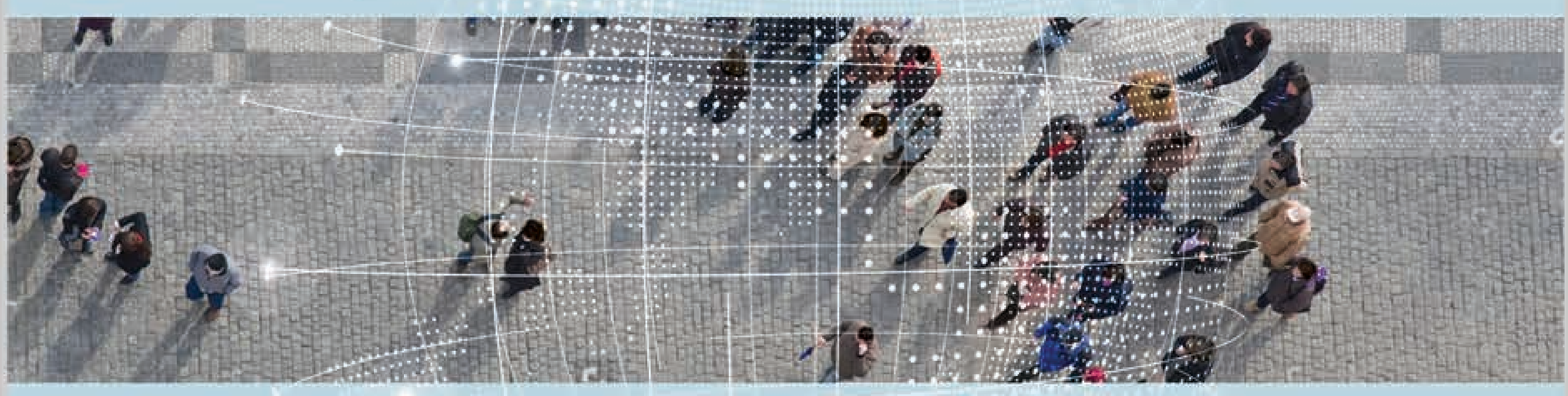
ANNUAL REPORT **2016**

RHB Insurance Berhad



DRIVING SUSTAINABLE PERFORMANCE

TOGETHER WE PROGRESS

DRIVING SUSTAINABLE PERFORMANCE

With a strong presence in the ASEAN region, our focus is on driving performance as we look to improve revenue and productivity by identifying new opportunities and implementing strategies that create measurable improvements in sustainability and business performance.

As we progress on our journey to becoming a Leading Multinational Financial Services Group, we will continue to invest for the future, particularly in our people, technology and digital capabilities. Investments in our digital environment are aimed at delivering customer-centric innovations that supports a fast, simple and seamless banking experience as well as fuels business growth for the organisation.

Working with our customers, business partners and shareholders, we are committed to a sustainable future as we drive RHB Banking Group towards being a regional powerhouse in ASEAN.

Together, we progress.

What's Inside

Overview

Governance

Financial Statements

ASPIRATIONS, VISION & VALUES

PROFESSIONAL
- Committed
- High level of proficiency, competency and reliability

RESPECT
- Courteous
- Humble

INTEGRITY
- Honest
- Ethical
- Uphold a high standard of governance

DYNAMIC
- Proactive
- Responsive
- Forward thinking

EXCELLENCE
- Continuously achieve high standards of performance and service deliverables

VALUE

Our Vision by 2020...

TO BE A LEADING MULTINATIONAL FINANCIAL SERVICES GROUP

RHB'S ASPIRATIONS

- **Top 3 in Malaysia/Top 8 in ASEAN**
  by performance
- **Strong Market Leadership in Malaysia**
  across targeted products and segments
- **Regional Powerhouse in ASEAN**
  +20% profit contribution from International Operations
- **Next Generation Customer Centric Bank**
  delivering innovative and personalised customer offerings
- **Prominent Employer of Choice**
  within the region

OUR STRATEGY STATEMENT

To be a multinational regional financial services provider that is committed to deliver complete solutions to our clients through differentiated segment offerings and an ecosystem that supports a simple, fast and seamless customer experience, underpinned by our cohesive and inspired workforce and relationships built with our stakeholders

OUR BRAND PROMISE

Together We Progress
- Being your trusted partner
- Delivering simple, fast and seamless experiences
- Providing solutions that help achieve your goals
- Nurturing future generations

CORPORATE INFORMATION

As at 14 February 2017

BOARD OF DIRECTORS

Ong Seng Pheow
Independent Non-Executive Chairman

Datuk Haji Faisal Siraj
Senior Independent Non-Executive Director

Tuan Haji Md Ja'far Abdul Carrim
Non-Independent Non-Executive Director

Jahanath Muthusamy
Independent Non-Executive Director

Abdul Aziz Peru Mohamed
Independent Non-Executive Director

Kong Shu Yin
Managing Director/Chief Executive Officer

BOARD COMMITTEES

BOARD RISK COMMITTEE#

Tan Sri Saw Choo Boon *(Chairman)*

Patrick Chin Yoke Chung

Tuan Haji Md Ja'far Abdul Carrim

Chin Yoong Kheong

BOARD NOMINATING & REMUNERATION COMMITTEE#

Tan Sri Saw Choo Boon *(Chairman)*

Tan Sri Azlan Zainol

Ong Seng Pheow

Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir

Tan Sri Ong Leong Huat @ Wong Joo Hwa

BOARD AUDIT COMMITTEE#

Tan Sri Dr Rebecca Fatima Sta Maria *(Chairman)*

Ong Seng Pheow

Tan Sri Saw Choo Boon

Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir

BOARD TECHNOLOGY COMMITTEE#

Chin Yoong Cheong *(Chairman)*

Ong Seng Pheow

Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir

COMMON INVESTMENT COMMITTEE#

Dato' Khairussaleh Ramli *(Chairman)*

Ong Seng Pheow

Patrick Chin Yoke Chung

Datuk Haji Faisal Siraj

Notes:
The Committee is shared with the relevant subsidiaries of the Group.

GROUP SENIOR MANAGEMENT & GROUP INTERNAL AUDIT

Dato' Khairussaleh Ramli
Group Managing Director/Chief Executive Officer

Syed Ahmad Taufik Albar
Group Chief Financial Officer

U Chen Hock
Head, Group Retail Banking

Datin Amy Ooi Swee Lian
Head, Group Business & Transaction Banking

Dato' Adissadikin Ali
Managing Director/Chief Executive Officer – RHB Islamic Bank Berhad

Robert Huray
Chief Executive Officer, RHB Investment Bank/ Head, Group Investment Banking, Group Wholesale Banking

Kong Shu Yin
Managing Director, RHB Insurance Berhad

Mike Chan Cheong Yuen
Country Head, Singapore and Chief Executive Officer, RHB Bank Singapore

Christopher Loh Meng Heng
Group Chief Strategy Officer

Mohd Rashid Mohamad
Group Treasurer

Rohan A/L Krishnalingam
Group Chief Operations Officer

Patrick Ho Kwong Hoong
Group Chief Risk Officer

Jamaluddin Bakri
Group Chief Human Resource Officer

Norazzah Sulaiman
Group Chief Marketing & Communications Officer

Wong Yih Yin
Group Chief Internal Auditor

COMPANY SECRETARY

Azman Shah Md Yaman
(LS 0006901)

REGISTERED OFFICE

Level 9, Tower One
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 9287 8888
Fax : 603 9281 9314
Website : www.rhbgroup.com

BUSINESS ADDRESS

Level 12, West Wing
The Icon, No. 1 Jalan 1/68F
Jalan Tun Razak
55100 Kuala Lumpur
Tel : 603 2180 3000
Fax : 603 2161 9255

COMPANY NO.

38000-U

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
50470 Kuala Lumpur
P. O. Box 10192, 50706 Kuala Lumpur
Tel : 603 2173 1188
Fax : 603 2173 1288

GROUP CORPORATE STRUCTURE

As at 14 February 2017

RHB Bank Berhad

COMMERCIAL BANKING GROUP

- 100.00% RHB Islamic Bank Berhad
- 100.00% RHB Bank (L) Ltd
  - 100.00% RHB International Trust (L) Ltd
    - 100.00% RHB Corporate Services Sdn Bhd
- 100.00% RHB Leasing Sdn Bhd
- 100.00% RHB Capital Nominees (Tempatan) Sdn Bhd
  - 100.00% RHB Capital Nominees (Asing) Sdn Bhd
- 100.00% RHB Capital Properties Sdn Bhd
- 100.00% Utama Assets Sdn Bhd
- 100.00% RHB Bank Nominees Pte Ltd (Singapore)
- 100.00% Banfora Pte Ltd (Singapore)
- 100.00% RHB Investment Ltd (Singapore)
- 100.00% RHB Trade Services Limited (Hong Kong)
- 100.00% Utama Gilang Sdn Bhd(3)*
- 100.00% UMBC Sdn Bhd*
- 100.00% RHB Delta Sdn Bhd(3)*
- 100.00% RHB Indochina Bank Limited
- 100.00% RHB Bank Lao Limited

INVESTMENT BANKING GROUP

100.00% RHB Investment Bank Berhad

- 100.00% RHB International Investments Pte Ltd
  - 100.00% RHB Asset Management Pte Ltd
    - 40.00% RHB GC-Millennium Capital Pte Ltd(5)
- 100.00% RHB Hong Kong Limited
  - 100.00% RHB Securities Hong Kong Limited
  - 100.00% RHB Futures Hong Kong Limited
  - 100.00% RHB Finance Hong Kong Limited
  - 100.00% RHB Capital Hong Kong Limited
  - 100.00% RHB Fundamental Capital Hong Kong Limited
  - 100.00% RHB Asset Management Limited
    - 51.00% RHB Fideus Asia and Emerging Markets Value Fund Ltd
  - 100.00% RHB Wealth Management Hong Kong Limited
  - 100.00% RHB (China) Investment Advisory Co Ltd
- 99.00% PT RHB Securities Indonesia
  - 99.62% PT RHB Asset Management Indonesia
- 100.00% RHB Securities Singapore Pte Ltd
  - 100.00% RHB Nominees Singapore Pte Ltd#
  - 100.00% Summit Nominees Pte Ltd#
  - 100.00% RHB Research Institute Singapore Pte Ltd
- 99.95% RHB Securities (Thailand) Public Company Limited
- 100.00% RHB Indochina Securities PLc.

Notes:

*	Dormant Company
#	Inactive
(1)	With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
(2)	The company has ceased operations from the close of business on 10 December 2001.
(3)	The company has commenced members' voluntary winding-up on 16 February 2011.
(4)	The company has commenced members' voluntary winding-up on 28 March 2012.
(5)	Jointly controlled entity
(6)	Held by: (i) RHB Investment Bank Berhad; (ii) RHB Nominees (Tempatan) Sdn Bhd; (iii) RHB Nominees (Asing) Sdn Bhd; and (iv) RHB Futures and Options Sdn Bhd with direct shareholdings of 20.00% each.
(7)	RHB Bank Berhad became the holding company of RHB Investment Bank Berhad, RHB Insurance Berhad, RHB Equities Sdn Bhd, RHB Kawal Sdn Bhd, RHB Capital (Jersey) Limited, RHB Property Management Sdn Bhd and RHBF Sdn Bhd on 14 April 2016. RHB Bank Berhad also holds direct shareholding of 20% in RHB Trustees Berhad and Malaysian Trustees Berhad as well as 59.95% in RHB Finexasia.Com Sdn Bhd w.e.f. 14 April 2016. RHB Bank Berhad became the ultimate holding company of the Group on 13 June 2016.

