SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2020

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SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to present this report with the audited financial statements of the Group and the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group and the Company are engaged principally in underwriting life insurance and investment-linked business. There were no significant changes in the Group's and the Company's principal activities during the financial year.

FINANCIAL RESULTS

	<u>Group/Company</u> RM'000
Net profit for the financial year	<u>827</u>

DIVIDENDS

The amounts of dividends the Company paid or declared since the end of the previous financial year are as follows:

For the financial year ended 31 December 2019:

Dividend paid on 8 December 2020:

- Single-Tier Final Dividend in respect of the Perpetual Noncumulative Preference Shares of 8 sen per share

8,000

 Single-Tier Final Dividend in respect of the Ordinary Shares of 21.49 sen per share

52,000

60,000

The Directors have not recommended any dividend to be paid for the financial year under review.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

PROVISION FOR INSURANCE LIABILITIES

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods as specified in Part D of the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

SHARE CAPITAL

The Group and the Company did not issue any shares during the financial year.

BAD AND DOUBTFUL DEBTS

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ascertain that proper action was taken in relation to writing off of bad debts and making allowance for doubtful debts, and satisfied themselves that all known bad debts were written off and that adequate allowance was made for doubtful debts.

As of the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the Group's and the Company's financial statements inadequate to any substantial extent.

CURRENT ASSETS

Before the Group and the Company made their financial statements, the Directors took reasonable steps to ensure that any current assets unlikely to be realised in the ordinary course of business would have their values as shown in the accounting records of the Group and the Company to be written down to an amount which they might be expected so to realise.

As of the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the Group's and the Company's financial statements misleading.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

VALUATION METHODS

As of the date of this report, the Directors are not aware of any circumstances that arose which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the Group's and the Company's assets that arose since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and the Company that arose since the end of the financial year.

No contingent or other liability of the Group and the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the Group's and the Company's ability to meet its obligations as and 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 the Group's and the Company's business.

CHANGE OF CIRCUMSTANCES

As of the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the Group's and the Company's financial statements, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the Group's and the Company's operations 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.

In the interval between the end of the financial year and the date of this report, no item, transaction, or event arose of a material and unusual nature which is likely, in the opinion of the Directors, to affect substantially the results of the Group's and the Company's operations for the financial year in which this report is made.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors who held office since the date of the last report and as of the date of this report and the Directors' attendance during the financial year are as follows:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	5/5
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	4/5
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	5/5
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director)	5/5
Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz (Non-Independent Non-	
Executive Director)	5/5
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	5/5
Encik Leo Michel Grepin (Executive Director)	5/5

In accordance to Article 96 of the Company's Article of Association, Encik Ooi Say Teng and Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE

The Group and the Company have complied with all the prescriptive requirements and adopt management practices consistent with the principles prescribed under the Financial Services Act, 2013 (FSA) and Bank Negara Malaysia (BNM) Guidelines, in particular, BNM/RH/GL 018-5 on Fit and Proper Criteria and BNM/RH/PD 029-9 on Corporate Governance and BNM/RH/GL/003-2 on the Prudential Framework of Corporate Governance for Insurers.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board)

The Board of Directors is responsible for supervising the management of the Group's and the Company's business and affairs.

In discharging its stewardship responsibilities, the Board assumes the following duties and responsibilities either directly or through its Committees and notwithstanding that, it still remains fully accountable for any authority delegated to the Committees:

Board

- (i) Plans Board and Committee's size and composition, establishes Board Committees and appoints its members, and determines Directors' compensation;
- (ii) Maintains formal orientation programmes for new Directors and ongoing education programmes for Directors;
- (iii) Establishes corporate governance practices and policies; and
- (iv) Assesses annually its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, including the fitness and proper criteria of individual Directors.

Senior Management

- (i) Selects, evaluates and, if necessary, replaces the Chief Executive Officer and other members of senior management, including the Appointed Actuary;
- (ii) Delegates powers to management to manage the Group and the Company;
- (iii) Oversees succession planning for senior management positions;
- (iv) Approves compensation of senior management;
- (v) Advises the Chief Executive Officer; and
- (vi) Reviews and approves the organisational structure.

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Ethics and Integrity

- (i) Sets the ethical tone for the Group and the Company;
- (ii) Satisfies itself that senior management maintain a culture of integrity throughout the Group and the Company; and
- (iii) Approves amendments and reviews employee compliance with the Code of Business Conduct.

Strategy

- (i) Approves the Group's and the Company's vision and mission statements;
- (ii) Reviews the effectiveness of the strategic planning process;
- (iii) Approves the Group's and the Company's business objectives, strategies, capital, and financial plans annually; and
- (iv) Monitors the Group's and the Company's performance against these statements, objectives, and plans on an ongoing basis.

Risk Management, Capital Management and Internal Control

- (i) At least annually, approves policies and procedures for the management and control of risk and capital, and reviews compliance with these policies and procedures;
- (ii) Reviews the internal control and management information systems that provide reasonable assurance for the reliability of the Group's and the Company's financial information and safeguarding of its assets; and
- (iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

(i) Reviews and approves material investments and transactions.

Financial Reporting

(i) Reviews and approves annual and interim financial statements.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors (the Board) (continued)

Communication and Disclosure

- (i) Oversees the timely reporting of financial results to Shareholders and other stakeholders;
- (ii) Reviews and, when appropriate, approves policies on public disclosure, confidentiality of information, and securities trading; and
- (iii) Enables Shareholders to provide feedback to the independent Directors.

Others

- (i) Engages any special advisors it deems necessary to provide independent advice at the expense of the Group and the Company; and
- (ii) Performs such other functions as prescribed by law or as assigned to the Board in the Group's and the Company's governing documents.

Directors' Training

The Remuneration and Nomination Committee (RNC) ensures that Directors undergo appropriate induction programmes and receive continuous training. The induction programmes include briefing on the Group's and the Company's operations and businesses and the applicable BNM guidelines and other legislation. The Financial Institutions Directors' Education (FIDE) Forum organises various topics for the participation of the Directors.

During the year, the Directors were briefed and updated on the BNM guidelines and the Directors also participated in external training programmes on various topics to keep abreast with the latest developments.

Audit Committee (AC)

The AC, comprising the Group's and the Company's Independent Non-Executive Directors, and the AC members' attendance during the financial year are as follows:

	Attendance
Encik Pushpanathan A/L S.A. Kanagarayar – Chairman	4/4
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	4/4
Encik Jose Isidro Navato Camacho	4/4

SUN LIFE MALAYSIA ASSURANCE BERHAD

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

The AC's duties and responsibilities are as follows:

Financial Reporting

- (i) Reviews with the External Auditor and management and makes recommendations to the Board on the approval of:
 - (a) The interim unaudited financial statements, including the notes thereto; and
 - (b) The annual audited financial statements, including the notes thereto.

External Auditor

- (i) Reviews the independence of the External Auditor, including the requirements relating to such independence in the laws governing the Group and the Company and the applicable financial legislative and regulatory requirements;
- (ii) Assesses the performance of the External Auditor and recommends to the Board the reappointment or, if so determined by the AC, the replacement of the External Auditor, subject to the approval of the Shareholders;
- (iii) Determines, reviews, and approves the services the External Auditor performs and the fees to be paid to the External Auditor for audit, audit-related, and other services permitted by law;
- (iv) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures, and the resources the External Auditor devotes to the audit;
- (v) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor; and
- (vi) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board with recommendations on the proposed actions to be taken.

Internal Control and Audit

- (i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves such procedures;
- (ii) Reviews management's reports on the effectiveness of the Group's and the Company's disclosure on controls and procedures and their internal control over financial reporting:
- (iii) Reviews with the Head of Internal Audit and management:
 - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor on their audit plan, and the adequacy of the resources available to the Head of Internal Audit;
 - (b) The effectiveness of internal control procedures;

. . .

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Internal Control and Audit (continued)

- (iv) Ensures that management is taking necessary and timely corrective actions to address control weaknesses, noncompliance with laws, regulatory requirements, policies and any other issues identified by the internal audit and other control functions;
- (v) Notes any significant disagreements between the Head of Internal Audit and management, irrespective of whether these were resolved, to identify any impact the disagreements may have on the audit process or findings:
- (vi) Reviews third-party opinions on the design and effectiveness of the Group's and the Company's internal control framework;
- (vii) Reviews quarterly Internal Audit reports with respect to, among others, the adequacy and effectiveness of controls on an enterprise-wide basis; and
- (viii) Submits AC's Annual Report to BNM which includes the summary of activities, AC's composition and meeting records as well as internal control assessment and key control issues.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit function;
- (ii) Ensures that the Head of Internal Audit has adequate authority and independence to perform the Internal Audit mandate;
- (iii) Approves the appointment, remuneration, performance evaluation, removal and deployment of the Head of Internal Audit;
- (iv) Ensures that an independent review of the Internal Audit function is conducted, as needed;
- (v) Discusses with the External Auditor, if necessary, the impact of the financial and controlrelated aspects of material transactions the Group and the Company propose;
- (vi) Reviews and discusses with the External Auditor and Appointed Actuary such reports and regulatory returns of the Group and the Company as may be specified by law;
- (vii) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities, including management's responses and recommendations thereon;
- (viii) Discusses the qualifications for and determines whether a member of the AC is a financial expert and, in conjunction with the Remuneration and Nomination Committee, ensures the ongoing financial literacy of AC members; and
- (ix) Reviews, updates, and monitors any related party transactions and conflict of interest situations that may arise within the Group and the Company, including any transactions, procedures, or conduct that raise questions of management integrity.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (AC) (continued)

Others

(i) Performs such other duties and exercises, such other powers as the Board may, from time to time, assign or vest in the AC, and such other functions as may be required of an AC by law and regulations.

Remuneration and Nomination Committee (RNC)

The RNC, comprising Independent Non-Executive Directors, and the RNC members' attendance during the financial year are as follows:

	<u>Attendance</u>
Dato' Mohd Shukri Bin Hussin – Chairman	2/2
Encik Jose Isidro Navato Camacho	2/2
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	2/2

The RNC's duties and responsibilities with regards to the nomination role are as follows:

(i) Establishes minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively and oversees the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive, and Independent Directors, and other core competencies required through annual reviews.

The RNC also reviews the mix of skills of the Audit Committee's members through annual reviews;

- (ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors and the Chief Executive Officer, including the proposals for their re-appointment before an application for approval is submitted to BNM;
- (iii) Establishes a mechanism for formal assessment and assesses the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the Chief Executive Officer annually;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration and Nomination Committee (RNC) (continued)

- (iv) Recommends to the Board the removal of a Director and Chief Executive Officer for ineffectiveness, or being errant or negligent in discharging responsibilities;
- (v) Ensures that all Directors undergo appropriate induction programmes and receive continuous training;
- (vi) Oversees the appointments, succession planning of management, and performance evaluation of key senior officers, and recommends to the Board the removal of key senior officers for ineffectiveness, or being errant or negligent in discharging their responsibilities;
- (vii) Seeks the services of advisors or consultants as it deems necessary to fulfill its responsibilities; and
- (viii) Reviews the list of key responsible persons, as defined in BNM guidelines, annually and make changes as appropriate.

The RNC's duties and responsibilities with regards to the remuneration role are as follows:

- (i) Recommends a framework of remuneration for Directors, Chief Executive Officer, and key senior officers; and
- (ii) Recommends specific remuneration packages for Directors, Chief Executive Officer, and key senior officers.

Risk Management Committee (RMC)

The RMC, comprising the Group's and the Company's Independent Non-Executive Directors, and the RMC members' attendance during the financial year are as follows:

Encik Jose Isidro Navato Camacho - Chairman	5/5
Encik Pushpanathan A/L S.A. Kanagarayar	5/5
Dato' Mohd Shukri Bin Hussin	5/5

Attendance

The RMC's duties and responsibilities are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance, and risk appetite for the Board's approval;
- (ii) Reviews at least annually and assesses the adequacy of and compliance with Risk Management policies and framework for identifying, measuring, monitoring, and controlling risks, as well as the extent to which these are operating effectively;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC) (continued)

Risk Management (continued)

- (iii) Ensures adequate infrastructure, resources, and systems are in place for effective risk management;
- (iv) Reviews periodic management reports on risk exposure, risk portfolio composition, and risk management activities;
- (v) Reviews and assesses matters in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;
- (vi) Monitors the performance of the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO), and the Investment Committee (IC) within the context of the Group's and the Company's strategy, risk appetite, and charters of the respective Committees;
- (vii) Reviews and assesses the results of the stress and scenario testings, before endorsing for the Board's approval. In addition, ensuring management's timely identification and continuous monitoring of suitable corrective action plans in addressing the identified risks;
- (viii) Reviews key risk-related issues incorporated into the business plans annually;
- (ix) Reviews management's actions related to product design through the process in the Risk Management policies; and
- (x) Assists in the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, and examines whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity, and the likelihood and timing of earnings.

Compliance

- Reviews at least annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviews at least annually the adequacy of and compliance with the Group's and the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption, and fraud; and
- (iii) Reviews quarterly compliance reports presented to RMC with respect to, among others, compliance trends and themes enterprise-wide, regulatory reviews, and the Group's and the Company's compliance risks and programmes.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (RMC) (continued)

Governance

(i) Reviews, at least annually, and approves changes to the statements of mandate, responsibility, and authority of the Chief Risk Officer.

Executive Committee (EC)

The EC comprises an equal number of Directors nominated by each of the Shareholders, with a maximum of two nominees from each Shareholder. The composition of the EC is as follows:

Encik Ooi Say Teng Encik Leo Michel Grepin

The EC's duties and responsibilities are as follows:

- (i) Reviews and recommends for approval of certain matters in the Shareholders Agreement before being tabled to the RMC and, subsequently, to the Board for deliberation and approval; and
- (ii) Performs such other duties and exercises and such other powers as the Board may, from time to time, assign or vest in the EC.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and the Company are a party, being arrangements with the object or objects of enabling the Group's and the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Group and the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Group and the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in the Group's and the Company's notes to the financial statements) by reason of a contract made by the Group and the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Corporation in which the Director has a substantial financial interest.

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The current year's insurance premium amounts to RM61,750.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Company has kept the Register of Directors' Shareholdings under Section 59 of the Companies Act 2016. None of the Directors in office at the end of the financial year hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares, and debentures or have beneficial interests in the shares, options over shares, and debentures of its related companies during and at the end of the financial year.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are stated in Note 23 to the financial statements.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

HOLDING COMPANIES

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company effective from 2 October 2019. All three companies are incorporated in Malaysia.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are stated in Note 23 to the financial statements. There is no indemnity given or insurance effected for any auditor of the Group and the Company.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board in accordance with the resolution of the Directors dated 15 March 2021.

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Assurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements on pages 21 to 128 are drawn up to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and financial performance of the Group and of the Company for the financial year ended 31 December 2020, in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 March 2021.

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR

OOLSAY TENG

Kuala Lumpur

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

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Assurance Berhad, do solemnly and sincerely declare that the financial statements on pages 21 to 128 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM MIA No. CA10652

Subscribed and solemnly declared by the above named Chew Chin Lim at Kuala Lumpur in the state of Wilayah Persekutuan in Malaysia on 15 March 2021.

Before me,

COMMISIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia) (Registration No. 199001005930 (197499-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Assurance Berhad (the Company) and its structured entity (the Group) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and their 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.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 128.

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 opinion.

Independence and other ethical responsibilities

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD (CONTINUED)

(Incorporated in Malaysia)

(Registration No. 199001005930 (197499-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and 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 Group and 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 the financial statements of the Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD (CONTINUED)

(Incorporated in Malaysia)

(Registration No. 199001005930 (197499-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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.

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:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and 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.
- (b) 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 Group's and Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) 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 Group's or 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 Group and 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 Group or Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN LIFE MALAYSIA ASSURANCE BERHAD (CONTINUED)

(Incorporated in Malaysia)

(Registration No. 199001005930 (197499-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

This report is made solely to the members 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.

