

Registration No.

197801000983 (38000-U)

**RHB INSURANCE BERHAD**

(Incorporated in Malaysia)

REPORTS AND STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Registration No.

197801000983 (38000-U)

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

STATUTORY FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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REGISTERED OFFICE

Level 10, Tower One, RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur

PRINCIPAL PLACE OF BUSINESS

Level 12, West Wing, The Icon, No.1, Jalan 1/68F, Jalan Tun Razak  
55000 Kuala Lumpur

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**RHB INSURANCE BERHAD**  
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**DIRECTORS' REPORT**

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2021.

**PRINCIPAL ACTIVITY**

The Company is engaged principally in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

**FINANCIAL RESULTS**

	RM'000
Net profit for the financial year	99,098
Retained earnings brought forward	477,756
Profits available for appropriation	576,854
Dividend paid during the financial year	(100,000)
Retained earnings carried forward	476,854

**DIVIDENDS**

The dividends paid since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2020	
- Single-tier final dividend of 75.00 sen per share paid on 8 June 2021	75,000
In respect of the financial year ended 31 December 2021	
- Single-tier interim dividend of 25.00 sen per share paid on 8 October 2021	25,000
Total dividend paid	100,000

The Directors declared a single-tier interim dividend of 25 sen per share amounting to RM25,000,000 in respect of the financial year ended 31 December 2021 on 26 July 2021.

**RESERVES AND PROVISIONS**

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

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**DIRECTORS' REPORT (CONTINUED)**

**ISSUE OF SHARES**

There were no issuances of shares in the Company during the current financial year.

**INSURANCE LIABILITIES**

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework"), issued by Bank Negara Malaysia ("BNM").

**IMPAIRED DEBTS**

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of impaired debts and the making of allowance for impairment, and satisfied themselves that all known impaired debts had been written off and that adequate allowance had been made for impaired debts.

At the date of this report, the Directors of the Company are not aware of any circumstances that would render the amount written off for impaired debts or the amounts of the allowance for impairment in the financial statements of the Company inadequate to any substantial extent.

**CURRENT ASSETS**

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

At 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 financial statements of the Company misleading.

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secure the liabilities of any other person; or
- (b) any contingent liability in respect of the Company which has arisen since the end of the financial year.

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**DIRECTORS' REPORT (CONTINUED)**

**CONTINGENT AND OTHER LIABILITIES (CONTINUED)**

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

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

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF AN UNUSUAL NATURE**

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

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

**DIRECTORS**

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Jahanath Muthusamy	
Wong Pek Yee	
Shaifubahrim Mohd Saleh	
Donald Joshua Jaganathan	
Sharifatu Laila Syed Ali	(Appointed on 1 September 2021)
Kong Shu Yin	(Resigned on 21 February 2022)
Oliver Tan Chuan Li	(Appointed on 21 February 2022)

In accordance with Clause 79 of the Company's Constitution, En Shaifubahrim Mohd Saleh shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Clause 85 of the Company's Constitution, Pn Sharifatu Laila Syed Ali shall retire at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

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## RHB INSURANCE BERHAD

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### DIRECTORS' REPORT (CONTINUED)

#### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors in office at the end of the financial year had any shares or debentures in the Company and its related corporations.

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than directors' remuneration and benefits-in-kind as disclosed in Note 26 to the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain Directors received remuneration from the Company's holding company and other related corporations.

During the financial year, Directors of the Company are covered under the RHB Banking Group Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of RHB Banking Group subject to the term of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the RHB Banking Group was RM200 million (2020: RM200 million). The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group was RM922,422 (2020: RM843,240).

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

#### HOLDING COMPANY

The Directors regard RHB Bank Berhad, a company incorporated in Malaysia, as the immediate and ultimate holding company.

#### AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 25 to the financial statements.

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

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE

The Statement on Corporate Governance is attached in Appendix I to the Directors' Report.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 21 February 2022.

Signed on behalf of the Board of Directors:



WONG PEK YEE  
DIRECTOR



DONALD JOSHUA JAGANATHAN  
DIRECTOR

Kuala Lumpur  
25 FEB 2022

**RHB INSURANCE BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE**

Introduction

The Board of Directors (“Board”) of the Company recognises that good corporate governance is and has been fundamental to the success of the Company’s business. Therefore, the Board of the Company continuously strives to ensure that highest standards of corporate governance are adopted in establishing accountability and integrity of the Board and the Management in promoting the interest of the stakeholders and in enhancing shareholders’ value. The corporate governance structure of the Company which is aligned with that of RHB Banking Group (“Group”) is principally based on BNM’s Policy on Corporate Governance.

The Board has developed a charter that sets out the key corporate governance principles adopted by the Board (“Charter”). In adhering to the responsibilities set out in the Charter, the Members of the Board are expected to perform their duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Company’s shareholders and stakeholders.

The Board has adopted a Code of Ethics and Business Conduct for Directors (“Code of Ethics”). The Code of Ethics was formulated to enhance the standard of corporate governance and promote ethical conduct of Directors with a view of achieving the following objectives:

- to establish a uniform ethical standard for Directors emphasising conduct free from conflicts of interest; and
- to uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines.

The Group has in place a Group Code of Ethics and Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees in the performance of their duties and responsibilities.

**BOARD OF DIRECTORS**

Composition of the Board

The Board currently comprises one (1) Independent Non-Executive Chairman (“INEC”), one (1) Senior Independent Non-Executive Director (“SINED”), three (3) Independent Non-Executive Directors (“INED”) and one (1) Managing Director (“MD”), details of which are as follows:

Name of Directors

Jahanath Muthusamy (INEC)	
Wong Pek Yee (SINED)	
Shaifubahrim Mohd Saleh (INED)	
Donald Joshua Jaganathan (INED)	
Sharifatu Laila Syed Ali (INED)	(Appointed on 1 September 2021)
Kong Shu Yin	(Resigned on 21 February 2022)
Oliver Tan Chuan Li	(Appointed on 21 February 2022)



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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD OF DIRECTORS (continued)**

Directors' Profiles

**JAHANATH MUTHUSAMY**

Independent Non-Executive Chairman  
66 / Male / Malaysian

Mr Jahanath Muthusamy ("Mr Jahanath") was appointed as an Independent Non-Executive Director of RHB Insurance Berhad on 1 November 2016 and was subsequently appointed as Senior Independent Non-Executive Director on 1 January 2018. On 28 May 2020, Mr Jahanath was appointed as an Independent Non-Executive Chairman of RHB Insurance Berhad. He also serves as a Member of the Board Risk Committee of RHB Insurance Berhad.

Mr Jahanath has over 40 years' experience, having joined the insurance industry in 1975. During this period, he was actively involved in the Insurance Institutes and Insurance Associations of both Malaysia and Indonesia serving in various capacities. In 2002, Mr Jahanath was seconded to PT Assuransi AXA as the President and Chief Executive Officer (CEO) and a member of the Board of Directors. He returned to AXA Affin General Insurance Malaysia at the end of 2006 and assumed the role of CEO and a member of the Board of Directors until his retirement in October 2012. He remained on the board of PT Assuransi AXA until 2012. From 2013 to 2015, he was appointed as a Senior Advisor to Solution Providers Pte Ltd, a Swiss insurance solution provider/consultant based in Singapore.

Mr Jahanath is a Fellow of the Chartered Insurance Institute, United Kingdom and Malaysian Insurance Institute, Malaysia.

He does not hold any directorships in any other public companies.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD OF DIRECTORS (continued)**

**Directors' Profiles (continued)**

**WONG PEK YEE**

Senior Independent Non-Executive Director  
64 / Female / Malaysian

Ms Wong Pek Yee ("Ms Wong") was appointed as an Independent Non-Executive Director of RHB Insurance Berhad on 1 November 2018 and was subsequently appointed as Senior Independent Non-Executive Director on 28 May 2020. She also serves as Chairperson of the Board Risk Committee and Member of the Investment Committee of RHB Insurance Berhad.

Ms Wong holds a Bachelor of Science in Economics & Accounting (Honours) from The University of Hull, United Kingdom. She is also a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of Malaysian Institute of Accountants.

Ms Wong has over 37 years of experience working in London and Malaysia covering a wide spectrum of industries including tax consultancy, financial services and manufacturing sectors. She started off her career as an Audit and Tax Consultant with PriceWaterhouse London and PriceWaterhouse Tax Services Sdn Bhd from 1980 to 1989. She then joined Hong Leong Group and held Senior Management positions in various industries involving in strategic business planning and decision making in areas ranging from commercial, financial, corporate restructuring, tax to legal. Her last position in Hong Leong Group was as a Group Financial Controller cum Acting Chief Executive Officer of Malaysian Newsprint Industries Sdn Bhd which was part of the Hong Leong Group. During her years in Hong Leong Group, she was also appointed as an Executive Director in some of the subsidiaries within the Hong Leong Group.

She does not hold any directorships in any other public companies.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD OF DIRECTORS (continued)**

**Directors' Profiles (continued)**

**SHAIFUBAHRIM MOHD SALEH**

Independent Non-Executive Director  
62 / Male / Malaysian

Encik Shaifubahrim Mohd Saleh ("Encik Shaifubahrim") was appointed as an Independent Non-Executive Director of RHB Insurance Berhad on 1 April 2019. He also serves as Chairman of the Investment Committee and Member of the Board Risk Committee of RHB Insurance Berhad.

He holds a Bachelor of Science (Honours) Degree in Computer Science from Universiti Sains Malaysia.

Encik Shaifubahrim has vast knowledge and experience in information technology, investment and Small & Medium Enterprises business. He held various Senior Management positions in the information technology industry with more than 30 years. During the years in the information technology industry, he was appointed as President/Chief Executive Officer of Persatuan Industri Komputer Malaysia ("PIKOM"), President/Chief Business Officer of REDtone Telecommunications Sdn Bhd and Chairman/Partner of Pritchett Rummler-Brache (M) Sdn Bhd. He has also held other key positions including Managing Director of Cisco Malaysia, Banyan Systems (Malaysia) Sdn Bhd and Data General as well as Sales Director of ORACLE Systems Malaysia.

Encik Shaifubahrim is currently the Director and Chief Executive Officer of Gamat Emas International Sdn Bhd. He is the Chairman of Merah Network Sdn Bhd and XAAS Berhad, and Director of CyberSecurity Malaysia and Uniutama Solution Sdn Bhd, which are in Telecommunication and Technology sector.

He is also an Advisor of PIKOM and a Council Member of Malaysia Service Providers Confederation.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD OF DIRECTORS (continued)**

**Directors' Profiles (continued)**

**DONALD JOSHUA JAGANATHAN**

Independent Non-Executive Director

62 / Male / Malaysian

Mr Donald Joshua Jaganathan ("Mr Donald") was appointed as an Independent Non-Executive Director of RHB Insurance Berhad on 1 October 2020. He also serves as a Member of the Board Audit Committee.

Mr Donald holds a Bachelor of Accounting (Hons) from the University of Malaya and is a Member of the Malaysian Institute of Accountants. He also holds a Master in Business Administration from the Cranfield School of Management, United Kingdom and is an alumnus of the Advanced Management Program, Harvard Business School.

He is a Fellow Chartered Banker and serves as a Council Member of the Asian Institute of Chartered Bankers and the Chairman of its Education Committee. He is also a member of the Board of Directors of the Asian Banking School and the Chairman of its Talent Development Committee.

Mr Donald has had a fulfilling career with Bank Negara Malaysia (BNM) for 36 years, rising to the rank of Assistant Governor, with key responsibilities over the financial stability function, including oversight of BNM's Financial Stability Report. His work experience included leadership and management oversight over the supervision and regulation of the banking and insurance industry in Malaysia, training and development activities with the banking and insurance institutes. He also served as the Malaysian representative in international supervisory bodies, including the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS).

Mr Donald's other directorships in public companies include Asian Institute of Chartered Bankers, RHB Bank Berhad and Zurich Life Insurance Malaysia Berhad. He also serves as the Chairman of the Board Risk Committee of RHB Bank Berhad.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD OF DIRECTORS (continued)**

**Directors' Profiles (continued)**

**SHARIFATU LAILA SYED ALI**

Independent Non-Executive Director  
59 / Female / Malaysian

Puan Sharifatu Laila Syed Ali ("Puan Sharifa") was appointed as an Independent Non-Executive Director of RHB Insurance Berhad on 1 September 2021. She also serves as a Member of the Board Nominating & Remuneration Committee.

Puan Sharifa graduated with a Bachelor of Science (Honours) from Universiti Kebangsaan Malaysia and holds a Master of Business Administration from University of Malaya. She is also a graduate of Harvard Business School's Advanced Management Programme.

Puan Sharifa has extensive experience in the field of investment management and portfolio investing having served various premier institutions and government linked investment funds over a period of more than 30 years. She had played a key role in the setting up of Valuecap Sdn Bhd ("Valuecap"), a Government led initiative, whose founding shareholders are Khazanah Nasional Berhad, Kumpulan Wang Amanah Pencen and Permodalan Nasional Berhad ("PNB"). Puan Sharifa began her career in PNB and subsequently moved on to hold various senior leadership positions at Employees Provident Fund including Head of Treasury & Equity Markets, gaining broad exposure within the domestic and regional capital markets environment over a period of 15 years. Following a brief period as Head of Investments at the Pilgrims Fund, she was subsequently appointed the Chief Executive Officer of Valuecap in October 2002. She became Group Chief Executive Officer of Valuecap in 2015. Under her stewardship, the Group spearheaded the country's move into new frontiers within the domestic markets, including launching Malaysia's first Exchange Traded Fund (Ringgit & USD) and various Environmental, Social & Governance (ESG) type Funds.

Pursuant to her departure from Valuecap, she served as an Advisor to the Board of Directors of Valuecap for a short period.

Puan Sharifa's other directorships in public companies include Minority Shareholders Watch Group, Bursa Malaysia Berhad and RHB Bank Berhad.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD OF DIRECTORS (continued)**

**Directors' Profiles (continued)**

**KONG SHU YIN**

Managing Director/ Chief Executive Officer

61 / Male / Malaysian

Mr Kong Shu Yin ("Mr Kong") was appointed as the Managing Director (MD) of RHB Insurance Berhad on 13 March 2011 and resigned on 21 February 2022.

Mr Kong holds a Bachelor of Engineering from the University of Malaya and is a Fellow of the Chartered Insurance Institute, United Kingdom and Malaysian Insurance Institute, Malaysia.

He has 30 years of experience in the insurance business. Prior to joining RHB Insurance Berhad, he was with one of the largest general insurers in Malaysia, in various capacities including Chief Executive Officer. He also has experience with the Thailand and Indonesian insurance markets.

He is currently the Chairman of ISM Insurance Services Malaysia Berhad, an organisation established by the insurance and takaful industry to provide statistical services to its members and the public. He is also a member of the Management Committee of Persatuan Insurans Am Malaysia (PIAM).

**Duties and Responsibilities of the Board**

The Board is responsible for governing the administration of the Company and for exercising all such power pursuant to the Company's Constitution. In general, the Board is responsible for:

- providing strategic leadership to the Company;
- reviewing, approving and monitoring the implementation of the Company's strategic business plans and policies;
- ensuring the Company maintains an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- acting as a guardian of the Company's corporate values and ethical principles in parallel with the goal to enhance shareholders' value;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for the Company for the long-term business continuity.

The day-to-day management of the Company is delegated to the MD who is responsible for managing the business and operations of the Company in ensuring the successful implementation of the policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the MD and the Chairman/other Non-Executive Directors ensure the balance of power and authority towards the establishment of a fully effective Board.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**BOARD OF DIRECTORS (continued)**

**Directors' Profiles (continued)**

**OLIVER TAN CHUAN LI**

Managing Director/Chief Executive Officer  
55 / Male / Malaysian

Mr Oliver Tan Chuan Li (Mr Oliver Tan) was appointed as the Managing Director/Chief Executive Officer of RHB Insurance Berhad on 21 February 2022.

Mr Oliver Tan holds a Bachelor of Laws degree from Staffordshire Polytechnic in United Kingdom and a Certificate in Legal Practice (CLP) from University Malaya in Malaysia.

Mr Oliver Tan brings with him 22 years of experience within the insurance industry locally and regionally. Prior to joining RHB Insurance Berhad, he held various senior positions which included Chief Executive Officer of MPI Generali Insurans Berhad, Chief Executive Officer and Head, Kuala Lumpur of Swiss Reinsurance Company Limited in Kuala Lumpur to manage business operations in Malaysia, Vietnam, Cambodia, Laos, Brunei and Myanmar. Mr Oliver Tan had also held various senior positions in AIU Insurance Company Limited in Shanghai and AXA General Insurance Hong Kong Limited.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**Board Meetings and Access of Information**

The Board meets on a monthly basis. Special meetings are held where any direction or decisions are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

The Board is provided with meeting papers in advance of the meeting dates to allow the Members of the Board to digest the issues at hand, seek clarification from the Management, if required and formulate opinion on matters to be deliberated at the meetings. Board materials/papers are circulated to Members of the Board within a reasonable timeframe prior to the scheduled Board Meeting date. At each Meeting, the Board receives updates from the respective Chairmen/representatives of the Board Audit Committee and Board Risk Management Committee on matters relating to the Company that have been deliberated at both committees, as well as on matters that require appropriate attention. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives.

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Company's Constitution.

The Board is able to seek clarification and advice as well as request for information on matters pertaining to the Company and the Group from the Senior Management and the Company Secretaries. Should the need arise, the Directors may also seek independent professional advice, at the Company's expense, when deemed necessary for the proper discharge of their duties.