- 94.70% RHB Insurance Berhad

- 100.00% RHB Futures and Options Sdn Bhd*
- 100.00% RHB Research Sdn Bhd*
- 100.00% RHB International Asset Management Sdn Bhd*
- 100.00% RHBIB Nominees (Tempatan) Sdn Berhad*
- 100.00% RHBIB Nominees (Asing) Sdn Berhad*
- 100.00% TCL Nominees (Tempatan) Sdn Bhd*
- 100.00% TCL Nominees (Asing) Sdn Bhd*
- 100.00% KE-ZAN Nominees (Tempatan) Sdn Bhd*
- 100.00% KE-ZAN Nominees (Asing) Sdn Bhd*
- 80.00% RHB Trustees Berhad(6) — 20.00%
- 80.00% Malaysian Trustees Berhad(6) — 20.00%
- 100.00% RHBIM Berhad*
- 100.00% RHB Asset Management Sdn Bhd
  - 100.00% RHB Islamic International Asset Management Berhad
  - 100.00% RHB Islamic Asset Management Sdn Bhd*
- 100.00% RHB Research Institute Sdn Bhd
- 100.00% RHB Merchant Nominees (Tempatan) Sdn Bhd
  - 100.00% RHB Merchant Nominees (Asing) Sdn Bhd
- 100.00% RHB Nominees Sdn Bhd
- 100.00% RHB Nominees (Tempatan) Sdn Bhd
- 100.00% RHB Nominees (Asing) Sdn Bhd
- 100.00% RHB Excel Sdn Bhd(4)
- 100.00% RHB Progressive Sdn Bhd(4)
- 100.00% RHB Marketing Services Sdn Bhd(3)
- 100.00% RHB Unit Trust Management Berhad(4)
- 100.00% RHB Private Equity Holdings Sdn Bhd
  - 100.00% RHB Private Equity Management Ltd
  - 100.00% RHB Private Equity Fund Ltd (Cayman Islands)

- 40.05% RHB Finexasia.Com Sdn Bhd — 59.95%
  - 100.00% RHB Stock 188.Com Sdn Bhd*
- 49.00% Vietnam Securities Corporation(5)

OTHERS

- 100.00% RHB Equities Sdn Bhd(1)
  - 100.00% KYB Sdn Bhd(4)
- 100.00% RHB Capital (Jersey) Limited
  - 100.00% RHB (Philippines) Inc(2)*
- 100.00% RHB Property Management Sdn Bhd
- 100.00% RHBF Sdn Bhd*
- 100.00% RHB Kawal Sdn Bhd

BOARD BALANCE & COMPOSITION

Board Balance & Composition

1 INDEPENDENT NON-EXECUTIVE CHAIRMAN
- Ong Seng Pheow

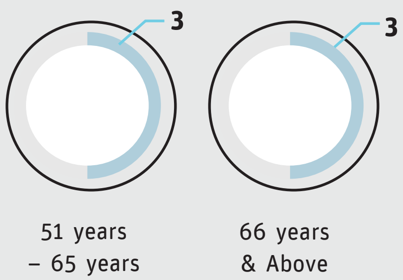
1 SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
- Datuk Haji Faisal Siraj

1 NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
- Tuan Haji Md Ja'far Abdul Carrim

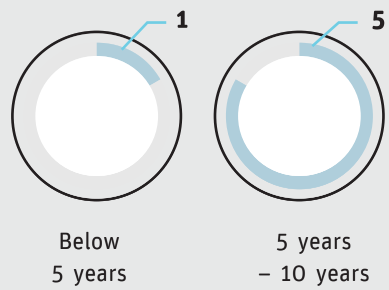
2 INDEPENDENT NON-EXECUTIVE DIRECTORS
- Abdul Aziz Peru Mohamed
- Jahanath Muthusamy

1 MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER
- Kong Shu Yin

Age Group



Tenure of Service in the Company



Nationality

Ethnicity

3 Malay

2 Chinese

1 Indian

PROFILE OF THE BOARD OF DIRECTORS

As at 14 February 2017

ONG SENG PHEOW

Independent Non-Executive Chairman

Nationality: **Malaysian**, Age: **68**, Gender: **Male**,

Date of Appointment: **1 January 2008***,

Length of Service in the Company: **9 years 2 months**

Date of Last Re-Election: **29 April 2015**

* *Re-designated as the Chairman on 23 May 2013*

BOARD COMMITTEE MEMBERSHIPS:

- Board Audit Committee (Member)
- Board Technology Committee (Member)
- Common Investment Committee (Member)

OTHER DIRECTORSHIPS:

Listed Entities:

- RHB Bank Berhad
- Daiman Development Berhad
- LCTH Corporation Berhad
- George Kent (Malaysia) Berhad

Public Companies:

- HELP International Corporation Berhad
- RHB Indochina Bank Limited (Chairman)
- RHB Indochina Securities Plc. (Chairman)
- RHB Bank Lao Limited (Chairman)

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:

- 12/12

QUALIFICATIONS:

- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

SKILLS AND EXPERIENCE:

Mr Ong Seng Pheow has over 34 years of audit and accounting experience. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was as the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of Malaysian Institute of Certified Public Accountants.

DECLARATION:

- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil

DATUK HAJI FAISAL SIRAJ
Senior Independent
Non-Executive Director

Nationality: **Malaysian**, Age: **71**,
Gender: **Male**, Date of Appointment: **1 January 2008***, Length of Service in the Company: **9 years 2 months**, Date of Last Re-Election: **6 May 2016**

* *5 July 2013 (Re-designated as Senior Independent Non-Executive Director)*

BOARD COMMITTEE MEMBERSHIPS:
- Islamic Risk Management Committee (Member)
- Common Investment Committee (Member)

OTHER DIRECTORSHIPS:
Listed Entities:
- Nil

Public Companies:
- RHB Islamic Bank Berhad

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
- 12/12

QUALIFICATIONS:
- Fellow of the Institute of Chartered Accountants in England & Wales
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants.

SKILLS AND EXPERIENCE:
Datuk Haji Faisal Siraj started his career in 1968 with KPMG, London. On his transfer from KPMG, London to KPMG, Kuala Lumpur, he was posted to KPMG Kota Kinabalu until 1976. Datuk Haji Faisal joined the Malaysia Mining Corporation ("MMC") Group in 1976. He was the Group Executive Director and a Member of the MMC Board from 1981 to 1994. In 1995, he joined DRB-HICOM Berhad ("DRB-HICOM") as the Group Chief Financial Officer in the capacity of Senior Group Director, Financial Services and Treasury Division and was a member of DRB-HICOM Board, before his retirement in 2005.

DECLARATION:
- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil

TUAN HAJI MD JA'FAR ABDUL CARRIM
Non-Independent
Non-Executive Director

Nationality: **Malaysian**, Age: **62**,
Gender: **Male**, Date of Appointment: **11 August 2009***, Length of Service in the Company: **7 years 6 months**, Date of Last Re-Election: **29 April 2015**

* *20 June 2013 (Re-designated as the Non-Independent Non-Executive Director)*

BOARD COMMITTEE MEMBERSHIPS:
- Board Risk Committee (Member)
- Board Credit Committee (Member)
- Islamic Risk Management Committee (Member)

OTHER DIRECTORSHIPS:
Listed Entities:
- Nil

Public Companies:
- RHB Islamic Bank Berhad (Chairman)

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
- 12/12

QUALIFICATIONS:
- Member of the Institution of Engineers, Malaysia
- Bachelor of Science in Civil Engineering from Loughborough University, United Kingdom
- Ordinary National Diploma in Civil Engineering from Brighton Technical College, Brighton, United Kingdom

SKILLS AND EXPERIENCE:
A civil engineer by training, Tuan Haji Md Ja'far Abdul Carrim's career of some 32 years include a stint in the public sector as well as a broad range of activities in the corporate sector as Chief Executive Officer and at the Board of Directors level. His extensive experience covers inter alia, the areas of manufacturing, property development and construction.

Tuan Haji Md Ja'far is a Council Member for the Chair on Financial Planning for Old Age at University Malaya. He also sits on the Board of Employees Provident Fund, Malaysia.

DECLARATION:
- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil

ABDUL AZIZ PERU MOHAMED
Independent
Non-Executive Director

Nationality: **Malaysian**, Age: **68**, Gender: **Male**, Date of Appointment: **2 March 2012**, Length of Service in the Company: **5 years** Date of Last Re-Election: **6 May 2016**

BOARD COMMITTEE MEMBERSHIPS:
- Board Credit Committee (Member)

OTHER DIRECTORSHIPS:

Listed Entities:
- RHB Bank Berhad

Public Companies:
- RHB Islamic International Asset Management Berhad
- As-Salihin Trustee Berhad
- RHB Indochina Bank Limited
- RHB Bank Lao Limited

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
- 12/12

QUALIFICATIONS:
- Harvard Business School
- Pacific Bankers Rim programmes in the United States of America

SKILLS AND EXPERIENCE:
Abdul Aziz Peru Mohamed is currently the Chief Executive Officer/Director of As-Salihin Trustee Berhad, a trust company specialising in Islamic estate planning. He held various Senior Management positions in the banking industry with almost 30 years in an accomplished career track spanning management of branch network and retail banking. He spent most of his working years at Malayan Banking Berhad, where his last position was General Manager, Consumer Banking Division. He was also formerly the Senior General Manager of AmBank Berhad from 2002 to 2005. During the years in the banking industry, he was appointed as Chairman of the Rules Committee of Association of Banks of Malaysia and has held several other key positions including as a Board Member of Mayban Property Trust and Maybank Trustee Bhd.

DECLARATION:
- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil

JAHANATH MUTHUSAMY
Independent
Non-Executive Director

Nationality: **Malaysian**, Age: **61**, Gender: **Male**, Date of Appointment: **1 November 2016**, Length of Service in the Company: **3.5 months**, Date of Last Re-Election: **Not Applicable**

BOARD COMMITTEE MEMBERSHIPS:
- Nil

OTHER DIRECTORSHIPS:
- Nil

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
- 2/2

QUALIFICATIONS:
- Fellow, Chartered Insurance Institute, United Kingdom
- Fellow, Malaysian Insurance Institute, Malaysia

SKILLS AND EXPERIENCE:
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, he 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 also 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.

DECLARATION:
- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil

OVERVIEW GOVERNANCE FINANCIAL STATEMENTS

KONG SHU YIN
Managing Director/
Chief Executive Officer

Nationality: **Malaysian**, Age: **56**,
Gender: **Male**, Date of Appointment:
13 March 2011, Length of Service
in the Company: **5 years 11 months**,
Date of Last Re-Election: **Not applicable**

BOARD COMMITTEE MEMBERSHIPS:
- Nil

OTHER DIRECTORSHIPS:
- ISM Insurance Services Malaysia Berhad

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR:
- 12/12

QUALIFICATIONS:
- Bachelor of Engineering from University Malaya
- Fellow of the Institute of Chartered Insurance in United Kingdom
- Fellow of the Institute of Malaysian Insurance

SKILLS AND EXPERIENCE:
Mr Kong Shu Yin has 30 years of experience in the insurance business. Prior to joining RHB Insurance, he was with one of the largest general insurers in Malaysia, in various capabilities including Chief Executive Officer (CEO). He also has experience with the Thailand and Indonesian insurance markets.