PRICEWATERHOUSECOOPERS PLT LLP0014401-LCA & AF 1146 Chartered Accountants WONG HUI CHERN 03252/05/2022 J Chartered Accountant

Kuala Lumpur 15 March 2021

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

			Group		Company
	<u>Note</u>	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
7.00210					
Property and equipment	3	54,023	55,393	54,023	55,393
Intangible assets	4	12,799	16,851	12,799	16,851
Right-of-use assets	5	9,238	11,656	9,238	11,656
Financial assets	6	2,650,081	2,265,074	2,659,011	2,283,316
Loans and receivables	8	120,985	100,028	111,982	81,708
Reinsurance assets	9	101,633	136,929	101,633	136,929
Insurance receivables	10	15,592	14,186	15,592	14,186
Other receivables	11	13,958	16,381	13,958	16,381
Current tax assets		7,024	5,782	7,024	5,782
Cash and bank balances		11,990	15,870	11,980	15,865
TOTAL ASSETS		2,997,323	2,638,150	2,997,240	2,638,067
EQUITY, POLICYHOLDERS' FUI AND LIABILITIES	ND2				
Share capital	12	358,000	358,000	358,000	358,000
Retained earnings	13	68,823	101,879	68,823	101,879
Reserves		77,692	103,809	77,692	103,809
Total equity		504,515	563,688	504,515	563,688
Insurance contract liabilities	14	2,303,544	1,888,623	2,303,544	1,888,623
Insurance claims liabilities	14	41,463	35,212	41,463	35,212
Insurance payables	15	21,998	14,634	21,998	14,634
Lease liabilities	10	9,508	11,511	9,508	11,511
Other financial liabilities	16	5,987	7,554	5,987	7,554
Other payables	17	65,489	73,489	65,406	73,406
Deferred tax liabilities	18	44,819	43,439	44,819	43,439
Total liabilities		2,492,808	2,074,462	2,492,725	2,074,379
TOTAL EQUITY, POLICYHOLDE	RS'				
FUNDS AND LIABILITIES		2,997,323	2,638,150	2,997,240	2,638,067

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

			Group		Company
	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Gross premiums Premiums ceded to reinsurers		801,671 (69,348)	729,158 (66,990)	801,671 (69,348)	729,158 (66,990)
Net premiums		732,323	662,168	732,323	662,168
Investment income Net realised gains	19 22	103,619	93,330 1	108,376	96,351 1
Net fair value gains Other operating income	20 21	107,207 8,093	132,819 4,650	101,582 8,093	128,960 4,650
Other income		218,919	230,800	218,051	229,962
Gross benefits and claims paid Claims ceded to reinsurers Gross change in contract liabilities Change in contract liabilities		(323,863) 48,559 (414,921)	(260,234) 51,430 (394,795)	(323,863) 48,559 (414,921)	(260,234) 51,430 (394,795)
ceded to reinsurers		(38,016)	42,651	(38,016)	42,651
Net claims		(728,241)	(560,948)	(728,241)	(560,948)
Net realised losses Commission expenses Management expenses Other operating expenses Investment expenses Finance cost	22 23	(5) (72,603) (140,759) (222) (2,127) (404)	(71,145) (145,484) (835) (1,509) (279)	(5) (72,603) (139,891) (222) (2,127) (404)	(71,145) (144,646) (835) (1,509) (279)
Other expenses		(216,120)	(219,252)	(215,252)	(218,414)
Profit before taxation Tax expense attributable to policyholders and unitholders		6,881 (14,494)	112,768 (14,710)	6,881 (14,494)	112,768 (14,710)
(Loss)/profit before taxation attribut to Shareholders	able	(7,613)	98,058	(7,613)	98,058
Taxation	24	(6,054)	(31,339)	(6,054)	(31,339)
Tax expense attributable to policyholders and unitholders		14,494	14,710	14,494	14,710
Tax credit/(expense) attributable to Shareholders		8,440	(16,629)	8,440	(16,629)
Net profit and total comprehensive income for the financial year		827	81,429	827	81,429
Basic earnings per share (sen)	25	0.34	33.65	0.34	33.65

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

		Non-	-distributable	<u>Distributable</u>	
	<u>Note</u>	Share <u>capital</u> RM'000	Reserves ¹ RM'000	Retained <u>earnings</u> RM'000	<u>Total</u> RM'000
Group/Company					
At 1 January 2020		358,000	103,809	101,879	563,688
Dividends	26	-	-	(60,000)	(60,000)
Total comprehensive (loss)/income for the financial year		-	(26,117)	26,944	827
At 31 December 2020		358,000	77,692	68,823	504,515
Group/Company					
At 1 January 2019		358,000	97,720	132,839	588,559
Dividends	26	-	-	(106,300)	(106,300)
Total comprehensive income for the financial year		-	54,089	27,340	81,429
Transfer of surpluses		-	(48,000)	48,000	-
At 31 December 2019		358,000	103,809	101,879	563,688

Reserves comprise unallocated surpluses from Life fund (net of deferred tax). This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer the Life fund surplus to the Shareholders' fund.

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

		Group		Company
	2020	<u>2019</u>	2020	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the financial year Adjustments for:	827	81,429	827	81,429
Gross change in contract liabilities Change in contract liabilities ceded	414,921	394,795	414,921	394,795
to reinsurers Property and equipment	38,016	(42,651)	38,016	(42,651)
- depreciation	2,702	2,961	2,702	2,961
- losses/(gains) on disposal	5	(1)	5	(1)
Amortisation of intangible assets	8,938	6,834	8,938	6,834
Allowance for impairment of intangible asset		-	3,706	-
Amortisation of right-of-use assets Net fair value gains on investments	3,087	1,702	3,087	1,702
at fair value through profit or loss	(107,207)	(132,818)	(101,582)	(128,960)
Interest income	(91,462)	(82,760)	(74,673)	(65,137)
Dividend income	(11,628)	(10,032)	(33,174)	(30,677)
Rental income	(529)	(537)	(529)	(537)
Finance cost	404	279	404	279
Taxation	6,054	31,339	6,054	31,339
Short term lease expense	167 16	977 23	167	977 23
Low value lease assets expense	16		16	
Profit from operations before changes in operating assets and liabilities	268,017	251,540	268,885	252,376
(Increase)/decrease in loans and receivables	(20,804)	22,170	(30,119)	19,888
Decrease in receivables	4,837	2,862	4,837	2,862
Increase in right-of-use assets	(668)	(12,757)	(668)	(12,757)
Increase in insurance claims liabilities	3,531	4,861	3,531	4,861
(Decrease)/increase in payables	(1,563)	26,703	(1,562)	26,702
Purchase of investments	(780,286)	(793,343)	(603,808)	(677,406)
Proceeds from disposal and maturity	,	,	,	,
of investments	504,848	548,143	331,776	430,795
Investment income received:	(22,088)	50,179	(27,128)	47,321
- Dividend	11,577	10,391	33,123	31,036
- Interest	88,948	80,247	72,437	62,461
- Rental	529	537	529	537
Interest paid	(425)	(279)	(425)	(279)
Taxation paid	(9,685)	(22,590)	(9,685)	(22,590)
Short term and low value lease assets paid	(156)	(935)	(156)	(935)
Net cash generated from operating				
activities	68,700	117,550	68,695	117,551
<u>-</u>				

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		Group	Company		
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	2019 RM'000	
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property and equipment	-	4	_	4	
Purchase of property and equipment Purchase of intangible assets	(7,873) (2,056)	(15,124) -	(7,873) (2,056)	(15,124) -	
Net cash used in investing activities	(9,929)	(15,120)	(9,929)	(15,120)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid Payment of lease liabilities	(60,000) (2,651)	(106,300) (1,784)	(60,000) (2,651)	(106,300) (1,784)	
Net cash used in financing activities	(62,651)	(108,084)	(62,651)	(108,084)	
Net decrease in cash and cash equivalents	(3,880)	(5,654)	(3,885)	(5,653)	
Cash and cash equivalents at beginning of the financial year	15,870	21,524	15,865	21,518	
Cash and cash equivalents at end of the financial year	11,990	15,870	11,980	15,865	
Cash and cash equivalents comprise:					
Cash and bank balances	11,990	15,870	11,980	15,865	

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 CORPORATE INFORMATION

The Group and the Company are engaged principally in underwriting life insurance and investment-linked business. There were no significant changes in the nature of these activities during the financial year.

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

The Company's registered office and principal place of business is at the 11th Floor, No. 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company, and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is no longer a financial holding company, effective from 2 October 2019. All three companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 March 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Group's and the Company's financial statements were prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards, and the provisions of the Companies Act 2016.

The Company met the minimum capital requirements as prescribed by the Risk-Based Capital Framework (the RBC Framework) as of the date of the statement of financial position.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the Group's and the Company's accounting policies.

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2.1 Basis of preparation (continued)
 - (a) <u>Standards, amendments to published standards and interpretations that are effective:</u>

New standards that are effective and were adopted

The amendments and improvements to published standards and interpretations that the Group and the Company have adopted for the first time for the financial year beginning on or after 1 January 2020 are as follows:

- (i) The Conceptual Framework for Financial Reporting
- (ii) Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- (iii) Amendments to MFRS 3 "Definition of a Business"

The adoption of these amendments did not have any material impact to the Group's and the Company's financial statements.

New standard that is effective and was deferred for adoption

The amendments and improvements to published standards and interpretations that are relevant and effected for the financial year beginning on or after 1 January 2018, but were deferred for adoption by the Group and the Company are as follows:

Amendments to MFRS 4 – Extension of the Temporary Exemption from Applying MFRS 9
 "Financial Instruments" with MFRS 4 "Insurance Contracts" effective for annual periods
 beginning on or after 1 January 2018.

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 "Financial Instruments" before the application of MFRS 17, the new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4 "Insurance Contracts", the related liabilities from insurance contracts are often measured on amortised cost basis.

The amendments provide two different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- 2.1 Basis of preparation (continued)
 - (a) <u>Standards, amendments to published standards and interpretations that are effective:</u> (continued)

The Group's and the Company's business activity are predominately insurance and, hence, qualify for the temporary exemption approach. Consequently, management decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2023, which is in line with the adoption of MFRS 17 Insurance Contracts. The additional disclosures are in Note 35.

All other new standards, amendments to published standards, and interpretations that are effective for the current financial year are not relevant to the Group and the Company.

(b) <u>Standards, amendments to published standards, and interpretation of existing standards that</u> are applicable to the Company, but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2020. None of these are expected to have a significant effect on the financial statements of the Group and Company, except for the following as set out below:

 MFRS 17 "Insurance Contracts" (effective from 1 January 2023) replaces MFRS 4 "Insurance Contracts".

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee services other than insurance contract services whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue". An entity is allowed to account for financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and components for services other than insurance contract services should be "unbundled" and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- 2.1 Basis of preparation (continued)
 - (b) <u>Standards, amendments to published standards, and interpretations of existing standards that</u> are applicable to the Company, but not yet effective: (continued)

Alternative measurement models are provided for the different insurance coverage:

- Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- ii) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements, and risks arising from insurance contracts.

The Group and the Company are in the process of assessing the financial impact of this standard on their financial statements.

 Amendments to MFRS 101 "Classification of liabilities as current or non-current" (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The Group and the Company is in the process of assessing the financial impact of this standard on its financial statements.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

- (a) Basis of consolidation
 - (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Group refers to the Company and its investment in structured entities.

(ii) Change in ownership interest in subsidiaries without change of control

Transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions that are transactions with the owner in their capacity as owners. The difference between the fair value of any consideration paid and relevant shares equivalent of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is remeasured to its fair value as of the date when control is lost, with change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries (including structured entities) are carried at fair value in accordance with MFRS 139, Financial Instruments: Recognition and Measurement. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(c) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed as of the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired as of the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the acquired net assets, the difference is recognised directly in profit or loss.

(d) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Property and equipment (continued)

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life. Depreciation of other property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Furniture, fittings, and renovation 10 years
Computer equipment 3 years
Office equipment 5 years
Motor vehicles 3 years
Buildings 50 years

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

The residual values, useful lives, and depreciation methods are reviewed at each financial yearend to ensure that the amount, method, and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

At each date of the statement of financial position, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(h) on impairment of nonfinancial assets.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(e) Intangible asset

The Group's and the Company's intangible assets consist of exclusive partnership fee and computer software.

(i) Exclusive partnership fee

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The exclusive partnership agreement provides the Group and the Company with an exclusive right to the use of the partnership network. The fee for this right is amortised over its partnership agreement term using the straight-line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(h)(ii) on impairment of nonfinancial assets.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- 2.2 Summary of significant accounting policies (continued)
 - (e) Intangible assets (continued)
 - (ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond 1 year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives of 3 years.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.2(h)(ii) on impairment of nonfinancial assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Financial assets

The Group and the Company classify its financial assets in the following categories: at fair value through profit or loss (FVTPL) and loans and other receivables (LAR).

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

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group and the Company commit to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated as 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.

The Group and the Company classify assets acquired for the purpose of selling in the short term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked-funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2.2 Summary of significant accounting policies (continued)
 - (f) Financial assets (continued)

LAR

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

(g) Fair value of financial instruments

The fair value of financial instruments actively traded in organised financial markets is determined by reference to quoted market bid prices for assets on the date of the statement of financial position.

For investments in unit trusts 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 Government Investment Issues, Cagamas bonds, and unquoted bonds are based on indicative fair market prices/indexes by reference to quotations provided by banks and rating agencies.

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 deposit/placement and accrued interest. 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 as of the date of the statement of financial position.

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 financial assets.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment

(i) Financial assets

The Group and the Company assess at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the 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 asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

The Group and the Company first assess 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 a collective assessment of impairment. The impairment assessment is performed as of the date of the statement of financial position.

If, in a subsequent financial 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Nonfinancial 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 is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

- (h) Impairment (continued)
 - (ii) Nonfinancial assets (continued)

Nonfinancial assets that suffered an impairment are reviewed for possible reversal of the impairment as of the date of the statement of financial position. The impairment loss is charged to profit or loss unless it reverses a previous revaluation, in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(i) Derecognition of financial assets

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

(j) Equity instruments

Share capital

Ordinary shares and nonredeemable preference shares with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares and preference shares classified as equity instruments are recognised as a liability and deducted from equity when they are declared.

Dividends for the financial year that are declared after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

Reserves

Unallocated surpluses from Life fund, where the amounts of surplus are yet to be allocated or distributed to the Shareholders by the end of the financial year, are classified as equity.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification

The Group and the Company issue contracts that transfer insurance risk or financial risk or both.

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 nonfinancial variable, that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Group and the Company (the insurer) 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. As a general guideline, the Group and the Company define 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.

Investment contracts are those contracts that do not transfer significant insurance risk.

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

Based on the Group's and the Company's assessment, all contracts the Company underwrites meet the definition of insurance contracts and are accordingly classified as insurance contracts.

Insurance 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:

- 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
 - the Group's and the Company's profit or loss, fund or other entity that issues the contract.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Product classification (continued)

Surpluses in the non-DPF fund arising during the year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Surpluses in the DPF fund are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. However, the Group and the Company have the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders.

Unallocated surpluses of the DPF funds where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year are held in equity in line with the approval granted from BNM in April 2018.

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.

When insurance contracts contain both a financial risk component and a significant insurance risk component, and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(I) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision 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 Group and the Company from their obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(I) Reinsurance (continued)

Reinsurance assets are reviewed for impairment at each date of the statement of financial position 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 occurs after initial recognition of the reinsurance asset that the Group and 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 Group and the Company will receive from the reinsurer. The Group and the Company gather objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost and the impairment loss is calculated following the same method used for these financial assets in Note 2.2(h) to the financial statements. The impairment loss is recorded in profit or loss.

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

(m) Life insurance underwriting results

The surplus transferable from the Life fund to the Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Financial Services Act 2013 and the RBC Framework by the Company's Appointed Actuary. In the event the actuarial valuation indicates that a transfer is required from the Shareholder's fund, the transfer from the profit or loss to the Life fund is made in the financial year of the actuarial valuation.

Gross premiums

Gross premiums include premiums recognised in the Life fund and the Investment-linked fund.

Gross premiums of the Life fund are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

Gross premiums of the Investment-linked fund include 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.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and are still within the grace period allowed for payment or covered by the cash surrender values of the policies.