The Board had adopted an internal guideline on the Standard Procedures for Directors to have access to independent advice which lays down the procedures for Directors seeking internal and/or external professional independent advice. The objectives of this guideline among others are as follows:-

- To ensure consistency throughout the Group on the procedures for Directors of the Group to have access to independent professional advice; and
- To enable Directors to have an enhanced perception of issues within the Group by allowing them to obtain independent opinion/advice/consultation from leading professionals in the relevant areas.



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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Board Meetings and Access of Information (continued)

The Board convened twelve (12) meetings for the financial year ended 31 December 2021. Details of the attendance of each Director at Board meetings held during the financial year are set out below:-

<u>Name of Directors</u>	<u>Total meetings attended</u>	<u>Percentage of attendance (%)</u>
Jahanath Muthusamy (Chairman)	12/12	100
Wong Pek Yee	12/12	100
Shaifubahrim Mohd Saleh	12/12	100
Donald Joshua Jaganathan	12/12	100
Sharifatu Laila Syed Ali*	4/4	100
Kong Shu Yin	12/12	100

Notes:

\* Appointed on 1 September 2021

Pursuant to BNM's Policy on Corporate Governance, a director must attend at least 75% of the Board meetings held in each year. For the year under review, all Directors in office at the end of the financial year had complied with the attendance requirement as stipulated by BNM.

Appointments and Re-election to the Board

The Company is governed by BNM's Policy on Corporate Governance on the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

The Board Nominating and Remuneration Committee ("BNRC") reviews and assesses the appointments/re-appointments of Directors. During such assessment, the Group BNRC also refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation ("BEE"). The recommendation of the BNRC will thereafter be presented to the Board. Upon approval by the Board, the application for the appointment/re-appointment of Directors will be submitted to BNM for approval.

Clause 79 of the Company's Constitution provides that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, the number nearest one-third, shall retire from office at each Annual General Meeting. Retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year are eligible for re-election by shareholders at the next Annual General Meeting held following their appointments.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)****Training**

The Directors continuously participate in various seminars, conferences and training programmes and in-house workshops to keep themselves abreast of the relevant regulatory framework, financial sector issues as well as current and future market developments.

The Group has also adopted a guideline on the Standard Procedures on Directors' In-House Orientation and Continuing Education Programme for the Group, the objectives of which are as follows:

- to ensure consistency throughout the Group in developing an in-house orientation and Continuing Education Programme for its Directors to familiarise themselves with the industry and the Company/Group; and
- to provide Directors with a better understanding of the nature of business, corporate strategy, risks of the business, responsibilities and rights from the legal viewpoint, moral and ethical obligations as well as good corporate governance in the ever-changing economic climate.

During the financial year ended 31 December 2021, the Directors of RHB Insurance Berhad attended the following training programmes, conferences and seminars:

<b>Name of Director</b>	<b>Training Programme Attended</b>	<b>Training Scope &amp; Description</b>
Mr Jahanath Muthusamy	In House Training : "Section 17A and Adequate Procedures" by The Malaysian Anti-Corruption Commission ("MACC") (3 February 2021)	<ul style="list-style-type: none"> <li>• What is corruption?</li> <li>• Gratification</li> <li>• Individual Corporate Liability</li> <li>• Illustration</li> <li>• Penalties for corruption</li> <li>• Guideline on adequate procedures</li> <li>• Money laundering</li> </ul>
	In House Training : Briefing on Malaysian Financial Reporting Standard ("MFRS") 17: Insurance Contract (6 May 2021)	<ul style="list-style-type: none"> <li>• MFRS 17: definition and scope separation</li> <li>• Level of aggregation</li> <li>• MFRS 17: measurement and disclosure</li> <li>• General measurement model</li> <li>• Premium allocation approach</li> <li>• Presentation &amp; disclosures Transition</li> <li>• Impacts and changes</li> <li>• Impact on profit emergence</li> <li>• Key Performance Indicator ("KPIs") and the investor story</li> <li>• Challenges</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Mr Jahanath Muthusamy (continued)	In House Training : Briefing on "Data Analytic Strategy Implementation Progress Update" (11 May 2021)	<ul style="list-style-type: none"> <li>• Where we are in our Big Data Analytics Journey and our targets for 2021 and beyond.</li> <li>• The areas in which analytics is currently being used across the Group.</li> <li>• Continued capability development efforts in 2021.</li> </ul>
	Rethinking Corporate Risk to Manage Market Uncertainty - Ethics, Regulatory Compliance and Control Environment (2 July 2021)	<ul style="list-style-type: none"> <li>• Reimage best practices in Risk Management for the control environment.</li> <li>• Reshape the Risk Management fundamentals with an end in mind.</li> <li>• Rewire the Crisis Management Plan processes. Relook and validate the Business Continuity Plan Framework.</li> </ul>
	Fraud Detection in electronic Know Your Customers ("eKYC") and Digital On-boarding (4 August 2021)	<ul style="list-style-type: none"> <li>• Review the key digital ID &amp; eKYC regulatory models and approaches adopted internationally, and assess the pros and cons associated with each.</li> <li>• Analyse Bank Negara Malaysia's ("BNM") e-KYC Policy Document, Bursa Malaysia and Identity Digital Nasional ("MyKAD") KYC/Customer Due Diligence requirements for online account opening and activities in the context of investment banking and capital markets and explore the practical issues and challenges from an industry perspective.</li> <li>• Review eKYC, digital ID and fraud prevention processes and key components and apply key international standards and best practices in on-boarding activities.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Mr Jahanath Muthusamy (continued)		<ul style="list-style-type: none"> <li>Assess the types of digital ID and eKYC fraud and financial crime risks that occur during the eKYC process and establish mitigating measures to manage such risks.</li> <li>Develop an effective eKYC and fraud prevention risk management compliance programme.</li> </ul>
	The Financial Institutions Directors' Education ("FIDE") Elective Program - Climate Change: Impact on Banks & Role of the Board (17 - 18 August 2021)	<ul style="list-style-type: none"> <li>The big picture and consequences of inaction.</li> <li>Why should Boards care?</li> <li>What climate change means for banks?</li> <li>International trends and implementation challenges.</li> </ul>
	FIDE FORUM's Webinar: "The Board's Roles and Responsibilities in Crisis Communications" (19 August 2021)	<ul style="list-style-type: none"> <li>The Board's role in crisis communications.</li> <li>Communications - before, during and after a crisis.</li> <li>Key indicators to measure the company's performance in crisis communications.</li> <li>Key questions that the board should be asking Management.</li> </ul>
	BNM - FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators (6 September 2021)	<ul style="list-style-type: none"> <li>Intended outcome of the review of RBC/T.</li> <li>Key milestones of the multi-phased RBC/T review.</li> <li>Enhancements proposed in the discussion paper and key considerations including Shariah.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Mr Jahanath Muthusamy (continued)	In House Training : "Internal Capital Adequacy Assessment Process (ICAAP)" (6 September 2021)	<ul style="list-style-type: none"> <li>• Introduction to the Basel Pillar 2 and ICAAP.</li> <li>• Evolution of Basel capital rules and BNM's requirements.</li> <li>• Risks in financial institutions – Financial and non-financial risks, Risk identification, measurement and assessment.</li> <li>• Risk appetite in financial institutions – Risk limits, controls and monitoring.</li> <li>• Stress Testing.</li> <li>• Capital planning and management</li> <li>• Corporate governance for ICAAP.</li> </ul>
	Environmental, Social, and Governance ("ESG") /Sustainability and Climate Risk Management (1 October 2021)	<ul style="list-style-type: none"> <li>• Presentation by Oliver Wyman on ESG and Climate Change.</li> <li>• Sharing session on transformation journey of Financial Institutions.</li> <li>• RHB Banking Group's 5-Year (2022 - 2026) Sustainability Strategy and Roadmap.</li> <li>• Climate Risk implementation.</li> </ul>
	Budget 2022 Updates (3 December 2021)	<ul style="list-style-type: none"> <li>• Foreign-Sourced Income: Considerations for financial institutions and customers.</li> <li>• Proposal impacting trading of listed shares.</li> <li>• Impact of new withholding tax obligations.</li> <li>• Tax Identification Number.</li> <li>• Tax Compliance Certificate.</li> <li>• Banking industry – tax issues.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Wong Pek Yee	In House Training : "Section 17A and Adequate Procedures" by MACC (3 February 2021)	<ul style="list-style-type: none"> <li>• What is corruption?</li> <li>• Gratification</li> <li>• Individual Corporate Liability Illustration</li> <li>• Penalties for corruption</li> <li>• Guideline on adequate Procedures</li> <li>• Money laundering</li> </ul>
	FIDE Elective Program : Risk Management in Technology ("RMiT") & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards? (20 April 2021)	<ul style="list-style-type: none"> <li>• Overview of RMiT and Digital Transformation: Impact on Board Governance and Strategy.</li> <li>• The Roles &amp; Responsibilities of the Board Technology &amp; Cybersecurity Committee ("BTCC").</li> <li>• Technology Risk Appetite, Technology Risk Framework ("TRF"), Cybersecurity Resilience Framework ("CRF") and IT &amp; Cybersecurity Strategic Plan.</li> </ul>
	BNM - FIDE FORUM - Malaysian Accounting Standards Board ("MASB") Dialogue on MFRS 17 Insurance Contracts: What Every Director Must Know (20 April 2021)	<ul style="list-style-type: none"> <li>• Key attributes of the Standard and why they are important to Insurers and Takaful Operators.</li> <li>• Insights on the impact of the Standard on strategy, governance and operations of Insurers and Takaful Operators.</li> <li>• Potential issues/problems that may arise during the planning and implementation stages of the Standard.</li> <li>• Key milestones and progress that the Board should take note of for seamless transition from existing practice to the Standard's implementation in 2023.</li> <li>• Key discussions that must take place now between the Board and Management on this matter. What are the key questions that Boards should be asking their respective Management teams.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	In House Training : Briefing on MFRS 17: Insurance Contract (6 May 2021)	<ul style="list-style-type: none"> <li>• MFRS 17: definition and scope separation</li> <li>• Level of aggregation</li> <li>• MFRS 17: measurement and disclosure</li> <li>• General measurement model</li> <li>• Premium allocation approach</li> <li>• Presentation &amp; disclosures</li> <li>• Transition</li> <li>• Impacts and changes</li> <li>• Impact on profit emergence</li> <li>• KPIs and the investor story</li> <li>• Challenges</li> </ul>
	In House Training : Briefing on "Data Analytic Strategy Implementation Progress Update" (11 May 2021)	<ul style="list-style-type: none"> <li>• Where we are in our Big Data Analytics Journey and our targets for 2021 and beyond.</li> <li>• The areas in which analytics is currently being used across the Group.</li> <li>• Continued capability development efforts in 2021.</li> </ul>
	ESG in Malaysia (4 June 2021)	-
	In House Training : Briefing on Defending Your Company & Keeping Up To Date With Key Cybersecurity Risks (8 June 2021)	<ul style="list-style-type: none"> <li>• Introduction to cybersecurity.</li> <li>• Current trends/the cybersecurity landscape (Global, Asia-Pacific (APAC) and Malaysia).</li> <li>• Presentation of relevant case studies.</li> <li>• Cybersecurity 'simulation' questions: What would you do in XYZ scenario?</li> </ul>
	Invitation from BNM and Securities Commission Malaysia ("SC") to participate in the JC3 Flagship Conference: #FinanceForChange (23 – 25 June 2021)	<ul style="list-style-type: none"> <li>• Sustainability as a business strategy for financial institutions.</li> <li>• JC3 outcomes and implications for financial institutions.</li> <li>• Sustainable finance for the private sector.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	Rethinking Corporate Risk to Manage Market Uncertainty - Ethics, Regulatory Compliance and Control Environment (2 July 2021)	<ul style="list-style-type: none"> <li>• Reimage best practices in Risk Management for the control environment.</li> <li>• Reshape the Risk Management fundamentals with an end in mind.</li> <li>• Rewire the Crisis Management Plan processes. Relook and validate the Business Continuity Plan Framework.</li> </ul>
	The brown bag series – CIMB's Transformation Story by Dato' Sri Mohd Nazir Bin Tun Abdul Razak (10 July 2021)	<ul style="list-style-type: none"> <li>• Dato Seri Nazir Razak shared his experience in CIMB Bank's Transformation &amp; Leadership.</li> <li>• Transformation – Dato' Sri Nazir Razak's experience in transforming CIMB.</li> </ul>
	The Malaysian Economic Summit 2021 (13 July 2021)	<ul style="list-style-type: none"> <li>• Will productivity and growth return after the COVID-19 pandemic? How to strengthen the competitiveness of the Malaysian economy in the new normal?</li> <li>• Economic recovery: toward a green, resilient and inclusive future.</li> <li>• Strengthening the domestic economy, building resilience.</li> <li>• Changing drivers of economic growth - the case for Malaysia.</li> <li>• Micro Small &amp; Medium Enterprises ("SMEs") - customising restructuring solutions for smaller firms.</li> </ul>
	The New Reality of Cyber Hygiene (21 July 2021)	<ul style="list-style-type: none"> <li>• Cyber hygiene approaches had changed.</li> <li>• The key cyber focus areas be for the Boardroom during this new reality.</li> </ul>



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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	Fraud Detection in eKYC and Digital On-boarding (4 August 2021)	<ul style="list-style-type: none"> <li>• Review the key digital ID &amp; eKYC regulatory models and approaches adopted internationally, and assess the pros and cons associated with each.</li> <li>• Analyze BNM's e-KYC Policy Document, Bursa Malaysia and MyKAD KYC/Customer Due Diligence requirements for online account opening and activities in the context of investment banking and capital markets and explore the practical issues and challenges from an industry perspective.</li> <li>• Review eKYC, digital ID and fraud prevention processes and key components and apply key international standards and best practices in on-boarding activities.</li> <li>• Assess the types of digital ID and eKYC fraud and financial crime risks that occur during the eKYC process and establish mitigating measures to manage such risks.</li> <li>• Develop an effective eKYC and fraud prevention risk management compliance programme.</li> </ul>
	Where does Malaysia sit on the digital scale (12 August 2021)	<ul style="list-style-type: none"> <li>• The Institute of Chartered Accountants in England and Wales's ("ICAEW") recent webinar discussed on how the company's digital economy is doing, and what obstacles still need to be overcome.</li> <li>• Strong infrastructure.</li> <li>• Building demand.</li> <li>• Finding a unicorn.</li> </ul>

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Training (continued)

<b>Name of Director</b>	<b>Training Programme Attended</b>	<b>Training Scope &amp; Description</b>
Wong Pek Yee (continued)	ESG/Sustainability and Climate Risk Management (1 October 2021)	<ul style="list-style-type: none"> <li>• Presentation by Oliver Wyman on ESG and Climate Change.</li> <li>• Sharing session on transformation journey of Financial Institutions.</li> <li>• RHB Banking Group's 5-Year (2022 - 2026) Sustainability Strategy and Roadmap.</li> <li>• Climate Risk implementation.</li> </ul>
	Invest Malaysia 2021 - Rebuilding A Sustainable Economy Series 1: Economic Reform (14 October 2021)	<ul style="list-style-type: none"> <li>• Opportunities and Challenges.</li> <li>• Refreshed mandate, recharged capabilities.</li> <li>• Investing in resilience.</li> </ul>
	Khazanah Fund Management	-
	Annual Dialogue with Governor of BNM (3 December 2021)	<ul style="list-style-type: none"> <li>• In line with FIDE FORUM being the "Voice" of Financial Institutions' Directors, we are pleased to bring to you the Annual Dialogue with BNM. This dialogue session is organised as an exclusive event for our Members to engage with senior officials of BNM to discuss substantive matters that concern financial institutions' Boards with respect to the current and future developments in the economy and financial services industry. Increasingly, FIDE FORUM is recognised as the platform for Regulators to engage with Financial Institutions' Boards.</li> </ul>
	Budget 2022 Updates (3 December 2021)	<ul style="list-style-type: none"> <li>• Foreign-sourced income: Considerations for financial institutions and customers.</li> <li>• Proposal impacting trading of listed shares.</li> <li>• Impact of new withholding tax obligations.</li> <li>• Tax Identification Number.</li> <li>• Tax Compliance Certificate.</li> <li>• Banking Industry – Tax Issues.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Shaifubahrim Mohd Saleh	In House Training : "Section 17A and Adequate Procedures" by MACC (3 February 2021)	<ul style="list-style-type: none"> <li>• What is corruption?</li> <li>• Gratification</li> <li>• Individual Corporate Liability Illustration</li> <li>• Penalties for corruption</li> <li>• Guideline on adequate procedures</li> <li>• Money laundering</li> </ul>
	In House Training : Briefing on MFRS17: Insurance Contract (6 May 2021)	<ul style="list-style-type: none"> <li>• MFRS 17: definition and scope</li> <li>• Separation</li> <li>• Level of aggregation</li> <li>• MFRS 17: measurement and disclosure</li> <li>• General measurement model</li> <li>• Premium allocation approach</li> <li>• Presentation &amp; disclosures Transition</li> <li>• Impacts and changes</li> <li>• Impact on profit emergence</li> <li>• KPIs and the investor story</li> <li>• Challenges</li> </ul>
	In House Training : Briefing on "Data Analytic Strategy Implementation Progress Update" (11 May 2021)	<ul style="list-style-type: none"> <li>• Where we are in our Big Data Analytics Journey and our targets for 2021 and beyond.</li> <li>• The areas in which analytics is currently being used across the Group. Continued capability development efforts in 2021.</li> </ul>