Mr Kong Shu Yin 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.

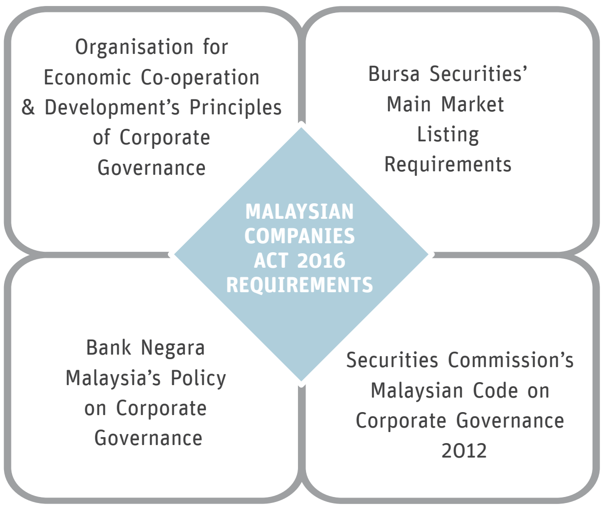
DECLARATION:
- Conflict of interest with the company: Nil
- Family relationship with any director and/or major shareholder: Nil
- List of conviction for offences within the past 5 years: Nil
- Particulars of any public sanction or penalty imposed by the relevant bodies during the financial year: Nil

> GOOD GOVERNANCE IS A CRITICAL COMPONENT OF SOUND FINANCIAL INSTITUTIONS AND PLAYS A KEY ROLE IN MAINTAINING PUBLIC CONFIDENCE IN THE FINANCIAL SYSTEM

– Bank Negara Malaysia's public statement released on 3 August 2016.

STATEMENT ON CORPORATE GOVERNANCE

The Board of RHB Insurance Berhad ("RHB Insurance" or "Company") fully supports adoption of best practices in good corporate governance beyond regulatory requirements. RHB Insurance recognises that enterprise governance, which is a balancing act of steering the RHB Banking Group's (Group) performance while it conforms to best practices, whether in accordance with mandatory or voluntary requirements, is the turnkey to strengthen and ensure long-term sustainability in the Group-wide governance arrangements. Under the enterprise governance umbrella, the Company continuously strives at its best to sustain and stimulate value creation by subscribing the broad principles set out in the following essential requirements and practices:



COMMITMENT TO CONFORMANCE

RHB Insurance is fully committed to protect the interests of all its stakeholders by applying good corporate governance practices, including greater transparency and sustainable disclosure. This office norm subsequently being translated into corporate culture as manifested top-down across the internal stakeholders, from the Board of Directors, down to the Senior Management and subsequently touches the rest of its Employees. A dedicated Business Risk and Compliance Officer is then employed in each respective business and functional units or branches to act as a focal point for line departments to relay matters relating to regulatory and internal requirements. This control function further formalised an in-house gatekeeper embedded into the existing enterprise risk management framework and covers all streams of businesses and functional arms of the Company within the Group.

The continuous enhancement in the Company's corporate governance deck has shown significant results in the way RHB Banking Group operates. A more emphasis placed by the Board of Directors on its fiduciary duty as guardian of public deposits, customers' investments and account holders' policies, through sustainable boardroom scrutiny, decision-making and directives has gained more trust and in return, builds lasting commercial relationship with the Company's business partners. More rewardingly, this effort was externally assured by reputable and independent third parties' assessments which currently positioned the then holding company RHB Capital Berhad, among **Top 6** of Malaysian Public Listed Companies ("PLCs") and **Top 50** of Association of Southeast Asian Nations ("ASEAN") Publicly Listed Companies, in terms of quality disclosures and scope of corporate governance practices.

During calendar year 2016, the Group's good corporate governance practices were externally verified and assured via the following recognitions:

- '**Merit Award** for Corporate Governance Disclosures' accorded by the Minority Shareholder Watchdog Group ("MSWG") on 15 December 2016. This merit award has been won for two consecutive years and earned 6th position in ranking among Malaysian PLCs under MSWG-ASEAN scorecard methodology, based on the Organisation for Economic Co-operation and Development ("OECD")'s Principles of Corporate Governance.
- **Enlisted** on the FTSE4Good Bursa Malaysia Index effective 19 December 2016 for good demonstration of Environmental, Social & Governance ("E.S.G.") practices.
- **Silver Award** for 'Best Annual Report in Bahasa Malaysia' during the National Annual Corporate Report Awards ("NACRA") Ceremony 2016 on 1 December 2016.
- **Platinum winner** for 'Excellence in Governance, Corporate Social Responsibility & Investor Relations Benchmarking 2016' under The Asset Corporate Awards.
- **Silver winner** for 'Best Governed and Most Transparent Company' category during The Pinnacle Group's Global Good Governance Awards Ceremony 2016.

Excellence in corporate governance is central towards promoting the Company's financial services amongst the ASEAN and Greater China economic community ventured. This compliance culture fosters the Group's Directors, Senior Management and the rest of the Employees to embrace professional business ethics and be self-adherence to internal and external requirements.

MERIT AWARD FOR CG DISCLOSURES (BY RANK)

- › Bursa Malaysia Bhd
- › Telekom Malaysia Bhd
- › Axiata Group Bhd
- › Malayan Banking Bhd
- › Sime Darby Bhd
- › RHB Capital Bhd
- › Allianz Malaysia Bhd
- › Petronas Dagangan Bhd
- › Tenaga Nasional Bhd
- › LPI Capital Bhd

9 December 2016

YBhg Dato' Khairussaleh Bin Ramli
Managing Director
RHB Bank Berhad
Level 9, Tower One,
RHB Centre, Jalan Tun Razak
50400 KUALA LUMPUR

YBhg Dato'

INCLUSION IN THE FTSE4GOOD BURSA MALAYSIA INDEX

Bursa Malaysia is delighted to inform you that RHB BANK BERHAD has met the globally recognised standards for inclusion in the FTSE4Good Bursa Malaysia Index. The FTSE4Good Bursa Malaysia Index is designed to measure the performance of companies demonstrating good Environmental, Social and Governance (ESG) practices.

"FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that RHB Bank has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products."

OVERVIEW
GOVERNANCE
FINANCIAL STATEMENTS

COMMITMENT TO PERFORMANCE

RHB Bank embarks its aspirations of becoming a **Leading Multinational Financial Services Group** towards the year 2020. This vision commits the Company to deliver complete solutions to its clients through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience, embossed in its latest strategy statement. In achieving RHB Banking Group's short, medium and long-term strategic objectives, this mission intent is translated into the Group's Core **Shared Values** namely P.R.I.D.E. (Professional, Respect, Integrity, Dynamic & Excellence), the Company's Annual Balanced Scorecard, Individual Sustainable Key Performance Indicators and also the Group's I.G.N.I.T.E. 2017 principles it currently adopts; namely **Innovative** in approach, **Growth** oriented, **Nimble** in action, **Impactful** in outcomes, **Teamwork** to succeed and **Excellence** in delivery.

Apart from the governance element already considered, the Board of RHB Bank is now venturing into the adoption and integration of the Economic, Environment and Social ("EES") elements into the Group's business strategies to further create sustainable business operations and shares value. **Together we progress**; the Group's primary tagline, basically promoting the idea of the Company, walking hand-in-hand with its stakeholders, whether internal or external parties, towards achieving sustainable operations as the Company runs and manages its business in an orderly fashion. The other commercial tagline, namely **driving performance** include utilisation of the Group's current capitals (financial, manufactured, intellectual, human, social relationship and natural) at optimal level to improve its integrated value chain while safeguarding its own assets and the environment for future generation.

In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met within the approved risk appetite, the Board is bound by its Charter, Terms of Reference ("ToR") for its various Board Committees, Group Code of Ethics & Business Conduct for Directors, and other internal guidelines. In complementary, Group Manual of Authority, Power of Attorney, Financing Authority, Group Code of Ethics & Conduct for Employees, Group Whistleblowing Policy and Group Gifts & Hospitality Guidelines were approved or endorsed by the Board to ensure good governance practice and fiduciary duties are implemented by the Senior Management and other key personnel.

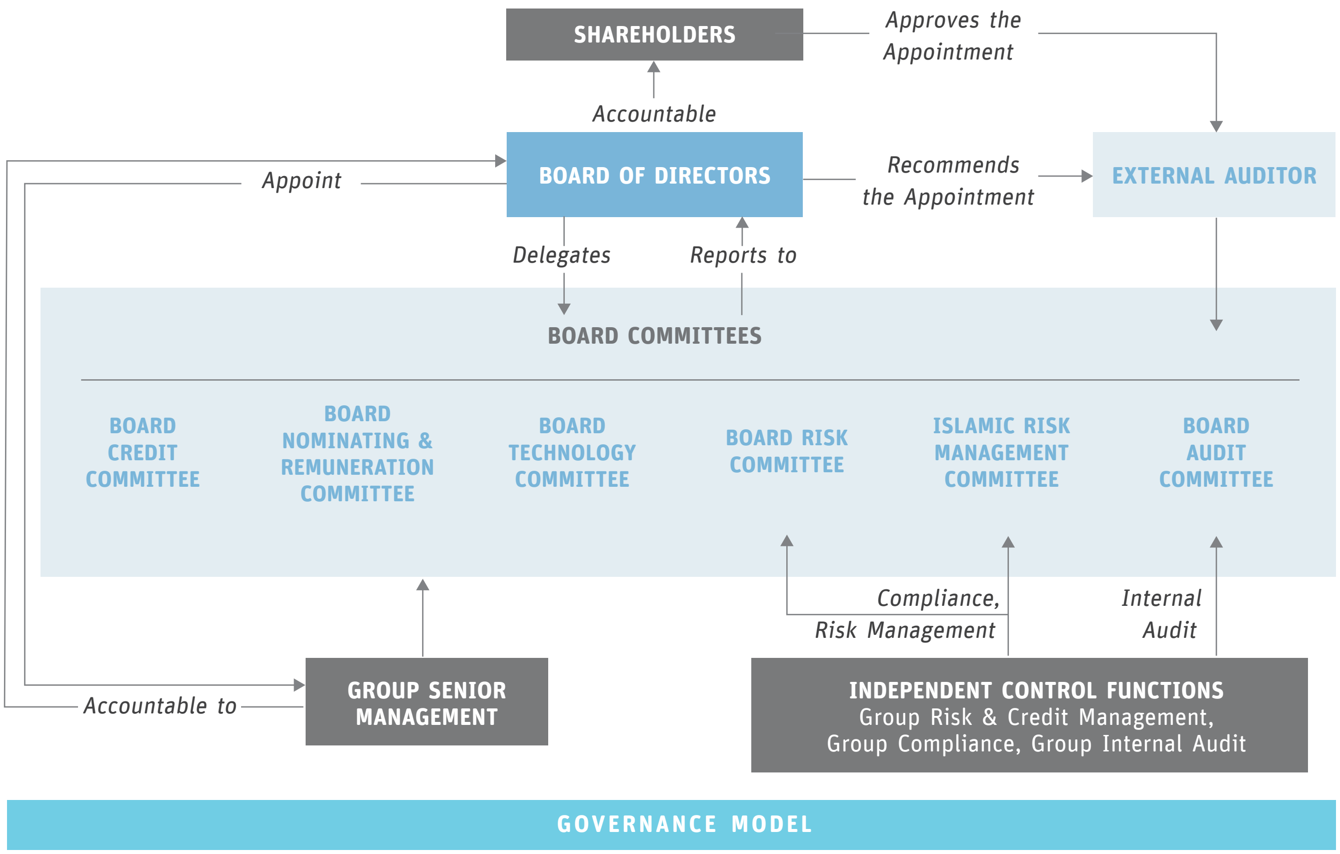
An overview of the Company's primary governance documents can be referred on the corporate website (www.rhbgroup.com) while the Group's Key Internal Control Policies and Procedures are summarised on pages 295 to 297 of the RHB Bank Berhad Annual Report 2016.