Reinsurance premiums

Reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2.2 Summary of significant accounting policies (continued)
 - (m) Life insurance underwriting results (continued)

Benefits and claims expenses

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

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and, for this purpose, the amounts payable under a life insurance policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as benefits payable on the due dates;
- 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;
- benefits payable under the Investment-linked fund are in respect of net cancellation of units and are recognised as surrenders; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premiums on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged/credited to profit or loss in the financial year in which they are incurred/derived.

(n) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. 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 Group and the Company reduce the carrying amount of the insurance receivables accordingly and recognise that impairment loss in profit or loss. The Group and the Company gather the objective evidence that insurance receivables are impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(h) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(i) to the financial statements, are met.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- 2.2 Summary of significant accounting policies (continued)
 - (o) Insurance contract liabilities
 - (i) Actuarial liabilities

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

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the 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 nonparticipating life policies, participating life policies, and the non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Part D of the RBC Framework and Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related Circulars issued by BNM relevant to the guidelines.

In the case of a life policy where a part or the whole of the premiums are accumulated in a fund, the liabilities is the higher of the accumulated amount, or the sum of the accumulated amount and the actuarial liability 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 were not yet reported to the Group and the Company.

Adjustments to the liabilities at each date of the statement of financial position are recorded in the Life fund. Profits originating from margins of adverse deviations on runoff contracts are recognised in the Life fund over the life of the contract, whereas losses are fully recognised in the Life fund during the first year of run-off.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2.2 Summary of significant accounting policies (continued)
 - (o) Insurance contract liabilities (continued)
 - (i) <u>Actuarial liabilities</u> (continued)

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

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

Any inadequacy is recorded in 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 failed the adequacy test is based on the assumptions 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.

For the purpose of complying with the requirement of a liability adequacy test under MFRS4 Insurance Contracts, insurance operators are deemed to comply if the valuation methods used are in accordance with Appendix VI or Appendix VII of the Risk-Based Capital Framework for Insurers, as specified by BNM.

(ii) <u>Unallocated surplus</u>

Surpluses in the non-DPF fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus, and where the amount of surplus allocation to shareholders which has yet to be determined by the end of the financial year is held in equity.

Surpluses in the DPF fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus, and where the amount of surplus allocation to shareholders which has yet to be determined by the end of the financial year is held in equity in line with the approval granted from BNM in April 2018.

For financial options and guarantees 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2.2 Summary of significant accounting policies (continued)
 - (o) Insurance contract liabilities (continued)
 - (iii) Net asset value attributable to unit holders

The unit liability of an investment-linked policy 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.

(p) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

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

Rental income

Rental income is recognised on a time proportion basis.

Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

Realised gains and losses on investments

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

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profits for the financial year and is measured using the tax rates enacted as of the date of the statement of financial position. Current tax is recognised in profit or loss. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable taxable profits will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be used.

Deferred tax is measured at the tax rates expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted as of the date of the statement of financial position.

Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

(r) Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate.

(s) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and nonmonetary benefits are accrued in the financial year in which the associated services are rendered by the Group's and the Company's employees.

(ii) Post-employment benefits

Defined contribution plan

The Group's and the Company's contributions to the Employees' Provident Fund (EPF), the national defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions are paid, the Group and the Company have no further payment obligations.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2.2 Summary of significant accounting policies (continued)
 - (s) Employee benefits (continued)
 - (iii) Share-based payment plan

The Group's and the Company's certain employees are granted a share-based payment plan as consideration for services rendered.

The share-based payment plan is based on the value of Sun Life Financial Inc.'s (SLF) common shares. The total liabilities for this plan are computed based on the estimated number of SLF's common shares expected to vest at the end of the vesting period. The liabilities are recomputed at the end of each reporting period and are measured at the fair value of SLF's common shares at the reporting date. The liabilities are accrued and expensed on a straight-line basis over the vesting periods. The liabilities are settled in cash at the end of the vesting period.

(t) Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability, but disclose 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 Group's and the Company's control 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 case 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 Group's and the Company's control. The Group and the Company do not recognise contingent assets, but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

(u) Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash in-hand and balances at bank and deposits held at call with financial institutions with original maturities of 3 months or less. It excludes deposits which are held for investment purposes.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(w) Leases

Leases are recognised as a right-of-use asset and a corresponding liability as of the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and nonlease components. The Group allocates the consideration in the contract to the lease and nonlease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and nonlease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the Group's and the Company's control and whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in lease term results in remeasurement of the lease liabilities.

(ii) Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability; and
- Any lease payments made at or before the commencement date less any lease incentive received.

Right-of-use assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. In addition, the right-of-use assets are adjusted for certain remeasurement of the lease liabilities.

While the Group and the Company revalue land and building (presented as part of property, plant and equipment) they own, they have chosen not to revalue the right-of-use building held by the Group and the Company.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

- 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
- 2.2 Summary of significant accounting policies (continued)
 - (w) Leases (continued)
 - (iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable:
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security, and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(iv) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment. Payments associated with short-term leases of property and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, as of the date of the statement of financial position. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in any future period. These factors could include:

(a) Critical judgements made in applying the Group's and the Company's accounting policies

In determining and applying accounting policies, judgement is often required for items where choice of a specific policy could materially affect the reported results and financial position of the Group and the Company. However, the Directors are of the opinion that there are currently no accounting policies that require the exercise of significant judgement.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Significant accounting judgements, estimates and assumptions (continued)
 - (b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as of the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of intangible asset

The Group and the Company test annually whether the intangible assets on partnership fee is impaired by measuring the recoverable amount of the cash generating units based on the value-in-use method, which requires the use of the estimates of future cash flow projections and discount rate. Changes to the assumption used by Management, particularly the discount rate, may affect the results of the impairment assessment.

Valuation of actuarial liabilities

The liability for life insurance contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time of its determination and increased with a margin for risk and adverse deviation.

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

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

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

Lapse and surrender rates are based on the Group's and the Company's historical experience of lapses and surrenders.

Discount rate for nonparticipating policies, participating policies, and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian Government Security (MGS). The approach used to set the discount rates for participating policies are the same as nonparticipating ones in line with the approval granted from BNM in April 2018.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3 PROPERTY AND EQUIPMENT

	Furniture, fittings and renovation RM'000	Computer <u>equipment</u> RM'000	Office <u>equipment</u> RM'000	Motor <u>vehicles</u> RM'000	Freehold land and buildings RM'000	Work-in- <u>progress</u> RM'000	<u>Total</u> RM'000
Group/Company							
Cost							
1 January 2019	5,353	54,992	1,856	912	43,939	6,946	113,998
Additions Disposals Reclassification Reclassification to Intangible Assets	(9) 224	1,216 - 10,120 (52,270)	(63) 119	- - -	- - -	13,908 - (10,463) -	15,124 (72) - (52,270)
At 31 December 2019/ 1 January 2020	5,568	14,058	1,912	912	43,939	10,391	76,780
Additions Disposals Reclassification Reclassification to Intangible Assets	141 - - -	467 - 558 -	118 (8) 13	- - -	- - - -	7,147 - (571) (6,536)	7,873 (8) - (6,536)
At 31 December 2020	5,709	15,083	2,035	912	43,939	10,431	78,109

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

Group/Company	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Office <u>equipment</u> RM'000	Motor vehicles RM'000	Freehold land and buildings RM'000	Work-in- progress RM'000	Total RM'000
Accumulated depreciation							
1 January 2019	2,948	42,918	1,279	688	4,277	-	52,110
Charge for the financial year (note 23) Disposals Reclassification to Intangible Assets	382 (9) -	1,795 - (33,615)	234 (60)	167 - -	383 - -	- - -	2,961 (69) (33,615)
At 31 December 2019/ 1 January 2020	3,321	11,098	1,453	855	4,660	-	21,387
Charge for the financial year (note 23) Disposals	400	1,664	199 (3)	56	383	-	2,702
At 31 December 2020	3,721	12,762	1,649	911	5,043	-	24,086
Net carrying amount							
31 December 2020	1,988	2,321	386	1	38,896	10,431	54,023
31 December 2019	2,247	2,960	459	57	39,279	10,391	55,393

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4 INTANGIBLE ASSETS

	Partnership fee RM'000	Computer <u>software</u> RM'000	<u>Total</u> RM'000
Group/Company			
Cost			
At 1 January 2019	5,869	-	5,869
Reclassification from Property and Equipment	-	52,270	52,270
At 31 December 2019/1 January 2020	5,869	52,270	58,139
Addition	-	2,056	2,056
Reclassification from Property and Equipment	-	6,536	6,536
At 31 December 2020	5,869	60,862	66,731
Accumulated amortisation			
At 1 January 2019	839	-	839
Amortisation charged to profit or loss (note 23)	662	6,172	6,834
Reclassification from Property and Equipment	-	33,615	33,615
At 31 December 2019/1 January 2020	1,501	39,787	41,288
Amortisation charged to profit or loss (note 23)	662	8,276	8,938
At 31 December 2020	2,163	48,063	50,226
Accumulated allowance for impairment loss			
At 1 January 2019/31 December 2019	-	-	-
Allowance for impairment loss (note 23)	3,706	-	3,706
At 31 December 2020	3,706	-	3,706
Net carrying amount			
31 December 2020	-	12,799	12,799
31 December 2019	4,368	12,483	16,851

Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the key assumptions used in this cash flow projections in respect of the Partnership Fee to change significantly that would result in impairment.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 RIGHT-OF-USE ASSETS

	Information Technology RM'000	Property RM'000	Office <u>equipment</u> RM'000	Total RM'000
Group/Company				
At 1 January 2020	11,318	161	177	11,656
Additions	-	580	-	580
Amortisation charged to profit and loss (note 23)	(2,755)	(237)	(95)	(3,087)
Adjustments	90	-	(1)	89
At 31 December 2020	8,653	504	81	9,238
At 1 January 2019	92	184	324	600
Additions	12,615	121	22	12,758
Amortisation charged to profit and loss (note 23)	(1,389)	(144)	(169)	(1,702)
At 31 December 2019	11,318	161	177	11,656

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6 FINANCIAL ASSETS

	2020 RM'000	<u>Group</u> <u>2019</u> RM'000	2020 RM'000	Company 2019 RM'000
Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Quoted equity securities Unit trust funds Controlled structured entities (note 7) Unquoted equity securities	726,245 6,339 1,416,281 159,039 342,003 - 174 2,650,081	577,825 6,154 1,299,431 148,408 233,082 174 2,265,074	644,358 6,339 1,121,612 159,039 342,003 385,486 174 2,659,011	556,670 6,154 965,436 148,408 233,082 373,392 174 2,283,316
The Group's and the Company's financial a	assets are sum	nmarised by ca	tegories as foll	ows:
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Fair value through profit or loss (FVTPL) - designated upon initial recognition	2,650,081	2,265,074	2,659,011	2,283,316
The following financial assets are expected	d to be realised	l after 12 mont	hs:	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
FVTPL - designated upon initial recognition	2,113,364	1,836,456	1,741,890	1,512,996

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6 FINANCIAL ASSETS (CONTINUED)

			Group		Company
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
(a)	FVTPL - designated upon initial recognition				
	Malaysian Government Securities	726,245	577,825	644,358	556,670
	Cagamas bonds	6,339	6,154	6,339	6,154
	Unquoted corporate debt securities	1,416,281	1,299,431	1,121,612	965,436
	Quoted equity securities	159,039	148,408	159,039	148,408
	Unit trust funds	342,003	233,082	342,003	233,082
	Controlled structured entities	-	-	385,486	373,392
	Unquoted equity securities	174	174	174	174
		2,650,081	2,265,074	2,659,011	2,283,316

(b) Carrying values of financial assets

Group	<u>FVTPL/Total</u> RM'000
At 1 January 2020	2,265,074
Purchases	780,286
Maturities	(37,599)
Disposals	(448,135)
Fair value gains recorded in: Profit or loss (note 20)	88,093
Movement in accrued interest	2,362
At 31 December 2020	2,650,081
	
At 1 January 2019	1,884,666
Purchases	793,342
Maturities	(73,848)
Disposals Fair value gains recorded in:	(468,629)
Profit or loss (note 20)	127,154
Movement in accrued interest	2,389
At 31 December 2019	2,265,074

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial assets (continued)

Company	FVTPL/Total RM'000
At 1 January 2020	2,283,316
Purchases Maturities Disposals Fair value gains recorded in: Profit or loss (note 20) Movement in accrued interest	603,808 (15,160) (305,264) 90,230 2,081
At 31 December 2020	2,659,011
At 1 January 2019	1,905,193
Purchases Maturities Disposals Fair value gains recorded in: Profit or loss (note 20) Movement in accrued interest	677,406 (58,440) (368,056) 124,661 2,552
At 31 December 2019	2,283,316

(c) Fair value hierarchy

The Group and the Company categorise their fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group's and 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 Group and the Company have 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.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6 FINANCIAL ASSETS (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 are not market observable, including assumptions about risk.

The following table presents the Group's and the Company's financial assets that are carried at fair value as at 31 December 2020:

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
Group				
<u>FVTPL</u>				
2020				
Malaysian Government Securities	_	726,245		726,245
Cagamas bonds Unquoted corporate debt	-	6,339	-	6,339
securities	-	1,416,281	-	1,416,281
Quoted equity securities	159,039	-	-	159,039
Unit trust funds	342,003	-	-	342,003
Unquoted equity securities			174	174
	501,042	2,148,865	174	2,650,081
2019				
Malaysian Government				
Securities	-	577,825	-	577,825
Cagamas bonds Unquoted corporate debt	-	6,154	-	6,154
securities	_	1,299,431	_	1,299,431
Quoted equity securities	148,408	-	-	148,408
Unit trust funds	233,082	-	-	233,082
Unquoted equity securities	-	-	174	174
	381,490	1,883,410	174	2,265,074

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
Company				
<u>FVTPL</u>				
2020				
Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Quoted equity securities Unit trust funds Controlled structured entities Unquoted equity securities	159,039 342,003 385,486 - 886,528	644,358 6,339 1,121,612 - - - 1,772,309	- - - - 174 174	644,358 6,339 1,121,612 159,039 342,003 385,486 174 2,659,011
<u>FVTPL</u>				
<u>2019</u>				
Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Quoted equity securities Unit trust funds Controlled structured entities Unquoted equity securities	148,408 233,082 373,392	556,670 6,154 965,436 - - - - 1 528 260	- - - - 174	556,670 6,154 965,436 148,408 233,082 373,392 174
	754,882	1,528,260	<u> </u>	2,283,316

There were no movements in Levels 1, 2 and 3 of the fair value hierarchy during the current financial year.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

7 CONTROLLED STRUCTURED ENTITIES

The Company has determined that its investment in wholesale unit trust funds amounting to RM385,486,000 (2019: RM373,392,000) as disclosed in Note 6 to the financial statements as investment in structured entities (investee funds). The Company invests in a investee fund whose objective is to achieve medium to long-term returns while preserving capital and whose investment strategy does not include the use of leverage. The investee fund is managed by Opus Asset Management Sdn Bhd and applies various investment strategies to accomplish the investment objectives. The investee fund finances its operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the investee fund's net assets.

The Company holds 100% of the Opus Income Fund 2, a fund established in Malaysia, and thus has control over the investee fund. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investee funds are classified as FVTPL investments and the change in fair value of the investee fund is included in the statement of comprehensive income in the Company's financial statements.

The Company's exposure to investments in the investee fund is disclosed below.

	<u>2020</u>	<u>2019</u>
Number of wholesale unit trust funds	1	1
Average net asset value per unit of wholesale unit trust funds:		
Opus Income Fund 2 (RM)	1.0760	1.0558
Fair value of underlying net assets:	RM'000	RM'000
Malaysian Government Securities Unquoted corporate debt securities Deposits with licensed financial institutions Cash equivalents Payables	81,887 294,670 9,003 10 (84) 385,486	21,155 333,995 18,320 5 (83) 373,392
Total fair value gain for the financial year	1,919	7,230

The Company's maximum exposure to loss from its interests in the investee fund is equal to the fair value of its investment in the investee fund.