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Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Shaifubahrim Mohd Saleh (continued)	In House Training : Briefing on "Data Analytic Strategy Implementation Progress Update" (11 May 2021)	<ul style="list-style-type: none"> <li>• Where we are in our Big Data Analytics Journey and our targets for 2021 and beyond.</li> <li>• The areas in which analytics is currently being used across the Group.</li> <li>• Continued capability development efforts in 2021.</li> </ul>
	In House Training : Briefing on Defending Your Company & Keeping Up to Date with Key Cybersecurity Risks (8 June 2021)	<ul style="list-style-type: none"> <li>• Introduction to cybersecurity</li> <li>• Current trends / the cybersecurity landscape (Global, APAC and Malaysia)</li> <li>• Presentation of relevant case studies</li> <li>• Cybersecurity 'simulation' questions: What would you do in XYZ scenario?</li> </ul>
	In-House Training : ICAAP (6 September 2021)	<ul style="list-style-type: none"> <li>• Introduction to the Basel Pillar 2 and ICAAP.</li> <li>• Evolution of Basel capital rules and BNM requirements.</li> <li>• Risks in financial institutions – Financial and non-financial risks, Risk identification, measurement and assessment.</li> <li>• Risk appetite in financial institutions – Risk limits, controls and monitoring.</li> <li>• Stress Testing.</li> <li>• Capital planning and management.</li> <li>• Corporate governance for ICAAP.</li> </ul>
	ESG/Sustainability and Climate Risk Management (1 October 2021)	<ul style="list-style-type: none"> <li>• Presentation by Oliver Wyman on ESG and Climate Change.</li> <li>• Sharing session on transformation journey of Financial Institutions.</li> <li>• RHB Banking Group's 5-Year (2022 - 2026) Sustainability Strategy and Roadmap.</li> <li>• Climate Risk implementation.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Shaifubahrim Mohd Saleh (continued)	Corporate Governance Talk on 'Intentional Integrity' by Robert Chesnut and Dr Zeti Akhtar Aziz (28 October 2021)	<ul style="list-style-type: none"> <li>• Integrity is integral to the effective and sustainable functioning of any business corporations or enterprise. It is not just about "telling the truth and keeping your word" and following the letter but it is about the spirit of the law. Wide ranging misconduct practiced and the greedy behaviour at some of the world's highest profile companies have contributed not only to major financial setbacks but also to an erosion of trust and confidence in the institutions on which our communities depend.</li> </ul>
	In-house training on 'Digital Transformation in Islamic Finance Towards Shariah Compliance' (8 November 2021)	<ul style="list-style-type: none"> <li>• Transformation through digitalisation.</li> <li>• Great performance from digitalisation to smart technology (fintech).</li> <li>• Shariah compliance and fintech: Do they talk to each other?</li> <li>• Building a water-proof Shariah compliance via Shariah compliance algorithm monitoring (in addition to human supervision and audit).</li> <li>• "In Shariah Board we seek guidance, in Smart Tech we seek complete compliance".</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Shaifubahrim Mohd Saleh (continued)	Annual Dialogue with Governor of BNM (3 December 2021)	<ul style="list-style-type: none"> <li>• In line with FIDE FORUM being the “Voice” of Financial Institutions’ Directors, we are pleased to bring to you the Annual Dialogue with BNM. This dialogue session is organised as an exclusive event for our Members to engage with senior officials of BNM to discuss substantive matters that concern financial institutions’ Boards with respect to the current and future developments in the economy and financial services industry. Increasingly, FIDE FORUM is recognised as the platform for Regulators to engage with Financial Institutions’ Boards.</li> </ul>
	Budget 2022 Updates (3 December 2021)	<ul style="list-style-type: none"> <li>• Foreign-sourced income: Considerations for financial institutions and customers.</li> <li>• Proposal impacting trading of listed shares.</li> <li>• Impact of new withholding tax obligations.</li> <li>• Tax Identification Number.</li> <li>• Tax Compliance Certificate.</li> <li>• Banking Industry – Tax Issues.</li> </ul>

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Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan	FIDE Core Program Module A: Bank (11 – 12 January 2021) (18 – 21 January 2021) (25 – 26 January 2021)	<ul style="list-style-type: none"> <li>• To emphasise and reinforce a clear understanding of the role of the board and the fiduciary responsibilities of individual directors to all stakeholders.</li> <li>• To deepen boards' understanding of principles of sound governance, and to translate this into practice; lessons from within best-in-class organisations, and how they inculcate values throughout the organisation and promote organisational values and effectiveness.</li> <li>• To equip directors with tools and strategies that can be applied to build a dynamic and sustainable management team.</li> <li>• To emphasise the principal responsibility of the board for promoting a strong risk control culture and sound ethical standards throughout the organisation.</li> <li>• To create a heightened awareness of the changing dimensions of risk.</li> <li>• To explore plausible and extreme stress scenarios and how boards can ensure the organisation's ability to withstand shocks.</li> <li>• To examine the link between risk and capital management, exploring what capital adequacy really means.</li> <li>• To help boards appreciate their oversight role in risk management and the adoption of key risks and organisational structures for managing risk.</li> </ul>

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Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan (continued)	In House Training : “Section 17A and Adequate Procedures” by MACC (3 February 2021)	<ul style="list-style-type: none"> <li>• What is corruption?</li> <li>• Gratification</li> <li>• Individual Corporate Liability Illustration</li> <li>• Penalties for corruption</li> <li>• Guideline on adequate Procedures</li> <li>• Money laundering</li> </ul>
	FIDE Core Program Module B: Bank (1 March 2021, 3 March 2021, 4 March 2021, 5 March 2021 and 8 March 2021)	<ul style="list-style-type: none"> <li>• To deepen boards’ understanding of principles of sound governance, and to translate these into practice; lessons from within best-in-class organisations, and how they inculcate values throughout the organisation and promote organisational values and effectiveness.</li> <li>• To encourage the adoption of more structured and robust processes for the selection of board members and ongoing assessments of board effectiveness to achieve an optimal board mix.</li> <li>• To heighten awareness of the impact of internal conflicts and effects of dominant influences associated with controlled companies.</li> <li>• To provide an understanding of the key issues in financial reporting and help boards to discharge their responsibilities effectively for ensuring the integrity of financial reports.</li> <li>• To examine the impact of differing accounting treatments and provide an understanding of financial analysis needed when considering reports and proposals.</li> </ul>



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Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan (continued)		<ul style="list-style-type: none"> <li>• To examine the heightened expectations and responsibilities of the audit committee, and help boards consider how best to organise audit committees to ensure independence and achieve overall effectiveness.</li> <li>• To equip boards with the know-how to set or review strategy that creates value for the organisation, and to be able to identify when strategies need to be adapted in response to changing business and market conditions.</li> <li>• To help boards to identify and avoid common pitfalls in strategy execution.</li> </ul>
	Webinar - Rethinking Our Approach to Cyber Defence in FIs (11 March 2021)	<ul style="list-style-type: none"> <li>• What are some of the key potential cyber threats to FIs in 2021 and the future, especially in the ASEAN region?</li> <li>• What must FIs do differently to better mitigate such threats?</li> <li>• Given the advances made in cyber defence strategy and technology, what key metrics can FIs use to better gauge their organisations' cyber defence preparedness?</li> <li>• How can the Board Committee overseeing Technology Risk/Strategy play a stronger, more direct, role in this regard without micro-managing given that most Board Members are not technology experts?</li> </ul>

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Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan (continued)		<ul style="list-style-type: none"> <li>• What are some of the key questions that the Board of Directors should be asking Senior Management on this matter? What conversations must take place between the Board of Directors and Senior Management to determine the company's level of preparedness to face a potential cyber-attack?</li> </ul>
	In House Training : Briefing on MFRS 17: Insurance Contract (6 May 2021)	<ul style="list-style-type: none"> <li>• MFRS 17: definition and scope separation</li> <li>• Level of aggregation</li> <li>• MFRS 17: measurement and disclosure</li> <li>• General measurement model</li> <li>• Premium allocation approach</li> <li>• Presentation &amp; disclosures</li> <li>• Transition</li> <li>• Impacts and changes</li> <li>• Impact on profit emergence</li> <li>• KPIs and the investor story</li> <li>• Challenges</li> </ul>
	KPMG's Asia-Pacific Board Leadership Centre webinar "Board and Audit Committee Priorities 2021" (7 May 2021)	<ul style="list-style-type: none"> <li>• Importance of human rights management in reducing its risks and impacts on businesses.</li> <li>• KPMG's strategic seven (7)-step approach for businesses to enhance and prioritise their management of human rights risk.</li> <li>• Adopting local and regional human rights laws and regulations.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan (continued)	In House Training : Briefing on "Data Analytic Strategy Implementation Progress Update" (11 May 2021)	<ul style="list-style-type: none"> <li>• Where we are in our Big Data Analytics Journey and our targets for 2021 and beyond.</li> <li>• The areas in which analytics is currently being used across the Group.</li> <li>• Continued capability development efforts in 2021.</li> </ul>
	In House Training : Briefing on Defending Your Company & Keeping Up To Date With Key Cybersecurity Risks (8 June 2021)	<ul style="list-style-type: none"> <li>• Introduction to cybersecurity.</li> <li>• Current trends/the cybersecurity landscape (Global, APAC and Malaysia).</li> <li>• Presentation of relevant case studies.</li> <li>• Cybersecurity 'simulation' questions: What would you do in XYZ scenario?</li> </ul>
	BNM - FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators (6 September 2021)	<ul style="list-style-type: none"> <li>• Intended outcome of the review of RBC/T.</li> <li>• Key milestones of the multi-phased RBC/T review.</li> <li>• Enhancements proposed in the Discussion Paper and key considerations including Shariah.</li> </ul>
	In-House Training on "Internal Capital Adequacy Assessment Process (ICAAP)" (6 September 2021)	<ul style="list-style-type: none"> <li>• Introduction to the Basel Pillar 2 and ICAAP.</li> <li>• Evolution of Basel capital rules and BNM requirements.</li> <li>• Risks in financial institutions – Financial and non-financial risks, Risk identification, measurement and assessment.</li> <li>• Risk appetite in financial institutions – Risk limits, controls and monitoring.</li> <li>• Stress Testing.</li> <li>• Capital planning and management.</li> <li>• Corporate governance for ICAAP.</li> </ul>

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Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan (continued)	ESG/Sustainability and Climate Risk Management (1 October 2021)	<ul style="list-style-type: none"> <li>• Presentation by Oliver Wyman on ESG and Climate Change.</li> <li>• Sharing session on transformation journey of Financial Institutions.</li> <li>• RHB Banking Group's 5-Year (2022 - 2026) Sustainability Strategy and Roadmap.</li> <li>• Climate Risk implementation.</li> </ul>
	In-house training on 'Digital Transformation in Islamic Finance Towards Shariah Compliance' (8 November 2021)	<ul style="list-style-type: none"> <li>• Transformation through digitalisation.</li> <li>• Great performance from digitalisation to smart technology (fintech).</li> <li>• Shariah compliance and fintech: Do they talk to each other?</li> <li>• Building a water-proof Shariah compliance via Shariah compliance algorithm monitoring (in addition to human supervision and audit).</li> <li>• "In Shariah Board we seek guidance, in Smart Tech we seek complete compliance".</li> </ul>
	Islamic Finance for Board of Directors Training Programme (10 and 11 November 2021)	<ul style="list-style-type: none"> <li>• Enhance Director's appreciation on the dynamics of Shariah principles in shaping different offerings of Islamic banking business.</li> <li>• Equip Directors with practical understanding on the value propositions of Islamic finance.</li> <li>• Provide Directors with diverse perspectives from within and beyond the Islamic banking community on contemporary issues in the industry.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

<b>Name of Director</b>	<b>Training Programme Attended</b>	<b>Training Scope &amp; Description</b>
Donald Joshua Jaganathan (continued)	Securities Commission Audit Oversight Board conversation with Audit Committee (29 November 2021)	<ul style="list-style-type: none"> <li>• Good Practices for Audit Committees in Supporting Audit Quality".</li> <li>• How it impact Audit Committee.</li> </ul>
	Budget 2022 Updates (3 December 2021)	<ul style="list-style-type: none"> <li>• Foreign-Sourced Income: Considerations for financial institutions and customers.</li> <li>• Proposal impacting trading of listed shares.</li> <li>• Impact of new withholding tax obligations.</li> <li>• Tax Identification Number.</li> <li>• Tax Compliance Certificate.</li> <li>• Banking industry – tax issues.</li> </ul>
Sharifatu Laila Syed Ali	In House Training : "Section 17A and Adequate Procedures" by MACC (3 February 2021)	<ul style="list-style-type: none"> <li>• What is corruption?</li> <li>• Gratification</li> <li>• Individual Corporate Liability Illustration</li> <li>• Penalties for corruption</li> <li>• Guideline on adequate Procedures</li> <li>• Money laundering</li> </ul>
	In House Training : Briefing on MFRS 17: Insurance Contract (6 May 2021)	<ul style="list-style-type: none"> <li>• MFRS 17: definition and scope separation</li> <li>• Level of aggregation</li> <li>• MFRS 17: measurement and disclosure</li> <li>• General measurement model</li> <li>• Premium allocation approach</li> <li>• Presentation &amp; disclosures</li> <li>• Transition</li> <li>• Impacts and changes</li> <li>• Impact on profit emergence</li> <li>• KPIs and the investor story</li> <li>• Challenges</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Sharifatu Laila Syed Ali (continued)	In House Training : Briefing on "Data Analytic Strategy Implementation Progress Update" (11 May 2021)	<ul style="list-style-type: none"> <li>• Where we are in our Big Data Analytics Journey and our targets for 2021 and beyond.</li> <li>• The areas in which analytics is currently being used across the Group.</li> <li>• Continued capability development efforts in 2021.</li> </ul>
	In House Training : Briefing on Defending Your Company & Keeping Up To Date With Key Cybersecurity Risks (8 June 2021)	<ul style="list-style-type: none"> <li>• Introduction to cybersecurity</li> <li>• Current trends/the cybersecurity landscape (Global, APAC and Malaysia).</li> <li>• Presentation of relevant case studies.</li> <li>• Cybersecurity 'simulation' questions: What would you do in XYZ scenario?</li> </ul>
	Invitation from BNM and SC Malaysia to participate in the JC3 Flagship Conference: #FinanceForChange (23 - 25 June 2021)	<ul style="list-style-type: none"> <li>• Sustainability as a business strategy or financial institutions.</li> <li>• JC3 outcomes and implications for financial institutions.</li> <li>• Sustainable finance for the private sector.</li> </ul>
	Fraud Detection in eKYC and Digital On-boarding (4 August 2021)	<ul style="list-style-type: none"> <li>• Review the key digital ID &amp; eKYC regulatory models and approaches adopted internationally, and assess the pros and cons associated with each.</li> <li>• Analyse BNM's e-KYC Policy Document, Bursa Malaysia and Identity Digital Nasional (MyKAD) KYC/Customer Due Diligence requirements for online account opening and activities in the context of investment banking and capital markets and explore the practical issues and challenges from an industry perspective.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Sharifatu Laila Syed Ali (continued)		<ul style="list-style-type: none"> <li>• Review eKYC, digital ID and fraud prevention processes and key components and apply key international standards and best practices in on-boarding activities.</li> <li>• Assess the types of digital ID and eKYC fraud and financial crime risks that occur during the eKYC process and establish mitigating measures to manage such risks.</li> <li>• Develop an effective eKYC and fraud prevention risk management compliance programme.</li> </ul>
	FIDE FORUM's Webinar: "The Board's Roles and Responsibilities in Crisis Communications" (19 August 2021)	<ul style="list-style-type: none"> <li>• The Board's role in crisis communications</li> <li>• Communications - before, during and after a crisis</li> <li>• Key indicators to measure the company's performance in crisis communications</li> <li>• Key questions that the board should be asking management</li> </ul>
	FIDE FORUM's Engagement Session on Board Leadership Framework (Session B) (23 August 2021)	<ul style="list-style-type: none"> <li>• What are the key challenges that financial services industry faces, now and in the near future?</li> <li>• What kind of cultural environment would drive the financial services industry over the next 5 years?</li> <li>• What critical leadership competencies should an INED have?</li> <li>• What traits do FIs look for when identifying INEDs to join their Boards?</li> <li>• What are the expectations from regulators' perspectives?</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Sharifatu Laila Syed Ali (continued)	In-House Training on "Internal Capital Adequacy Assessment Process (ICAAP)" (6 September 2021)	<ul style="list-style-type: none"> <li>• Introduction to the Basel Pillar 2 and ICAAP.</li> <li>• Evolution of Basel capital rules and BNM's requirements.</li> <li>• Risks in financial institutions – Financial and non-financial risks, Risk identification, measurement and assessment.</li> <li>• Risk appetite in financial institutions – Risk limits, controls and monitoring.</li> <li>• Stress Testing.</li> <li>• Capital planning and management.</li> <li>• Corporate governance for ICAAP.</li> </ul>
	ESG/Sustainability and Climate Risk Management (1 October 2021)	<ul style="list-style-type: none"> <li>• Presentation by Oliver Wyman on ESG and Climate Change.</li> <li>• Sharing session on transformation journey of Financial Institutions.</li> <li>• RHB Banking Group's 5-Year (2022 - 2026) Sustainability Strategy and Roadmap.</li> <li>• Climate Risk implementation.</li> </ul>
	Corporate Governance Talk on 'Intentional Integrity' by Robert Chesnut and Dr. Zeti Akhtar Aziz (28 October 2021)	<ul style="list-style-type: none"> <li>• Integrity is integral to the effective and sustainable functioning of any business corporations or enterprise. It is not just about "telling the truth and keeping your word" and following the letter but it is about the spirit of the law. Wide ranging misconduct practiced and the greedy behaviour at some of the world's highest profile companies have contributed not only to major financial setbacks but also to an erosion of trust and confidence in the institutions on which our communities depend.</li> </ul>