Excellence in the Company's corporate and business governance are keys to reflect the overall good governance in practice and portray the overall picture of the Company's sustainability in the long run. In this respect, the Group is ranked **Top 10** among 920 Malaysian PLCs and **Top 3** among the Malaysian banks, in terms of overall good corporate governance and excellent financial performance, based on the latest MSWG-ASEAN Corporate Governance Scorecard 2016 assessment.

GROUP'S CORE SHARED VALUES
P.R.I.D.E. (PROFESSIONAL, RESPECT, INTEGRITY, DYNAMIC & EXCELLENCE)

LEADING MULTINATIONAL
FINANCIAL SERVICES GROUP

GOVERNANCE MODEL & FRAMEWORK



The Board continuously explores enhancements to the Group's governance processes to ensure it remains robust even as it continues to expand. The governance model and framework is currently being used as guidance and reference to build a strong governance structure and conformance culture within the Company and other RHB entities in the banking group. The **Governance Model** outlines a clear organisational structure with robust internal control and risk management mechanisms which promote high standards of governance and of integrity, transparency and well-defined accountabilities and responsibilities of Shareholders, Board & Board Committees, Senior Management, External & Internal Auditors and other Independent Control Functions.

As the Board further commits working under a solid governance structure with greater transparency, a framework on governance was established. It is within this reach that the Board approved the **Group Governance Framework** as a basis of an effective governance and oversight to support the overall RHB Banking Group's strategies.

Governance Framework

Under this framework, there are various levels of oversight functioning across the Group's business and functional activities. These include amongst others; direct supervision, Senior Management, independent parties comprising of risk management, compliance and internal audit, Group Managing Director ("Group MD"), Managing Directors ("MDs"), Board Committees and the Board. A clear and transparent governance structure for various central and sub-committees set by the Board members and the Senior Management institutionalised the Company as a risk-focused organisation with proper control functions and good corporate governance practice.

THE BOARD OF DIRECTORS

Board Charter

The Board Charters set out the key corporate governance principles adopted by the respective Boards in each of the major operating entities within the Group, clearly defines the roles and responsibilities of Boards, Chairperson, Senior Independent Non-Executive Director and the Group Managing Director/Managing Director ("MD")/Chief Executive Officer in the areas of strategy setting, management of company, succession planning, risk management, integrity of internal control and communication plan.

Functions and matters of **strategic importance reserved** for the Board for deliberation and decision-making are mainly on the following:

- Business and operating strategies
- New or changes to existing business plans
- New investments or divestments
- Mergers and acquisitions
- Expansion or entry into new markets, geographies or regions
- Corporate restructuring or reorganisation
- Set-up of new subsidiaries
- Joint ventures, partnership or strategic alliance
- Acquisition or disposal of significant assets
- Progress and updates on I.G.N.I.T.E. 2017 initiatives

Within these boundaries, the respective Boards discusses, sets and agrees with the Management on the annual balanced scorecard, key performance indicators and the risk appetite that are to be duly executed and achieved by the Management. The performance and progress of the Management are then reviewed by the respective Boards at specified intervals.

Roles and Responsibilities of the Board

The Board is charged with leading and governing the Company in an effective, efficient and responsible manner. The Directors, collectively and individually, are aware of their responsibilities to shareholders/stakeholders and the manner in which the affairs of the Company are managed. They discharge their roles and duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Company's shareholders and other stakeholders, and ensure the Company adheres to the highest standards of corporate governance.

The Board assumes active roles and responsibilities for key strategy setting, business plans, financial objectives and major capital and operating budgets. While the Board scrutinises the policies proposed by the Management, the Board also monitors the Management's performance in implementing the adopted strategies as well as provides direction and advices to ensure the achievement of the objectives.

(a) Governing the Company's and the Group's business conduct and operations

The Board governs the business conduct, performance and operations of the Company. To ensure high performance, the Board reviews the Company's business strategies and approves the Company Balanced Scorecard. The Management's performance is monitored against the Balanced Scorecard on a regular basis. Interventions and regular reviews may be held to ensure that the execution of plans is aligned with the set objectives and goals.

The Board also governs the Company's risk management, internal controls and human resource ("HR") management through the delegation of certain decision making and/or oversight responsibilities to various Board Committees, namely the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee. At the highest executive level, the MD assumes the overall responsibilities of executing the Company's strategies and plans in line with the Board's direction, oversees the Company's operations and drives the Company's businesses and performance towards achieving the Company's vision and goals.

In carrying out his tasks, the MD is supported by key Senior Management of the Company.

The Board is updated on the Company's performance during monthly Board meetings. The reports include a comprehensive summary of the Company's business drivers and financial performance of each reporting period vis a vis the Company's approved Balanced Scorecard and the industry benchmark, risk management report, compliance report and transformation updates. The Board is also kept abreast of the key strategic initiatives, significant operational issues and latest developments in the financial services industry.

In addition, the Compliance Officer, on a monthly basis, provides the Board with a report on the Company's compliance with its statutory obligations as well as rules and regulations governing the Company's businesses and operations, actions taken to address shortcomings as well as self-regulating initiatives taken by the Company, especially initiatives that are critical to the Company's businesses and operations. Areas for improvement, non-compliance incidents and action plans are highlighted and recommended to the Board for information and approval where required.

The Board also reviews management reports. Special meetings are held where any direction or decision is required expeditiously from the Board between the scheduled meetings.

As part of the Group's initiatives to continuously improve employee engagement and employee value propositions, a combined employee engagement study via "Employee Engagement Survey" and "Internal Customer Effectiveness Survey" was conducted in October 2016 to assess the level of employee engagement and quality of service rendered by the respective Strategic Business Groups and Strategic Functional Groups within the Group. From this engagement, the Group targets to acquire valuable information from the employees to craft sustainable improvements in primary aspects of strategies and operations.

Other initiatives undertaken by the Group include a survey entitled "RHB Compliance Culture and Behavioural Assessment" initiated to improve the current state of the Group's compliance culture and behavioural maturity. The survey was conducted in November 2016 as part of the group-wide Compliance Risk Assessment to benchmark against industry-leading practices to improve RHB Banking Group's overall compliance effectiveness and the efficacy in meeting compliance requirements.

(b) Risk Management

The Board is responsible for identifying the principal risks and implementation of appropriate systems to manage and control these risks. In ensuring effective risk assessment and control, the Board Risk Committee ("BRC") has been entrusted with providing oversight and governance of risks for the Group. The BRC comprises two Independent Non-Executive Directors ("INEDs") and two Non-Independent Non-Executive Directors ("NINEDs"), representing the Group's respective entities.

The BRC and Board had, in June 2016, concurred that the proposals and matters involving RHB Insurance will be channelled through its Management Committee (MANCO) and thereafter, tabled at RHB Insurance's Board Meeting for deliberation, consideration and decision, given the distinct nature or risks within the insurance business.

Despite the change in governance, the day-to-day operations and execution of risk management and control activities continue as per the current Group Operating Model and relevant Group Framework, so as to ensure standardisation and consistency of practices.

The Board is satisfied that the MANCO has effectively and efficiently discharged its functions to support the Board in ensuring, among others, that the Company and the Group are adequately capitalised to support risks undertaken and meet regulatory requirements.

The Risk Reporting Report (including RHB Insurance's risk metrics and tolerance dashboard) is also presented to the Board on a monthly basis.

The Company and the Group maintains and reviews its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities as well as its shareholders' investments. The Board considers that Group's risk management framework and system of internal control, which are in place throughout the financial year, up to and as of the date of this report, are operating adequately and effectively.

pg_ to pg_

An overview of the Company and the Group's systems of risk management is contained in the Risk Management Report set out on pages 271 to 280 of the RHB Bank Berhad Annual Report 2016.

(c) Talent Development and Succession Planning

Talent development and succession planning are key priorities to the Board in ensuring a high-performing workforce which contributes to the Company's and the Group's sustainability and competitiveness. The Board has entrusted the Board Nominating & Remuneration Committee ("BNRC") with the responsibility of providing high-level oversight and direction on human resource matters, and to recommend remuneration and human resource ("HR") strategies such as employee value propositions, retention strategies, performance management and succession planning.

The BNRC also approves changes to Group HR policies in line with the HR strategy and direction set by the Board. Additionally, the BNRC supports the Board in reviewing and assessing the appointment of Directors, Board Committee members and key Senior Management officers. It also advises on the optimal size and mix of skills for the Group's Boards.

In line with IGNITE 2017, the Group has made a concerted effort to enhance and realign its HR and talent management to attract and retain regional talent and build a high-performing regional workforce. During the year, the BNRC has considered the renewal of various service contracts and new appointments for key management positions, based on their profiles, professional achievements and personal assessments. These nominations included successfully identifying and attracting suitable candidates for all senior positions. The BNRC also considered their remuneration package(s) in finalising the terms and conditions of their service contracts. In addition, the BNRC also reviewed the current organisation structure in enhancing greater alignment and accountability to deliver business value and outcomes.

The BNRC also continuously monitors succession planning updates presented by Group HR to ensure smooth transitions of key personnel into critical positions, and ensured that the development plans for identified successors are put in place based on their readiness to assume the positions. Other major issues deliberated on by the BNRC were the salary and grading structure, retention plans and incentive schemes for key Senior Management as well as numerous employee value propositions.

(d) Internal Control

The Board is responsible for ensuring the adequacy and integrity of the Company's internal control system. With the support of the Board Audit Committee and Group Internal Audit, the Board ensures that there is a process for reviewing the adequacy and effectiveness of the Company's internal control system.

pg_ to pg_

Details pertaining to the Company's internal control system and review of its adequacy and effectiveness are set out in the Statement on Risk Management and Internal Control on pages 37 to 46 of this Annual Report.

Board Composition and Balance

The Board of RHB Insurance is currently represented by **six** Members, comprising an Independent Non-Executive Chairman, three INEDs, one NINED and the Managing Director (MD), as follows:

BOARD COMPOSITION:

- 1 Independent Non-Executive (INE) Chairman
  - Mr Ong Seng Pheow
- 1 Senior INED
  - YBhg Datuk Haji Faisal Siraj
- 2 INEDs
  - Mr Abdul Aziz Peru Mohamed
  - Mr Jahanath Muthusamy
- 1 NINED
  - Tuan Haji Md Ja'far Abdul Carrim
- 1 MD
  - Mr Kong Shu Yin

The above structure and composition of the Board comply with the BNM's Policy on Corporate Governance. YBhg Datuk Haji Faisal Siraj has been appointed as the Senior INED ("SINED"), to whom concerns pertaining to the Company may be conveyed by shareholders and the public.

Current Independent Directors of the Company account for 66.7% of the Board, **exceeding** BNM's requirements of majority (>50%) of Board Members must be independent, and fulfil the criteria of independence as defined in the BNM's Policy on Corporate Governance.