As the Company has control over the investee fund which is considered a controlled structured entity, the structured entity is consolidated at the Group level. The underlying assets of the structured entity are duly consolidated in the financial statements.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8 LOANS AND RECEIVABLES

2019 RM'000
17 //73
17,473
64,235
81,708
64,235
17,473
81,708
6

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

9 REINSURANCE ASSETS

	Group/Compan		
	<u>2020</u>	<u>2019</u>	
	RM'000	RM'000	
Reinsurance of insurance contracts			
- insurance claims liabilities	21,799	19,079	
- insurance contract liabilities (note 14)	79,834	117,850	
	101,633	136,929	
Receivable within 12 months	25,959	26,677	
Receivable after 12 months	75,674	110,252	
	101,633	136,929	

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10 INSURANCE RECEIVABLES

	Gro	up/Company
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Due premiums including agents/brokers		
and co-insurers balances	15,580	13,940
Due from reinsurers and cedants	12	246
	15,592	14,186
Receivable within 12 months	15,592	14,186

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

_	Gro	up/Company
	<u>2020</u> RM'000	2019 RM'000
Gross amounts of recognised financial assets Less: Gross amounts of recognised financial	17,972	17,164
liabilities set off in the statement of financial position (note 15)	(2,380)	(2,978)
Net amounts of financial assets presented in the statement of financial position	15,592	14,186

There are no financial instruments subjected to an enforceable master netting arrangements or financial collaterals (including cash collaterals) pledged or received as at 31 December 2020 (2019: nil).

SUN LIFE MALAYSIA ASSURANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

11 OTHER RECEIVABLES

	Grou	up/Company
	<u>2020</u>	2019
	RM'000	RM'000
Amount due from fund manager/brokers	1,136	500
Amount due from related parties	6,521	9,178
Deposits receivable	331	294
Dividend receivable	188	137
Subscription to LIAM shares	2,147	2,147
Other receivables	3,635	4,125
	13,958	16,381
Receivable within 12 months	11,811	14,234
Receivable after 12 months	2,147	2,147
	13,958	16,381

Amount due from related parties is unsecured, interest free and has no fixed repayment terms.

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12 SHARE CAPITAL

Group/Company	Number of shares	2020 Nominal value RM'000	Number of shares	2019 Nominal value RM'000
Issued and paid up				
Ordinary shares with no par value: - At beginning/end of the financial year	242,000	258,000	242,000	258,000
Perpetual noncumulative preference shares (PPS) with no par value: - At beginning/end of the financial year	100,000	100,000	100,000	100,000
	342,000	358,000	342,000	358,000

Features of the Perpetual Noncumulative Preference Shares (PPS)

The PPS is a subordinated and unsecured obligation of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The PPS shall not represent any fixed charge on the earnings of the Company and shall carry no right to vote at any general meeting of the ordinary shareholders of the Company.

The PPS confers on the holder the right to receive a noncumulative gross dividend of 8% per annum, payable annually in arrears after the anniversary of the issue date of the PPS. The payment of dividend on the PPS is at the Company's discretion.

The PPS is not convertible to ordinary shares of the Company and the tenure of the PPS is perpetual and redeemable after year 2013 at the sole option of the Company subject to Bank Negara Malaysia's approval. At the date of this report, the Company has yet to exercise its redemption option.

13 RETAINED EARNINGS

Under the single tier system, there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as of the date of the statement of financial position.

The Company may distribute single tier dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from the financial year beginning 1 January 2014. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES

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

			2020			2019
		Re-			Re-	
Group/Company	<u>Gross</u> RM'000	insurance RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	insurance RM'000	<u>Net</u> RM'000
<u> Згоир/ Соггірапу</u>	TAIVI OOO	TAINI OOO	1101000	TAIVI 000	11111000	1111 000
Actuarial liabilities	1,891,647	(79,834)	1,811,813	1,599,524	(117,850)	1,481,674
Net asset value attributable to unitholders	411,897		411,897	289,099		289,099
	2,303,544	(79,834) ———	2,223,710	1,888,623	(117,850)	1,770,773
Current Non-current	466,157 1,837,387	(4,160) (75,674)	461,997 1,761,713	254,579 1,634,044	(7,598) (110,252)	246,981 1,523,792
Non-canent		(75,074)		1,054,044	(110,232)	1,525,792
	2,303,544	(79,834)	2,223,710	1,888,623	(117,850)	1,770,773

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

Group/Company	<u>Gross</u>	Reinsurance	<u>Net</u>
	RM'000	RM'000	RM'000
At 1 January 2020	1,888,623	(117,850)	1,770,773
Projected changes of inforce policies Premium income Expense and commission Benefits Interest on cashflows Others Experience variance on inforce policies Reserve for new policies	362,175	(65,867)	296,308
	(49,549)	197	(49,352)
	(240,351)	70,235	(170,116)
	48,120	(3,382)	44,738
	(32,970)	8,170	(24,800)
	25,578	(5,649)	19,929
	91,766	(16,884)	74,882
Assumption changes Discount rate Mortality Lapse rates Policy expenses	90,990	(5,287)	85,703
	(62,854)	50,069	(12,785)
	2,081	5	2,086
Expense reserve Other changes Movement in net asset value attributable to unitholders	25,387 31,750 122,798	6,409 -	25,387 38,159 122,798
At 31 December 2020	2,303,544	(79,834)	2,223,710

SUN LIFE MALAYSIA ASSURANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

Group/Company	<u>Gross</u>	Reinsurance	<u>Net</u>
	RM'000	RM'000	RM'000
At 1 January 2019	1,493,828	(75,199)	1,418,629
Projected changes of inforce policies Premium income Expense and commission Benefits	305,460	(59,403)	246,057
	(44,774)	10	(44,764)
	(206,389)	51,809	(154,580)
Interest on cashflows Others	44,016	(2,469)	41,547
	(42,945)	17,631	(25,314)
Experience variance on inforce policies Reserve for new policies	31,200	(10,370)	20,830
	119,375	(27,362)	92,013
Assumption changes Discount rate Mortality Lapse rates Policy expenses	113,326	(4,011)	109,315
	7,986	(6,773)	1,213
	522	6	528
	4,078	-	4,078
Expense reserve Other changes Movement in net asset value attributable to unitholders	(2,884) (1,346) 67,170	(1,719) -	(2,884) (3,065) 67,170
At 31 December 2019	1,888,623	(117,850)	1,770,773

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15 INSURANCE PAYABLES

_	Gro	up/Company
	<u>2020</u> RM'000	2019 RM'000
Due to agents and intermediaries Due to reinsurers and cedants	4,635 17,363	3,906 10,728
	21,998	14,634
Payable within 12 months	21,998	14,634

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

	Gro	up/Company
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Gross amounts of recognised financial		
liabilities	24,378	17,612
Less: Gross amounts of recognised financial assets set off in the statement		
of financial position (note 10)	(2,380)	(2,978)
of illiancial position (note 10)	(2,300)	(2,970)
Net amounts of financial liabilities presented		
in the statement of financial position	21,998	14,634

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2020 (2019: nil).

16 OTHER FINANCIAL LIABILITIES

		Group		Company
	2020	<u>2019</u>	2020	2019
	RM'000	RM'000	RM'000	RM'000
Outstanding purchases of investment				
securities	860	641	860	641
Unprocessed proposals	4,887	5,641	4,887	5,641
Others	240	1,272	240	1,272
	5,987	7,554	5,987	7,554
Payable within 12 months	5,987	7,554	5,987	7,554

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17 OTHER PAYABLES

		Group	· .	Company
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Deposits	79	79	79	79
•		19	_	19
Amount due to related parties	3,271	-	3,271	-
Accrual for bonus	10,118	15,520	10,118	15,520
Accrual for electronic data processing				
expenses	1,180	984	1,180	984
Accrual for sales and marketing expenses	13,291	12,321	13,291	12,321
Accrual for advertising cost	770	1,089	770	1,089
Accrual for other expenses	9,552	11,658	9,469	11,575
Advance premium	21,094	22,722	21,094	22,722
Others	6,134	9,116	6,134	9,116
	65.490	72 490	65.406	73,406
	65,489	73,489 	65,406 	1 3,400 ======

The carrying amounts disclosed above approximate the fair values as of the date of the statement of financial position and all amounts are payable within one year.

18 DEFERRED TAX LIABILITIES

	Group/Company		
	<u>2020</u>	<u>2019</u>	
	RM'000	RM'000	
At January Recognised in:	43,439	30,203	
Profit or loss (note 24)	1,380	13,236	
At December	44,819	43,439	
Current	7	(4)	
Non-current	44,812	43,443	
	44,819	43,439	

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.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

18 DEFERRED TAX LIABILITIES (CONTINUED)

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

				Group/Company	
				2020	<u>2019</u>
				RM'000	RM'000
Deferred tax liabilities			_	44,819	43,439
			_	44,819	43,439
Group/Company	Accelerated depreciation RM'000	Revaluation- financial assets RM'000	Provision for <u>expenses</u> RM'000	Reserves RM'000	<u>Total</u> RM'000
Deferred tax liabilities/(assets)					
At 1 January 2019	309	5,609	(144)	24,429	30,203
Recognised in: Profit or loss (note 24)	(1)	11,748	(34)	1,523	13,236
At 31 December 2019/ 1 January 2020	308	17,357	(178)	25,952	43,439
Recognised in: Profit or loss (note 24)	-	7,841	68	(6,529)	1,380
At 31 December 2020	308	25,198	(110)	19,423	44,819

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

18 DEFERRED TAX LIABILITIES (CONTINUED)

The composition of deferred tax assets/liabilities before and after appropriate offsetting, is as follows:

	Group/Company		
	<u>2020</u> RM'000	<u>2019</u> RM'000	
Subject to income tax:			
<u>Deferred tax assets</u> (before offsetting)			
Provision for expenses Offsetting	110 (110)	178 (178)	
Deferred tax assets (after offsetting)	-	-	
<u>Deferred tax liabilities</u> (before offsetting)			
Property and equipment Financial assets Reserves	308 25,198 19,423	308 17,357 25,952	
Offsetting	44,929 (110)	43,617 (178)	
Deferred tax liabilities (after offsetting)	44,819	43,439	

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19	INVESTMENT INCOME				
			Group		Company
		<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
	Rental income Financial assets at FVTPL - designated	529	537	529	537
	upon initial recognition Interest income Dividend income	87,745	77,943	71,215	60,743
	equity securities quoted in Malaysia controlled structured entities	11,628	10,033	11,628 21,546	10,033 20,644
	LAR interest income	3,717	4,817	3,458	4,394
		103,619	93,330	108,376	96,351
20	NET FAIR VALUE GAINS				
			Group		Company
		<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
	Financial assets at FVTPL - designated upon initial recognition				
	Unrealised gains (note 6(b))	88,093	127,154	90,230	124,661
		88,093	127,154	90,230	124,661
	Realised gains:				
	Malaysian Government SecuritiesQuoted equity securitiesUnquoted corporate debt securitiesUnit trust fundsControlled structured entities	2,356 4,242 7,494 5,022	2,843 (92) 2,317 597	497 4,242 963 5,022 628	1,854 (92) 779 597 1,161
		19,114	5,665	11,352	4,299
		107,207	132,819	101,582	128,960
21	OTHER OPERATING INCOME		0		0
		2020	<u>Group</u> <u>2019</u>	2020	<u>Company</u> <u>2019</u>
		RM'000	RM'000	RM'000	RM'000
	Tax recoveries Others	8,093	7 4,643	8,093	7 4,643
		8,093	4,650	8,093	4,650

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22 NET REALISED LOSSES/(GAINS)

				Grou	up/Company
				<u>2020</u> RM'000	2019 RM'000
	Losses/(gains) on disposal of property and e	equipment		5	(1)
23	MANAGEMENT EXPENSES				
			Group		Company
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
	Employee benefits expense (note 23(a))	48,448	55,705	48,448	55,705
	Directors' fees and allowance (note 23(b)) Auditors' remuneration:	832	825	832	825
	Statutory audit - current financial year	397	379	397	379
	Non-audit services	18	128	18	128
	Electronic data processing expenses	5,289	5,858	5,289	5,858
	Sales and marketing expenses	47,547	48,431	47,547	48,431
	Advertising cost	1,984	4,560	1,984	4,560
	Depreciation of property and equipment	.,	.,000	.,	.,000
	(note 3)	2,702	2,961	2,702	2,961
	Amortisation of intangible assets	,	,	,	,
	(note 4)	8,938	6,834	8,938	6,834
	Amortisation of right-of-use assets				
	(note 5)	3,087	1,702	3,087	1,702
	Allowance of impairment loss of				
	intangible assets (note 4)	3,706	-	3,706	-
	Rental expenses	24	81	24	81
	Telephone and postage expenses	1,136	1,379	1,136	1,379
	Short term leases expense	167	977	167	977
	Low value lease assets expense	16	23	16	23
	Others	16,468	15,641	15,600	14,803
		140,759	145,484	139,891	144,646
(a)	Employee benefits expense				
	Salaries and bonus	37,723	42,907	37,723	42,907
	Defined contribution plan	5,329	5,859	5,329	5,859
	Share-based payment plan	0,020	2,000	3,020	0,000
	(note 23(c))	801	1,142	801	1,142
	Expatriate allowances	647	703	647	703
	Other staff benefits	3,948	5,094	3,948	5,094
		48,448	55,705	48,448	55,705

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23 MANAGEMENT EXPENSES (CONTINUED)

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

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows:

	Salary and bonus RM'000	Defined <u>contribution plan</u> RM'000	Benefits- <u>in-kind</u> RM'000	Share-based payment plan RM'000	Fees and <u>allowance</u> RM'000	Total RM'000
Group/Company						
<u>2020</u>						
Chief Executive Office Lew Yung Chow	1,884	264	30	380	<u>-</u>	2,558
Executive Director: Encik Leo Michel Grepin	-	-	-	-	-	-
Non-Executive Directors: Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir Encik Pushpanathan A/L S.A. Kanagarayar Encik Jose Isidro Navato Camacho Dato' Mohd Shukri Bin Hussin Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz Encik Ooi Say Teng	- - - - -	- - - - -	- - - - -	- - - - -	173 148 172 148 96 95	173 148 172 148 96 95
	1,884	264	30	380	832	3,390

Registration No.

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SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23 MANAGEMENT EXPENSES (CONTINUED)

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

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

	Fixed remuneration			Variable emuneration	
Total value of remuneration awards for the financial year:	Cash-based RM'000	Cash-based RM'000	Shares and share- linked instruments RM'000	Benefits- <u>in-kind</u> RM'000	Total RM'000
<u>2020</u>	1 1111 000	1 1111 000	666	1 411 000	1 411 000
Chief Executive Officer: Lew Yung Chow	1,552	596	380	30	2,558
Executive Director: Encik Leo Michel Grepin	-	-	-	-	-
Non-Executive Directors: Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir Encik Pushpanathan A/L S.A. Kanagarayar Encik Jose Isidro Navato Camacho Dato' Mohd Shukri Bin Hussin Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz Encik Ooi Say Teng	160 135 155 135 90 90	13 13 17 13 6 5	- - - - -	- - - - -	173 148 172 148 96 95
	2,317	663	380	30	3,390

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were payment for shares and share-linked instruments amounting to RM528,000 (2019: nil).