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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Sharifatu Laila Syed Ali (continued)	In-house training : 'Digital Transformation in Islamic Finance Towards Shariah Compliance' (8 November 2021)	<ul style="list-style-type: none"> <li>• Transformation through digitalisation.</li> <li>• Great performance from digitalisation to smart technology (fintech).</li> <li>• Shariah compliance and fintech: Do they talk to each other?</li> <li>• Building a water-proof Shariah compliance via Shariah compliance algorithm monitoring (in addition to human supervision and audit).</li> <li>• "In Shariah Board we seek guidance, in Smart Tech we seek complete compliance".</li> </ul>
	FIDE FORUM: The 2050 Net Zero Carbon Emissions Target: Finance's Role (12 November 2021)	<ul style="list-style-type: none"> <li>• Major barrier to net zero finance lies in the structure of financial markets.</li> <li>• Benchmarking is a way of discovering what is the best performance being achieved.</li> <li>• Mapping the on-going good practices and examples, enabling environment drivers as well as key institutions.</li> <li>• Net zero finance poses opportunities and risks that Boards should be aware of and address.</li> </ul>
	Budget 2022 Updates (3 December 2021)	<ul style="list-style-type: none"> <li>• Foreign-Sourced Income: Considerations for financial institutions and customers.</li> <li>• Proposal impacting trading of listed shares.</li> <li>• Impact of new withholding tax obligations.</li> <li>• Tax Identification Number.</li> <li>• Tax Compliance Certificate.</li> <li>• Banking industry – tax issues.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director	Training Programme Attended	Training Scope & Description
Kong Shu Yin	In House Training : "Section 17A and Adequate Procedures" by MACC (3 February 2021)	<ul style="list-style-type: none"> <li>• What is corruption?</li> <li>• Gratification</li> <li>• Individual Corporate Liability Illustration</li> <li>• Penalties for corruption</li> <li>• Guideline on adequate Procedures</li> <li>• Money laundering</li> </ul>
	In House Training Briefing on MFRS 17: Insurance Contract (6 May 2021)	<ul style="list-style-type: none"> <li>• MFRS 17: definition and scope separation</li> <li>• Level of aggregation</li> <li>• MFRS 17: measurement and disclosure</li> <li>• General measurement model</li> <li>• Premium allocation approach</li> <li>• Presentation &amp; disclosures</li> <li>• Transition</li> <li>• Impacts and changes</li> <li>• Impact on profit emergence</li> <li>• KPIs and the investor story</li> <li>• Challenges</li> </ul>
	In House Training : Briefing on "Data Analytic Strategy Implementation Progress Update" (11 May 2021)	<ul style="list-style-type: none"> <li>• Where we are in our Big Data Analytics Journey and our targets for 2021 and beyond.</li> <li>• The areas in which analytics is currently being used across the Group.</li> <li>• Continued capability development efforts in 2021.</li> </ul>
	Annual Dialogue with Governor of BNM (3 December 2021)	<p>In line with FIDE FORUM being the "Voice" of FI Directors, we are pleased to bring to you the Annual Dialogue with Bank Negara Malaysia. This dialogue session is organised as an exclusive event for our Members to engage with senior officials of BNM to discuss substantive matters that concern financial institutions' Boards with respect to the current and future developments in the economy and financial services industry. Increasingly, FIDE FORUM is recognised as the platform for Regulators to engage with FI Boards.</p>

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**RHB INSURANCE BERHAD**  
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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Kong Shu Yin	Budget 2022 Updates (3 December 2021)	<ul style="list-style-type: none"> <li>• Foreign-Sourced Income: Considerations for financial institutions and customers.</li> <li>• Proposal impacting trading of listed shares.</li> <li>• Impact of new withholding tax obligations.</li> <li>• Tax Identification Number.</li> <li>• Tax Compliance Certificate.</li> <li>• Banking industry – tax issues.</li> </ul>

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**Board Performance Evaluation**

In line with the requirements of the Bank Negara Malaysia's Policy Document on Corporate Governance and the Malaysian Code on Corporate Governance, which call for the appointment of an external party on periodic basis to conduct an objective and independent board assessment, Ernst & Young Consulting Sdn Bhd ("EY") were appointed to facilitate with the BEE exercise for RHB Banking Group for Financial Year ("FY") 2020.

EY undertook a comprehensive assessment of the Board, Board Committees and Individual Directors. The questionnaires for each Board Member were customized based on the Board Member's representation of the respective entity's Board and/or Board Committee during FY2020. The BEE questionnaires were designed based on the principles and governance practices set out in local regulatory standards and requirements, and international good practices.

The annual assessment of the Directors of the Company was conducted based on the relevant performance criteria which include the following:-

<b>Scope of Board evaluation</b>	
<b>A) Board of Directors &amp; Board Committees</b>	<b>B) Individual Directors Evaluation</b>
1. Overall Board Performance	1. Independence
2. Board Chairman Leadership	2. Contribution and Commitment
3. Boardroom Culture	3. Competency, Skills and Expertise
4. Board Remuneration	4. Strengths & Enhancement
5. Board Responsibilities	
6. MD/ CEO Leadership	
7. Board Committees	
8. Board Operations	
9. Board Continuous Development	

**Ethical & Sound Leadership**

The Board's role is to promote long-term sustainable success of the Group, mainly generating value for all its stakeholders, including shareholders, employees, customers, suppliers and the communities in which the Group operates, while exercising good business judgement in developing strategy, delivering objectives and managing the risks that are faced by the organisation. The Board is also responsible for instilling the right and appropriate culture, values and behaviours throughout the organisation.

The Board views ethical leadership as one of its core responsibility. The Group's ethical culture is guided and led by the tone from the top. The ethical principles and values are driven by the Board through RHB's leadership team and are embedded across the Group. To ensure our messages on this matter is consistent, the Group has in place codes of business ethics and conduct for the Board and employees. These codes cover the minimum requirements that must be met by our people in doing business the RHB way.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**Group Board Committees**

Following the Group-wide transformation exercise undertaken in late 2007, the various Board Committees within the Group were consolidated to form Group Board Committees residing either at the Company's holding company, RHB Bank Berhad. The objective is to promote better efficiency and effectiveness in implementing holistic strategies for the benefit of the Group as a whole. The Group Board Committees currently residing at RHB Bank Berhad which are shared by the Company are as follows:

- Board Audit Committee
- Board Nominating and Remuneration Committee

The functions and terms of reference of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines. The members of the Group Board Committees comprise the Directors of the Company and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interests of the entities concerned.

The relevant minutes/extract of minutes of meetings of all Group Board Committees are tabled to the respective Boards for notation.

**Board Audit Committee ("BAC")**

The Board Audit Committee ("BAC") comprises three (3) INEDs, of whom one (1) INED is the Chairperson. A total of fifteen (15) meetings were held for the BAC during the financial year ended 31 December 2021. Details of the attendance of each member at the BAC's meetings are as follows:-

<u>Members of BAC</u>	<u>Total meetings attended</u>	<u>Percentage of attendance (%)</u>
Ong Ai Lin (Chairperson)	15/15	100
Donald Joshua Jaganathan	15/15	100
Datuk Iain John Lo*	10/10	100
Sharifatu Laila Syed Ali^	5/5	100

**Notes:**

\* Appointed as Member on 1 April 2021

^ Resigned as Member on 31 March 2021

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Board Audit Committee (“BAC”) (continued)

The main objectives of the BAC are as follows:-

- (i) To provide independent oversight of RHB Banking Group’s financial reporting and internal control system, and ensuring checks and balances for entities within the Group;
- (ii) To review the quality of the audits conducted by internal and external auditors;
- (iii) To provide a line of communication between Board and external auditors;
- (iv) To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process;
- (v) To provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is, among others, independent of the Management; and
- (vi) To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Board Nominating and Remuneration Committee (“BNRC”)

BNRC comprises three (3) INEDs and one (1) Non INED. A total of twelve (12) meetings were held for the BNRC during the financial year ended 31 December 2021. Details of the attendance of each member for the BNRC’s meetings are as follows:-

<u>Members of BNRC</u>	<u>Total meetings attended</u>	<u>Percentage of attendance</u> (%)
Tan Sri Dr Rebecca Fatima Sta Maria (Chairperson)	12/12	100
Dato’ Mohamad Nasir Ab Latif	12/12	100
Datuk Iain John Lo*	7/7	100
Sharifatu Laila Syed Ali**	9/9	100
Donald Joshua Jaganathan^	8/8	100

Notes:

\* Appointed as Member on 1 April 2021

\*\* Resigned as Member on 31 March 2021 and re-appointed as Member on 1 September 2021

^ Resigned as Member on 1 September 2021

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

**Board Nominating and Remuneration Committee (“BNRC”)**

The main objectives of the BNRC are to support the Boards in the following:-

- (i) Review and assess the appointment/re-appointments of directors, board committee members, Shariah Committee (“SC”) members, Senior Officers, Appointed Actuary and Company Secretary (where applicable) for recommendation to the Boards of main entities and other subsidiaries (as deemed appropriate) under RHB Banking Group (“the Group”).
- (ii) Advise the Boards on optimal size and mix of skills of Boards.
- (iii) Provide oversight and direction on Human Resource (HR) matters and operations, and to recommend to the Boards for approval of remuneration and human resource strategies.

**Board Committees**

**Board Risk Committee (“BRC”)**

The Board had, on 19 March 2019, approved the establishment of the BRC for the Company which took effect on 1 April 2019 to look into the compliance and risk issues/matters arising from the insurance activities. The minutes of the BRC meetings are also tabled to the Board of RHB Insurance Berhad for notation.

The BRC comprises three (3) INEDs. A total of twelve (12) meetings were held during the financial year ended 31 December 2021. Details of the attendance of each member for the BRC’s meetings are as follows:-

<u>Members of BRC</u>	<u>Total meetings attended</u>	<u>Percentage of attendance (%)</u>
Wong Pek Yee (Chairperson)	12/12	100
Jahanath Muthusamy	12/12	100
Shaifubahrim Mohd Saleh	12/12	100

The key objectives of the BRC are as follows:-

- (i) To provide oversight and governance of risks of RHB Insurance Berhad.
- (ii) To oversee Senior Management’s activities in managing risks and ensure that the risk management process is in place and functioning.
- (iii) To promote the management of risk in accordance with a risk-return performance management framework.
- (iv) To support and provide the overall leadership to the Senior Management in driving Risk and Compliance Culture and Risk Ownership in RHB Insurance Berhad.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Board Committees (continued)

Investment Committee (“IC”)

IC comprises three (3) INEDs. A total of four (4) meetings were held for the IC during the financial year ended 31 December 2021. Details of the attendance of each member for the IC’s meetings are as follows:-

<u>Members of IC</u>	<u>Total meetings attended</u>	<u>Percentage of attendance</u> (%)
Shaifubahrim Mohd Saleh (Chairman)	4/4	100
Wong Pek Yee	4/4	100
Dato’ Darawati Hussain	4/4	100

The main objectives of the IC are as follows:-

- (i) To assist the Board to discharge its responsibilities by reviewing and overseeing the overall investment management of the Company.
- (ii) To set targets for Management and Fund Managers to achieve satisfactory returns of investment in the form of capital appreciation, interest and dividend income.

Remuneration Governance

The Company’s Managing Director/Chief Executive Officer is not paid a Director’s fee nor is he entitled to receive any meeting attendance allowance for the Board meetings that he attends. As the only Executive Director on the Board of the Company, his remuneration, which includes salary and bonus, comprised short term or long term incentives, in cash or benefits-in-kind, is derived from the Company.



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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Remuneration Governance (continued)

The Managing Director's sustainable remuneration package also includes performance bonus, in line with the Group's retention policy and risk-based approach. His Key Performance Indicators and remuneration are approved by the Board. The details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company during the financial year ended 31 December 2021) are, as follows:-

Name of Company's ED	Salary and Bonus (RM'000)	Other Emoluments (RM'000)	Benefits-In-Kind (RM'000)	Total (RM'000)
Kong Shu Yin	1,715	-	7	1,722
Name of Company's NEDs	Directors' Fees* (RM'000)	Other Emoluments** (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Jahanath Muthusamy <sup>^</sup>	161	42	25	228
Wong Pek Yee	128	63	-	191
Shaifubahrim Mohd Saleh	128	63	-	191
Donald Joshua Jaganathan	128	60	-	188
Sharifatu Laila Syed Ali <sup>#</sup>	43	14	-	57
Sub Total (NEDs)	588	242	25	855
Grand Total (MD + NEDs)	2,303	242	32	2,577

Notes:

\* Based on new Directors' fees.

\*\* Include Board Committees' allowances and meeting allowance.

<sup>^</sup> Appointed as Chairman on 28 May 2020

<sup>#</sup> Appointed as Director on 1 September 2021

The Board is mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company. The BNRC has been entrusted with discharging the remuneration strategies (as outlined in its Terms Of Reference). The Group has also established a common reference incorporating the NED Remuneration Framework. It is aimed at applying the general principles for the remuneration of NEDs to ensure that remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/Board Committees. The level of remuneration reflects the level of responsibility undertaken by the particular NED concerned within the Company. It also takes into consideration practices within the industry and is reviewed at least once every two years.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Remuneration Governance (continued)

No.	Non-Executive Directors' Remuneration Scheme	Unrestricted/Non-Deferred	Total (RM'000)	Restricted/Deferred	Total (RM'000)
<b>A. Fixed-Type Remuneration</b>					
i	Cash-based	<ul style="list-style-type: none"> <li>• Fixed Fees <ul style="list-style-type: none"> <li>• Directors' Fees<sup>1</sup></li> <li>• Board Committees' Allowances<sup>2</sup></li> <li>• Chairmen's premium<sup>3</sup> for various Board &amp; Board Committees</li> <li>• Emoluments<sup>4</sup></li> </ul> </li> </ul>	690	-	Nil
ii	Shares & share-linked instruments	-	Nil	-	Nil
iii	Others	Benefits-In-Kind <sup>5</sup>	25	-	Nil
<b>B. Variable-Type Remuneration</b>					
i	Cash-based	Meeting Attendance Allowance <sup>6</sup>	140	-	Nil
ii	Shares & Share-Linked Instruments	-	Nil	-	Nil
iii	Others	Directors' & Officers' Liability Insurance <sup>7</sup>	40	-	Nil

Notes:

The overall remuneration package of the NEDs of the Group/Company comprises the following components:-

1. *Directors' Fees*

NEDs are entitled to annual Directors' fees, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company. As part of a periodical review to ensure the Company remains competitive against its peers and with the heightened responsibilities and accountabilities under the Companies Act 2016, the Financial Services Act 2013 and the Malaysian Code on Corporate Governance 2017. Total Directors' fees paid/payable to the Directors for financial year 2021 were RM588,141.05.

2. *Board Committee Allowances*

NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

3. *Chairmen's Premium*

The Chairmen of various Boards and Board Committees as the Chairman are entitled to receive a premium above the normal respective Board and Board Committee allowances, which shall be paid on an annual basis at the end of each financial year.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

Remuneration Governance (continued)

Notes:

*The overall remuneration package of the NEDs of the Group/Company comprises the following components (continued):-*

4. *Farewell Pot*  
*All NEDs will be awarded with 'Farewell Pot' scheme upon his/her exit from the Group, in recognition of their services and commitments to the Group. Under the 'Farewell Pot' scheme, any NED who leaves the Group would be entitled to RM3,000 as a one-off payment or as decided by the BNRC.*
5. *Benefits-in-kind*  
*Benefits are accorded to the Chairmen of the Group, consisting amongst others the provision of a company car, driver and petrol allowance.*
6. *Meeting attendance allowance*  
*NEDs are also entitled to meeting attendance allowances when they attend the Board/Board Committee meetings.*
7. *Directors' & Officers' ("D&O") Liability Insurance*  
*The insurance covers the Group's Directors in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards a portion of the premiums of the said policy.*

The remuneration structure and package for the (NEDs) are approved by the shareholders at the Company's Annual General Meeting. Further information on the total remuneration of the Directors from the Company is available under Note 26 on pages 52 to 53.

Policies and procedures, including the nomination framework for the Directors and Senior Management are reviewed regularly to ensure the remuneration levels are:-

- Commensurate with the responsibilities, risks and time commitment; and
- Market-competitive and sufficient to attract and retain quality people but yet not excessive.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

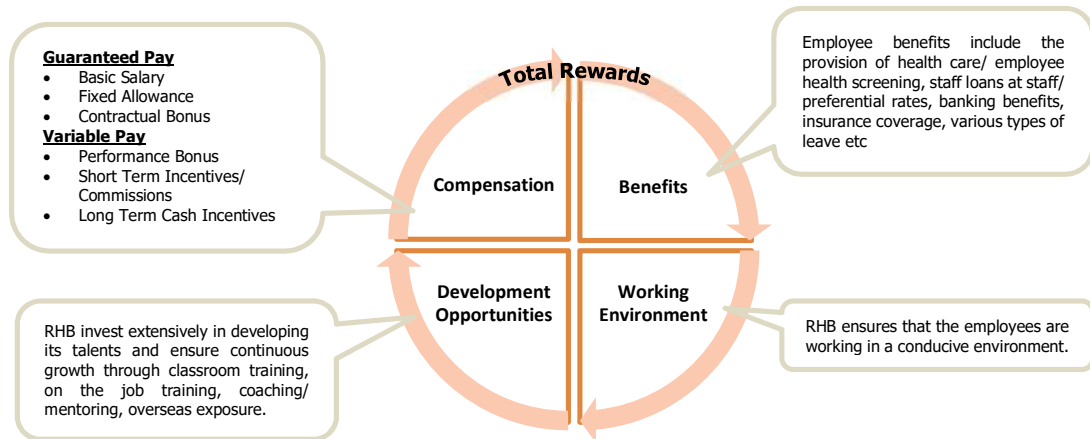
**RHB Total Rewards**

RHB's Total Rewards Philosophy consists of four (4) key principles as follows:-

- 1) To support and promote a high performance culture to deliver the Group's vision.
- 2) To provide a balanced approach between fixed and variable compensation that reflects individual's seniority and level of accountability.
- 3) To promote a strong performance and reward linkage while incorporating risk and compliance management (to fulfill risk control objective) as part of the key performance indicators for remuneration decisions.
- 4) To be competitive with market practice; tailored to specific market i.e. Financial Industry the entity is operating in and aligned to internal philosophy.

