to the financial results for the year ended 31 December 2020. The management also believes the Company has sufficient capital to withstand the impact of COVID-19 on the business.

The extent and duration of the impact the COVID-19 pandemic remain uncertain and depend on future developments that cannot be accurately predicted at this stage. Therefore, a reliable estimate of such an impact beyond the reporting date cannot be made at the date of the authorisation of the financial statements.