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23 MANAGEMENT EXPENSES (CONTINUED)

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

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

0	Salary <u>and bonus</u> RM'000	Defined contribution plan RM'000	Benefits- <u>in-kind</u> RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	<u>Total</u> RM'000
Group/Company						
2019						
Chief Executive Officer: Lew Yung Chow	2,189	432	30	342		2,993
Executive Director: Encik Leo Michel Grepin	-	-	-	-	-	-
Non-Executive Directors: Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir Encik Pushpanathan A/L S.A. Kanagarayar Encik Jose Isidro Navato Camacho Dato' Mohd Shukri Bin Hussin Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz Encik Ooi Say Teng	- - - - -	- - - - -	- - - - -	- - - - -	172 148 170 145 94 96	172 148 170 145 94 96
	2,189	432	30	342	825	3,818

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23 MANAGEMENT EXPENSES (CONTINUED)

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

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows: (continued)

	Fixed remuneration		r	Variable emuneration	
Total value of remuneration awards for the financial year: 2019	Cash-based RM'000	Cash-based RM'000	Shares and share- linked instruments RM'000	Benefits- in-kind RM'000	Total RM'000
Chief Executive Officer: Lew Yung Chow	1,471	1,150	342	30	2,993
Executive Director: Encik Leo Michel Grepin	-	-	-	-	-
Non-Executive Directors: Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir Encik Pushpanathan A/L S.A. Kanagarayar Encik Jose Isidro Navato Camacho Dato' Mohd Shukri Bin Hussin Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz Encik Ooi Say Teng	160 135 155 135 90 90	12 13 15 10 4 6	- - - - -	- - - - -	172 148 170 145 94 96
	2,236	1,210	342	30	3,818

All the remuneration awards above are non-deferred remuneration except for shares and share-linked instruments. During the financial year, there were payment for shares and share-linked instruments amounting to RM528,000 (2019: nil).

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23 MANAGEMENT EXPENSES (CONTINUED)

(c) Share-based payment plan

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

	Gro	Group/Company	
	<u>2020</u>	2019	
	RM'000	RM'000	
Sun Share Unit Plan	801	1,142	

Sun Share Units (SSU) are granted to the Group's and the Company's certain employees as part of the annual performance reward cycle and has a vesting period of over 36 months from grant date. Each SSU entitles the recipient to receive payment equal to the market value of common shares, plus credited dividends, at the time of vesting, subject to any performance conditions. These SSU expenses are paid out in cash at the end of the vesting period.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

24 TAXATION

_		Group		Company
	<u>2020</u> RM'000	2019 RM'000	<u>2020</u> RM'000	2019 RM'000
Tax expense on the profit for the financial year:				
Income tax:				
Current tax	7,497	17,479	7,497	17,479
Deferred tax (note 18)	1,380	13,236	1,380	13,236
	8,877	30,715	8,877	30,715
(Over)/under provision in prior financial years	(2,823)	624	(2,823)	624
	6,054	31,339	6,054	31,339
Tax expense attributable to				
Shareholders	(8,440)	16,629	(8,440)	16,629
Tax expense attributable to policyholders and unitholders	14,494	14,710	14,494	14,710
	6,054	31,339	6,054	31,339
=				

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

	2020 RM'000	<u>Group</u> <u>2019</u> RM'000	2020 RM'000	Company 2019 RM'000
(Loss)/profit before taxation attributable to Shareholders	(7,613)	98,058	(7,613)	98,058
Taxation at Malaysian statutory tax rate of 24% (2019: 24%) Income not subject to tax Expenses not deductible for tax purposes Section 110B tax credit set off (Over)/under provision in prior financial years	(1,827) (5,385) 290 1,305 (2,823)	23,534 (5,153) 328 (2,704) 624	(1,827) (5,177) 82 1,305 (2,823)	23,534 (4,952) 127 (2,704) 624
Tax expense attributable to Shareholders Tax expense attributable to policyholders and unitholders	(8,440) 14,494 6,054	16,629 14,710 31,339	(8,440) 14,494 	16,629 14,710 31,339

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

25 BASIC EARNINGS PER SHARE

The Group's and the Company's basic earnings per share is calculated by dividing the profit for the financial year attributable to the Group's and the Company's ordinary equity holders by the weighted average number of ordinary shares in issue during the financial year.

	Gro	Group/Company		
	<u>2020</u>	2019		
	RM'000	RM'000		
Profit attributable to ordinary				
equity holders (RM'000)	827	81,429		
Weighted average number of shares				
in issue ('000)	242,000	242,000		
Basic earnings per share (sen)	0.34	33.65		

Diluted earnings per share are not presented as there are no dilutive potential ordinary shares as of the date of the statement of financial position.

26 DIVIDENDS

The amounts of dividends paid or declared by the Company are as follows:

		2020		2019
	RM		RM	
	per share	RM'000	per share	RM'000
Dividend in respect of the				
previous financial year:				
Perpetual Noncumulative				
Preference Shares	0.08	8,000	0.08	8,000
Ordinary Shares	0.2149	52,000	0.4062	98,300
		60,000		106,300

The Directors have not recommended any dividend to be paid for the financial year under review.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

27 OPERATING LEASE COMMITMENTS

The future minimum lease payments of the operating lease commitments are as follows:

		Grou <u>2020</u> RM'000	<u>2019</u> RM'000
	Not later than 1 year	31	179
28	CAPITAL COMMITMENTS		
		Grou <u>2020</u> RM'000	ip/Company 2019 RM'000
	Approved and contracted for: Property and equipment Intangible assets	7 2,883	80 787
	Approved but not contracted for Intangible assets	2,116	1,449
		5,006	2,316

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with, the Group and the Company are as follows:

Company	Country of incorporation	Relationship
Khazanah Nasional Berhad (KNB)	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd (ACSB)	Malaysia	Penultimate holding company
Renggis Ventures Sdn Bhd (RVSB)	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada (SLACC)	Canada	Significant shareholder
Sun Life Financial Inc. (SLF)	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad (CIMBG)	Malaysia	Associate of the ultimate holding company
CIG Berhad (CIGB)	Malaysia	Subsidiary of CIMBG and shareholder of the immediate holding company
CIMB Bank Berhad (CIMB Bank)	Malaysia	Subsidiary of CIMBG
Principal Asset Management Berhad (Principal)	Malaysia	Subsidiary of CIMBG
CIMB Islamic Bank Berhad (CIBB)	Malaysia	Subsidiary of CIMBG
CIMB Howden Insurance Brokers Sdn Bhd (CIMB Howden)	Malaysia	Subsidiary of CIMBG
Sun Life Financial Asia Services Limited (SLF Asia)	Hong Kong	Fellow subsidiary of the SLF
Sun Life India Service Pvt. Ltd (ASCI)	India	Fellow subsidiary of the SLF
Sun Life Malaysia Takaful Berhad (SLMTB)	Malaysia	Fellow subsidiary of the ultimate holding company

Key management personnel*

^{*} Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the Group's and the Company's activities either directly or indirectly. The key management personnel of the Company comprise of the Board of Directors, Chief Executive Officer and the Group's and the Company's management committee members.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on terms and conditions negotiated between the related parties.

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

		Gro	oup/Company
		<u>2020</u>	2019
		RM'000	RM'000
(Income)/expenses	<u>Location</u>		
Premiums received from			
CIMB Bank and Principal	Malaysia	(13,461)	(14,020)
Premiums paid to SLMTB	Malaysia	362	338
Interest earned from deposits in	·		
CIMB Bank and CIBB	Malaysia	(278)	(371)
Commission paid to CIMB Bank	Malaysia	70,496	70,575
Sales and marketing expenses paid			
to CIMB Bank and Principal	Malaysia	36,953	36,164
Charges paid to CIMB	Malaysia	2,093	-
Rental income received from			
CIMB Bank and SLMTB	Malaysia	(491)	(607)
Shared service expenses charged		(- ()	(5 (5 5 5)
to SLMTB	Malaysia	(64,778)	(64,863)
Charges paid to SLACC	Canada	3,681	3,595
Insurance expenses paid to CIMB			450
Howden	Malaysia	-	152
Investment management fee paid to	Malaysia	700	670
Principal Reimburgement of expanses received	Malaysia	728	679
Reimbursement of expenses received from SLF Asia	Hong Kong		(2.160)
	Hong Kong	301	(2,160)
Charges paid to SLF Asia Reimbursement of expenses received	Hong Kong	301	-
from SLACC	Canada	(2,909)	(4,878)
Charges paid to ASCI	India	1,402	(4,676) 595
Charges paid to AOOI	пиа	=========	

(b) Included in the Group's and the Company's statement of financial position are significant related party balances, represented by the following:

	Gro	up/Company
	<u>2020</u> RM'000	2019 RM'000
Amount due from SLMTB	6,516	7,708
Amount due from Principal	5	-
Amount due to SLACC and SLF Asia	(803)	(593)
Amount due to CIMB Bank and Principal	(2,079)	(10,426)
Amount due to ASCI	(389)	-

Amounts due from/(to) related parties are unsecured, non-interest bearing and have no fixed repayment terms.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Total compensation paid and payable to the Group's and the Company's key management personnel during the financial year was as follows:

	Grou	up/Company
	<u>2020</u>	2019
	RM'000	RM'000
Salaries and other short-term		
	0.220	12.260
employee benefits	9,229	12,269
Defined contribution plan	1,261	1,425
Fees and allowance	832	825
Share-based payment plan	801	1,142
	12,123	15,661

The estimated cash value of benefits-in-kind provided to the Group's and the Company's key management personnel amounted to RM33,514 (2019: RM191,483).

(d) Compensation of senior management and other material risk takers

Total value of remuneration awards paid and payable to the Group's and the Company's senior management and other material risk takers during the financial year was as follows:

Group/Company

			2020			2019
	Number			Number		
	of persons	Unrestricted RM'000	Deferred RM'000	of persons	Unrestricted RM'000	Deferred RM'000
Fixed remuneration cash-based	13	7,855	-	13	7,587	-
Variable remuneratio cash-based	n 13	2,635	-	13	4,682	-
Shares and share- linked remuneration Benefits-in-kind	13 2	- 34	801 -	13 3	- 191	1,142 -

During the financial year, none of the key management personnel were entitled to sign-on awards. (2019: RM nil).

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30 RISK MANAGEMENT FRAMEWORK

(a) Risk management

The Board recognises that risk management is an integral part of the Group's and the Company's business objectives and it is critical for the Group and the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Group and the Company have put in place a Risk Management Framework (RMF) to manage their risks and opportunities. The Board has established the Risk Management Committee (RMC) with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee (ERMC), the Asset and Liability Committee (ALCO) and the Investment Committee that provide oversight responsibilities on operational, financial and insurance risk management in facilitating the optimisation of the Group's and the Company's risk and return profile.

The RMF involves an on-going process of identifying, measuring, managing, monitoring and reporting significant risks affecting the achievement of the Group's and the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Group's and the Company's strategies and functional activities throughout the financial year.

The Group and the Company operate a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by the risk management function (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Internal Audit division (the third line of defence).

To promote a consistent and rigorous approach to risk management, the Group and the Company have a set of formal risk management policies. These risk policies set out the risk management and control standards for the Group's and the Company's operations. As the Group's and the Company's business respond to changing market conditions and customer needs, the management regularly monitor the appropriateness of the Group's and the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management

Capital adequacy risk is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, maintain financial strength or to allow the Group and the Company to take advantage of opportunities for expansion.

The Group's and the Company's capital risk policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders, and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the appropriate regulatory requirements.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management (continued)

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Group and the Company need to calibrate the acceptable limits of local solvency, i.e. a corridor of acceptable solvency, where a solvency level outside of this corridor would not meet the risk appetite requirement. The Capital Management Plan specifies the different capital levels, escalation process, possible corrective actions, and the frequency of monitoring based on the capital level.

(c) Governance

The risk management policies identify the risks inherent in different elements of the Group and the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks and where the risk is material, the minimum standards of control the Group and the Company are expected to maintain. From a risk management governance perspective, the RMC has been established to assist the Board in its oversight of risk and risk management in the Group and the Company. The RMC reports and recommends to the Board on the risk management strategies, policies, risk tolerance, risk appetite, review and assessment of the adequacy of the risk management policies and framework, measurement, monitoring and controlling of risks as well as the extent to which these are operating effectively.

(d) Asset-Liability Management (ALM)

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve the Group's and the Company's financial and business objectives, given the organization's risk tolerances and other constraints. ALM is the practice of managing a business so that decisions made and actions taken with respect to assets and liabilities are appropriately coordinated. This ongoing process is critical for the sound management of any financial intermediary or organization that conducts investment activity to support future cash flow needs and capital requirements. While the primary focus is on long-term economic value, ALM also considers stability of reported earnings, tax effects and capital implications.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 INSURANCE RISK

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Group and the Company to financial loss and may result in the inability to meet its liabilities.

The Group's and the Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing insurance protection, the Group and the Company has to manage risks such as mortality (the death of policyholders), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer excessive risk exposures, using appropriate actuarial techniques as well as other mitigation measures.

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, applying best practices in the setting of lapse assumptions, product design requirements, experience monitoring and management actions.

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Group and the Company. Policies have been developed to support the Group and the Company through the product cycle development process, financial analysis and pricing.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 INSURANCE RISK (CONTINUED)

The table below shows the concentration of actuarial liabilities by type of contract.

			2020			2019		
		Re-		-	Re-			
Group/Company	<u>Gross</u>	<u>insurance</u>	<u>Net</u>	<u>Gross</u>	<u>insurance</u>	<u>Net</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Whole life	218,960	(923)	218,037	112,898	(3,880)	109,018		
Term assurance	50,167	(4,737)	45,430	300,912	(770)	300,142		
Endowment	703,259	(3,094)	700,165	300,265	(1,623)	298,642		
Mortgage	818,617	(70,561)	748,056	821,396	(103,952)	717,444		
Others	100,644	(519)	100,125	64,053	(7,625)	56,428		
	1,891,647	(79,834)	1,811,813	1,599,524	(117,850)	1,481,674		

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the actuarial liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive are as follows:

Discount rate

i. Risk-free rate

Risk-free rate is used to discount cash flows for corresponding durations for Non-Participating and Investment-Linked policies' liabilities calculation, and Participating insurance fund policies, where only the guaranteed benefits are considered.

These risk-free rates from durations of 1 to 15 years are the Malaysian Government Securities (MGS) yields taken from Bond Web, which is a recognised bond pricing agency in Malaysia. As MGS yields are only available for terms of 1, 2, 3, 5, 7, 10 and 15, the yields in between are interpolated.

For durations of 15 years or more, the MGS yields with 15-years term to maturity are used.

The risk-free rates employed are gross of tax on investment income in the life fund.

ii. Fund-based yield

Fund-based yield was used in the Participating fund to discount the cash flows for corresponding durations where total guaranteed and non-guaranteed benefits are considered.

Following the approval granted from BNM in 2018, the Company has adopted risk-free rate to discount the cash flows of the Participating fund policies' liabilities calculation.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Mortality and morbidity

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Mortality assumption used for the Company's major product is based on a percentage of the industry's mortality table with provision of risk margin for adverse deviation (PRAD) of 8%.

Lapse rate

Best estimate assumptions are based on the Group's and the Company's recent experience studies. Depending on the product type, PRAD is set at a range of 15% to 45% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the Group's and the Company's experience. An inflation rate of 3.8% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked funds' future growth rate

Net-of-tax expected fund investment return is used for non-guaranteed Investment-Linked funds' growth rate assumption.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 INSURANCE RISK (CONTINUED)

Sensitivities

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

	Change in best estimate assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on <u>equity</u> RM'000
Group/Company					
2020					
Mortality/morbidity	+10	79,441	11,741	(11,741)	(9,393)
Expenses	+10	8,476	8,476	(8,476)	(6,781)
Lapse and surrender rates	+10	3,093	4,041	(4,041)	(3,233)
Discount rate	-1	148,048	140,995	(140,995)	(112,796)

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 INSURANCE RISK (CONTINUED)

Sensitivities

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

Group/Company	Change in best estimate assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on <u>equity</u> RM'000
2019					
Mortality/morbidity Expenses Lapse and surrender rates Discount rate	+10 +10 +10 -1	85,663 9,220 2,172 155,060	13,570 9,219 3,710 144,767	(13,515) (9,198) (3,798) (143,584)	(10,812) (7,358) (3,038) (114,867)

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS

(a) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations of the principal and/or interest. Exposure to such risk arises primarily from default risk of corporate bonds purchased.

The Group and the Company manage the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Group's and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Group and the Company are also exposed to credit risk through the use of reinsurance. Reinsurance arrangements are only placed with providers who meet the Group's and the Company's counterparty credit standards.

The Group and the Company only purchase corporate bonds of high credit standing (with minimum rating of A-) as rated by authorised rating agencies. The Group and the Company also actively monitor and consider the risk of fall in the value of fixed interest securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Group's and the Company's Investment Guidelines.