The Total Rewards Policy was reviewed by the Board Nominating and Remuneration Committee ("BNRC") and approved by the Board. The policy acts as a guide when designing and implementing remuneration programs and is applicable to all employees in Malaysia and Overseas.

The Policy is guided by RHB's Total Rewards Model that covers all aspects of work that employees value, both tangible and intangible. The components of the model are illustrated below:-



RHB's philosophy of fair remuneration is critical to attract, retain and motivate employees and is within the ambit of RHB's risk appetite. It provides the roadmap to govern our reward strategy and is aligned with the business strategies, corporate values and long-term interests of the organization. RHB's remuneration shall be in alignment with Bank Negara Malaysia's Corporate Governance.

The remuneration for Senior Management including the Managing Directors and Group Management Committee members and the Other Material Risk Takers are being reviewed on an annual basis and deliberated at the BNRC and Board for approval.

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**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)**

RHB Total Rewards (continued)

Tabulated below is the remuneration summary for FY2021 for the Senior Management and Other Material Risk Takers.

Total value of remuneration awards for the financial year ended 2021	Senior Management (1 Headcount)		Other Material Risk Takers (8 Headcounts)	
	Unrestricted/ Non-Deferred	Restricted/ Deferred	Unrestricted/ Non-Deferred	Restricted/ Deferred
<b>Fixed remuneration</b>				
- Cash-based	1,152,960	-	3,769,816	-
- Shares and share-linked instruments	-	-	-	-
- Others	8,726	-	-	-
<b>Variable remuneration</b>				
- Cash-based	560,560	-	936,125	112,000
- Shares and share-linked instruments	-	-	-	-
- Others	-	-	-	-

Notes:

*Figures presented in the table are in Ringgit Malaysia.*

**RISK MANAGEMENT AND INTERNAL CONTROL**

Introduction

The Directors acknowledge the importance of having effective and reliable systems of internal control and risk management. These systems cover not only financial but also operational and compliance controls as well as risk management. The system, by its nature, can only provide reasonable but not absolute assurance against misstatement, loss or fraud.

Pursuant to Guidance 22.2 of Bank Negara Malaysia's Policy Document on Corporate Governance, RHB Insurance Berhad leverages on RHB Banking Group's risk management and internal control framework and policies. As such, details of the Group's risk management and internal control framework and policies can be found within the RHB Bank Berhad's Integrated Report 2021 available at [www.rhbgroup.com](http://www.rhbgroup.com).

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**RHB INSURANCE BERHAD**  
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**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

	<u>Note</u>	<u>2021</u> RM'000	<u>2020</u> RM'000
<b>ASSETS</b>			
Property, plant and equipment	5	20,760	16,917
Right of use assets – property office	6	4,787	5,647
Intangible assets - computer software	7	25,421	24,775
Investments	8	1,027,397	1,040,573
- Fair value through profit or loss (“FVTPL”)		1,009,104	1,022,686
- Loans and receivables		18,293	17,887
Deferred tax assets	18	3,271	-
Reinsurance assets	10	435,342	467,504
Insurance receivables	11	47,901	42,890
Other receivables	12	48,169	52,908
Tax recoverable		1,030	4,684
Cash and cash equivalents	13	130,250	100,698
Total assets		<u>1,744,328</u>	<u>1,756,596</u>
<b>LIABILITIES</b>			
Insurance contract liabilities	14	1,068,687	1,086,385
Insurance payables	15	14,311	9,267
Other payables	16	77,911	65,423
Lease liabilities	17	6,565	6,219
Deferred tax liabilities	18	-	11,546
Total liabilities		<u>1,167,474</u>	<u>1,178,840</u>
<b>SHAREHOLDERS' FUND</b>			
Share capital	19	100,000	100,000
Retained earnings	20	476,854	477,756
		<u>576,854</u>	<u>577,756</u>
Total liabilities and shareholders' fund		<u>1,744,328</u>	<u>1,756,596</u>

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

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**RHB INSURANCE BERHAD**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>Note</u>	<u>2021</u> RM'000	<u>2020</u> RM'000
Gross earned premiums	21	704,190	695,005
Premiums ceded to reinsurers	21	(225,544)	(211,632)
Net earned premiums	21	<u>478,646</u>	<u>483,373</u>
Investment income	22	40,968	48,837
Realised (losses)/gains	23	-	(24)
Fair value (losses)/gains	24	(57,550)	9,932
Reinsurance commission income		40,167	38,829
Other operating income		1,042	2,603
Other income		<u>24,627</u>	<u>100,177</u>
Gross claims paid	14(a)	(287,354)	(349,813)
Claims ceded to reinsurers	14(a)	115,329	151,386
Gross change to claims liabilities	14(a)	23,087	4,202
Change in claims liabilities ceded to reinsurers	14(a)	(30,762)	(40,802)
Net claims		<u>(179,700)</u>	<u>(235,027)</u>
Commission expense		(84,116)	(80,042)
Management expenses	25	(116,984)	(117,880)
Other operating expenses		(1,454)	-
Other expenses		<u>(202,554)</u>	<u>(197,922)</u>
Profit before taxation		121,019	150,601
Taxation	27	(21,921)	(29,437)
Net profit for the financial year, representing total comprehensive income for the financial year		<u>99,098</u>	<u>121,164</u>
Basic earnings per share (sen)	28	<u>99.10</u>	<u>121.16</u>

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

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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>Issued and fully paid ordinary shares</u>		<u>Retained earnings</u> RM'000	<u>Total</u> RM'000
	<u>No. of shares</u> '000 units	<u>Share capital</u> RM'000		
<u>2021</u>				
At 1 January 2021	100,000	100,000	477,756	577,756
Total comprehensive income for the financial year	-	-	99,098	99,098
Dividends paid during the financial year (Note 29)	-	-	(100,000)	(100,000)
At 31 December 2021	<u>100,000</u>	<u>100,000</u>	<u>476,854</u>	<u>576,854</u>
<u>2020</u>				
At 1 January 2020	100,000	100,000	531,592	631,592
Total comprehensive income for the financial year	-	-	121,164	121,164
Dividends paid during the financial year (Note 29)	-	-	(175,000)	(175,000)
At 31 December 2020	<u>100,000</u>	<u>100,000</u>	<u>477,756</u>	<u>577,756</u>

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



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**RHB INSURANCE BERHAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<u>2021</u> RM'000	<u>2020</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial year	99,098	121,164
Adjustment for:		
Realised losses on property, plant and equipment	-	24
Fair value losses/(gains) on FVTPL investments	57,550	(9,932)
Write-back on impairment loss on insurance receivables	(3,117)	(5,618)
Bad debts written off and recovered	238	633
Depreciation of property, plant and equipment	2,074	2,132
Depreciation of right-of-use assets	2,616	2,573
Amortisation of intangible assets - computer software	3,704	3,203
Investment income	(40,968)	(48,837)
Unrealised losses/(gains) on foreign exchange	1,454	(560)
Taxation expense	21,921	29,437
	<hr/> 144,570	<hr/> 94,219
Purchase of fair value through profit or loss investments	(98,967)	(86,199)
Proceeds from sale of fair value through profit or loss investments	55,000	98,000
Increase in loans and receivables	(406)	(447)
Interest received	2,209	2,832
Dividend received	38,880	46,099
(Increase)/decrease in insurance receivables	(1,766)	7,553
Decrease in other receivables	4,617	2,326
Decrease in insurance contract liabilities	(17,697)	(20,501)
Decrease in reinsurance assets	32,162	42,671
Increase/(decrease) in insurance payables	5,044	(5,601)
Increase in other payables	14,467	7,333
	<hr/> 178,113	<hr/> 188,285
Cash generated from operations	178,113	188,285
Income taxes paid	(33,085)	(22,013)
	<hr/> 145,028	<hr/> 166,272
Net cash generated from operating activities	145,028	166,272

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

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**RHB INSURANCE BERHAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	<u>Note</u>	<u>2021</u> RM'000	<u>2020</u> RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(7,672)	(8,790)
Purchase of intangible assets - computer software		(4,350)	(274)
Proceeds from sale of property, plant and equipment		-	(24)
		<hr/>	<hr/>
Net cash used in investing activities		(12,022)	(9,088)
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividends paid		(100,000)	(175,000)
Lease payments		(1,634)	(2,121)
		<hr/>	<hr/>
Net cash used in financing activities		(101,634)	(177,121)
		<hr/>	<hr/>
Effect on exchange rate changes on cash and cash equivalents		(1,820)	710
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29,552	(19,227)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		100,698	119,925
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	13	130,250	100,698
		<hr/> <hr/>	<hr/> <hr/>

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

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**RHB INSURANCE BERHAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

Analysis of changes in liabilities arising from financing activity is as follows:

	RM'000
<b>Leases</b>	
At 1 January 2020	2,888
<b>Cash changes:</b>	
Repayment	(2,121)
<b>Non-cash changes:</b>	
Additions (Note 6)	5,356
Accrued interest	96
At 31 December 2020	<u>6,219</u>
<b>Cash changes:</b>	
Repayment	(1,634)
<b>Non-cash changes:</b>	
Additions (Note 6)	1,756
Accrued interest	224
At 31 December 2021	<u><u>6,565</u></u>

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

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**RHB INSURANCE BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021**

**1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION**

The Company, a public limited liability company, incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

The Company's immediate and ultimate holding company is RHB Bank Berhad, a company incorporated in Malaysia.

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVTPL").

The preparation of financial statements in conformity with 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 at 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 Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

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 4 to the financial statements.

- (a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are effective.

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 January 2021 are as follows:

- (i) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 & MFRS 16 – 'Interest Rate Benchmark Reform - Phase 2'

The Phase 1 amendments, which were effective on 1 January 2020, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of interbank offered rate ('IBOR') reform.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**

- (a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are effective (continued)

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 January 2021 are as follows (continued):

- (i) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 & MFRS 16 – 'Interest Rate Benchmark Reform - Phase 2' (continued)

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide practical expedient allowing entities to update the effective interest rate (for instruments measured at amortised cost, lessees and insurers applying the temporary exemption from MFRS 9) to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

The Phase 2 amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. These amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

- (ii) Amendment to MFRS 16 'COVID-19-Related Rent Concessions'

In 2020, MFRS 16 'Leases' was amended to provide an optional practical expedient to the lessees on accounting for COVID-19-related rent concessions, such as rent holidays and temporary rent reductions of which payments are originally due on or before 30 June 2021.

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Company.

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.

- (i) Amendment to MFRS 16 'COVID-19-Related Rent Concessions' beyond 30 June 2021 - effective 1 April 2021

The 2021 amendment extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendments shall be applied prospectively.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(ii) Amendments to MFRS 116 'Proceeds Before Intended Use' - effective 1 January 2022

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment ('PPE') the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments shall be applied retrospectively.

(iii) Amendments to MFRS 3 'Reference to the Conceptual Framework' Use' - effective 1 January 2022

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the 2018 Conceptual Framework.

The amendments are not expected to change the current accounting for business combinations on acquisition date. In replacing all references to the Framework with the 2018 Conceptual Framework, the IASB did not intend to make significant changes to the requirements of IFRS Standards containing those references. Hence, the IASB introduced the new exception to the recognition principle for liabilities falling within the scope of IAS 37 and IC 21.

Liabilities and contingent liabilities (whose existence could only be confirmed by an uncertain future event) that are within the scope of MFRS 137 or IC 21 shall be recognised as part of the business combination in accordance with the principles in the respective MFRS/IC. Accordingly, these liabilities and levies would not be recognised on acquisition date even though these would have met the definition of a liability according to the 2018 Conceptual Framework.

The amendments shall be applied prospectively.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(iv) Annual Improvements to Illustrative Example accompanying MFRS 16 'Leases: Lease Incentives' - effective 1 January 2022

The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

(v) Annual Improvements to MFRS 9 'Fees in the '10 Percent' Test for Derecognition of Financial Liabilities' - effective 1 January 2022

When entities restructure their loans with the existing lenders, MFRS 9 requires management to quantitatively assess the significance of the difference between cash flows of the existing and new loans (commonly known as the '10% test').

This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender are included in the 10% test. Any fees paid to third parties should be excluded. This amendment will impact the result of the 10% test and accordingly affect the amount of gain or loss recognised in profit or loss.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

(vi) Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract' - effective 1 January 2022

The amendments clarify that direct cost of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments shall be applied to contracts for which the entity has yet to fulfil all its obligations at the beginning of annual reporting period in which the amendments are first applied.

Comparative information is not restated.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(vii) Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' - effective 1 January 2023

Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' 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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it should disclose that fact.

(viii) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates - effective 1 January 2023

**Amendments on disclosure of accounting policies**

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(viii) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates - effective 1 January 2023 (continued)

**Amendments on definition of accounting estimates**

The amendments to MFRS 108, redefined accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

(ix) MFRS 17 'Insurance Contracts' - effective 1 January 2023

The MASB had on 17 August 2020 issued the following pronouncements:

- Deferral of the effective date of the amendments to MFRS 101 'Classification of liabilities as current or non-current' to 1 January 2023. The amendments were previously effective for annual periods beginning on or after 1 January 2022.
- MFRS 4 'Insurance contracts' - Extension of the Temporary Exemption from Applying MFRS 9. Expiry date of the temporary exemption from applying MFRS 9 deferred to annual periods beginning on or after 1 Jan 2023.
- Amendments to MFRS 17 'Insurance contracts' effective for annual reporting periods beginning on or after 1 January 2023.

(x) Amendments to MFRS 112 on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' - effective 1 January 2023

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, companies are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective above are not expected to give rise to any material financial impact to the Company, except for the adoption of MFRS 17, of which the cumulative impact upon adoption will be recognised in the retained earnings as at 1 January 2022 (transition date), and with enhanced disclosures.

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## RHB INSURANCE BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

#### 3 SIGNIFICANT ACCOUNTING POLICIES

##### (a) Financial assets

###### (i) Classification

The Company classifies its financial assets into the following measurement categories:

- Those to be measured at fair value through profit or loss; and
- Those to be measured at amortised cost.

The classification of debt instruments depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

###### (a) Business model assessment

The Company conducts assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

###### (b) Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Company assesses whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Financial assets (continued)

(ii) Recognition and derecognition

A financial asset is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase and sell the assets.

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

(iii) Measurement

At initial recognition, the Company measures a financial asset at fair value plus transaction costs that are directly attributable to acquisition of the financial asset in the case of a financial asset not FVTPL. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Subsequent measurement of debt instruments depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Company classifies its debt instruments:

(1) Financial investments at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated as fair value through profit or loss ('FVTPL'), are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised in profit or loss. The interest income is recognised in profit or loss using the effective interest rate method. Upon derecognition, any gain or loss will be recognised in profit or loss and presented under 'other operating income'.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Financial assets (continued)

(iii) Measurement (continued)

(a) Debt instruments (continued)

(2) Financial assets at FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the income statements within 'net gain/(loss) arising from financial assets FVTPL' in the period in which it arises. The interest income is recognised in profit or loss using the effective interest rate method.

(b) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuers' perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuers' net assets.

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) Financial assets (continued)

(iii) Measurement (continued)

(b) Equity instruments (continued)

The Company measures all equity instruments at FVTPL, except where the management has elected, at initial recognition, to irrevocably designate an equity instrument as FVOCI. The Company's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to income statements, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the Company's right to receive payments is established.

Gains and losses on equity instruments at FVTPL are included in the 'net gain/(loss) arising from financial assets FVTPL' in profit or loss.

(iv) Reclassification policy

Reclassification of financial assets is required when, and only when, the Company changes its business model for managing the assets. In such cases, the Company is required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

(v) Impairment

MFRS 9 requires the recognition of expected credit loss ("ECL") for all financial assets, except for financial assets classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment.

The Company applies the MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for insurance receivables. The expected loss allowance is based on a provisional matrix with the usage of forward-looking information in determining the ECL, including the use of macroeconomic information.

There are three main components to measure ECL which are probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"). In determining the ECL, management will evaluate a range of possible outcomes, taking into account past loss experience, current conditions/trends and economic outlook.

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in profit or loss during the financial period in which they are incurred.

Freehold land, buildings in progress and renovations in progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis to write down their costs to their residual values over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3.33%
Motor vehicles	20%
Furniture, fixtures and fittings, office equipment	10% to 20%

\* The remaining period of the lease ranges from 3 to 95 years.

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would render disclosure in the financial statement.

From 1 January 2019, leased assets (including leasehold land) are presented as a separate line item in the statement of financial position as right of use. Refer to accounting policy Note 3(d) on leases. Up to 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease are amortised in equal instalments over the period of the respective leases that range from 3 to 95 years.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

At the end of the reporting period, the Company assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to Note 3(f) on the impairment of non-financial assets.

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Company have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to Note 3(f) on impairment of non-financial assets.

(a) Computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licenses are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 3 to 10 years.

(d) Leases - where the Company is the Lessee

From 1 January 2019, leases are recognised as right of use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

In applying MFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117 : the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(i) Lease term

In determining the lease term, 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).

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d) Leases where the Company is the Lessee (continued)

(i) Lease term (continued)

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company, and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iv) below).

