

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements

1. Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, “Interim Financial Reporting” and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2013, which were prepared in accordance with the Malaysian Financial Reporting Standards.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

2. Significant accounting policies

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group’s consolidated audited financial statements for the financial year ended 31 December 2013, except for the adoption of the following:

<u>MFRSs/Interpretations</u>	<u>Effective Date</u>
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plan: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014

The adoption of the revised standards, amendments and interpretations issued by Malaysian Accounting Standards Board (“MASB”) in the current financial year do not have any material impact to the financial statements of the Group.

As at the date of authorisation of these interim financial statements, the revised MFRSs, amendments to MFRSs and IC Interpretations but not yet effective issued by MASB in the current year is not expected to have any material impact on the financial statements of the Group.

3. Status of audit qualification

There was no audit qualification in the annual financial statements for the preceding financial year ended 31 December 2013.

4. Seasonal/cyclical factors

The business operations of the Group are subject to the sales cycle of the insurance business and wealth business.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 September 2014.

6. Change in estimates

The Group's insurance subsidiary, Manulife Insurance Berhad revised certain assumptions used for the actuarial liabilities valuation during the current quarter ended 30 September 2014. The change resulted in lower actuarial liabilities of RM18.8 million for the current quarter ended, with a corresponding increase in unallocated surplus for the participating business and net profit before tax of RM18.6 million and RM0.2 million, respectively.

Other than as disclosed above, there were no changes in the basis used for accounting estimates for the current financial period ended 30 September 2014.

7. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period ended 30 September 2014.

8. Dividends

A first and final single-tier dividend of 10 sen per share and a special single-tier dividend of 2.5 sen per share, amounting to RM20,237,000 and RM5,059,250 respectively for the financial year ended 31 December 2013, was approved at the Annual General Meeting held on 27 June 2014 and the dividend was paid on 16 July 2014.

No dividend has been declared in respect of the current financial period ended 30 September 2014.

9. Material events subsequent to the end of the financial period

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

10. Changes in composition of the Group

Two of the subsidiaries within the Group completed a business transfer agreement on 1 September 2014. With the completion of the transaction, the business operations of MAAKL Mutual Berhad has been transferred and merged into Manulife Asset Management Services Berhad ("MAMSB").

Other than as above, there is no change in the Group's composition for the current financial period ended 30 September 2014.

11. Contingent liabilities

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

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)

12. Current year prospects

While the global economy continues to expand at a moderate pace, growth across the advanced economies has been uneven. The Malaysian economy is projected to remain on a steady growth path. However, the yield of Malaysian Government Securities ("MGS") has declined in the last few months which has an adverse impact on the overall financial results of the insurance business. The Group remains cautious about the change in the market and economic environment hence the utilisation and allocation of resources will be prudently managed along the growth journey.

The strategic bancassurance partnership with Alliance Bank Malaysia Berhad ("ABMB") will continue to create long term economic benefits to the Group via the distribution of our life insurance products to ABMB's customers, not to mention the diversification of sales channels which will enhance the economies of scale and profitability. The Group will focus on offering a suite of bespoke products that are suitable for ABMB's customers.

The Group had completed the merger of two unit trust companies in September that created an integrated platform of distribution, fund management, product and operation. After the implementation of our integrated system solution by the end of this year, the synergy benefits and the expansion of wealth business will be fully supported. Significant resources are allocated to facilitate the integration process in order to ensure a seamless transition and a well-executed business plan.

A holistic customer-centric approach will be taken in our forward thinking solutions designed to help our customers' most significant financial decisions. We will offer a range of innovative products such as living benefits, integrated wellness programs and retirement solutions that aims to enhance the Group's competitiveness in both the insurance and unit trust industries.

Barring any unforeseen circumstances and the change in MGS yields, the Directors expect the Group's performance to remain satisfactory in the current financial year ending 31 December 2014 as the Group embarks on its business expansion.

13. Profit forecast

The Group did not issue any profit forecast during the financial period to date.

14. Group borrowings

The Group does not have any borrowings as at 30 September 2014.

15. Material litigation

There is no material litigation as at the date of this report and since the date of the last annual statement of financial position.