It is the Group's and the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The method used in monitoring the credit risk exposure to the Group and the Company did not change from the previous financial year.

The Group and the Company have not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to policyholders are linked to the performance and value of the assets that back those liabilities and shareholders have no direct exposure to any credit risk in these assets. The Group and the Company actively manage their product mix to ensure that there are no significant concentration of credit risk.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

			Group			Company
	Life and	Investment-	·	Life and	Investment-	
<u>2020</u>	Shareholders' funds	linked funds	<u>Total</u>	Shareholders' funds	linked funds	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>						
Fixed and call deposits	93,081	5,341	98,422	84,078	5,341	89,419
Loans	22,563	, -	22,563	22,563	-	22,563
Financial assets at FVTPL - designated upon initial recognition						
Malaysian Government Securities	724,831	1,414	726,245	642,944	1,414	644,358
Cagamas bonds	6,339	, -	6,339	6,339	· -	6,339
Quoted equity securities	92,090	66,949	159,039	92,090	66,949	159,039
Unit trust funds	-	342,003	342,003	- · · · · · · · · · · · · · · · · · · ·	342,003	342,003
Unquoted corporate debt securities	1,372,499	43,782	1,416,281	1,077,830	43,782	1,121,612
Controlled Structure Entities (Wholesale Fund)	-	-	-	385,486	-	385,486
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	101,633	-	101,633	101,633	-	101,633
Insurance receivables	15,592	-	15,592	15,592	-	15,592
Other receivables	12,808	1,150	13,958	12,808	1,150	13,958
Cash and bank balances	11,967	23	11,990	11,957	23	11,980
	2,453,577	460,662	2,914,239	2,453,494	460,662	2,914,156

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

			Group			Company
	Life and	Investment-		Life and	Investment-	
<u>2019</u>	Shareholders' funds	linked funds	<u>Total</u>	Shareholders' funds	<u>linked funds</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>						
Fixed and call deposits	75,654	6,901	82,555	57,334	6,901	64,235
Loans	17,473	-	17,473	17,473	, -	17,473
Financial assets at FVTPL - designated upon initial recognition						
Malaysian Government Securities	576,246	1,579	577,825	555,091	1,579	556,670
Cagamas bonds	6,154	-	6,154	6,154	-	6,154
Quoted equity securities	89,033	59,375	148,408	89,033	59,375	148,408
Unit trust funds	9,033	224,049	233,082	9,033	224,049	233,082
Unquoted corporate debt securities	1,259,118	40,313	1,299,431	925,123	40,313	965,436
Controlled Structure Entities (Wholesale Fund)	-	-	-	373,392	-	373,392
Unquoted equity securities	174	-	174	174	-	174
Reinsurance assets	136,929	-	136,929	136,929	-	136,929
Insurance receivables	14,186	-	14,186	14,186	-	14,186
Other receivables	15,587	794	16,381	15,587	794	16,381
Cash and bank balances	15,813	57	15,870	15,808	57	15,865
	2,215,400	333,068	2,548,468	2,215,317	333,068	2,548,385

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

<u>Group</u>			Neither r	nast-due n	or impaired	Not subject I	nvestment-Ps	ast due hut	Past due	
2020	AAA	<u>AA</u>	<u>A</u> .	BBB	Not rated to	<u>o credit risk li</u>	nked funds <u>no</u>	ot impaired ar	nd impaired	<u>Total</u>
LAD	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	46,714	37,364	-	-	9,003	-	5,341	-	-	98,422
Loans	-	-	-	-	22,563	-	-	-	-	22,563
Financial assets at FVTPL										
 designated upon initial recog 	<u>nition</u>									
Malaysian Government Secu	rities -	-	-	-	724,831	-	1,414	-	-	726,245
Cagamas bonds	6,339	-	-	-	-	-	-	-	-	6,339
Quoted equity securities	-	-	-	-	-	92,090	66,949	-	-	159,039
Unit trust funds	-	-	-	-	-	-	342,003	-	-	342,003
Unquoted corporate debt										
securities	113,794	454,079	18,100	4,842	781,684	-	43,782	-	-	1,416,281
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	55,404	2	-	46,227	-	-	-	-	101,633
Insurance receivables	-	-	-	-	15,592	-	-	-	-	15,592
Other receivables	-	-	-	-	12,808	-	1,150	-	-	13,958
Cash and bank balances	11,790	56	-	-	121	-	23	-	-	11,990
	178,637	546,903	18,102	4,842	1,612,829	92,264	460,662	_	-	2,914,239
							=			

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the authorised rating agencies' credit ratings of counterparties. (continued)

<u>Group</u>			Naithar 1	nast-dua no	or impaired 1	Not subject Ir	nvestment-Pa	set due hut	Past due	
<u>2019</u>	AAA	<u>AA</u>	<u>A</u>	BBB				ot impaired an		<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	48,448	27,206	-	-	-	-	6,901	-	-	82,555
Loans	-	-	-	-	17,473	-	-	-	-	17,473
Financial assets at FVTPL										
 designated upon initial recog 	<u>ınition</u>									
Malaysian Government Secu	ırities -	-	-	-	576,246	-	1,579	-	-	577,825
Cagamas bonds	6,154	-	-	-	-	-	-	-	-	6,154
Quoted equity securities	-	-	-	-	-	89,033	59,375	-	-	148,408
Unit trust funds	-	-	-	-	-	9,033	224,049	-	-	233,082
Unquoted corporate debt										
securities	136,637	418,708	62,709	-	641,064	-	40,313	-	-	1,299,431
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	81,330	3,982	-	51,617	-	-	-	-	136,929
Insurance receivables	-	-	-	-	14,186	-	-	-	-	14,186
Other receivables	-	-	-	-	15,587	-	794	-	-	16,381
Cash and bank balances	15,490	89	-	-	234	-	57	-	-	15,870
	206,729	527,333	66,691	-	1,316,407	98,240	333,068	<u>-</u>	-	2,548,468

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating

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

<u>Company</u>			Noithar r	and due no	ar impoired M	Not aubicat Ir	weetment De	ot due but	Doct due	
2020	AAA	AA	<u>Neither p</u>	BBB		Not subject Ir credit risk lir		ist due but it impaired an	Past due	<u>Total</u>
<u>=0=0</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	46,714	37,364	-	-	-	-	5,341	-	-	89,419
Loans	-	-	-	-	22,563	-	-	-	-	22,563
Financial assets at FVTPL - designated upon initial recognition	<u>n</u>									
Malaysian Government Securities	3 -	-	-	-	642,944	-	1,414	-	-	644,358
Cagamas bonds	6,339	-	-	-	-	-	-	-	-	6,339
Quoted equity securities	-	-	-	-	-	92,090	66,949	-	-	159,039
Unit trust funds	-	-	-	-	-	-	342,003	-	-	342,003
Controlled structured entities	-	-	-	-	-	385,486	-	-	-	385,486
Unquoted corporate debt	400 470	040.000					40 700			
securities	108,173	313,898	-	-	655,759	-	43,782	-	-	1,121,612
Unquoted equity securities	-	-	-	-	40.007	174	-	-	-	174
Reinsurance assets	-	55,404	2	-	46,227	-	-	-	-	101,633
Insurance receivables	-	-	-	-	15,592	-	-	-	-	15,592
Other receivables	-	-	-	-	12,808	-	1,150	-	-	13,958
Cash and bank balances	11,780 	56 	<u>-</u>	<u>-</u>	121 	<u>-</u>	23	<u>-</u>	<u>-</u>	11,980
_	173,006	406,722	2		1,396,014	477,750	460,662		<u>-</u>	2,914,156

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the authorised rating agencies' credit ratings of counterparties. (continued)

<u>Company</u>			Maithar	and due no	or impoired N	Not oubloot In	wastmant Da	at dua but	Doot due	
2019	AAA	<u>AA</u>	<u>Neither p</u>	BBB			nvestment-Pa nked fundsno	ast due but ot impaired an	Past due	Total
<u>=0.10</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>										
Fixed and call deposits	30,128	27,206	-	-	-	-	6,901	-	-	64,235
Loans	-	-	-	-	17,473	-	-	-	-	17,473
Financial assets at FVTPL										
 designated upon initial recognition 	<u>on</u>									
Malaysian Government Securitie	es -	-	-	-	555,091	-	1,579	-	-	556,670
Cagamas bonds	6,154	-	-	-	-	-	-	-	-	6,154
Quoted equity securities	-	-	-	-	-	89,033	59,375	-	-	148,408
Unit trust funds	-	-	-	-	-	9,033	224,049	-	-	233,082
Controlled structured entities	-	-	-	-	-	373,392	-	-	-	373,392
Unquoted corporate debt										
securities	136,637	255,441	-	-	533,045	-	40,313	-	-	965,436
Unquoted equity securities	-	-	-	-	-	174	-	-	-	174
Reinsurance assets	-	81,330	3,982	-	51,617	-	-	-	-	136,929
Insurance receivables	-	-	-	-	14,186	-	-	-	-	14,186
Other receivables	-	-	-	-	15,587	-	794	-	-	16,381
Cash and bank balances	15,485	89	-	-	234	-	57	-	-	15,865
•	188,404	364,066	3,982	_	1,187,233	471,632	333,068	-	_	2,548,385

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk where the Group and the Company are unable to meet their obligations at reasonable cost or at any time. The Group's and the Company's investment department manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Group and the Company has a strong liquidity position and seek to maintain sufficient financial resources to meet their obligations as they fall due.

The method used in monitoring the liquidity risk did not change from the previous financial year.

Maturity profiles

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities into their relevant maturity groupings based on the remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for the insurance contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance contract liabilities.

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. Repayments which are subject to notice are treated as if such notices were given immediately.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

<u>Group</u>	•		4 0	0.5	5 45	0 45	N 1		
2020	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity date RM'000	Investment- linked funds RM'000	Total RM'000
LAR	1 (10)	1 (11) 000	1 (11)	1 (11)	1 (11)	1 (1) (1)	1 (1) 1 000	1 (10)	1407 000
Fixed and call deposits Loans	98,422 22,563	93,104 22,563	-	-	-	-	-	5,341 -	98,445 22,563
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	726,245	28,179	54,538	69,645	522,205	383,713	-	1,414	1,059,694
Cagamas bonds	6,339	325	650	650	5,848	-	-	-	7,473
Quoted equity securities	159,039	155	-	-	-	-	91,794	66,949	158,898
Unit trust funds	342,003	-	-	-	-	-	-	342,003	342,003
Unquoted corporate debt securities	1,416,281	93,381	199,402	237,189	855,118	432,890	-	43,782	1,861,762
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	101,633	25,774	16,425	13,317	43,169	28,356	-	-	127,041
Insurance receivables	15,592	15,592	-	-	-	-	-	-	15,592
Other receivables	13,958	12,808	-	-	-	-	-	1,150	13,958
Cash and bank balances	11,990	-	-	-	-	-	11,967	23	11,990
Total assets	2,914,239	291,881	271,015	320,801	1,426,340	844,959	103,935	460,662	3,719,593

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Group 2020 (continued)	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity date RM'000	Investment- linked funds RM'000	<u>Total</u> RM'000
Insurance contract liabilities	2,303,544	713,937	153,036	124,582	680,805	664,288	_	411,897	2,748,545
Insurance claims liabilities	41,463	41,463	-	-	-	-	-	-	41,463
Insurance payables	21,998	21,998	-	-	-	-	-	_	21,998
Lease liabilities	9,508	2,793	6,715	-	-	-	-	-	9,508
Other financial liabilities	5,987	5,987	-	-	-	-	-	-	5,987
Other payables	65,489	64,791	-	-	-	-	-	698	65,489
Total liabilities	2,447,989	850,969	159,751	124,582	680,805	664,288		412,595	2,892,990

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

<u>Group</u>	Comming	llataa	4 2	2 5	F 15	0.0.45	No montumitar	las ca atau a a t	
2019	Carrying value	Up to a <u>year</u>	1 - 3 <u>years</u>	3 - 5 <u>years</u>	5 - 15 <u>years</u>	Over 15 <u>years</u>	No maturity date	linked funds	Total
<u>LAR</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits Loans	82,555 17,473	75,684 17,473	-	-	-	-	-	6,901 -	82,585 17,473
Financial assets at FVTPL - designated upon initial recognition									
Malaysian Government Securities	577,825	23,872	63,969	50,165	443,835	341,322	-	1,579	924,742
Cagamas bonds	6,154	325	650	650	6,174	-	90.022	- - 50 275	7,799
Quoted equity securities Unit trust funds	148,408 233,082	-	-	-	-	-	89,033 9,033	59,375 224,049	148,408 233,082
Unquoted corporate debt securities	1,299,431	102,573	237,665	249,912	839,766	264,032	9,033	40,313	1,734,261
Unquoted equity securities	174	102,575	237,003	243,312	039,700	204,032	174	40,313	1,734,201
Reinsurance assets	136,929	26,454	25,060	20,670	66,571	41,719	1/-	_	180,474
Insurance receivables	14,186	14,186	20,000	20,070	-	-1,713	_	_	14,186
Other receivables	16,381	15,587	_	_	_	_	_	794	16,381
Cash and bank balances	15,870	-	-	-	-	-	15,813	57	15,870
Total assets	2,548,468	276,154	327,344	321,397	1,356,346	647,073	114,053	333,068	3,375,435

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Group 2019 (continued)	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000		Investment- linked funds RM'000	<u>Total</u> RM'000
Insurance contract liabilities	1,888,623	(5,813)	55,521	222,715	1,226,226	847,064	-	289,099	2,634,812
Insurance claims liabilities	35,212	35,212	-	-	-	-	-	-	35,212
Insurance payables	14,634	14,634	-	-	-	-	-	-	14,634
Lease liabilities	11,511	2,954	8,329	1,367	-	-	-	-	12,650
Other financial liabilities	7,554	7,554	-	-	-	-	-	-	7,554
Other payables	73,489	72,887	-	-	-	-	-	602	73,489
Total liabilities	2,031,023	127,428	63,850	224,082	1,226,226	847,064	-	289,701	2,778,351

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

<u>Company</u>	0	l la ta a	4 0	2 5	5 4F	0	NIa mantumitus	l	
<u>2020</u>	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 <u>years</u>	Over 15 years	No maturity date		Total
<u> </u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
<u>LAR</u>									
Fixed and call deposits	89,419	84,101	-	-	-	-	-	5,341	89,442
Loans	22,563	22,563	-	-	-	-	-	-	22,563
Financial assets at FVTPL									
 designated upon initial recognition 									
Malaysian Government Securities	644,358	28,179	54,538	58,703	473,352	361,621	-	1,414	977,807
Cagamas bonds	6,339	325	650	650	5,848	-	-	-	7,473
Quoted equity securities	159,039	155	-	-	-	-	91,794	66,949	158,898
Unit trust funds	342,003	-	-	-	-	-	-	342,003	342,003
Controlled structured entities	385,486	-	-	-	-	-	385,486	-	385,486
Unquoted corporate debt securities	1,121,612	88,298	149,895	195,134	681,073	408,910	-	43,782	1,567,092
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	101,633	25,774	16,425	13,317	43,169	28,356	-	-	127,041
Insurance receivables	15,592	15,592	-	-	-	-	-	-	15,592
Other receivables	13,958	12,808	-	-	-	-	-	1,150	13,958
Cash and bank balances	11,980	-	-	-	-	-	11,957	23	11,980
Total assets	2,914,156	277,795	221,508	267,804	1,203,442	798,887	489,411	460,662	3,719,509

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Company 2020 (continued)	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity date RM'000	Investment- linked funds RM'000	<u>Total</u> RM'000
Insurance contract liabilities Insurance claims liabilities	2,303,544 41,463	713,937 41,463	153,036 -	124,582 -	680,805 -	664,288	-	411,897 -	2,748,545 41,463
Insurance payables Lease liabilities	21,998 9,508	21,998 2,793	- 6,715	-	-	-	-	-	21,998 9,508
Other financial liabilities	5,987 65,406	5,987	-	-	-	-	-	- 698	5,987 65,406
Other payables		64,708							
Total liabilities	2,447,906 	850,886 	159,751 	124,582 	680,805 	664,288	-	412,595	2,892,907