Their presence ensures an effective check and balance in the functioning of the Board. They are not involved in the day-to-day management of the Company, nor do they participate in any of its business dealings. This ensures they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs effectively.

Recognising the increasing importance of boardroom diversity in pursuing business and governance performance, the Group established a **boardroom diversity policy** in 2013. The policy is also in line with the Securities Commission's goal for women Directors to make up 30% of Boards. Diversity, which includes but is not limited to gender, age, ethnicity and cultural background, is therefore a key consideration in assessing and reviewing the Board's composition as it strives to achieve the targeted level of women participation.

During calendar year 2016, the Company welcomes one director on the Board, namely Mr Jahanath Muthusamy who serves as an INED from 1 November 2016.

In view of the enforcement of the new Companies Act 2016 on 31 January 2017 and the on-going requirements of the Malaysian Code on Corporate Governance (MCCG) 2012, RHB Insurance recognises that organisation is best served by a constantly evolving board of directors, with staggered terms and a healthy combination of fresh perspective and experienced board members. Upon reaching the tenure of nine years, the INED shall discontinue to serve on the Board and therefore retire at the next Company's AGM or when a new incumbent is available to replace him, as the case may be. Mr Ong Seng Pheow has served the Group more than 10 years and shall retire at the next AGM of the company. However the Board after due consideration and upon the Board Nominating & Remuneration Committee's recommendation, has recommended for his re-appointment as Director and retention as INED of the Company pursuant to the Internal Guidelines, for shareholders' approval. While RHB Insurance plans to adhere strictly to the nine years cap for the tenure of Independent Director in future, the **age limits** at 70 and 73 set for the Group's Non-Executive Directors ("NED") is abolished in consistent with the new Companies Act 2016. The Internal Guidelines will be revisited to strictly enforce the requirement of the nine years' tenure and align the removal of the age restriction pursuant to the Companies Act 2016.

Assessment of Independence

The independence of the Directors is reviewed annually and benchmarked against best practices and regulatory provisions. Independent Directors are required to attest to their compliance with the criteria and definition of "Independent Director" as stipulated under BNM's Policy on Corporate Governance.

All Independent Directors are either independent from the Company's substantial shareholders, are not substantial shareholders themselves or directly associated with any substantial shareholders. Based on individual Director's self-disclosure, the Board is generally satisfied with the level of independence demonstrated by all the INEDs and their ability to act in the best interest of the Company.

At every Board Meeting, all Directors are required to disclose their interest or any possible conflicts on any matter put forth in the meeting. When required, the interested Director shall excuse himself/herself and abstain from deliberation and voting to allow unbiased and free discussion and decision making. In the event a corporate proposal requires shareholder approval, interested Directors will abstain from voting in respect of their shareholdings in the Company and will further ensure that persons connected to them similarly abstain from voting on the resolution.

In an effort to preserve the independence of INEDs, the Group has put in place its internal Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors for RHB Banking Group ("Internal Guidelines"). The Board believes the tenure of INEDs should balance experience and learning with the need for renewal and fresh perspectives.

Roles of the Chairman and Managing Director/ Chief Executive Officer

The distinct and separate roles and responsibilities of the Chairman and MD ensure balance of power and authority such that no one individual has unfettered powers of decision-making.

The Independent Non-Executive Chairman, Mr Ong Seng Pheow, manages the affairs of the Board with a view of ensuring that it functions effectively and meets its obligations and responsibilities. He also leads the Board in executing its responsibilities to shareholders and ensures that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary in the Board's decision-making.

Additionally, the Chairman must ensure that general meetings are conducted efficiently and in accordance with the requirement of the Companies Act 2016, and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

The MD, Mr Kong Shu Yin ("Mr Kong"), who has extensive experience and knowledge in the insurance business, was appointed effective 13 March 2011 to execute the overall responsibilities of executing the Company's strategies in line with the Board's direction, overseeing the Company's operations and driving its businesses and performance towards achieving the Company's vision and goals. Mr Kong leads the Company's Senior Management in the execution of the Company's strategic initiatives.

Nomination Framework

New Director nominees are assessed by the BNRC in accordance with RHB Banking Group's Policy and Guidelines on Fit and Proper for Key Responsible Persons ("Fit and Proper Policy").

The assessment takes into account the nominees' background, skills, knowledge and experience, and is part of a transparent nomination process before a recommendation is made for the Board's approval. The assessments are carried out against a benchmark of documented competencies which have been prepared for each role, the completion of declarations by each individual, the obtaining of evidence of material qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification.

A set of questionnaire is given to new Board candidates to complete. One of the important areas assessed from the questionnaire is on time commitment, where the Company expects its Directors to devote appropriate time for Board/Board Committees meetings, relevant training and others. New directors need to make written declaration on their time commitment as indicated by the Company. One of the pre-requisite for a new candidate is the number of directorships held in public listed companies to ensure that the director is able to participate and perform his duties adequately, while existing directors are assessed on their meetings attendance records to reflect their time commitment.

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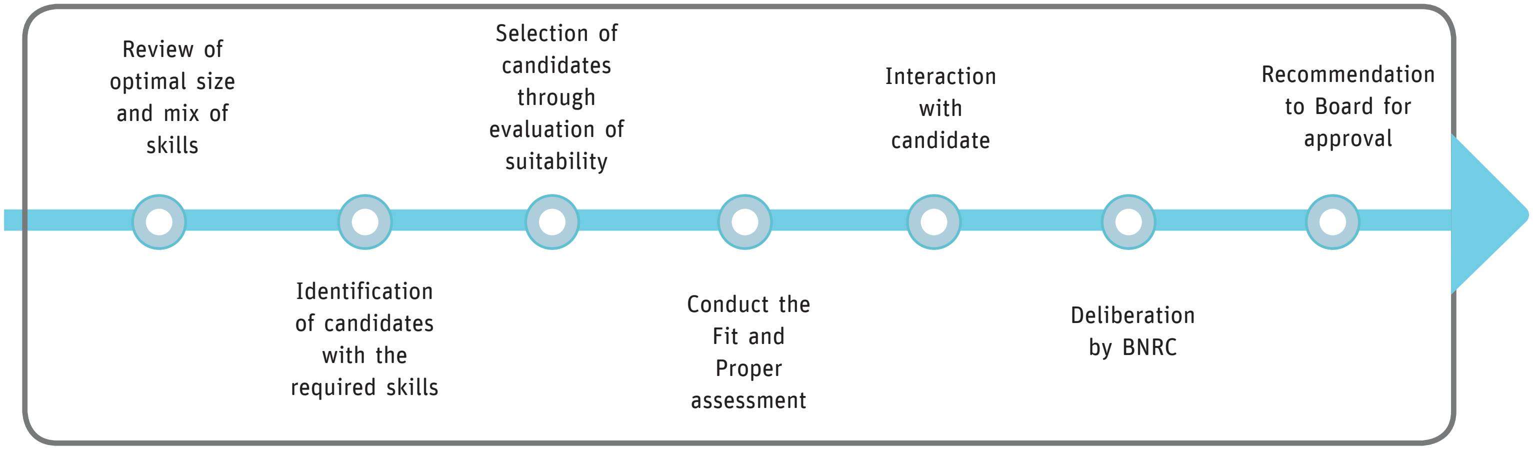
Nomination Framework



These assessments are reviewed on an annual basis. The Fit and Proper Policy outlines the following criteria in assessing the suitability of new and existing candidates:

- Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind, fairness and ethical behaviour.
- Competency and capability, where the candidate must have the skills, experience, ability and commitment to carry out the role.
- Financial integrity, where the candidate must have financial soundness and able to manage his/her debts or financial affairs prudently.

Directors' Appointment and Assessment

(a) Appointment of Directors

The Group leverages on the industry talent pool, FIDE Forum's Directors' Register and the Group's Independent Directors' network to source for new candidates for Board appointments, as overseen by the BNRC. This is the approach taken during calendar year 2016 for nomination of the Company's new director, namely Mr Jahanath Muthusamy.

The Chairman and/or members of the BNRC conducts an interaction session with the proposed candidates and assesses the candidates based on their relevant skills and experience, independence (where relevant) and objectivity, track record of success, sound judgement and broad perspective. The Board's expectation on the time commitment and contribution from the Directors will also be clearly communicated to the proposed candidates.

The BNRC is guided by a nomination framework approved by the Board. The framework ensures that individuals appointed to relevant senior positions and the Boards within the Group have the appropriate fitness and propriety to discharge their prudential responsibilities on and during the course of their appointment.

During its review of the suitability of candidates and criteria for the appointment process, the BNRC also takes into consideration the appropriate skill sets required, size, structure and composition of the Board. This ensures it is not only well-balanced and supportive of good governance and efficient management, but also complies with regulatory requirements and is responsive to changing business environments as well as the entity's business needs.

For the re-appointment of existing Directors, the BNRC refers to results of the individual assessments conducted via the Board Effectiveness Evaluation, in addition to their formal/informal interactions with the Directors. The BNRC also assesses the Directors based on their roles played and contributions to the Board and Board Committees, independence of view in respect of decision making (as the case may be), adequacy of training and time commitment by the Directors. The application for the appointment/re-appointment of Directors is submitted to BNM for consideration once it is approved by the Board.

(b) Board Effectiveness Evaluation ("BEE")

Since 2006, the Group has undertaken the BEE exercise on the Boards and Board Committees to assess their effectiveness and that of individual Directors. The BEE is designed to detect strengths and weaknesses to improve the Board's overall effectiveness and forms part of the BNRC's evaluation for the re-appointment of Directors.

The BEE is based on a combination of self and peer assessment performed via a customised questionnaire. To ensure integrity and independence of the appraisal process, Messrs PricewaterhouseCoopers Consulting Services Sdn Bhd ("PwCCS") was engaged to collate and tabulate the results of the evaluation. The BEE also includes in-depth interviews with Directors and Senior Management by PwCCS to encompass areas which fall outside the realm of the written assessment. The detailed BEE results are discussed with the Chairmen of the BNRC and Boards.

The performance indicators on which the Board's effectiveness is evaluated are as follows:

Part A: Board Evaluation

1. Board responsibilities
2. Board composition
3. Board remuneration
4. Board Committees: evaluation and self-evaluation
5. Board conduct
6. Board interaction and communication with management and stakeholders
7. Chairman
8. Group Managing Director/Managing Director/Chief Executive Officer
9. Board administration and process

Part B: Directors' Self and Peer Evaluation

1. Self-evaluation
2. Independent Directors assessment

Each Director and Board Committee member is required to perform an online self and peer assessment for the year in review. Upon completion, individual results together with a peer average rating on each area of assessment will be provided to each Director and Board Committee member for their information and further improvement. The latest BEE results have been presented to BNRC and the Board in March 2017 to identify and address areas for improvement.

MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

Board meetings are convened monthly as well as additionally when required to deliberate on any arising issues. At each Board meeting, the Board is, among others, informed of decisions and salient issues by the respective Board Committees' Chairmen/representative. Minutes of the respective Board Committees meetings are also tabled for the Board's information.

Key matters discussed by the Board are mainly strategic of nature, but from time-to-time, some material operational issues are also being discussed which need special attention and urgent direction.

For the financial year ended 31 December 2016, the Board is satisfied with the time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of RHB Bank. The Board convened 12 meetings for the financial year ended 31 December 2016 and all the Directors have complied with the required minimum Board meetings attendance of 75% under BNM's latest Policy on Corporate Governance and as adopted by the Company.