16. Status of corporate proposal

As at the date of this report, there are no corporate proposals that have been announced but not completed.

17. Significant event

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

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)

18. Operating segments

The core businesses of the Group are the life insurance business, management of unit trust funds, private retirement scheme funds, investments and fund management. Segment information is presented in respect of the Group's business segments which are as follows:

Investment holding : Investment holding operations and other segments
 Life insurance : Underwriting of Participating and Non-participating life insurance and unit-linked products
 Asset management services : Asset management, unit trust and private retirement scheme funds

Comparative figures have been restated following the reclassification of business segments in the current financial year, where other segments have now been included together with the Investment Holding segment. For the year ended 31 December 2013, other segments were classified together with Asset Management Services as "Others".

	Cumulative 9 months ended 30 September							
	Investment holding		Life insurance business		Asset management services		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>External revenue</u>								
(a) Premium Income								
Gross premiums	-	-	578,934	464,365	-	-	578,934	464,365
Premiums ceded to reinsurers	-	-	(7,815)	(7,809)	-	-	(7,815)	(7,809)
Net premiums	-	-	571,119	456,556	-	-	571,119	456,556
(b) Investment income	12,034	10,674	109,821	108,718	963	443	122,818	119,835
(c) Net realised (losses)/gains	(246)	1,752	46,368	69,336	-	-	46,122	71,088
(d) Net fair value (losses)/gains	(10)	(96)	32,650	34,344	-	-	32,640	34,248
(e) Fee income	-	-	-	-	42,416	4,994	42,416	4,994
(f) Other operating income	-	-	1,261	799	144	(3)	1,405	796
Total external revenue	11,778	12,330	761,219	669,753	43,523	5,434	816,520	687,517
<u>Inter-segment revenue</u>								
(a) Rental income	532	580	304	289	-	-	836	869
(b) Fee income	706	271	1,940	-	8,232	5,358	10,878	5,629
(c) Dividend Income	4,000	200,010	2,425	-	-	-	6,425	200,010
(d) Net realised gains	-	-	217	442	-	-	217	442
(e) Fair value (losses)/gains	-	-	(7)	19	-	-	(7)	19
Total inter-segment revenue	5,238	200,861	4,879	750	8,232	5,358	18,349	206,969
Total revenue by segment	17,016	213,191	766,098	670,503	51,755	10,792	834,869	894,486
Profit/(loss) before taxation	1,795	4,877	29,435	49,830	(2,935)	(5,847)	28,295	48,860
Segment assets	720,409	707,919	4,226,677	3,856,918	101,284	87,653	5,048,370	4,652,490
Segment liabilities	19,454	1,952	3,827,120	3,503,722	31,871	57,372	3,878,445	3,563,046

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)

18. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 9 months ended	
	30.09.2014	30.09.2013
	RM'000	RM'000
Total revenue		
Total revenue for reportable segments	834,869	894,486
Elimination of inter-segment revenue	(18,349)	(206,969)
Total revenue as per statement of profit or loss	816,520	687,517
	As at	As at
	30.09.2014	30.09.2013
	RM'000	RM'000
Segment assets		
Total assets for reportable segments	5,048,370	4,652,490
Elimination of inter-segment assets	(412,637)	(377,813)
Total assets as per statement of financial position	4,635,733	4,274,677
Segment liabilities		
Total liabilities for reportable segments	3,878,445	3,563,046
Elimination of inter-segment liabilities	(2,274)	(33,155)
Total liabilities as per statement of financial position	3,876,171	3,529,891

19. Review of performance

The management uses operating revenue as a measure of performance for each operating segment. Operating revenue for each reportable segment consists of gross premiums, investment income and fee income.

Financial Period ended 30 September 2014 vs Financial Period ended 30 September 2013

The Group achieved operating revenue of RM744.2 million for the financial period ended 30 September 2014 (YTD September 2014), an increase of 26.3% or RM155.0 million compared to the corresponding financial period ended 30 September 2013 (YTD September 2013) of RM589.2 million. However, the Group's profit before tax was RM20.6 million lower as compared to the profit before tax in the corresponding YTD September 2013 (2014: RM28.3 million, 2013: RM48.9 million).