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

<u>Company</u>						_			
<u>2019</u>	Carrying <u>value</u>	Up to a <u>year</u>	1 - 3 <u>years</u>	3 - 5 <u>years</u>	5 - 15 <u>years</u>	Over 15 <u>years</u>	No maturity date	Investment- linked funds	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>LAR</u>									
Fixed and call deposits	64,235	57,364	-	-	-	-	-	6,901	64,265
Loans	17,473	17,473	-	-	-	-	-	-	17,473
Financial assets at FVTPL									
- designated upon initial recognition									
Malaysian Government Securities	556,670	23,093	61,632	47,828	399,167	341,322	-	1,579	874,621
Cagamas bonds	6,154	325	650	650	6,174	-	-	-	7,799
Quoted equity securities	148,408	-	-	-	-	-	89,033	59,375	148,408
Unit trust funds	233,082	-	-	-	-	-	9,033	224,049	233,082
Controlled structured entities	373,392	-	-	-	-	-	373,392	-	373,392
Unquoted corporate debt securities	965,436	55,982	158,884	193,971	639,250	252,023	-	40,313	1,340,423
Unquoted equity securities	174	-	-	-	-	-	174	-	174
Reinsurance assets	136,929	26,454	25,060	20,670	66,571	41,719	-	-	180,474
Insurance receivables	14,186	14,186	-	-	-	-	-	-	14,186
Other receivables	16,381	15,587	-	-	-	-	-	794	16,381
Cash and bank balances	15,865	-					15,808	57	15,865
Total assets	2,548,385	210,464	246,226	263,119	1,111,162	635,064	487,440	333,068	3,286,543

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

Company 2019 (continued)	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000		Investment- linked funds RM'000	<u>Total</u> RM'000
Insurance contract liabilities	1,888,623	(5,813)	55,521	222,715	1,226,226	847,064	-	289,099	2,634,812
Insurance claims liabilities	35,212	35,212	-	-	-	-	-	-	35,212
Insurance payables	14,634	14,634	-	-	-	-	-	-	14,634
Lease liabilities	11,511	2,954	8,329	1,367	-	-	-	-	12,650
Other financial liabilities	7,554	7,554	-	-	-	-	-	-	7,554
Other payables	73,406	72,804	-	-	-	-	-	602	73,406
Total liabilities	2,030,940	127,345	63,850	224,082	1,226,226	847,064	-	289,701	2,778,268

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(c) Market risk

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and interest rates. It is recognised that such risk is inevitable from the business that the Group and the Company undertake, and that a certain level of market risk is desirable to deliver benefits to both policyholders and shareholders by achieving the Group's and the Company's financial objectives.

The Group and the Company manage market risk by adopting asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However where any mismatch is within the Group's and the Company's appetite, the impact is monitored through economic capital measures.

Volatility in interest rate is the Group's and the Company's largest market risk exposure. The Group and the Company monitor market price movements through regular stress/sensitivity testing and constant supervision.

The method used in monitoring market risk did not change from the previous financial year.

(i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group's and the Company's concentration of interest rate risk arises from fixed rate instruments and the Group's and the Company's asset liability risk management policy requires management to manage the interest rate risk by maintaining an appropriate liability driven investment strategy. Interest on fixed rate instruments is priced at the issuance of the financial instrument and is fixed until the instrument matures.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after taxation 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 nonlinear.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) <u>Interest rate risk</u> (continued)

2020		Group		Company
Change in interest rate	Impact on profit after taxation RM'000	Impact on equity* RM'000	Impact on profit <u>after taxation</u> RM'000	Impact on equity* RM'000
+ 100 basis points	(121,582)	(121,582)	(120,981)	(120,981)
- 100 basis points	141,037	141,037	140,367	140,367
<u>2019</u>		Group		Company
Change in interest rate	Impact on profit after taxation RM'000	Impact on equity* RM'000	Impact on profit <u>after taxation</u> RM'000	Impact on equity* RM'000
+ 100 basis points	(114,523)	(114,523)	(100,715)	(100,715)
- 100 basis points	130,782	130,782	115,800	115,800

^{*} Impact on equity reflects adjustments for tax, where applicable.

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

(ii) Price risk

Price risk is the risk that the fair value of a financial instrument or portfolio will decline from adverse movement in the market price of an asset, whether those changes are caused by factors specific to the individual financial instrument, overall performance of the market and economy, or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company's equity price risk exposure relates to risk of losses arising from equity assets as a result of movement in market prices, principally investment securities not held for the account of unit-linked business.

The Group's and the Company's asset liability risk management policy requires it to manage equity price risk and interest rate risk by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in the country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Group and the Company comply with BNM's stipulated limits during the financial year and have no significant concentration of price risk.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Price risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after taxation 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 nonlinear.

<u>2020</u>		Group		Company
	Impact on profit	Impact on	Impact on profit	Impact on
Change in price	after taxation	<u>equity*</u>	after taxation	<u>equity*</u>
	RM'000	RM'000	RM'000	RM'000
Market price				
+ 20%	14,734	14,734	14,734	14,734
- 20%	(14,734)	(14,734)	(14,734)	(14,734)
2070			=====	
2010		Group		Company
2019	Impact on profit	Group Impact on	Impact on profit	Company Impact on
	Impact on profit	Impact on	Impact on profit	Impact on
2019 Change in price	after taxation	Impact on equity*	after taxation	Impact on equity*
	•	Impact on		Impact on
Change in price	after taxation	Impact on equity*	after taxation	Impact on equity*
Change in price Market price	after taxation RM'000	Impact on equity* RM'000	after taxation RM'000	Impact on equity* RM'000
Change in price Market price	after taxation RM'000	Impact on equity* RM'000	after taxation RM'000	Impact on equity* RM'000

^{*} Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous financial year. The impact of changes in equity price risk of the Participating life fund and Investment-linked funds is retained in the insurance contract liabilities.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33 OPERATIONAL RISK

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group and the Company have in place an Operational Risk Management (ORM) Framework. The purpose of this Framework is to:

- Set out the framework for ensuring effective management of the Group's and the Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Group and the Company; and
- Establish standard tools and processes for managing Operational Risks within the Group and the Company.

From the governance perspective, the RMC and the ERMC monitor and oversee the implementation of the ORM Framework to ensure that the operational risk management processes are in place and functioning effectively.

34 REGULATORY CAPITAL REQUIREMENTS

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

		Group		Company		
	2020	<u>2019</u>	<u>2020</u>	<u>2019</u>		
	RM'000	RM'000	RM'000	RM'000		
Eligible Tier 1 Capital						
Share capital (paid-up)	358,000	358,000	358,000	358,000		
Retained earnings	68,823	101,879	68,823	101,879		
Eligible contract liabilities	97,115	129,761	97,115	129,761		
	523,938	589,640	523,938	589,640		
Amounts deducted from capital	(12,799)	(4,368)	(12,799)	(4,368)		
Total capital available	511,139	585,272	511,139	585,272		

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

35 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Group's and 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) or other than SPPI:

Fair value as at 31 December 2020	Financial assets with SPPI cash flows RM'000	All other financial <u>asset</u> RM'000	_Total* RM'000
Group			
Financial assets			
Malaysian Government Securities	-	726,245	726,245
Cagamas bonds	-	6,339 1,410,891	6,339 1,410,891
Unquoted corporate debt securities Unquoted corporate	-	1,410,691	1,410,691
securities (perpetual instruments)	-	5,390	5,390
Quoted equity securities	-	159,039	159,039
Unquoted equity securities# Unit trust funds	-	22,536	22,536
Loans and receivables – Fixed and call	-	342,003	342,003
deposits	98,422	-	98,422
Other receivables	13,958	-	13,958
Cash and bank balances	11,990	-	11,990
	124,370	2,672,443	2,796,813
Company			
Financial assets			
Malaysian Government Securities	-	644,358	644,358
Cagamas bonds	-	6,339	6,339
Unquoted corporate debt securities	-	1,121,612	1,121,612
Quoted equity securities	-	159,039	159,039
Unquoted equity securities# Unit trust funds	-	22,536 342,003	22,536 342,003
Controlled structured entities	- -	385,486	385,486
Loans and receivables – Fixed and call			
deposits	89,419	-	89,419
Other receivables	13,958	-	13,958
Cash and bank balances	11,980		11,980
	115,357	2,681,373	2,796,730

^{*} Insurance receivables, reinsurance assets, policy loans, automatic premium loans have been excluded from the above assessment as these will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed above and assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are nonfinancial assets.

[#] Under MFRS 9, the unquoted equity securities are stated at market value.

SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

35 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)

Prinancial assets - 2,284,919 2,284,919	Fair value as at 31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial <u>asset</u> RM'000	<u>Total*</u> RM'000
Malaysian Government Securities - 577,825 577,825 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 1,294,055 1,294,055 Unquoted corporate - 5,376 5,376 Quoted equity securities - 148,408 148,408 Unquoted equity securities* - 20,019 20,019 Unit trust funds - 233,082 233,082 Loans and receivables – Fixed and call deposits 82,555 - 82,555 Other receivables 16,381 - 16,381 Cash and bank balances 15,870 - 15,870 Int,806 2,284,919 2,399,725 Company 114,806 2,284,919 2,399,725 Company Financial assets - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,43	Group			
Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 1,294,055 1,294,055 Unquoted corporate securities (perpetual instruments) - 5,376 5,376 Quoted equity securities (unquoted equity securities) - 20,019 20,019 Unquoted requity securities (unquoted equity securities) - 233,082 233,082 Loans and receivables – Fixed and call deposits 82,555 - 82,555 Other receivables 16,381 - 16,381 Cash and bank balances 15,870 - 15,870 Tompany 114,806 2,284,919 2,399,725 Company Financial assets - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities* - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities -	Financial assets	-	2,284,919	2,284,919
Unquoted corporate debt securities Unquoted corporate securities (perpetual instruments) Quoted equity securities Unquoted equity securities Unquoted equity securities Unquoted equity securities Unit trust funds Unit trust funds Unand receivables – Fixed and call deposits Cash and bank balances Example 114,806 114,806 2,284,919 2,303,161 Malaysian Government Securities Unquoted corporate debt securities Quoted equity securities Quoted equity securities Unquoted corporate debt securities Quoted equity securities Quoted e		-	,	, , , , , , , , , , , , , , , , , , ,
Unquoted corporate securities (perpetual instruments) Quoted equity securities Unquoted equity securities Unit trust funds Loans and receivables – Fixed and call deposits Other receivables Cash and bank balances Ecompany Financial assets Cagamas bonds Unquoted corporate debt securities Quoted equity securities Fixed and call deposits 82,555 82,555 82,555 16,381 16,381 1 16,381 1 16,381 1 16,381 1 16,381 1 15,870 114,806 2,284,919 2,399,725 Company Financial assets - 2,303,161 Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Quoted equity securities Quoted equity securities Unquoted equity securities Unquoted equity securities Unquoted equity securities Unquoted equity securities - 20,019 Unit trust funds Controlled structured entities - 373,392 Loans and receivables – Fixed and call deposits - 64,235 - 64,235		-	,	,
Securities (perpetual instruments)		_	1,294,033	1,294,033
Unquoted equity securities# Unit trust funds - 20,019 233,082 20,019 233,082 Loans and receivables – Fixed and call deposits 82,555 - 82,555 Other receivables 16,381 - 16,381 Cash and bank balances 15,870 - 15,870 Company - 2,303,161 2,309,725 Company - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities# - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235		-	· · · · · · · · · · · · · · · · · · ·	
Unit trust funds		-		
Loans and receivables - Fixed and call deposits 82,555 - 82,555 Other receivables 16,381 - 16,381 Cash and bank balances 15,870 - 15,870		-		
Other receivables 16,381 - 16,381 Cash and bank balances 15,870 - 15,870 Indicate the company 114,806 2,284,919 2,399,725 Company - 2,303,161 2,303,161 Malaysian Government Securities - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities** - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235				
Cash and bank balances 15,870 - 15,870 Company 114,806 2,284,919 2,399,725 Company - 2,303,161 2,303,161 Malaysian Government Securities - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities** - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235			-	
Company 114,806 2,284,919 2,399,725 Financial assets - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities# - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235			-	
Company Financial assets - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities# - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235	Sacri and Sarin Salarioso			
Financial assets - 2,303,161 2,303,161 Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits - 64,235		114,806	2,284,919	2,399,725
Malaysian Government Securities - 556,670 556,670 Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities# - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables - Fixed and call deposits 64,235 - 64,235	Company			
Cagamas bonds - 6,154 6,154 Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities# - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235	Financial assets	-	2,303,161	2,303,161
Unquoted corporate debt securities - 965,436 965,436 Quoted equity securities - 148,408 148,408 Unquoted equity securities# - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235		-		
Quoted equity securities - 148,408 148,408 Unquoted equity securities# - 20,019 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235		-	•	′
Unquoted equity securities# - 20,019 Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235		-		
Unit trust funds - 233,082 233,082 Controlled structured entities - 373,392 373,392 Loans and receivables – Fixed and call deposits 64,235 - 64,235		-		·
Loans and receivables – Fixed and call deposits 64,235 - 64,235		-		
deposits 64,235 - 64,235		-	373,392	373,392
·		64.235	_	64.235
Other receivables 16,381 - 16,381	Other receivables	16,381	-	16,381
Cash and bank balances 15,865 - 15,865	Cash and bank balances	15,865	-	15,865
96,481 2,303,161 2,399,642		96,481	2,303,161	2,399,642

^{*} Insurance receivables, reinsurance assets, policy loans, automatic premium loans have been excluded from the above assessment as these will be under the scope of MFRS 17, Insurance Contracts. Other than the financial assets listed above and assets that are within the scope of MFRS 17, Insurance Contracts, all other assets in the statement of financial position are nonfinancial assets.

[#] Under MFRS 9, the unquoted equity securities are stated at market value.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

35 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)

31 December 2020	Financial assets with SPPI cash flows RM'000	All other financial assetsRM'000	Total RM'000
Changes in fair value during the year			
Group			
Financial assets Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Unquoted corporate debt securities (perpetual instruments) Quoted equity securities Unquoted equity securities Unit trust funds	- - - - - -	21,526 187 20,483 13 6,913 2,517 38,971 90,610	21,526 187 20,483 13 6,913 2,517 38,971 90,610
Company			
Financial assets Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Quoted equity securities Unquoted equity securities Unit trust funds Controlled structured entities	- - - - - -	20,243 187 21,997 6,913 2,517 38,971 1,919	20,243 187 21,997 6,913 2,517 38,971 1,919

[#] Under MFRS 9, the unquoted equity securities are stated at market value.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

35 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)

31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total RM'000
Changes in fair value during the year			
Group			
<u> Gтоир</u>			
Financial assets Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Unquoted corporate debt securities (perpetual instruments) Quoted equity securities Unquoted equity securities Unit trust funds	- - - - -	38,334 249 58,152 118 4,828 1,799 25,473	38,334 249 58,152 118 4,828 1,799 25,473
Office trade runtus			
		128,953	128,953
Company			
Financial assets Malaysian Government Securities Cagamas bonds Unquoted corporate debt securities Quoted equity securities Unquoted equity securities Unit trust funds Controlled structured entities	- - - - - -	37,824 249 49,056 4,828 1,799 25,473 7,231	37,824 249 49,056 4,828 1,799 25,473 7,231
	-	126,460	126,460

[#] Under MFRS 9, the unquoted equity securities are stated at market value.

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

35 ADDITIONAL DISCLOSURES UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACTS (CONTINUED)

Financial assets with SPPI cash flows*

The table below provides information on the gross carrying amounts under MFRS 139 by credit risk rating grades.