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

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

(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 incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase and extension options if the Company are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.



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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(d) Leases where the Company is the Lessee (continued)

(iii) Lease liabilities (continued)

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 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 ROU in a similar economic environment with similar term, security and conditions.

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

Variable lease payments that depend on sales are recognised in income statements in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the other interest expenses in profit or loss.

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) 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 small items of office furniture. Payments associated with short term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Investment income**

Interest income is recognised using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

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

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

Dividend income is recognised when the right to receive payment is established.

**(f) Impairment of non-financial assets**

Non-financial 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. An impairment loss is recognised for the amount by which the carrying amount of the non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flows or cash-generating unit (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in profit or loss.

**(g) Insurance receivables**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h) General insurance underwriting results

Product classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

Premium income

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the date of statement of financial position, are accrued at the date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statement as and when the statements of account are received.

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

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h) General insurance underwriting results (continued)

Premium liabilities

Premium liabilities refer to the higher of:

- (i) the aggregate of the unearned premium reserves,  
  
or
- (ii) the best estimate value of the insurer's unexpired risk reserves at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

Unearned premium reserves ("UPR") represent the portion of premium income not yet earned at the date of statement of financial position. UPR is computed with reference to the month of accounting for the premium on the following bases:

- (i) 25% method for marine and aviation cargo, and transit business;
- (ii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
- (iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of statement of financial position. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premium is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h) General insurance underwriting results (continued)

Reinsurance

The Company cedes insurance risk in the normal course of business for all 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 Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in income statement immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h) General insurance underwriting results (continued)

Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the date of statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled. The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

(i) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Income taxes**

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In the case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome. Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

**(k) Employee benefits**

**(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Company.

**(ii) Defined contribution plan**

The Company contributes to the Employees' Provident Fund, the national defined contribution plan. The Company's contributions to the defined contribution plan are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further legal or constructive obligations.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(l) Contingent liabilities and contingent assets

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

(m) Cash and cash equivalents

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

(n) Dividends

Dividends on ordinary shares are recognised as liabilities when the obligation to pay is established.

(o) Fair value of financial instruments

The basis of estimation of fair values for financial instruments is as follows:

- (i) The fair values of Malaysian Government Securities and BNM Notes are based on the indicative middle prices obtained from BNM.
- (ii) The fair values of corporate debt securities are based on quotations from Bondweb.
- (iii) The fair value of wholesale unit trust fund is based on the fair value of the underlying assets in the fund.
- (iv) The carrying amounts of other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(p) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.



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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

The estimation of claims liabilities or equivalently, the ultimate claims liability arising from claims made under an insurance contract, is the Company's most critical accounting estimate.

The value of claim liabilities consists of the best estimate value of the claim liabilities and PRAD calculated at the overall Company level. PRAD is the component of the value of the insurance liabilities that relates to the uncertainty inherent in the best estimate. PRAD is an additional component of the liability value aimed at ensuring that the value of the insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. For the purpose of this valuation basis and in compliance with the RBC Framework, the level of confidence shall be at 75% on an overall Company level.

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

(b) Critical judgement in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific accounting policy could materially affect the reported results and financial position of the Company. However, the Directors are of the view that there are currently no accounting policies which require significant judgement to be exercised in their application.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

5 **PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings, office Equipment RM'000	Assets work in progress RM'000	Total RM'000
<u>2021</u>						
<u>Net book value</u>						
At beginning of financial year	544	264	264	4,275	11,570	16,917
Additions at cost	-	-	-	1,032	4,885	5,917
Depreciation charge	(20)	(11)	(56)	(1,987)	-	(2,074)
At end of financial year	524	253	208	3,320	16,455	20,760
<u>2020</u>						
<u>Net book value</u>						
At beginning of financial year	552	271	211	4,794	9,012	14,840
Additions at cost	-	-	283	1,526	6,981	8,790
Disposals	-	-	(164)	-	-	(164)
Reclassifications	-	-	-	6	(4,423)	(4,417)
Depreciation charge	(8)	(7)	(66)	(2,051)	-	(2,132)
At end of financial year	544	264	264	4,275	11,570	16,917
<u>2021</u>						
Cost	729	422	775	33,444	16,455	51,825
Accumulated depreciation	(205)	(169)	(567)	(30,124)	-	(31,065)
Net book value	524	253	208	3,320	16,455	20,760
<u>2020</u>						
Cost	729	422	775	32,436	11,570	45,932
Accumulated depreciation	(185)	(158)	(511)	(28,161)	-	(29,015)
Net book value	544	264	264	4,275	11,570	16,917

As at 31 December 2021, included in the carrying value of leasehold land and buildings of the Company are right of use assets relating to leasehold land and buildings amounting to RM524,000 (2020: RM544,000) and RM253,000 (2020: RM264,000) respectively.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

6 RIGHT OF USE ASSETS – PROPERTY OFFICE

	<u>2021</u> RM'000	<u>2020</u> RM'000
<u>Cost</u>		
At beginning of financial year	13,350	7,994
Additions	1,756	5,356
At end of financial year	<u>15,106</u>	<u>13,350</u>
<u>Accumulated depreciation</u>		
At beginning of financial year	7,703	5,130
Depreciation for the financial year	2,616	2,573
At end of financial year	<u>10,319</u>	<u>7,703</u>
<u>Net book value</u>		
At end of financial year	<u>4,787</u>	<u>5,647</u>

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**7 INTANGIBLE ASSETS – COMPUTER SOFTWARE**

	<u>2021</u> RM'000	<u>2020</u> RM'000
<u>Cost</u>		
At beginning of financial year	42,272	38,021
Additions	4,350	274
Reclassification from property, plant and equipment	-	3,977
	<hr/>	<hr/>
At end of financial year	46,622	42,272
	<hr/> <hr/>	<hr/> <hr/>
<u>Accumulated amortisation</u>		
At beginning of financial year	17,497	14,459
Reclassification from property, plant and equipment		(165)
Amortisation for the financial year	3,704	3,203
	<hr/>	<hr/>
At end of financial year	21,201	17,497
	<hr/> <hr/>	<hr/> <hr/>
<u>Net book value</u>		
At end of financial year	25,421	24,775
	<hr/> <hr/>	<hr/> <hr/>

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**8 INVESTMENTS**

	<u>2021</u> RM'000	<u>2020</u> RM'000
Wholesale unit trust funds	1,009,104	1,022,686
Staff loans	23	13
Fixed and call deposits	18,270	17,874
	<u>1,027,397</u>	<u>1,040,573</u>

The Company's investments are summarised by categories as follows:

	<u>2021</u> RM'000	<u>2020</u> RM'000
Fair value through profit or loss	1,009,104	1,022,686
Loans and receivables	18,293	17,887
	<u>1,027,397</u>	<u>1,040,573</u>

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8 INVESTMENTS (CONTINUED)

	<u>2021</u> RM'000	<u>2020</u> RM'000	
(a) Fair value through profit or loss ("FVTPL")			
<u>At fair value</u>			
Unquoted in Malaysia:			
- Wholesale unit trust funds (Note 9)	1,009,104	1,022,686	
	<u>1,009,104</u>	<u>1,022,686</u>	
(b) Loans and receivables ("LAR")			
<u>At amortised cost</u>			
- Loans	23	13	
- Fixed and call deposits	18,270	17,874	
	<u>18,293</u>	<u>17,887</u>	
(c)			
	<u>Fair value through profit or loss</u> RM'000	<u>Loans and receivables</u> RM'000	<u>Total</u> RM'000
At 1 January 2021	1,022,686	17,887	1,040,573
Purchases	98,968	406	99,374
Disposals	(55,000)	-	(55,000)
Fair value losses recorded in profit or loss (Note 24)	(57,550)	-	(57,550)
At 31 December 2021	<u>1,009,104</u>	<u>18,293</u>	<u>1,027,397</u>
At 1 January 2020	1,024,555	17,440	1,041,995
Purchases	86,199	447	86,646
Disposals	(98,000)	-	(98,000)
Fair value gains recorded in profit or loss (Note 24)	9,932	-	9,932
At 31 December 2020	<u>1,022,686</u>	<u>17,887</u>	<u>1,040,573</u>

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8 INVESTMENTS (CONTINUED)

(d)

	Fair value through profit or loss <u>RM'000</u>	<u>Total</u> RM'000
<u>2021</u>		
Level 2 - Valuation techniques – market observable inputs	1,009,104	1,009,104
	<u>1,009,104</u>	<u>1,009,104</u>
<u>2020</u>		
Level 2 - Valuation techniques – market observable inputs	1,022,686	1,022,686
	<u>1,022,686</u>	<u>1,022,686</u>

(e) Fair value measurements

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2021</u>			
Fair value through profit and loss			
Wholesale unit trust funds	-	1,009,104	1,009,104
	<u>-</u>	<u>1,009,104</u>	<u>1,009,104</u>

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8 INVESTMENTS (CONTINUED)

(e) Fair value measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>2020</u>			
Fair value through profit and loss			
Wholesale unit trust funds	-	1,022,686	1,022,686
	<hr/>	<hr/>	<hr/>
	-	1,022,686	1,022,686
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There were no transfers between levels 1 and 2 during the financial year.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last quoted bid prices at the end of the reporting period. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Bursa Malaysia equity investments classified as trading securities.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**9 STRUCTURED ENTITIES**

The Company has determined that its investment in wholesale unit trust funds (“investee funds”) as investment in unconsolidated structured entities. The Company invests in the investee funds whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The investee funds are managed by AmInvestment Management Sdn Bhd, RHB Asset Management Sdn Bhd, Affin Hwang Asset Management Berhad and Opus Asset Management Sdn Bhd and apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund’s net assets.

The Company holds 100% of units in each of its investee fund and has control over these investee funds. 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.

These investee funds are classified as fair value through profit or loss and the change in fair value of each investee fund is included in the income statement.

Although the Company has control over these investee funds which are considered wholly owned structured entities, these structured entities are not consolidated by applying the exemption under MFRS 127 ‘Consolidated and Separate Financial Statements’ whereby the Company’s ultimate holding company, which is incorporated in Malaysia, RHB Bank Berhad, is presenting a set of consolidated financial statements at group level.

The Company’s exposure to investments in the investee funds is disclosed below.

	<u>2021</u>	<u>2020</u>
Number of wholesale unit trust funds	6	4
Average net asset value per unit of wholesale unit trust funds (RM):		
RHB Income Plus Fund 2	0.9851	1.0486
RHB Cash Management Fund 1	1.0000	1.0000
AmIncome Value	0.9900	1.0419
Affin Hwang Income Fund 1	1.0281	1.0932
Affin Hwang Income Extra Fund	1.0306	-
Opus Cash Extra Fund	1.0269	-
Fair value of underlying assets (RM’000):		
Malaysian Government securities	216,306	179,862
Debt securities	647,323	703,263
Call deposits	137,426	123,325
Receivables	7,907	16,168
Cash equivalents	142	68
	<u>1,009,104</u>	<u>1,022,686</u>
Total (loss)/gain	<u>(29,454)</u>	<u>28,096</u>

The Company’s maximum exposure to loss from its interests in the investee funds is equal to the total fair value of its investments in the investee funds.

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10 REINSURANCE ASSETS

	<u>2021</u> RM'000	<u>2020</u> RM'000
Claims liabilities (Note 14)	339,199	369,960
Premium liabilities (Note 14)	96,143	97,544
	<u>435,342</u>	<u>467,504</u>

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair value at the date of the statement of financial position.

11 INSURANCE RECEIVABLES

	<u>2021</u> RM'000	<u>2020</u> RM'000
Due premiums including agents, brokers and co-insurers balances	47,835	46,238
Due from reinsurers and cedants	4,613	4,315
	<u>52,448</u>	<u>50,553</u>
Allowance for impairment	(4,547)	(7,663)
	<u>47,901</u>	<u>42,890</u>

	<u>Gross amounts of recognised financial Assets</u> RM'000	<u>Gross amounts of recognised financial liabilities set off in the statement of financial position</u> (Note 15) RM'000	<u>Net amounts of financial assets presented in the statement of financial position</u> RM'000
<u>2021</u>			
Insurance receivables	49,934	(2,033)	47,901
<u>2020</u>			
Insurance receivables	46,637	(3,747)	42,890

There are no financial assets subject to enforceable master netting arrangement or similar agreements and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2021 Nil (2020: Nil).

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

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12 OTHER RECEIVABLES

	<u>2021</u> RM'000	<u>2020</u> RM'000
Other receivables, deposits and prepayments	2,804	2,948
Amount due from Malaysian Motor Insurance Pool ("MMIP")		
- Cash call	12,859	16,859
- Assets held in MMIP	32,045	32,469
Amount due from stock brokers	-	10
Dividend income receivable	461	622
	<u>48,169</u>	<u>52,908</u>

The balance with MMIP as at 31 December 2021 is a net receivable of RM21,903,000 (2020: net receivable RM19,702,000) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities included in Note 14 to the financial statements.

13 CASH AND CASH EQUIVALENTS

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

14 INSURANCE CONTRACT LIABILITIES

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>2021</u>			
Claims reported	480,422	(241,559)	238,863
Incurred but not reported claims ("IBNR")	283,161	(97,640)	185,521
	<u>763,583</u>	<u>(339,199)</u>	<u>424,384</u>
Claims liabilities (Note (a))	305,104	(96,143)	208,961
Premium liabilities (Note (b))	<u>1,068,687</u>	<u>(435,342)</u>	<u>633,345</u>
<u>2020</u>			
Claims reported	507,337	(289,228)	218,109
Incurred but not reported claims ("IBNR")	279,333	(80,732)	198,601
	<u>786,670</u>	<u>(369,960)</u>	<u>416,710</u>
Claims liabilities (Note (a))	299,715	(97,544)	202,171
Premium liabilities (Note (b))	<u>1,086,385</u>	<u>(467,504)</u>	<u>618,881</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

14 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

(a) Claims liabilities

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>2021</u>			
At 1 January 2021	786,670	(369,960)	416,710
Claims incurred for current accident year			
- Paid	106,150	(26,012)	80,138
- Case reserves	225,718	(72,483)	153,235
- IBNR	262,189	(85,518)	176,671
Claims incurred for prior accident year			
- Paid	181,204	(89,317)	91,887
- Case reserves	(542,307)	235,481	(306,826)
- IBNR	(256,041)	68,610	(187,431)
At 31 December 2021	<u>763,583</u>	<u>(339,199)</u>	<u>424,384</u>
<u>2020</u>			
At 1 January 2020	790,872	(410,763)	380,109
Claims incurred for current accident year			
- Paid	120,210	(29,068)	91,142
- Case reserves	253,511	(100,093)	153,418
- IBNR	238,761	(62,027)	176,734
Claims incurred for prior accident year			
- Paid	229,603	(122,318)	107,285
- Case reserves	(627,675)	280,528	(347,147)
- IBNR	(218,612)	73,781	(144,831)
At 31 December 2020	<u>786,670</u>	<u>(369,960)</u>	<u>416,710</u>

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14 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

(b) Premium liabilities

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>2021</u>			
At 1 January 2021	299,715	(97,544)	202,171
Premiums written for the financial year (Note 21)	709,579	(224,143)	485,436
Premiums earned during the financial year (Note 21)	(704,190)	225,544	(478,646)
	<u>305,104</u>	<u>(96,143)</u>	<u>208,961</u>
<u>2020</u>			
At 1 January 2020	316,014	(99,413)	216,601
Premiums written for the financial year (Note 21)	678,706	(209,763)	468,943
Premiums earned during the financial year (Note 21)	(695,005)	211,632	(483,373)
	<u>299,715</u>	<u>(97,544)</u>	<u>202,171</u>

15 **INSURANCE PAYABLES**

	<u>2021</u> RM'000	<u>2020</u> RM'000
Due to agents and intermediaries	10,029	5,039
Due to reinsurers and cedants	4,282	4,228
	<u>14,311</u>	<u>9,267</u>

	<u>Gross amounts of recognised financial liabilities</u> RM'000	<u>Gross amounts of recognised financial liabilities set off in the statement of financial position</u> (Note 11) RM'000	<u>Net amounts of financial liabilities presented in the statement of financial position</u> RM'000
<u>2021</u>			
Insurance payables	16,344	(2,033)	14,311
<u>2020</u>			
Insurance payables	13,014	(3,747)	9,267

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15 INSURANCE PAYABLES (CONTINUED)

There are no financial liabilities subject to enforceable master netting arrangement or similar agreements and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2021: Nil (2020: Nil).