Details on the independent status of the Board of Directors, their roles in Board Committees and their attendance at the aforesaid meetings in 2016 are set out below:

Company's Director	Position/ Independent Status	Date of Board appointment	Attendance of Meetings				
			Board Meeting	BNRC[1] Meeting	BRC[2] Meeting	BAC[3] Meeting	BCC[4] Meeting
Mr Ong Seng Pheow	Chairman/Independent Non-Executive Director (INED)	1 January 2008	12/12 (100%)	5/5* (100%)	–	13/13 (100%)	6/6 (100%)
YBhg Datuk Haji Faisal Siraj	Senior Independent Non-Executive Director (Senior INED)	1 January 2008	12/12 (100%)	3/3# (100%)	–	5/5^ (100%)	–
Tuan Haji Md Ja'far Abdul Carrim	Non-Independent Non-Executive Director (NINED)	11 August 2009	12/12 (100%)	3/3# (100%)	12/12 (100%)	–	–
Mr Abdul Aziz Peru Mohamed	Independent Non-Executive Director (INED)	2 March 2012	12/12 (100%)	–	–	–	–
Mr Jahanath Muthusamy	Independent Non-Executive Director (INED)	1 November 2016	12/12 (100%)	–	–	–	–
Mr Kong Shu Yin	Managing Director	13 March 2011	12/12 (100%)	–	–	–	–
YBhg Dato' Othman Jusoh	Independent Non-Executive Director (INED)	1 April 2010 *(Retired on 31 March 2016)*	3/3 (100%)	–	–	4/4 (100%)	–

Note:

1–4 Abbreviations used denote various main Board Committees.
** Appointed with effect from 27 June 2016.*
 # Ceased to be Chairman/Member on 27 June 2016
^ Ceased to be Member on 15 June 2016

ALL DIRECTORS COMPLIED WITH THE REQUIRED MINIMUM BOARD MEETINGS ATTENDANCE OF
75%

For the Directors' convenience, an annual meeting schedule for Board and Board Committee meetings and the AGM is circulated to the Directors before the beginning of every year. Since 2014, the Group embarked on the use of a meeting management solution system (in place of eBooks used previously), allowing Directors/Board Committee Members to access the online portal directly in a secure and organised manner on their iPads.

This initiative has significantly enhanced mobility, movement of documents, cost and time savings, as well as created greater convenience, better security and a positive impact on the environment. Directors who are unable to attend the Board/Board Committee meetings physically are also encouraged to participate via telephone and video-conferencing using LYNC application system.

This latest flexibility accommodates any Board meeting's paper to be circulated to the Board members instantly. Currently the circulations of the Board papers are between 5 and 7 days before each meeting.

The Directors are required to notify the Board on changes of their other directorships and shareholdings in RHB Bank Berhad as and when such changes arise. This information is used to monitor the number of directorships held by the Directors of RHB Insurance, including those on other public listed companies, and to notify the Companies Commission of Malaysia accordingly.

pg_ to pg_

The information on the Company's Directors' directorships in public listed companies and other public companies is available on pages 9 to 25 of this Annual Report.

Information and Advice

The Board, whether as a group or individually, regularly obtains the advice and dedicated support services of the Company Secretary. The Board members may also interact directly with the Management, seek their clarification and advice as well as request for information on matters pertaining to the Company's operations or business concerns. Pursuant to the Group's Standard Procedures for Directors to have access to Independent Advice, the Directors may also seek independent professional advice, at the Company's expense, should the need arise in discharging their duties.

Dedicated Company Secretary

The Board acknowledges and is satisfied with the performance and support rendered by the Company Secretary. In addition to acting as the custodian of the Company's statutory records, the Company Secretary serves and advises the Board on matters relating to the affairs of the Board and good corporate governance practices, ensures that Board meetings are properly convened and maintain an accurate and proper record of the proceedings and minutes of the meetings.

In promoting good corporate governance practices, the Company Secretary assists the Board and Senior Management on meeting with regulatory requirements and best practices specifically pertaining to Board governance. This include proposing on transparency and mandatory/voluntary disclosure on governance issues which are relevant and materially important to the stakeholders.

The Company Secretary also assists the Chairman and Directors in conducting meetings and discharging their governance obligations and responsibilities as Directors of the Company. Additionally, the Company Secretary facilitate the communication of key decisions and policies between the Board, Board Committees and the Senior Management, updating the Board on the follow-up or implementation of decisions/recommendations.

In order to play an effective advisory role to the Board, the Company Secretary remain informed of the latest regulatory changes, evolving industry developments and best practices in corporate governance through continuous training and regular interactions with regulators and industry peers.

Remuneration Strategies

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 and the Group. 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 Non-Executive Directors' ("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.

The remuneration structure of the NEDs of the Group is laid out as follows:

No.	Non-Executive Directors' Remuneration Scheme	Unrestricted/Non-Deferred	Restricted/Deferred
A.	*Fixed-Type Remuneration*		
	i. Cash-based	• Fixed Fees – Directors' Fees[1] – Committee Allowances[2] – Chairmen's premium[3] for various entities & committees • Emoluments[4]	*Nil*
	ii. Shares & share-linked instruments	*Nil*	*Nil*
	iii. Others	Benefits-in-kind[5]	Farewell Pot[4]
B.	*Variable-Type Remuneration*		
	i. Cash-based	Meeting Attendance Allowance[6]	*Nil*
	ii. Shares & share-linked instruments	*Nil*	*Nil*
	iii. Others	Directors' & Officers' Liability Insurance[7]	*Nil*

Notes:

The overall remuneration package of the NEDs of the Group 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. The existing fees structure for the Company's Non-Executive Directors on the basis of RM180,000 per annum for Non-Executive Chairman and of RM150,000.00 per annum for every NED, is based on the Group's Directors' Fees structure.

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

NEDs who sit on 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.

4) Emoluments

NEDs are awarded with 'On-Going Recognition & Appreciation Service Award' scheme ("Service Award") and the Group Chairman is accorded with a special allowance, in recognition of their services and commitments to the Group. Effective 1 January 2017, the Service Award was discontinued and being replaced by 'Farewell Pot' scheme for all the NEDs.

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 any Board/Board Committee meetings. Total allowances are subject to number of Board/Board Committee sittings and number of meetings attended by each Company's Non-Executive Director.

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.

pg... to pg...

The information on the total remuneration of the Directors from the Company is available under Note 24 to the Financial Statements on page 92 in the accompanying Financial Statements 2016 Report.

The MD is not paid a Director's fee nor is he entitled to receive any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which includes salary and bonus, either as short term or long term incentives, in cash or benefits-in-kind, is derived from the Company.

The Group has also established a remuneration framework for key Senior Management, consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with contributions to the organisation. Key Senior Management Officers are defined per term of references of the BNRC as Group Managing Director ("Group MD"), Chief Executive Officer/Managing Director who is the Direct Report to the Group MD and any persons as decided by the Committee.

Their aggregated total remuneration package amounting **RM15.7 million** for FYE 2016, includes basic salary, allowances, benefits in-kind and bonuses. The Board however believes that disclosure of the remuneration package of each key Senior Officer personnel in details would be disadvantageous for the Group's business interests, as poaching of executives is rather norm due to limited pool of executive talents and expertise within the local financial services industry.

DIRECTORS' ORIENTATION, CONTINUING EDUCATION AND TRAINING

The Board emphasises the importance of continuing education and training for its Directors to ensure they keep up with the latest developments in the areas related to their duties. A budget for Directors' training is provided each year by RHB Insurance. The Board, as part of the BEE exercise, assesses the training needs of each Director annually. The training and development of Directors are detailed in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group.

The NEDs of the Company and the Group are encouraged to attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that engender organisational excellence. The Company Secretary facilitate the organisation of internal training programmes and Directors' attendance of external programmes, and keep a complete record of the training received and attended by the Directors.

Learning Process for New Director

One new NED was appointed to the board of the Company for the FYE 2016. The newly appointed Company's NED attended an induction programme organised by the Management of the Group to provide him with in-depth information of the industry as well as an overview of the Group's business operations. During the induction programme, he was briefed by relevant Management on the functions and areas of responsibility of their respective divisions. This enables the new NED to familiarise himself with the Group's operations and organisational structure and also helps him to establish effective channels of communication and interaction with Management.

In addition, the new NED received a comprehensive Director's induction kit to assist him in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations.

Apart therefrom, the new NED is required to complete the Financial Institutions Directors' Education ("FIDE") programme within one year of his appointment. The FIDE programme aims to enhance boardroom governance within the financial and insurance sector and develop world class directors who are advocates of best practices and excellence in corporate governance.

AGGREGATED TOTAL REMUNERATION PACKAGE
AMOUNTING RM15.7 MILLION

During the year, the Directors of RHB Insurance attended the following training programmes, conferences and seminars:

Name of Director(s)	Training Programme Attended	Training Scope & Description
Mr Ong Seng Pheow	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	• Economic impact of TPPA • Overall economy & sectoral analysis • Potential impact of TPPA on RHB Banking Group • Thematic issues
	Presentation on MFRS9 by Ernst & Young	• Implication and challenges of implementing IFRS9 • IAS 39
	Digital Signature Training To RHB Board of Directors	• Performing the Digital Signing
	New Companies Bill 2016 by ZICO	• Key & structural changes • New requirements & impacts • Corporate Governance
Tuan Haji Md Ja'far Abdul Carrim	Bank Negara Malaysia Annual Report 2015/Financial Stability and Payments Systems Report 2015 Briefing Session	• Financial Stability • Payment Systems Report
	Corporate Directors Advanced Programme (CDAP) 2016 – Cyber Security Risk Management For Boardroom and C-Suite	• Cyber Security Fundamentals & Overview • Introduction to Risk Management • Identifying Security Gaps & Handling Threats • Summarising the Role of the Board in Cyber Security Risk Management
	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	• Economic impact of TPPA • Overall economy & sectoral analysis • Potential impact of TPPA on RHB Banking Group • Thematic issues
	Invitation to the launch of Directors Register	• Board Leadership Framework for Financial Institutions in Malaysia • Board composition and managing succession planning
	FIDE FORUM: 2nd Distinguished Board Leadership Series – "Avoiding Financial Myopia" by Professor Jeffrey L. Sampler	• Identify sources of qualitative risk
	BNM – FIDE FORUM Dialogue with Deputy Governor on the Corporate Governance Concept Paper	• Corporate Governance Concept Paper

Name of Director(s)	Training Programme Attended	Training Scope & Description
Tuan Haji Md Ja'far Abdul Carrim (continue)	Directors Duties, Business Ethics & Governance Seminar 2016 (MICG)	• Corporate Governance the challenges and Board Responsibilities • Board and ethical governance understanding business integrity • Implementing an effective and efficient Board • Compliance and risk management Bods' regulatory obligation
	Digital Signature Training To RHB Board of Directors	• Perform the Digital Signing
	Exclusive Session for Directors: Implementation of FIDE FORUM's Directors Register	• Board Leadership Framework
	Presentation on MFRS9 by Ernst & Young (EY) To The Board of Directors	• Implication and challenges of implementing IFRS9 • IAS 39
	FIDE FORUM – Securities Commission-FIDE FORUM Dialogue: FinTech's Impact on Financial	• Current marketplace in crowd funding and P2P lending • Impact of FinTech platforms-key risk/concerns to financial stability and various stakeholder • View on responsible innovation in the financial services industry
	Shariah Awareness Programme For Board of Directors and Senior	• Shariah Law
	FIDE Elective Programme – Advanced Risk Governance and Risk Management	• Managing assets and liabilities, liquidity, and solvency • Leverage policy • Risk governance and credit risk concentration • Islamic banking and liquidity management
	Anti-Money Laundering/Counter Financing of Terrorism for RHB Banking Group BODs & GMCs and Heads	• Scope of Money Laundering Problem • Money Laundering: International Actions • Objectives of AMLA/AMLATFA/AMLATFPUA
	Briefing on Companies Act 2016	• Status of new Companies Act • General Impact of the new Companies Act 2016 • Contents of the Companies Act 2016
	FIDE Forum: Technology-based Innovation that Counts	• Technology and its role in the financial services industry