			N	Investment-	.
31 December 2020	<u>AAA</u> RM'000	<u>AA</u> RM'000	Non-rated RM'000	linked funds RM'000	<u>Total</u> RM'000
Group					
Loans and receivables – Fixed and Call deposits	46,714	37,364	9,003	5,341	98,422
Other receivables Cash and bank balances	11,790	56	12,808 121	1,150 23	13,958 11,990
	58,504	37,420	21,932	6,514	124,370
Company					
Loans and receivables Other receivables Cash and bank balances	46,714 - 11,780	37,364 - 56	- 12,808 121	5,341 1,150 23	89,419 13,958 11,980
Cash and bank balances	58,494	37,420	12,929	6,514	115,357
31 December 2019 Group		AA RM'000	Non-rated RM'000	Investment- linked funds RM'000	Total RM'000
Loans and receivables – Fixed and					
Call deposits Other receivables Cash and bank balances	48,448 - 15,490	27,206 - 89	15,587 234	6,901 794 57	82,555 16,381 15,870
	63,938	27,295	15,821	7,752	114,806
Company					
Loans and receivables Other receivables Cash and bank balances	30,128 - 15,485	27,206 - 89	- 15,587 234	6,901 794 57	64,235 16,381 15,865
	45,613	27,295	15,821	7,752	96,481

^{*} Credit risk of these financial assets is considered low for the purpose of MFRS 9.

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SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS

The Group's and the Company's activities are organised by funds and segregated into Life and Shareholders' funds in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996.

The Group's and the Company's statement of financial position and statement of comprehensive income have been further analysed by funds which are as follows:

Statement of Financial Position by Funds as at 31 December 2020

	Shareho	olders' Fund		Life Fund		Elimination		<u>Total</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
<u>Assets</u>								
Property and equipment	-	-	54,023	55,393	-	-	54,023	55,393
Intangible assets	-	_	12,799	16,851	-	-	12,799	16,851
Right-of-use assets	-	-	9,238	11,656	-	-	9,238	11,656
Financial assets	419,546	396,830	2,273,351	1,909,748	(42,816)	(41,504)	2,650,081	2,265,074
Loans and receivables	12,474	19,553	108,511	80,475	-	-	120,985	100,028
Reinsurance assets	-	-	101,633	136,929	-	-	101,633	136,929
Insurance receivables	-	-	15,592	14,186	-	-	15,592	14,186
Other receivables	100,454	193,242	13,784	16,381	(100,280)	(193,242)	13,958	16,381
Current tax assets	-	(12,000)	7,024	17,782	-	-	7,024	5,782
Cash and bank balances	20	15	11,970	15,855			11,990	15,870
Total assets	532,494	597,640	2,607,925	2,275,256	(143,096)	(234,746)	2,997,323	2,638,150

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2020 (continued)

	Shareho	olders' Fund		Life Fund		Elimination		Total
	<u>2020</u> RM'000	2019 RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	2019 RM'000
Group								
Share capital	358,000	358,000	-	-	-	-	358,000	358,000
Retained earnings	68,823	101,879	-	-	-	-	68,823	101,879
Reserves	77,692	103,809					77,692	103,809
Total equity	504,515	563,688	-	-	-	-	504,515	563,688
<u>Liabilities</u>								
Insurance contract liabilities	-	-	2,346,360	1,930,127	(42,816)	(41,504)	2,303,544	1,888,623
Insurance claims liabilities	-	-	41,463	35,212	-	-	41,463	35,212
Insurance payables	-	-	21,998	14,634	-	-	21,998	14,634
Lease liabilities	-	-	9,508	11,511	-	-	9,508	11,511
Other financial liabilities	-	-	5,987	7,554	-	-	5,987	7,554
Other payables	536	824	165,233	265,907	(100,280)	(193,242)	65,489	73,489
Deferred tax liabilities	27,443	33,128	17,376	10,311		-	44,819	43,439
Total liabilities	27,979	33,952	2,607,925	2,275,256	(143,096)	(234,746)	2,492,808	2,074,462
Total equity, policyholders' funds and liabilities	F22 404	507.640	2 607 025	2 275 256	(142,006)	(224.746)	2 007 222	2 629 150
านานร สาน แสมแนษร	532,494 ————	597,640 ———	2,607,925 ———	2,275,256	(143,096)	(234,746)	2,997,323	2,638,150

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SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2020 (continued)

	Shareho	olders' Fund		Life Fund		Elimination		Total
	2020	2019	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
<u>Assets</u>								
Property and equipment	-	_	54,023	55,393	-	-	54,023	55,393
Intangible assets	-	-	12,799	16,851	-	-	12,799	16,851
Right-of-use assets	-	-	9,238	11,656	-	-	9,238	11,656
Financial assets	428,476	415,072	2,273,351	1,909,748	(42,816)	(41,504)	2,659,011	2,283,316
Loans and receivables	3,471	1,233	108,511	80,475	-	-	111,982	81,708
Reinsurance assets	-	-	101,633	136,929	-	-	101,633	136,929
Insurance receivables	-	-	15,592	14,186	-	-	15,592	14,186
Other receivables	100,454	193,242	13,784	16,381	(100,280)	(193,242)	13,958	16,381
Current tax assets	-	(12,000)	7,024	17,782	-	-	7,024	5,782
Cash and bank balances	10	10	11,970	15,855	-	-	11,980	15,865
Total assets	532,411	597,557	2,607,925	2,275,256	(143,096)	(234,746)	2,997,240	2,638,067

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2020 (continued)

	Shareho	olders' Fund	Life Fund			Elimination	Total		
	<u>2020</u>	2019	2020	2019	2020	<u>2019</u>	2020	<u>2019</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Company</u>									
Share capital	358,000	358,000	-	-	-	-	358,000	358,000	
Retained earnings	68,823	101,879	-	-	-	-	68,823	101,879	
Reserves	77,692	103,809	-	-	-	-	77,692	103,809	
Total equity	504,515	563,688				<u>-</u>	504,515	563,688	
<u>Liabilities</u>									
Insurance contract liabilities	-	-	2,346,360	1,930,127	(42,816)	(41,504)	2,303,544	1,888,623	
Insurance claims liabilities	-	-	41,463	35,212	-	-	41,463	35,212	
Insurance payables	-	-	21,998	14,634	-	-	21,998	14,634	
Lease liabilities	-	-	9,508	11,511	-	-	9,508	11,511	
Other financial liabilities	-	-	5,987	7,554	-	-	5,987	7,554	
Other payables	453	741	165,233	265,907	(100,280)	(193,242)	65,406	73,406	
Deferred tax liabilities	27,443	33,128	17,376	10,311			44,819	43,439	
Total liabilities	27,896	33,869	2,607,925	2,275,256	(143,096)	(234,746)	2,492,725	2,074,379	
Total equity, policyholders'					(4.40.005)	(00.4.7.45)			
funds and liabilities	532,411 ————	597,557 ————	2,607,925	2,275,256	(143,096)	(234,746)	2,997,240	2,638,067	

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2020

	Shareholders' Fund		Life Fund		Elimination		Total	
	2020	2019	2020	<u>2019</u>	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>								
Gross premiums	-	-	801,671	729,158	-	-	801,671	729,158
Premiums ceded to reinsurers	-	-	(69,348)	(66,990)	-	-	(69,348)	(66,990)
Net premium	-	-	732,323	662,168	-	-	732,323	662,168
Investment income	16,841	17,810	86,778	75,520	-	-	103,619	93,330
Net realised gains	-	-	-	1	-	-	-	1
Net fair value gains	9,483	14,770	99,036	120,568	(1,312)	(2,519)	107,207	132,819
Other operating income			8,093	4,650			8,093	4,650
Other income	26,324	32,580	193,907	200,739	(1,312)	(2,519)	218,919	230,800
Gross benefits and claims paid	_	_	(323,863)	(260,234)	_	_	(323,863)	(260,234)
Claims ceded to reinsurers	-	-	48,559	51,430	-	-	48,559	51,430
Gross change in contract liabilities Change in contract liabilities ceded	-	-	(416,233)	(397,314)	1,312	2,519	(414,921)	(394,795)
to reinsurers			(38,016)	42,651			(38,016)	42,651
Net claims		-	(729,553)	(563,467)	1,312	2,519	(728,241)	(560,948)

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2020 (continued)

	Shareholders' Fund		Life Fund		Elimination		Total	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Group								
Net realised losses	-	-	(5)	-	-	-	(5)	-
Commission expenses	-	-	(72,603)	(71,145)	-	-	(72,603)	(71,145)
Management expenses	(1,187)	(1,373)	(139,572)	(144,111)	-	-	(140,759)	(145,484)
Other operating expenses	(83)	(741)	(139)	(94)	-	-	(222)	(835)
Investment expenses	-	-	(2,127)	(1,509)	-	-	(2,127)	(1,509)
Finance cost	-		(404)	(279)			(404)	(279)
Other expenses	(1,270)	(2,114)	(214,850)	(217,138)	-	-	(216,120)	(219,252)
Profit/(loss) before taxation Tax expense attributable to	25,054	30,466	(18,173)	82,302	-	-	6,881	112,768
policyholders and unitholders	-	-	(14,494)	(14,710)	-	-	(14,494)	(14,710)
Transfer (to)/from life fund	(32,667)	67,592	32,667	(67,592)	-	-	-	-
(Loss)/profit before taxation attributable to Shareholders	(7,613)	98,058	-	-	-	-	(7,613)	98,058
Taxation	8,440	(16,629)	(14,494)	(14,710)	-	-	(6,054)	(31,339)
Tax expense attributable to policyholders and unitholders	_	_	14,494	14,710	_	_	14,494	14,710
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Tax credit/(expense) attributable to Shareholders	8,440	(16,629)	-	-	-	-	8,440	(16,629)
Net profit for the financial year	827	81,429	-	-	-	-	827	81,429

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SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2020 (continued)

	Shareho	Shareholders' Fund Life Fund			Elimination	Total		
	<u>2020</u>	2019	2020	<u>2019</u>	<u>2020</u>	<u>2019</u>	2020	<u>2019</u>
_	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Gross premiums	-	-	801,671	729,158	-	-	801,671	729,158
Premiums ceded to reinsurers	-	-	(69,348)	(66,990)	-	-	(69,348)	(66,990)
Net premiums	-		732,323	662,168	_	_	732,323	662,168
Investment income	21,598	20,831	86,778	75,520	-	-	108,376	96,351
Net realised gains	-	-	-	1	-	-	-	1
Net fair value gains	3,858	10,911	99,036	120,568	(1,312)	(2,519)	101,582	128,960
Other operating income			8,093	4,650		<u>-</u>	8,093	4,650
Other income	25,456	31,742	193,907	200,739	(1,312)	(2,519)	218,051	229,962
Gross benefits and claims paid	-	_	(323,863)	(260,234)	_	_	(323,863)	(260,234)
Claims ceded to reinsurers	-	-	48,559	51,430	_	_	48,559	51,430
Gross change in contract liabilities Change in contract liabilities ceded	-	-	(416,233)	(397,314)	1,312	2,519	(414,921)	(394,795)
to reinsurers			(38,016)	42,651			(38,016)	42,651
Net claims	-		(729,553)	(563,467)	1,312	2,519	(728,241)	(560,948)

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SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the financial year ended 31 December 2020 (continued)

	Shareholders' Fund		Life Fund		<u>Elimination</u>		Total	
	2020	2019	2020	2019	2020	2019	2020	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
Net realised losses	-	-	(5)	-	-	-	(5)	-
Commission expenses	-	-	(72,603)	(71,145)	-	-	(72,603)	(71,145)
Management expenses	(319)	(535)	(139,572)	(144,111)	-	-	(139,891)	(144,646)
Other operating expenses	(83)	(741)	(139)	(94)	-	-	(222)	(835)
Investment expenses	-	-	(2,127)	(1,509)	-	-	(2,127)	(1,509)
Finance cost			(404)	(279)			(404)	(279)
Other expenses	(402)	(1,276)	(214,850)	(217,138)	<u>-</u>	<u>-</u>	(215,252)	(218,414)
Profit/(loss) before taxation Tax expense attributable to	25,054	30,466	(18,173)	82,302	-	-	6,881	112,768
policyholders and unitholders	_	_	(14,494)	(14,710)	_	_	(14,494)	(14,710)
Transfer (to)/from life fund	(32,667)	67,592	32,667	(67,592)	-	-	-	-
(Loss)/profit before taxation attributable to Shareholders	(7,613)	98,058	-	-	-	-	(7,613)	98,058
Taxation	8,440	(16,629)	(14,494)	(14,710)	-	_	(6,054)	(31,339)
Tax expense attributable to		(10,000)	[(* ', ' ' ')]	(* ',' ' ')			(5,55.7)	(51,555)
policyholders and unitholders	-	-	14,494	14,710	-	-	14,494	14,710
Tax credit/(expense) attributable to Shareholders	8,440	(16,629)	-	-	-	-	8,440	(16,629)
Net profit for the financial year	827	81,429	-	-	-		827	81,429

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SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2020

	Shareh	nolders' Fund		Life Fund	Total		
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group							
Cash flows from:							
Operating activities	60,005	106,299	8,695	11,250	68,700	117,549	
Investing activities	-	-	(9,929)	(15,120)	(9,929)	(15,120)	
Financing activities	(60,000)	(106,300)	(2,651)	(1,783)	(62,651)	(108,083)	
Cash and cash equivalents:							
Net increase/(decrease) in cash and cash equivalents	5	(1)	(3,885)	(5,653)	(3,880)	(5,654)	
At beginning of the financial year	15	16	15,855	21,508	15,870	21,524	
At end of the financial year	20	15	11,970	15,855	11,990	15,870	

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SUN LIFE MALAYSIA ASSURANCE BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

36 INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds for the financial year ended 31 December 2020

	Shareh	nolders' Fund		Life Fund	Total		
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Company							
Cash flows from:							
Operating activities	60,000	106,300	8,695	11,250	68,695	117,551	
Investing activities	, -	, <u>-</u>	(9,929)	(15,120)	(9,929)	(15,120)	
Financing activities	(60,000)	(106,300)	(2,651)	(1,783)	(62,651)	(108,084)	
			-				
Cash and cash equivalents:							
Net decrease in cash and cash equivalents	-	-	(3,885)	(5,653)	(3,885)	(5,653)	
At beginning of the financial year	10	10	15,855	21,508	15,865	21,518	
At end of the financial year	10	10	11,970	15,855	11,980	15,865	

SUN LIFE MALAYSIA ASSURANCE BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37 INVESTMENT-LINKED FUNDS

Investment-linked funds' Statement of Financial Position as at 31 December 2020

		Group/Company
	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Assets</u>		
Financial assets	454,148	325,316
Loans and receivables	5,341	6,901
Other receivables	1,319	794
Cash and bank balances		57
Total assets	460,831	333,068
_		
<u>Liabilities</u>		
Other payables	867	602
Current tax liabilities	310	302
Deferred tax liabilities	4,941	1,561
Total liabilities	6,118	2,465
Net asset value	454,713	330,603

Investment-linked funds' Statement of Comprehensive Income for the financial year ended 31 December 2020

	2020 RM'000	Group/Company 2019 RM'000
	1 (11/1 000	1 (1)1 000
Investment income	11,119	8,469
Net fair value gains	44,133	29,846
Other operating income	155	129
	55,407	38,444
Management expenses	(1,406)	(1,308)
Investment expenses	(603)	(318)
Profit before taxation	53,398	36,818
Taxation	(3,692)	(2,567)
Net profit for the financial year	49,706	34,251
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SUN LIFE MALAYSIA ASSURANCE BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

37 INVESTMENT-LINKED FUNDS (CONTINUED)

The statements of financial position and comprehensive income of Investment-linked funds have been adjusted for the following assets, liabilities and net asset values of Sun Life Malaysia Balanced Stable Fund, Sun Life Malaysia Balanced Moderate Fund and Sun Life Malaysia Balanced Aggressive Fund, which have been eliminated as these funds only invested in Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund:

Statement of Financial Position

	2020	Group/Company 2019
	RM'000	RM'000
<u>Assets</u>		
Financial assets Other receivables	25,856 279	23,151 239
Total assets	26,135	23,390
<u>Liabilities</u>		
Other payables Current tax liabilities	36 33	34 29
Deferred tax liabilities	201	173
Total liabilities	270	236
Net asset value	25,865	23,154
Statement of Comprehensive Income		
		Group/Company
	2020	2019
	RM'000	RM'000
Net fair value gains	764	1,248
Management expenses	(11)	(11)
Profit before taxation	753	1,237
Taxation	(61)	(100)
Net profit for the financial year	692	1,137