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue increased by RM1.4 million (or 12.7%) as compared to YTD September 2013 mainly attributable to the higher interest income from fixed and call deposits. However, profit before tax was lower due to lower realised gains on investment and increase in staff related expenses.

Life insurance business – Operating revenue of the life insurance business increased by RM115.6 million (2014: RM688.7 million, 2013: RM573.1 million) mainly due to higher gross premiums from investment-linked business during the current financial period ended September 2014. Profit before tax was RM20.4 million lower compared to YTD September 2013 due to a decline in Malaysian Government Securities (MGS) yield resulting in higher liabilities reserving; in addition to the overall decreasing value of corporate debt portfolio as well as lower realised gains on investment from fixed income securities.

Asset management services – The Group consolidated the results of a newly acquired unit trust subsidiary in the current financial period. As a result, operating revenue was much higher in the nine months financial period ended September 2014 as compared to the corresponding period in 2013 (2014: RM43.4 million, 2013: RM5.4 million) and lower loss before tax by approximately RM2.9 million.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)

19. Review of performance (continued)

3rd Quarter 2014 vs 3rd Quarter 2013

The Group's operating revenue in the current quarter registered a slight growth of 0.4% (or RM1.0 million) over the corresponding quarter ended 30 September 2013 (2014: RM260.2 million, 2013: RM259.2 million). The Group's profit before tax was RM9.2 million for the current quarter, RM13.7 million lower as compared to the profit before tax in the corresponding quarter ended 30 September 2013 of RM22.9 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue in the current quarter dropped 24.5% (or RM1.2 million) as compared to the preceding year's corresponding quarter (2014: RM3.7 million, 2013: RM4.9 million) due to lower dividend income. In the current quarter, investment holding segment recorded a lower profit before tax of RM0.3 million due to lower on investment gains and higher staff related expenses.

Life insurance business – Operating revenue of the life insurance business slightly decreased by RM9.4 million (2014: RM240.8 million, 2013: RM250.2 million) mainly due to lower contribution from investment-linked business as compared to Q3 2013. Profit before tax was lower in the current quarter (2014: RM10.1 million, 2013: RM22.1 million) mainly due to a decline in MGS yield resulting in higher liabilities reserving.

Asset management services – Asset management business achieved higher operating revenue of RM15.7 million (2013: RM4.1 million) and a loss before tax of RM0.5 million (2013: RM1.2 million) in the current quarter after consolidating the result of the newly acquired subsidiary.

20. Commentary on the quarterly results compared to the results of preceding quarter

The Group attained lower profit before tax of RM9.2 million for the current quarter under review as compared to the profit before tax of RM10.5 million in preceding quarter ended 30 June 2014. The decrease of RM1.3 million was driven by increase in expenses and worsened claims experience, partially offset by less severe decline in MGS yield resulting in lower quantum of increase in actuarial liabilities in the current quarter.

21. Net premiums

Net premiums which are stated net of reinsurance expenses comprise the following:-

	3 months ended		Cumulative 9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
First year premium	23,226	22,790	59,319	56,447
Renewal year premium	123,380	112,188	345,394	319,921
Single premium	53,784	76,318	166,406	80,188
Total	200,390	211,296	571,119	456,556

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**22. Investment income**

	3 months ended		Cumulative 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
<u>Financial assets at FVTPL</u>				
- designated upon initial recognition				
Interest/profit income	3,281	3,318	10,004	10,781
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	2,810	2,573	8,674	6,490
- quoted outside Malaysia	14	4	51	40
Accretion of discounts, net of amortisation of premiums	(21)	(42)	(134)	170
<u>AFS financial assets</u>				
Interest/profit income	19,234	18,403	56,435	54,373
Dividend/distribution income				
- equity securities				
- quoted in Malaysia	6,787	7,678	18,344	20,600
- unquoted	292	70	362	133
Accretion of discounts, net of amortisation of premiums	645	622	1,846	2,099
<u>Loans and receivables</u>				
Interest/profit income	6,291	6,047	19,343	17,179
Accretion of discounts, net of amortisation of premiums	641	610	1,900	1,809
<u>Investment properties</u>				
Rental income	1,607	1,769	5,585	5,321
<u>Cash and cash equivalents</u>				
Interest/profit sharing income	95	68	408	840
	<u>41,676</u>	<u>41,120</u>	<u>122,818</u>	<u>119,835</u>