Name of Director(s)	Training Programme Attended	Training Scope & Description
Encik Abdul Aziz Peru Mohamed	FIDE FORUM Dialogue on Directors' and Officer ("D&O") Liability Insurance with the Experts	• D&O liability insurance cover • Major D&O claims related to directors of financial institutions • Territory, choice of law and jurisdiction clause • Practices of D&O cover purchased by financial institutions in Malaysia
	Trans-Pacific Partnership Agreement (TPPA) Briefing by PwC	• Economic impact of TPPA • Overall economy & sectoral analysis • Potential impact of TPPA on RHB Banking Group • Thematic issues
	Presentation on MFRS9 by Ernst & Young	• Implication and challenges of implementing IFRS9 • IAS 39
	Digital Signature Training To RHB Board of Directors	• Performing the Digital Signing
	Invitation To World Bank Conference	• The Trans-Pacific Partnership (TPP) as an Opportunity for Integration • The Gains from Networks and Integration • Market Rigidities as Obstacles to Integration
	Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) for RHB Banking Group Board of Directors & GMCs and Heads	• Scope of Money Laundering Problem • Money Laundering: International Actions • Objectives of AMLA/AMLATFA/AMLATFPUA
	New Companies Bill 2016 by ZICO	• Status of new Companies Act • General Impact of the new Companies Act 2016 • Contents of the Companies Act 2016
	Mandatory Accreditation Programme for Directors of Public Listed Companies	• Understanding the directors' obligation: Board effectiveness & managing risk • Discharging directors' financial reporting responsibility • Demystifying Directors' Key Obligations Under The Listing Requirements of Bursa Malaysia Securities Berhad • Audit Committee Expanded Governance Oversight Role

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Datuk Haji Faisal Siraj	Briefing on Trans-Pacific Partnership Agreement (TPPA) by PwC to Board of Directors & Senior Management	• Economic impact of TPPA • Overall economy • Sectoral analysis • Potential impact of TPPA on RHB Group and related key client segments • Thematic issues
	Digital Signature Training To RHB Board of Directors	• Perform the Digital Signing
	Anti-Money Laundering/Counter Financing of Terrorism for RHB Banking Group BODs & GMCs and Heads	• Scope of Money Laundering Problem • Money Laundering: International Actions • Objectives of AMLA/AMLATFA/AMLATFPUA
	Briefing on Companies Act 2016	• Status of new Companies Act • General Impact of the new Companies Act 2016 • Contents of the Companies Act 2016
Mr Jahanath Muthusamy	Briefing On P2P/Crowd Funding/Crowd Sourcing	• Financial Instruments/Investments
	FIDE Core Programme Module A – (Insurance)	• Insurance
Mr Kong Shu Yin	FIDE Forum: Focus Group on Insurance	• To discuss current and future issues and challenges in Insurance
	Seminar: "Live Long and Prosper: Aging in East Asia and Pacific"	• Social Economics • Sustainable Development
	RHB Leadership Talk: "Leadership in Public Sector"	• Leadership
	Conference at Bank Negara Malaysia: "Future Finance"	• The conference will stock take the progress of existing efforts under the Financial Sector Blueprint 2011 – 2020, with particular attention on key focus areas in the next five years for the financial services industry

BOARD COMMITTEES

To ensure effectiveness in discharging its roles and responsibilities, the Board delegates specific authorities to the relevant Board Committees. This delegation of authority is expressly stipulated in the Terms of References ("TOR") of the respective Board Committees. The TORs are reviewed periodically to ensure effective and efficient decision making in the Group. The Board Committees also act as oversight committees, evaluating and recommending matters under their purview for the Board to consider and approve.

The Board receives updates from the respective chairmen/representatives of the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee on matters that require specific mention that have been deliberated and considered at the meetings of Board Committees. This practice also applies for other entities within the Group.

Board Nominating & Remuneration Committee

The key objectives of the Board Nominating & Remuneration Committee ("BNRC") are, as follows:-

- Review and assess the appointment/re-appointments of Directors, Board Committee members, Shariah Committee and key Senior Management officers for recommendation to the Boards.
- Advise the Boards on optimal size and mix of skills of Boards/Board Committees/Shariah Committees.
- Provide oversight and direction on HR matters and operations, and recommend to the Boards for approval of remuneration and human resource strategies.

The BNRC comprises five NEDs, of whom three are INEDs and two are NINEDs, representing the respective entities within the Group. The BNRC is chaired by YBhg Tan Sri Saw Choo Boon, the SINED of RHB Bank Berhad.

Board Risk Committee

The Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and safeguard shareholders' investments as well as the Company's and the Group's assets. The Board Risk Committee ("BRC") provides oversight and governance of risks for the Group to ensure that the Group's risk management process is functional and effective.

The BRC also oversees Senior Management's activities in managing risk, ensuring that the risk management process in each of the Group's entities functions in accordance with a risk-return performance management framework. Furthermore, the BRC supports and leads the Senior Management in driving the Risk Culture and Risk Ownership in the Group.

The BRC's other duties and functions among others include the following:

- To provide oversight to ensure that the Group's risk management framework, processes, organisation and systems are functioning commensurate with its nature, scale, complexity of activities and risk appetite.
- To deliberate and assess the nature and materiality of risk exposures, potential risks and impact on capital and the Group's sustainability.
- To review and approve proposed changes to Delegated Lending (Financing) Authorities/Discretionary Powers/Powers of Attorney, limits for business and operations.
- To review and approve changes to policies and frameworks (excluding HR related policies and framework), risk methodologies/models and other significant risk management matters, in line with the approved risk strategy.
- To review and approve new/existing products with material variations in product features.

THE BOARD RISK COMMITTEE ("BRC") PROVIDES
OVERSIGHT AND GOVERNANCE OF RISKS FOR THE GROUP

The BRC comprises four NEDs, of whom two are INEDs and two NINEDs, representing the respective entities within the Group. The BRC met 12 times during the financial year 2016. The composition of the BRC and the attendance of the members at meetings held in 2016 are as follows:

Name of Directors	Attendance at Meetings
YBhg Tan Sri Saw Choo Boon (INED/Chairman)#	12/12 (100%)
Mr Patrick Chin Yoke Chung (NINED)	11/12 (92%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)	12/12 (100%)
Mr Chin Yoong Kheong (INED)	11/12 (92%)
Tuan Haji Khairuddin Ahmad (INED/Chairman)^	4/4 (100%)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (INED)*	5/6 (83%)

Note:
- * *Resigned with effect from 27 June 2016.*
- \# *Redesignated as BRC Chairman on 11 May 2016.*
- ^ *Retired from BRC on 11 May 2016.*

Board Audit Committee

The Board Audit Committee ("BAC") comprises four INEDs representing RHB Bank and its major operating subsidiaries. The BAC provides independent oversight of RHB Banking Group's financial reporting and internal control system, ensuring checks and balances for entities within the Group. The BAC continuously reinforces the independence of the external auditors and provides a line of communication between the Board and the external auditors.

The BAC reviews the integrity and reliability of the Company's and the Group's financial statements on a quarterly basis, prior to recommending the same for the Board's approval and issuance to stakeholders. During the reviews, the Group Chief Financial Officer provides assurance to the BAC that:

- Adequate processes and controls are in place for an effective and efficient financial statement close process;
- Appropriate accounting policies have been adopted and applied consistently; and
- The relevant financial statements give a true and fair view of the state of affairs of the Company and the Group in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Companies Act 1965.

The BAC also meets twice a year with the external auditors, without the presence of the Management and the executive Board members, to discuss any key issues/areas that require attention of the BAC and the Board.

The BAC also emphasises the internal audit function by increasing the objectivity and independence of the internal auditors and provides a forum for discussion that is, among others, independent of the Management. Additionally, the BAC reviews the quality of the audits conducted by internal and external auditors as well as the Group's financial condition and performance. This enhances the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Detailed disclosures on BAC's governance structure and primary activities are available on pages 43 to 46 of this Annual Report.

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Board Technology Committee

The Board Technology Committee ("BTC") comprises two INEDs and one NINED, and guides the Boards of the major operating subsidiaries on the Group's strategic IT programs and major IT investments. The BTC reviews and recommends to the Boards the Group's overall technology strategies and policies, strategic and major technology investments and projects above Management's limits set by the Boards or as referred to by the Group Management Committee. It also receives updates from Management on emerging technology trends affecting the Group.

INVESTOR RELATIONS AND STAKEHOLDER COMMUNICATIONS

Corporate Disclosure

Since 2013, the Group has adopted a media communication plan which defined the roles and responsibilities of the Chairman and Senior Management together with levels of authority in handling the disclosure of material corporate, business and financial information to the public via media channels.

In addition, the Directors and employees are required to execute confidentiality undertakings in compliance with the secrecy requirement of the Financial Services Act 2013 or other regulatory requirements in respect of information which they may acquire through the business of the Company and its subsidiaries.

Corporate Website

In view of the importance of the corporate website to promote the Group's branding and image, our intranet has been restructured to enhance our internal communication channel and landing platform for knowledge repository within the Group. The corporate section on the Group's website, on the other hand, makes all relevant information (including information on dividend, capital & debt instruments, credit rating, all announcements released to media and Bursa Malaysia website, annual reports, corporate structure, corporate governance statement, notice of general meetings and minutes of general meetings) on the holding company, RHB Bank Berhad and its main operating subsidiaries publicly accessible.

UPHOLDING INTEGRITY

Compliance with Financial Reporting Standards

The Board ensures that shareholders are provided with a clear, balanced and meaningful assessment of the Company's financial performance, position and future prospects through the Annual Audited Financial Statements, quarterly reports and corporate announcements on significant events affecting the Company.

Relationship with Internal and External Auditors

Internal audit

The Group Internal Audit ("GIA"), led by the Group Chief Internal Auditor, reports the results of its audits directly to the BAC. Guided by the Internal Audit Charter, the GIA regularly reviews and reports on the adequacy and effectiveness of the Group's risk management, internal control and governance processes. Based on the annual audit plan approved by the BAC, GIA undertakes an independent assessment of the internal control systems throughout the Company and the Group to assure that deficiencies or issues are promptly resolved by the Management.

Follow-up actions and a review of the status of actions taken as per the auditors' recommendations are carried out by the Management via the various Management Audit Committees established within the Group. The Group internal auditors also work closely with the external auditors to resolve any control issues as raised by them to ensure that all issues are duly acted on by the Management.

Further details of the activities of the GIA function are set out in the Statement on Internal Audit on pages 47 to 48 of this Annual Report.

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The Group's current Internal Audit Charter is up-to-date in line with the latest regulatory requirements as well as the International Standards for the Professional Practice of Internal Auditing.