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

16 OTHER PAYABLES

	<u>2021</u> RM'000	<u>2020</u> RM'000
Other payables	21,900	16,449
Other accrued expenses	27,689	24,944
Provision for staff bonus	11,773	8,898
Provision for advertising and marketing expenses	4,590	4,356
Provision for agents' profit commission	5,571	5,165
Provision for training expenses	6,388	5,611
	<u>77,911</u>	<u>65,423</u>

17 LEASE LIABILITIES

	<u>2021</u> RM'000	<u>2020</u> RM'000
Lease liabilities	6,565	6,219
Undiscounted cash flows of lease liabilities		
- Within one year	4,185	2,841
- One year to three years	2,577	4,943
	<u>6,762</u>	<u>7,784</u>

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18 DEFERRED TAX (LIABILITIES)/ASSETS

	<u>2021</u> RM'000	<u>2020</u> RM'000
At beginning of financial year	(11,546)	(6,164)
Transferred to in profit or loss (Note 27)	14,817	(5,382)
	<hr/>	<hr/>
At end of financial year	<u>3,271</u>	<u>(11,546)</u>

The movements in deferred tax (liabilities)/assets during the financial year comprise the tax effects of the following:

	<u>At beginning of financial year</u> RM'000	<u>(Charged)/ credited to profit or loss</u> RM'000	<u>At end of financial year</u> RM'000
<u>2021</u>			
Excess of capital allowances over depreciation	(4,181)	(587)	(4,768)
Amortisation of premiums/ (accretion of discounts) – net	1	-	1
Impairment loss on insurance receivables	(1,075)	1,740	665
Premium liabilities	451	(148)	303
Fair value changes on FVTPL financial assets	(6,742)	13,812	7,070
	<hr/>	<hr/>	<hr/>
Total	<u>(11,546)</u>	<u>14,817</u>	<u>3,271</u>

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18 DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

	At beginning of financial year	(Charged)/ credited to profit or loss	At end of financial year
	RM'000	RM'000	RM'000
<u>2020</u>			
Excess of capital allowances over depreciation	(1,814)	(2,367)	(4,181)
Amortisation of premiums/ (accretion of discounts) – net	1	-	1
Impairment loss on insurance receivables	(182)	(893)	(1,075)
Premium liabilities	189	262	451
Fair value changes on FVTPL financial assets	(4,358)	(2,384)	(6,742)
Total	<u>(6,164)</u>	<u>(5,382)</u>	<u>(11,546)</u>

19 SHARE CAPITAL

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>
	RM'000	of shares	RM'000	of shares
Ordinary shares:				
Issued and fully paid:				
At beginning and end of financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>



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20 RETAINED EARNINGS

The Company may distribute single tier exempt 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.

21 NET EARNED PREMIUMS

	<u>2021</u> RM'000	<u>2020</u> RM'000
(a) Gross earned premiums		
Gross written premiums	709,579	678,706
Change in premium liabilities	(5,389)	16,299
	<hr/>	<hr/>
Gross earned premiums	704,190	695,005
	<hr/>	<hr/>
(b) Premiums ceded		
Reinsurance premiums	(224,143)	(209,763)
Change in premium liabilities	(1,401)	(1,869)
	<hr/>	<hr/>
Premiums ceded to reinsurers	(225,544)	(211,632)
	<hr/>	<hr/>
Net earned premiums	478,646	483,373
	<hr/> <hr/>	<hr/> <hr/>

22 INVESTMENT INCOME

	<u>2021</u> RM'000	<u>2020</u> RM'000
Dividend income from FVTPL investments	38,719	46,146
Interest income from loans and receivables	2,249	2,691
	<hr/>	<hr/>
	40,968	48,837
	<hr/> <hr/>	<hr/> <hr/>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

23 REALISED GAINS/(LOSSES)

	<u>2021</u> RM'000	<u>2020</u> RM'000
Disposal of property, plant and equipment	-	(24)

24 FAIR VALUE GAINS AND LOSSES - NET

	<u>2021</u> RM'000	<u>2020</u> RM'000
Fair value (losses)/gains from FVTPL investments	(57,550)	9,932

25 MANAGEMENT EXPENSES

	<u>2021</u> RM'000	<u>2020</u> RM'000
<u>Personnel costs</u>		
Staff salary and bonus	55,213	52,875
Defined contribution plan	8,912	8,421
Other staff benefits	1,121	2,148
	<u>65,246</u>	<u>63,444</u>

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25 **MANAGEMENT EXPENSES (CONTINUED)**

	<u>2021</u> RM'000	<u>2020</u> RM'000
<u>Establishment costs</u>		
Rental of offices	274	862
Depreciation of property, plant and equipment	2,074	2,132
Depreciation of right of use assets	2,616	2,573
Amortisation of intangible assets – computer software	3,704	3,203
Others	1,226	1,344
	<hr/> 9,894	<hr/> 10,114
<u>Marketing costs</u>		
Electronic printing	4,504	8,847
Advertising and marketing expenses	6,989	1,885
Others	9,685	11,701
	<hr/> 21,178	<hr/> 22,433
<u>Administrative and general expenses</u>		
Auditors' remuneration		
Statutory audit	207	207
Other audit related	30	230
Write-back of impairment on insurance receivables	(3,117)	(5,618)
Bad debts written off	305	896
Bad debts recovered	(66)	(263)
Bank charges	3,743	3,779
Other expenses	19,564	22,658
	<hr/> 20,666	<hr/> 21,889
	<hr/> <hr/> 116,984	<hr/> <hr/> 117,880

Included in the personnel costs is the Chief Executive Officer's remuneration as disclosed in Note 26 to the financial statements.

Included in the administration and general expenses are other Directors' remuneration as disclosed in Note 26 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

26 DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	Salary and other remuneration, including meeting allowance RM'000	Benefits-in- kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
<u>2021</u>				
<u>Chief Executive Officer/ Managing Director</u> Kong Shu Yin	1,154	7	561	1,722
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>2020</u>				
<u>Chief Executive Officer/ Managing Director</u> Kong Shu Yin	1,138	7	457	1,602
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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26 DIRECTORS' REMUNERATION (CONTINUED)

	<u>Fees</u>	<u>Benefits-in-kind (based on an estimated monetary value)</u>	<u>Others*</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2021</u>				
<u>Non-executive Directors</u>				
Jahanath Muthusamy	161	25	42	228
Wong Pek Yee	128	-	63	191
Shaifubahrim Mohd Saleh	128	-	63	191
Donald Joshua Jaganathan	128	-	60	188
Sharifatu Laila Syed Ali	43	-	14	57
	<u>588</u>	<u>25</u>	<u>242</u>	<u>855</u>
<u>2020</u>				
<u>Non-executive Directors</u>				
Jahanath Muthusamy	156	25	54	235
Wong Pek Yee	135	-	58	193
Shaifubahrim Mohd Saleh	135	-	56	191
Donald Joshua Jaganathan	34	-	17	51
Tan Sri Saw Choo Boon	69	13	26	108
Datuk Seri Dr Govindan Kunchambo	56	-	25	81
	<u>585</u>	<u>38</u>	<u>236</u>	<u>859</u>

\* Others comprise of Directors' committee allowance, meeting allowance and other remuneration.

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27 TAXATION

	<u>2021</u> RM'000	<u>2020</u> RM'000
Malaysian taxation:		
Current taxation	36,738	24,055
Deferred taxation (Note 18)	(14,817)	5,382
	<u>21,921</u>	<u>29,437</u>
<u>Current taxation</u>		
Current financial year	35,601	26,436
Under/(over) provision in respect of prior financial years	1,137	(2,381)
	<u>36,738</u>	<u>24,055</u>
<u>Deferred taxation</u>		
Origination and reversal of temporary differences	(14,817)	5,382
	<u>21,921</u>	<u>29,437</u>

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	<u>2021</u> RM'000	<u>2020</u> RM'000
Profit before taxation	<u>121,019</u>	<u>150,601</u>
Tax calculated at a tax rate of 24%	29,045	36,144
Expenses not deductible for tax purposes	3,255	7,147
Income exempted for tax purposes	(11,516)	(11,473)
Under/(over) provision in respect of prior financial years	1,137	(2,381)
Tax expense	<u>21,921</u>	<u>29,437</u>

28 BASIC EARNINGS PER SHARE

The basic earnings per ordinary share has been calculated based on the net profit for the financial year amounting to RM99,097,000 (2020: RM121,164,000) divided by the number of ordinary shares in issue of 100,000,000 (2020: 100,000,000) during the financial year.

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29 DIVIDENDS

Dividends paid during the financial year are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Net dividend per share</u>	<u>Amount of dividend net of tax</u>	<u>Net dividend per share</u>	<u>Amount of dividend net of tax</u>
	Sen	RM'000	Sen	RM'000
In respect of the financial year ended 31 December 2019 – interim dividend	-	-	150.00	150,000
In respect of the financial year ended 31 December 2020 – interim dividend	-	-	25.00	25,000
In respect of the financial year ended 31 December 2020 – final dividend	75.00	75,000	-	-
In respect of the financial year ended 31 December 2021 – interim dividend	25.00	25,000	-	-
Total dividends paid	<u>100.00</u>	<u>100,000</u>	<u>175.00</u>	<u>175,000</u>

The Directors declared a single-tier interim dividend of 25 sen per share amounting to RM25,000,000 in respect of the financial year ended 31 December 2021. The interim dividend was approved by the Board of Directors on 26 July 2021 and paid on 8 October 2021.

30 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

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

<u>Related parties</u>	<u>Relationship</u>
RHB Bank Berhad	Immediate and ultimate holding company
Employees Provident Fund ('EPF')	Substantial shareholder of RHB Bank Berhad, a fund body that is significantly influenced by the government
Subsidiaries and associate of RHB Bank Berhad as disclosed in its financial statements	Subsidiaries of the immediate and ultimate holding company
Key management personnel	Key management personnel of the Company consists of: - All Directors of the Company; and - Member of the Group Management Committee ('GMC')
Related parties of key management personnel (deemed as related to the Company)	Close family members and dependents of key management personnel

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**30 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)**

The following are the significant related party transactions and balances in respect of transactions entered into during the current financial year. The related party transactions described below were on terms and conditions agreed between the Company and its related parties.

		<u>2021</u>	<u>2020</u>
		RM'000	RM'000
<u>Related party transactions</u>	<u>Nature of transaction</u>		
With subsidiaries of immediate and ultimate holding company	Interest income	2,202	2,358
	Insurance premium earned	16,301	14,961
	Commission paid and payable	(22,152)	(21,438)
	Rental expense	(369)	(369)
	Shared service fees	(6,245)	-
	Utilities charges	(2)	-
	Repairs and maintenance	(6)	-
With key management personnel	Insurance premium earned	119	138
	Claims paid	7	14
<u>Related party balances</u>	<u>Types of balances</u>		
With subsidiaries of immediate and ultimate holding company	Bank balances	1,668	24,608
	Fixed and call deposits	140,271	91,378
	Insurance premium receivable	2,101	1,815
	Shared service fees	(6,245)	-
	Fund management fees	(10)	-
		<u>                    </u>	<u>                    </u>
<u>Key management personnel</u>			
The remuneration of key management personnel is as follows:			
Short-term employee benefits			
- Salary and other remuneration		1,546	1,431
- Contribution to EPF		169	164
- Benefits in kind		7	7
		<u>                    </u>	<u>                    </u>
		1,722	1,602
		<u>                    </u>	<u>                    </u>

**31 CAPITAL COMMITMENTS**

	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Authorised and contracted for	700	1,921
	<u>                    </u>	<u>                    </u>



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32 **RISK MANAGEMENT FRAMEWORK**

(a) **Risk Management framework**

The Company operates within a defined set of principles and guidelines based on best practices that have been approved by the Board.

Risk is inherent in the Company's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides insurance risk, the Company is also exposed to a range of other risk types such as credit, market, liquidity, operational and legal, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

Effective risk management is fundamental to being able to drive sustainable growth and shareholder value, while sustaining competitive advantage, and is thus a central part of the proactive risk management of the Company.

The Enterprise Risk Management Framework governs the management of risks in the Company, as follows:

1. It provides a holistic overview of the risk and control environment, with risk management aimed towards loss minimisation and mitigation against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
2. It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are:

1. Risk Governance from the Boards of Directors of various operating entities within the Group.

The ultimate responsibility of the Boards of Directors in the Group is to ensure that an effective risk management strategy is in place and uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

The Board Risk Committee (BRC) is the principal Board Committee that provides oversight over risk management for the Company to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the overall risk management philosophy, frameworks, policies and models.

The responsibility for the supervision of the day to day management of enterprise risk management is managed by the risk management function. The Company's Investment Committee manages interest rate risk, market risk, credit risk and liquidity risk associated with Company's investments.

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32 **RISK MANAGEMENT FRAMEWORK (CONTINUED)**

(a) **Risk Management Framework (continued)**

2. **Clear Understanding of Risk Management Ownership**  
Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Company. The respective departments are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function.

3. **Institutionalisation of a Risk-focused Organisation**  
In addition to risk ownership, a risk-focused culture is promoted throughout the Company through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Company.

4. **Alignment of Risk Management to Business Strategies**  
The Enterprise Risk Management Framework serves to align the Company's business strategy to risk strategy, and vice-versa. This is articulated through the risk appetite setting and the Company's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite is set by the Board and reported through various metrics that enable the Company to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Company and the Group are prepared to accept in delivering its strategy.

5. **Optimisation of Risk-adjusted Return**  
One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Company. By linking risk to capital, the risk-adjusted return measure contributes to the creation of shareholder value by facilitating the allocation of capital to the businesses.

(b) **Capital Management Plan**

Capital Management Plan ("CMP") has been written to set out recommendation on the action plans to be taken by the Board and management of the Company in the event of Capital Adequacy Ratio ("CAR") falling below the internal target and the minimum supervisory requirement. The CMP requires the Board and management of the Company to undertake remedial actions to improve the Company's capital position in the event of CAR falling below predetermined thresholds within defined timeframe. The CMP is aligned to the Company's vision and mission. It is intended that through the guidance of Internal Capital Adequacy Assessment Process ("ICAAP") coupled with the CMP; strong alignment will be forged between the risk profile and capital adequacy. Capital adequacy shall be assessed in relation to the Company's own risk profiles, and strategies will be put in place to maintain appropriate capital levels. Through ICAAP, comprehensive risks are identified, measured and managed while adequate capital levels consistent with the risk profiles are maintained over and above the Individual Target Capital Level ("ITCL") after incorporating the Company's current and strategic planning under base and stressed conditions.

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**32 RISK MANAGEMENT FRAMEWORK (CONTINUED)**

(b) Capital Management Plan (continued)

With reference to the Policy Document on Stress Testing (BNM/RH/PD 029-7), the impact of the adverse scenarios on the capital position of the company is robustly assessed under several stress test scenarios by various stress magnitude.

CMP has been implemented for the Company to monitor and manage the CAR such that actions can be undertaken accordingly to prevent it from falling below ITCL.

**33 INSURANCE RISK**

Insurance risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company has instituted documented underwriting guidelines, underwriting authorities, risk management engineering and risk accumulation limits. Reinsurance is placed to minimise certain insurance risks within approved limits and security. Claims approval and settlement authorities are clearly defined for prudent control on financial exposure. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(a) Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claims, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

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33 **INSURANCE RISK (CONTINUED)**

(b) Sensitivity analysis

The insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

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 liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims 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 non-linear.

	Change in <u>assumptions</u>	Impact on gross <u>liabilities</u> RM'000	Impact on net <u>liabilities</u> RM'000	Impact on profit before <u>tax</u> RM'000	Impact on <u>equity</u> RM'000
<u>2021</u>					
Average claim cost	+10%	74,519	40,629	(40,629)	(30,878)
Average number of claims	+10%	57,452	34,843	(34,843)	(26,481)
Average claim settlement period	Increased by 6 months	10,692	5,829	(5,829)	(4,430)
<u>2020</u>					
Average claim cost	+10%	76,169	39,116	(39,116)	(29,728)
Average number of claims	+10%	57,102	34,136	(34,136)	(25,943)
Average claim settlement period	Increased by 6 months	11,641	6,347	(6,347)	(4,824)

(c) Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each date of statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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33 **INSURANCE RISK (CONTINUED)**

(c) **Claims development table (continued)**

Gross insurance claims liabilities for 2021:

	<u>Before</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year		376,174	398,549	471,308	532,463	527,252	424,635	407,727	
One year later		363,477	378,131	439,866	462,905	485,228	346,118		
Two years later		343,381	360,880	426,292	440,163	455,363			
Three years later		332,779	343,541	417,873	426,810				
Four years later		327,385	340,806	408,023					
Five years later		327,241	337,208						
Six years later		323,284							
Seven years later									
<b>Current estimate of cumulative claims incurred</b>		323,284	337,208	408,023	426,810	455,363	346,118	407,727	
At end of accident year		(98,970)	(108,495)	(155,795)	(185,153)	(147,498)	(120,208)	(106,150)	
One year later		(235,621)	(209,175)	(283,938)	(317,115)	(276,206)	(200,896)		
Two years later		(269,854)	(251,432)	(323,412)	(358,800)	(342,289)			
Three years later		(279,804)	(290,675)	(368,529)	(377,202)				
Four years later		(284,136)	(296,912)	(372,189)					
Five years later		(285,924)	(303,010)						
Six years later		(286,844)							
Seven years later									
<b>Cumulative payments to-date</b>		(286,844)	(303,010)	(372,189)	(377,202)	(342,289)	(200,896)	(106,150)	
<b>Net insurance claims liabilities per Statement of Financial Position (note14(a))</b>	47,632	36,440	34,198	35,833	49,608	113,073	145,221	301,577	763,583

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33 INSURANCE RISK (CONTINUED)

(c) Claims development table (continued)

Net insurance claims liabilities for 2021:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		212,416	231,669	256,432	329,794	304,953	281,975	270,757	
One year later		196,319	212,650	244,429	301,115	275,600	236,119		
Two years later		187,021	204,236	243,951	288,822	256,414			
Three years later		181,112	202,471	241,046	278,526				
Four years later		180,967	201,607	235,327					
Five years later		180,703	198,950						
Six years later		177,635							
Seven years later									
<b>Current estimate of cumulative claims incurred</b>		177,635	198,950	235,327	278,526	256,414	236,119	270,757	
At end of accident year		(73,052)	(80,129)	(105,430)	(141,728)	(107,517)	(91,141)	(80,138)	
One year later		(139,947)	(142,961)	(188,866)	(223,323)	(177,151)	(143,324)		
Two years later		(160,294)	(172,886)	(210,206)	(243,648)	(200,211)			
Three years later		(167,922)	(181,960)	(218,039)	(251,354)				
Four years later		(170,993)	(185,287)	(219,977)					
Five years later		(172,230)	(187,305)						
Six years later		(172,986)							
Seven years later									
<b>Cumulative payments to-date</b>		(172,986)	(187,305)	(219,977)	(251,354)	(200,211)	(143,324)	(80,138)	
<b>Net insurance claims liabilities per Statement of Financial Position (note14(a))</b>	25,951	4,649	11,645	15,350	27,172	56,203	92,795	190,619	424,384