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**23. Other operating expenses**

	3 months ended		Cumulative 9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange gains	(2,632)	(5,657)	(713)	(6,582)
Interest expense on agent's bond withheld	10	6	22	20
Others	26	146	45	1,285
Tax on investment income of Life fund and Investment-linked funds				
- Current tax	2,959	4,652	12,406	9,555
- Deferred tax	(345)	(276)	(833)	362
	2,614	4,376	11,573	9,917
	18	(1,129)	10,927	4,640

The income tax for the Life fund and Investment-linked funds of the Group's insurance subsidiary is calculated based on the tax rate of 8% (2013: 8%) of the assessable investment income, net of allowable deductions for the financial year.

24. Profit before taxation

	3 months ended		Cumulative 9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Amortisation of intangible assets	1,606	1,174	3,977	1,860
Depreciation of property and equipment	688	519	2,015	1,580
Investment income (Note 22)	(41,676)	(41,120)	(122,818)	(119,835)
Allowance of impairment loss on insurance receivables	-	-	-	6
Net foreign exchange gains	(2,632)	(5,657)	(713)	(6,582)
Net realised gains				
- realised gains on disposal of AFS investments	(14,058)	(29,379)	(46,122)	(71,088)

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)

24. Profit before taxation (continued)

	3 months ended		Cumulative 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Net fair value gains				
- fair value/derivatives gain on FVTPL investments	(2,529)	(5,482)	(32,673)	(34,821)
- impairment loss on quoted equities	14	-	33	573
	(2,515)	(5,482)	(32,640)	(34,248)

25. Taxation

	3 months ended		Cumulative 6 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
<u>Income tax</u>				
Current financial period	2,790	4,822	8,195	12,079
Under/(over) provision in prior financial year	841	(2,892)	841	(2,892)
	3,631	1,930	9,036	9,187
<u>Deferred tax</u>				
Reversal/origination of temporary differences	(35)	(40)	(78)	50
Under/(over) provision in prior financial year	-	3	-	(10)
	(35)	(37)	(78)	40
	3,596	1,893	8,958	9,227

The income tax for the Group is calculated based on the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial period.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**25. Taxation (continued)**

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

	3 months ended		Cumulative 9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Profit before taxation	9,241	22,880	28,295	48,860
Taxation at Malaysian statutory tax rate of 25%	2,310	5,720	7,074	12,215
Section 110B tax credit set off	(731)	(669)	(1,798)	(1,764)
Income not subject to tax	(78)	(864)	(681)	(1,564)
Expenses not deductible for tax purposes	907	1,147	2,547	2,630
Unrecognised deferred tax assets	347	(552)	975	612
	2,755	4,782	8,117	12,129
Under/(over) provision in prior financial year				
- Current tax**	841	(2,892)	841	(2,892)
- Deferred tax	-	3	-	(10)
	3,596	1,893	8,958	9,227

**Included in 2013 current tax is the one-off tax adjustment in respect of year 2012 utilisation of group relief in the holding company and higher single-tier dividend exemption in the insurance subsidiary of the Group.

26. Earnings per share**(a) Basic earnings per share**

Basic earnings per share of the Group are calculated by dividing the net profit attributable to owners of the parent for the financial period by the weighted average number of ordinary shares in issue.

		3 months ended		Cumulative 9 months ended	
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
Net profit attributable to owners of the Parent	(RM'000)	5,619	20,985	19,250	39,621
Weighted average number of ordinary shares in issue	('000)	202,370	202,370	202,370	202,370
Basic earnings per share	(Sen)	2.77	10.37	9.51	19.58

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**26. Earnings per share (continued)****(b) Diluted earnings per share**

There is no dilution in earnings per share as there are no dilutive potential ordinary shares as at 30 September 2014.

27. Insurance contract liabilities

The insurance contract liabilities as at the date of the statement of financial position comprise the following:

	Gross		Net	
	As at 30.09.2014	As at 31.12.2013	As at 30.09.2014	As at 31.12.2013
	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities	2,135,041	2,087,864	2,134,427	2,087,773
Unallocated surplus	220,026	202,587	220,026	202,587
Fair value reserve	94,588	115,131	94,588	115,131
Asset revaluation reserve	641	641	641	641
Investment-linked policyholders' account	848,042	666,605	848,042	666,605
	<u>3,298,338</u>	<u>3,072,828</u>	<u>3,297,724</u>	<u>3,072,737</u>

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

	Gross		Net	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	3,072,828	2,803,687	3,072,737	2,803,687
Inforce reserve movement	11,487	47,297	11,487	47,297
New business reserve	12,494	5,223	11,971	5,132
Discount rate and other changes	23,196	(103,181)	23,196	(103,181)
Unallocated surplus	17,439	139,363	17,439	139,363
Fair value reserve, net of tax	(20,543)	(54,391)	(20,543)	(54,391)
Asset revaluation reserve	-	641	-	641
Investment-linked policyholders' account	181,437	234,189	181,437	234,189
At 30 September 2014/ 31 December 2013	<u>3,298,338</u>	<u>3,072,828</u>	<u>3,297,724</u>	<u>3,072,737</u>

28. Cash and cash equivalents

Cash and cash equivalents as at the date of statement of financial position comprise the following:

	As at 30.09.2014	As at 31.12.2013
	RM'000	RM'000
Shareholders and others	51,330	31,396
Non Investment-linked business	35,416	21,877
Investment-linked business	4,597	4,384
	<u>91,343</u>	<u>57,657</u>

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**29. Capital commitment**

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
<u>Exclusive bancassurance agreement</u>		
Contracted but not provided for	27,000	40,000

30. Financial instruments and fair value of assets**(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").

Group	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
30 September 2014					
Financial assets					
AFS financial assets	2,653,404	-	-	-	2,653,404
FVTPL financial assets	-	997,904	-	-	997,904
Loans and receivables	-	-	616,230	-	616,230
Reinsurance assets	-	-	3,337	-	3,337
Insurance receivables	-	-	18,762	-	18,762
Cash and cash equivalents	-	-	91,343	-	91,343
	<u>2,653,404</u>	<u>997,904</u>	<u>729,672</u>	<u>-</u>	<u>4,380,980</u>
Financial liabilities					
Insurance contract liabilities	-	-	-	3,298,338	3,298,338
Insurance claims liabilities	-	-	-	50,701	50,701
FVTPL financial liabilities	-	-	-	781	781
Insurance payables	-	-	-	380,721	380,721
Other payables	-	-	-	102,922	102,922
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,833,463</u>	<u>3,833,463</u>

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**30. Financial instruments and fair value of assets (continued)****(a) Categories of financial instruments (continued)**

Group	AFS	FVTPL	LAR	OL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013					
Financial assets					
AFS financial assets	2,568,350	-	-	-	2,568,350
FVTPL financial assets	-	912,252	-	-	912,252
Loans and receivables	-	-	636,897	-	636,897
Reinsurance assets	-	-	1,731	-	1,731
Insurance receivables	-	-	26,969	-	26,969
Cash and cash equivalents	-	-	57,657	-	57,657
	<u>2,568,350</u>	<u>912,252</u>	<u>723,254</u>	<u>-</u>	<u>4,203,856</u>
Financial liabilities					
Insurance contract liabilities	-	-	-	3,072,828	3,072,828
Insurance claims liabilities	-	-	-	41,001	41,001
Insurance payables	-	-	-	364,488	364,488
Other payables	-	-	-	151,648	151,648
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,629,965</u>	<u>3,629,965</u>

(b) Determination of fair values and fair value hierarchy

The fair value and fair value hierarchy of the Group's assets and liabilities are determined using the methods consistent with those disclosed in note 4, note 5, note 34(b) and (c) to the audited financial statement for the financial year ended 31 December 2013.