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33 INSURANCE RISK (CONTINUED)

(d) Claims development table (continued)

Gross insurance claims liabilities for 2020:

	<u>Before</u> <u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		363,486	376,174	398,549	471,308	532,463	527,252	424,635	
One year later		339,386	363,477	378,131	439,866	462,905	485,228		
Two years later		315,647	343,381	360,880	426,292	440,163			
Three years later		316,206	332,779	343,541	417,873				
Four years later		314,269	327,385	340,806					
Five years later		311,125	327,241						
Six years later		311,078							
Seven years later									
<b>Current estimate of cumulative claims incurred</b>		<u>311,078</u>	<u>327,241</u>	<u>340,806</u>	<u>417,873</u>	<u>440,163</u>	<u>485,228</u>	<u>424,635</u>	
At end of accident year		(91,529)	(98,970)	(108,495)	(155,795)	(185,153)	(147,497)	(120,208)	
One year later		(222,518)	(235,621)	(209,175)	(283,938)	(317,115)	(276,206)		
Two years later		(262,001)	(269,854)	(251,432)	(323,412)	(358,800)			
Three years later		(274,897)	(279,804)	(290,675)	(368,529)				
Four years later		(282,166)	(284,136)	(296,912)					
Five years later		(283,811)	(285,924)						
Six years later		(285,023)							
Seven years later									
<b>Cumulative payments to-date</b>		<u>(285,023)</u>	<u>(285,92)</u>	<u>(296,912)</u>	<u>(368,529)</u>	<u>(358,800)</u>	<u>(276,206)</u>	<u>(120,208)</u>	
<b>Net insurance claims liabilities per Statement of Financial Position (note14(a))</b>	31,250	26,055	41,317	43,893	49,344	81,363	209,022	304,426	786,670

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33 **INSURANCE RISK (CONTINUED)**

(d) **Claims development table (continued)**

Net insurance claims liabilities for 2020:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		197,440	212,416	231,669	256,432	329,794	304,953	281,975	
One year later		177,134	196,319	212,650	244,429	301,115	275,600		
Two years later		162,941	187,021	204,236	243,951	288,822			
Three years later		161,521	181,112	202,471	241,046				
Four years later		159,639	180,967	201,607					
Five years later		159,079	180,703						
Six years later		158,004							
Seven years later									
<b>Current estimate of cumulative claims incurred</b>		158,004	180,703	201,607	241,046	288,822	275,600	281,975	
At end of accident year		(65,922)	(73,052)	(80,129)	(105,430)	(141,728)	(107,518)	(91,141)	
One year later		(124,363)	(139,947)	(142,961)	(188,866)	(223,324)	(177,151)		
Two years later		(142,454)	(160,294)	(172,886)	(210,207)	(243,648)			
Three years later		(149,563)	(167,922)	(181,961)	(218,039)				
Four years later		(152,204)	(170,993)	(185,287)					
Five years later		(153,309)	(172,230)						
Six years later		(154,140)							
Seven years later									
<b>Cumulative payments to-date</b>		(154,140)	(172,230)	(185,287)	(218,039)	(243,648)	(177,151)	(91,141)	
<b>Net insurance claims liabilities per Statement of Financial Position (note14(a))</b>	30,587	3,864	8,473	16,320	23,008	45,174	98,449	190,834	416,710



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34 **FINANCIAL RISKS**

(a) **Credit risk**

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfill their financial and contractual obligations in accordance with the agreed terms.

The Investment Committee manages the credit risk associated with investments by setting guidelines on minimum credit ratings and prevents risk concentrations by setting maximum credit exposure for each class of investment and for any one borrower or group of borrowers.

A credit control committee has been established to manage the credit risk of receivables.

Credit exposure

The following table shows maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments.

	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Loans and receivables		
Staff loans	23	13
Fixed and call deposits	18,270	17,874
Reinsurance assets - claims liabilities	339,199	369,960
Insurance receivables	47,901	42,890
Other receivables*	48,001	52,662
Cash and cash equivalents**	130,242	100,691
	<u>583,636</u>	<u>584,090</u>

\* excluding prepayments amounting to RM168,000 (2020: RM246,000) which is not subject to credit risk

\*\* excluding petty cash amounting to RM8,000 (2020: RM7,000) which is not subject to credit risk

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(a) Credit risk (continued)

Credit exposure by credit rating

	<u>Neither past-due nor impaired</u>			<u>Not past-due but impaired</u>	<u>Past-due and impaired</u>	<u>Total</u>
	<u>Rated: satisfactory</u>	<u>Rated: unsatisfactory</u>	<u>Not rated</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2021</u>						
Loans and receivables						
Staff loans	-	-	23	-	-	23
Fixed and call deposits	18,270	-	-	-	-	18,270
Reinsurance assets - claims liabilities	221,892	5,628	111,679	-	-	339,199
Insurance receivables	-	-	5	43,182	9,261	52,448
Allowance for impairment	-	-	-	(980)	(3,567)	(4,547)
Other receivables*	-	-	48,001	-	-	48,001
Cash and cash equivalents**	130,242	-	-	-	-	130,242
	<u>370,404</u>	<u>5,628</u>	<u>159,708</u>	<u>42,202</u>	<u>5,694</u>	<u>583,636</u>
<u>2020</u>						
Loans and receivables						
Staff loans	-	-	13	-	-	13
Fixed and call deposits	17,874	-	-	-	-	17,874
Reinsurance assets - claims liabilities	240,001	4,895	125,064	-	-	369,960
Insurance receivables	-	-	5	41,663	8,885	50,553
Allowance for impairment	-	-	-	(1,142)	(6,521)	(7,663)
Other receivables*	-	-	52,662	-	-	52,662
Cash and cash equivalents**	100,691	-	-	-	-	100,691
	<u>358,566</u>	<u>4,895</u>	<u>177,744</u>	<u>40,521</u>	<u>2,364</u>	<u>584,090</u>

\* excluding prepayments amounting to RM168,000 (2020: RM246,000) which is not subject to credit risk

\*\* excluding petty cash amounting to RM8,000 (2020: RM7,000) which is not subject to credit risk

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **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 reputable rating agencies' credit ratings of counterparties. AAA is the highest possible rating.

	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000	<u>Total</u> RM'000
<u>2021</u>						
Loans and receivables						
Staff loans					23	23
Fixed and call deposits	-	18,270	-	-	-	18,270
Reinsurance assets - claims liabilities	-	-	221,892	5,628	111,679	339,199
Insurance receivables	-	-	-	-	47,901	47,901
Other receivables*	-	-	-	-	48,001	48,001
Cash and cash equivalents**	3,976	126,266	-	-	-	130,242
	<u>3,976</u>	<u>144,536</u>	<u>221,892</u>	<u>5,628</u>	<u>207,604</u>	<u>583,636</u>
<u>2020</u>						
Loans and receivables						
Staff loans	-	-	-	-	13	13
Fixed and call deposits	-	17,874	-	-	-	17,874
Reinsurance assets - claims liabilities	-	-	240,001	4,895	125,064	369,960
Insurance receivables	-	-	-	-	42,890	42,890
Other receivables*	-	-	-	-	52,662	52,662
Cash and cash equivalents**	3,554	97,137	-	-	-	100,691
	<u>3,554</u>	<u>115,011</u>	<u>240,001</u>	<u>4,895</u>	<u>220,629</u>	<u>584,090</u>

\* excluding prepayments amounting to RM168,000 (2020: RM246,000) which is not subject to credit risk

\*\* excluding petty cash amounting to RM8,000 (2020: RM7,000) which is not subject to credit risk

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(a) **Credit risk (continued)**

Age analysis of financial assets impaired

	<u>1 month</u> RM'000	<u>1 to 3</u> <u>months</u> RM'000	<u>More than</u> <u>3 months</u> RM'000	<u>Total</u> RM'000
<u>2021</u>				
Insurance receivables	23,674	18,526	5,701	47,901
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>2020</u>				
Insurance receivables	27,948	12,572	2,370	42,890
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Impaired financial assets

The approach for impairment model for insurance receivables are more simplified as compared to the impairment model for financial assets. MFRS 9 includes the requirement or policy choice to apply the simplified approach that does not require entities to track changes in credit risk and the practical expedient to calculate ECLs on insurance receivables using a provision matrix with the usage of forward looking information in determining of ECL, including the use of macroeconomic information.

As at 31 December 2021, the Company has provided an allowance for credit losses on a collective basis of RM4,547,000 (2020: RM7,663,000). No collateral is held as security for impaired assets. The Company records impairment allowance for loans and receivables and insurance receivables in separate "allowance for impairment" accounts. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	<u>2021</u> RM'000	<u>2020</u> RM'000
At 1 January	7,663	13,281
(Write-back)/allowance made	(2,878)	(4,985)
Recovered	67	263
Write off	(305)	(896)
	<u>          </u>	<u>          </u>
At 31 December	4,547	7,663
	<u>          </u>	<u>          </u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(b) **Liquidity risk**

Liquidity risk is the risk of the Company being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due without having to transact at a reasonable cost.

This is managed by monitoring the daily and monthly projected and actual cash flows, and ensuring that a reasonable quantum of financial assets is maintained in liquid instruments at all times.

The Company also sets minimum limits on liquid assets to be held at all times as well as adhering to all regulatory limits.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as they do not contain any contractual obligations.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(b) Liquidity risk (continued)

Maturity profiles (continued)

2021

	<u>Carrying Value</u> RM'000	<u>1 year or less</u> RM'000	<u>1 to 3 years</u> RM'000	<u>3 to 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Loans and receivables						
- Staff loans	23	23	-	-	-	23
- Fixed and call deposits	18,270	18,270	-	-	-	18,270
Reinsurance assets – claims liabilities	339,199	53,136	220,098	41,884	24,081	339,199
Insurance receivables	47,901	47,901	-	-	-	47,901
Other receivables*	48,001	48,001	-	-	-	48,001
Cash and cash equivalents**	130,242	130,242	-	-	-	130,242
<b>Total financial assets</b>	<b>583,636</b>	<b>297,573</b>	<b>220,098</b>	<b>41,884</b>	<b>24,081</b>	<b>583,636</b>
Insurance contract liabilities						
- claims liabilities	763,583	176,621	461,110	85,403	40,449	763,583
Insurance payables	14,311	14,311	-	-	-	14,311
Other payables	77,911	77,911	-	-	-	77,911
Lease liabilities	6,565	4,185	2,577	-	-	6,762
<b>Total financial liabilities</b>	<b>862,370</b>	<b>273,028</b>	<b>463,687</b>	<b>85,403</b>	<b>40,449</b>	<b>862,567</b>

\* excluding prepayments amounting to RM168,000 (2020: RM246,000) which is not subject to credit risk

\*\* excluding petty cash amounting to RM8,000 (2020: RM7,000) which is not subject to credit risk

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(b) Liquidity risk (continued)

Maturity profiles (continued)

2020

	<u>Carrying Value</u> RM'000	<u>1 year or less</u> RM'000	<u>1 to 3 years</u> RM'000	<u>3 to 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Loans and receivables						
- Staff loans	13	13	-	-	-	13
- Fixed and call deposits	17,874	17,874	-	-	-	17,874
Reinsurance assets – claims liabilities	369,960	59,571	206,040	96,260	8,089	369,960
Insurance receivables	42,890	42,890	-	-	-	42,890
Other receivables*	52,662	52,662	-	-	-	52,662
Cash and cash equivalents**	100,691	100,691	-	-	-	100,691
<b>Total financial assets</b>	<b>584,090</b>	<b>273,701</b>	<b>206,040</b>	<b>96,260</b>	<b>8,089</b>	<b>584,090</b>
Insurance contract liabilities						
- claims liabilities	786,670	193,165	432,037	142,653	18,815	786,670
Insurance payables	9,267	9,267	-	-	-	9,267
Other payables	65,423	65,423	-	-	-	65,423
Lease liabilities	6,219	2,841	4,943	-	-	7,784
<b>Total financial liabilities</b>	<b>867,579</b>	<b>270,696</b>	<b>436,980</b>	<b>142,653</b>	<b>18,815</b>	<b>869,144</b>

\* excluding prepayments amounting to RM168,000 (2020: RM264,000) which is not subject to credit risk

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(c) **Market risk**

Market risk is the risk of loss arising from adverse movements in market indicators, such as interest rates, credit spreads, equity prices and currency exchange rates.

The Company's investments in equities, REITs and fixed income securities are outsourced to professional fund managers. The Investment Committee oversees the formulation of investment policies and strategies and meetings were held during the financial year to review and monitor the performance of the fund managers.

Foreign exchange risk

Foreign exchange risk is the risk of holding or taking positions in foreign currencies.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar ("SGD").

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. The Company's exposure to currency risk is confined to a current account maintained with a bank in Singapore and certain expenses denominated in foreign currency. The current account was opened to facilitate the collection of premiums from reinsurers in Singapore and the amount involved is minimal.

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company enters into derivative transactions solely for hedging purposes.

As the Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(c) **Market risk (continued)**

Interest rate risk

Interest rate risk is the risk of holding or taking positions in debt securities and other interest rate related instruments. The instruments covered include all fixed-rate and floating-rate debt securities and instruments that behave like them, including non-convertible preference shares.

The Investment Committee has set up a guideline to manage the maturities of interest/profit-bearing financial assets and liabilities. The Company also manages its asset-liability mismatching risks within its appetites through regular monitoring of asset duration and liability duration.

The Company has no significant concentration of interest rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		<u>2021</u>	<u>2020</u>
	<u>Change in variables</u>	<u>Impact on profit after tax and equity*</u> RM'000	<u>Impact on profit after tax and equity*</u> RM'000
Interest rate	+100 basis points	(30,227)	(38,992)
Interest rate	-100 basis points	34,168	41,614

\* 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 period.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

34 **FINANCIAL RISKS (CONTINUED)**

(d) **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT and legal risk but excludes strategic and reputation risk.

The Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

Business risks, such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

35 **REGULATORY CAPITAL REQUIREMENTS**

The capital structure of the Company as at 31 December 2021, as prescribed under the RBC Framework is provided below:

	<u>Note</u>	<u>2021</u> RM'000	<u>2020</u> RM'000
<u>Eligible Tier 1 Capital</u>			
Share capital (paid-up)	19	100,000	100,000
Retained earnings		476,854	477,756
		<hr/> 576,854	<hr/> 577,756
Amount deducted from Capital		(3,271)	-
Total Capital Available		<hr/> <hr/> 573,583	<hr/> <hr/> 577,756

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (CONTINUED)**

**36 CLAIM AGAINST THE COMPANY BY THE MALAYSIA COMPETITION COMMISSION ("MyCC")**

In August 2016, the Malaysia Competition Commission ("MyCC") undertook an investigation under Section 15(1) of the Competition Act 2010 ("the Act") against the Company, Persatuan Insurans Am Malaysia ("PIAM") and its other 21 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes.

On 22 February 2017, MyCC informed that pursuant to its investigation, MyCC on the preliminary basis found that the Company together with the other 21 members of PIAM, have infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and are therefore liable for an infringement under Section 4(3) of the Act.

On 14 September 2020, MyCC issued a finding of infringement against the Company, PIAM and the other 21 members despite the conduct allegedly giving rise to the infringement being undertaken pursuant to a written direction of the Company's sectoral regulator, BNM.

The Company's share of the financial penalty imposed by MyCC amounts to RM4,180,021. The MyCC also imposed certain behavioural remedies upon the Company and the other insurers.

Without any admission of liability, the Company made a provision of the financial penalty in the financial statements for the previous year ended 31 December 2020 due to the uncertainty then on the outcome and duration of the tribunal process.

On 23 March 2021, the Competition Appeal Tribunal ("CAT") granted a stay of the financial penalty pending the disposal of the appeal.

The insurers' appeal had been heard by CAT in November 2021. The CAT has also fixed new dates in March 2022 for MyCC to conclude their oral submissions and counsel for the insurers to present their submissions in reply.

The provision made previously in the financial statements remains unchanged as at 31 December 2021.

**37 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors.

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RHB INSURANCE BERHAD  
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016, we, Wong Pek Yee and Donald Joshua Jaganathan, two of the Directors of RHB Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 75 are drawn up so as to show a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the financial year then ended 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 in accordance with a resolution of the Board of Directors.



WONG PEK YEE  
DIRECTOR



DONALD JOSHUA JAGANATHAN  
DIRECTOR

Kuala Lumpur  
25 FEB 2022

## STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016, I, Chong Sook Yin, being the Officer primarily responsible for the financial management of RHB Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 75 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly  
declared at Kuala Lumpur  
on 25 FEB 2022

Before me,

  
CHONG SOOK YIN

COMMISSIONER FOR OATHS  
01 JAN 2022 - 31 DIS 2022

Kuala Lumpur

Lot 1.08, Tingkat 1,  
Bangunan KWSP, Jln Raja Lela,  
50350 Kuala Lumpur  
Tel: 019-6600745



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RHB INSURANCE BERHAD  
(Incorporated in Malaysia)  
(Registration No. 197801000983 (38000 U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Insurance Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the financial 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 Company, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 75.

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 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’ International Code of Ethics for Professional Accountants (including international Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RHB INSURANCE BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
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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 the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RHB INSURANCE BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Registration No. 197801000983 (38000 U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RHB INSURANCE BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Registration No. 197801000983 (38000 U))

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers' followed by a flourish.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Sridharan Nair'.

SRIDHARAN NAIR  
02656/05/2022 J  
Chartered Accountant

Kuala Lumpur  
25 February 2022