The following table presents the Group's assets that are carried at fair value as at 30 September 2014.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 September 2014				
Property	18,265	-	18,265	-
Investment Properties	78,622	-	78,622	-
AFS financial assets				
Equity securities				
- Quoted in Malaysia	727,319	727,319	-	-
- Unquoted	2,516	-	-	2,516
Unit trust funds	100,601	100,601	-	-
Malaysian Government Securities	682,242	-	682,242	-
Government Investment Issues	180,562	-	180,562	-
Corporate debt securities				
- Unquoted	940,781	-	940,781	-
Accrued interest	19,383	-	19,383	-
	<u>2,653,404</u>	<u>827,920</u>	<u>1,822,968</u>	<u>2,516</u>

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**30. Financial instruments and fair value of assets (continued)****(b) Determination of fair values and fair value hierarchy (continued)**

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 September 2014				
FVTPL financial assets				
Equity securities				
- Quoted in Malaysia	351,618	351,618	-	-
- Quoted outside Malaysia	3,097	3,097	-	-
Real estate investment trusts	478	478	-	-
Unit trust funds	3,785	3,785	-	-
Malaysian Government Securities	67,728	-	67,728	-
Government Investment Issues	19,549	-	19,549	-
Corporate debt securities				
- Unquoted	202,331	-	202,331	-
Mutual funds	346,143	346,143	-	-
Derivatives				
- Forward/spot currency contract	11	-	11	-
Accrued interest	3,164	-	3,164	-
	<u>997,904</u>	<u>705,121</u>	<u>292,783</u>	<u>-</u>
	<u>3,748,195</u>	<u>1,533,041</u>	<u>2,212,638</u>	<u>2,516</u>

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**30. Financial instruments and fair value of assets (continued)****(b) Determination of fair values and fair value hierarchy (continued)**

The following table presents the Group's assets that are carried at fair value as at 31 December 2013.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2013				
Property	18,677	-	18,677	-
Investment Properties	78,622	-	78,622	-
AFS financial assets				
Equity securities				
- Quoted in Malaysia	748,443	748,443	-	-
- Unquoted	2,516	-	-	2,516
Unit trust funds	95,210	95,210	-	-
Malaysian Government Securities	661,717	-	661,717	-
Government Investment Issues	193,881	-	193,881	-
Corporate debt securities				
- Unquoted	850,763	-	850,763	-
Accrued interest	15,820	-	15,820	-
	<u>2,568,350</u>	<u>843,653</u>	<u>1,722,181</u>	<u>2,516</u>
FVTPL financial assets				
Equity securities				
- Quoted in Malaysia	360,029	360,029	-	-
- Quoted outside Malaysia	1,236	1,236	-	-
Unit trust funds	11,186	11,186	-	-
Malaysian Government Securities	70,846	-	70,846	-
Government Investment Issues	20,809	-	20,809	-
Corporate debt securities				
- Unquoted	221,109	-	221,109	-
Mutual funds	224,527	224,527	-	-
Accrued interest	2,510	-	2,510	-
	<u>912,252</u>	<u>596,978</u>	<u>315,274</u>	<u>-</u>
	<u>3,577,901</u>	<u>1,440,631</u>	<u>2,134,754</u>	<u>2,516</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the nine-month period ended 30 September 2014.

MANULIFE HOLDINGS BERHAD

Interim financial statements for the nine months period ended 30 September 2014

Notes to the Interim Financial Statements (Continued)**31. Disclosure of realised and unrealised earnings**

Pursuant to the directives and guidance issued by Bursa Malaysia on 20 December 2010, the breakdown of the Group's retained earnings into realised and unrealised earnings is analysed as follows:

	As at 30.09.2014	As at 31.12.2013
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	522,278	528,864
- Unrealised	81,761	81,221
	<u>604,039</u>	<u>610,085</u>
Consolidation adjustments	24,124	24,124
Total retained earnings as per statement of financial position	<u>628,163</u>	<u>634,209</u>

The analysis of realised and unrealised earnings is made reference to the Guidance On Special Matter No. 1 "*Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*" issued by the Malaysian Institute of Accountants on 20 December 2010.

This note should be read in conjunction with the Consolidated Statement of Changes in Equity.

BY ORDER OF THE BOARD

Chua Siew Chuan
Joint Secretary
27 November 2014

Chin Mun Yee
Joint Secretary