Assessment of external auditors

The BAC undertakes an assessment of the suitability and independence of the external auditors, Messrs PricewaterhouseCoopers, based on qualifying criteria for the appointment of auditors and terms of audit engagements in accordance with BNM's Guidelines – "External Auditor" dated 29 August 2014. Among the criteria set are that the auditors are registered auditors with professional competence, their objectivity/ independence are not impaired, their background are free from criminal dishonesty acts and disciplinary actions taken by the Malaysian Institute of Accountant, and also their tenure of appointment as engagement partner not exceeding 5 continuous years with the Company.

In addition, the performance of the external auditors is assessed through a survey amongst the management requesting feedback and comments on their dealings with Messrs PricewaterhouseCoopers throughout the financial reporting year. The survey covers areas such as quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness, relationship management and staff continuity.

Having satisfied itself with their performance and fulfilment of criteria as set out in BNM's Guidelines, the BAC will recommend the re-appointment of the external auditors to the Board, upon which the shareholders' approval will be sought at the AGM.

RHB Banking Group has established the Group Policy on Non-Audit Fees Paid/Payable to External Auditors ("Policy"). The BAC reviews the non-audit services rendered by the external auditors and the related fees prior to the approval of the services. A report on non-audit fees is also presented to the BAC quarterly. This is to ensure the independence of the external auditors and its compliance with the Policy and terms of all relevant professional and regulatory requirements when rendering its audit and non-audit services. During the financial year, the external auditors made written assurance that they have maintained their independence for the audit of the Group's financial statements and for all the non-audit engagements undertaken, in accordance with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

Group Whistle Blower Policy

The Group has, since 2004 (revised and updated in 2014), established a Group Whistle Blower Policy to strengthen its controls and governance. The policy provides employees with an avenue to report suspected fraud, corruption, dishonest practices or other similar circumstances. This policy encourages reporting of such matters in good faith, with the confidentiality of the person making such reports protected from reprisal in the best possible manner.

For the current year under review, three complaints pursuant to the Group Whistle Blower Policy were received, investigated and pursued. All reports or complaints are filed with the Designated Recipient as specified in the Group Whistle Blower Policy. The Group Whistle Blower Policy is available on the Group's internal portal for the reference of the Group's staff.

Code of Ethics

The Board is committed to inculcating a corporate culture which engenders ethical conduct throughout the Company and the Group. The Board has thus adopted a Code of Ethics and Business Conduct for Directors ("Code of Ethics") to enhance the standard of corporate governance, establish uniform ethical standards and promote ethical conduct for Directors in line with governing laws, regulations and guidelines. The Code of Ethics includes principles relating to general standard of conduct, conflict of interest, insider trading, maintaining confidentiality, use of corporate assets, etc.

The Group has also implemented a Group Code of Ethics and Conduct ("Code") for its employees to ensure a high standard of ethical and professional conduct in performing their duties and responsibilities. The said Code establishes the standards that govern the way employees deal with each other, our shareholders, customers, suppliers, competitors and communities. Within this framework, employees are expected to exercise good judgement and be accountable for their actions. Compliance with the Code is part of the terms and conditions of employment for every employee. The Code is currently under revision to incorporate current best practices and in line with the industry standard.

Group Gifts & Hospitality Guidelines

The Group had, in November 2014, established Group Gifts & Hospitality Guidelines to promote integrity and transparency. The Guidelines complement the existing Group Code of Ethics and Conduct for Employees and are benchmarked against best practices for giving and receiving gifts as well as transparency and openness about gifting. It is also part of the overall anti-bribery and corruption initiative currently pursued by the Group.

Corporate Responsibility

The foundation of our Corporate Responsibility ("CR") initiatives is premised on the four quadrants of Community, Environment, Workplace and Marketplace. The Group's established CR strategic framework has supported and created value for the Group's business, operations and brand, as well as contributed positively to the Group's shareholders, customers, employees and society at large. The framework was introduced with the intention of translating its defined values into a governing policy that addresses the Group's CR and sustainability reporting which incorporates the economic, environmental and social ("EES") elements.

The framework will ensure that EES issues are integrated into the Group's daily business practices to promote its sustainability. Sustainability is defined as conducting business responsibly and ethically by factoring in economic, environmental and social considerations in the decision making process for long-term business success that, in turn, will contribute to the socioeconomic development of the communities in which the Group operates. As such, the Group embarks on activities that conserve the environment, enrich the lives of communities, promote a culture of respect and care for its workforce and the public, all of which, appropriately implements good governance.

The Board also acknowledges that a sustainable approach to investing is vital to the interests of long-term investors and positively impacts the value of investments. The Board further recognises that the Group's ability to prosper hinges substantially on its ability to make business decisions that uphold economic, environmental and social responsibilities by which the stakeholders and society can hold the Group accountable. In this way, the Company can combine its economic success with environmental protection and social responsibility. Therefore, EES issues are of the utmost importance in the Board's decision making to maintain responsible corporate citizenship.

ADDITIONAL COMPLIANCE INFORMATION

Related Party Transactions

The Group has put in place a Policy on Related Party Transaction Review Process since 2004 (revised and updated in 2011 and 2012, respectively), which guides the review and reporting of all related party transactions. Under this policy, all related party transactions are reviewed by Group Legal prior to independent review by Group Internal Audit before any submission is made to the BAC for deliberation.

Sanctions and penalties

For the financial year 2016, no public reprimands, sanctions and/or material penalties were imposed on the Company, Directors or Management by the relevant regulatory bodies.

Material contracts involving Directors' and major shareholders' interest

RHB Insurance did not have any material contracts involving Directors' and major shareholders' interests in the 12-month financial period from 1 January 2016 to 31 December 2016. The material contracts in this case do not include financing to parties connected to Directors which are conducted in accordance with the relevant BNM's guidelines.

COMPLIANCE STATEMENT

In carrying out fiduciary duties, the Board of Directors ("Board") of RHB Insurance is pleased to disclose that the Company for the Financial Year Ended (FYE) 31 December 2016 has satisfied the following:

- The Company's financial statements were prepared in compliance with the approved accounting standards and disclosure requirements set out in the Companies Act 2016.
- All material aspects of the principles stipulated by Bank Negara Malaysia (Central Bank of Malaysia)'s Policy on Corporate Governance are complied.

This Corporate Governance Statement and the disclosures in this report have been approved by the Board on 17 April 2017.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BOARD'S RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management and internal control system and for assessing its effectiveness. Such a system is designed to manage risks within the established risk appetite and risk tolerance rather than total elimination of risks to achieve RHB Insurance Berhad ("RHB Insurance" or "Company")'s business objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board is assisted by the Board Risk Committee ("BRC") and Board Audit Committee ("BAC") which have been delegated with primary oversight responsibilities on the Company's risk management and internal control system.

The Board is further assisted by the Management who is responsible for implementing the Company's policies and processes to identify, evaluate, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely corrective actions as required, and to provide assurance to the Board that the processes have been carried out.

RISK MANAGEMENT FRAMEWORK

RHB Banking Group ("Group") has put in place a risk management framework approved by the Board for identifying, evaluating, monitoring and reporting of significant risks faced by the Group that may affect the achievement of the Group's business objectives.

Risk Governance and Oversight

The Group's risk management framework seeks to ensure that there is an effective on-going process in place to manage risk in the Company. This process is regularly reviewed by the Board through the BRC which provides oversight over the risk management activities for the Company to ensure that the Company's risk management process is functioning effectively.

The BRC also assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the BRC is supported by the Group Capital and Risk Committee ("GCRC") and Group Risk & Credit Management function which monitors and evaluates the effectiveness of the Group's risk management system on an on-going basis. The GCRC, comprising Senior Management of the Group and chaired by the Group Managing Director, is responsible for the supervision of the management of enterprise risk and capital matters. Group Risk & Credit Management function provides independent oversight on business activities and implements the Group's risk management framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Its responsibilities include implementation of the Group's risk policy and framework, daily risk measurement and monitoring, provision of timely risk analysis to Management, ensuring compliance to regulatory risk reporting requirements, overseeing group-wide credit evaluation and assessment as well as implementing a comprehensive enterprise-wide risk governance framework and a robust risk management infrastructure. On a monthly basis, a Group Risk Management Report prepared by Group Risk & Credit Management function which includes the Company and the Group's risk metrics and tolerance dashboard is presented to the Board for information, deliberation or decision making.

In addition to the risk management framework, the Group has implemented the Internal Capital Adequacy Assessment Process ("ICAAP") framework to ensure that the Group maintains adequate capital levels consistent with the risk profiles including capital buffers to support the Group's current and projected demand for capital under existing and stressed conditions.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Asset and Liability Committee, Group Credit Committee, Islamic Risk Management Committee, Board Credit Committee and Board Technology Committee with their scope of responsibility as defined in their respective terms of reference.

Risk Appetite

The Board, through the BRC, Islamic Risk Management Committee, GCRC and Group Risk & Credit Management function, establishes the risk appetite and risk tolerance for the Group and relevant entities.

The defined risk appetite and risk tolerance are periodically reviewed by the Management and the Board in line with the Company's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for business entity or removal of risk appetite metrics that are no longer applicable as well as updates on the risk appetite thresholds to be in line with the Company's business strategy and risk posture.

The main business and operations inherent risks that were considered in the risk appetite review include regulatory compliance risk, market and liquidity risk, operational and technology risk.

Risk Culture

Risk management is integral to all aspects of the Group's activities and is the responsibility of all staff. In line with regulatory requirements and industry best practices, the Group subscribes to the principle that "*Risk and Compliance is Everyone's Responsibility*" and hence, risk management is a core responsibility of the respective businesses and operating units. This has been articulated and documented in the risk management framework of the Group.

Guided by the said principle, the Group has launched a Risk Culture Awareness program which comprises training, awareness campaigns and roadshows across the country to promote a healthy risk culture. A strong risk culture minimises the Group's exposure to financial and non-financial risks including reputational impact, over time.

In addition, the Group has implemented the Business Risk & Compliance Officer ("BRCO") program that aims to cultivate proactive risk and compliance management and to establish a robust risk culture. The BRCO program entails the appointment of BRCO at the respective business and functional units to provide real time advisory on risk and compliance matters.

The implementation of the BRCO program is in line with the 'Three Lines of Defence' model practised globally and is depicted in the diagram below:

FIRST LINE	Business/Functional Level	• Responsible for managing day-to-day operational risks and compliance issues • BRCO is to assist business/functional unit in day-to-day operational risks and compliance matters
SECOND LINE	Group Risk Management & Group Compliance	• Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE	Group Internal Audit	• Provide independent assurance to the Board that risk and compliance management functions effectively as designed

Risk and Control Self-Assessment

To further support and promote accountability and ownership of risk management, a Risk and Control Self-Assessment ("RCSA") framework has been implemented in the business and functional units within the Group as part of the risk management process. These business and functional units are required to identify and document the controls and processes for managing the risks arising from their business activities and operations, as well as to assess the effectiveness thereof to ensure that the risks identified are adequately managed and mitigated. On completion of the RCSA exercise, all business and functional units within the Group are required to submit their respective results to Group Operational Risk Management for review prior to tabling the RCSA results to the GCRC for deliberation and further action where necessary.

INTERNAL CONTROL SYSTEM

The Group's internal control system which encompasses the policies, procedures, processes, organisational structures, tasks and other control aspects is implemented for assuring the achievement of the Group's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

Control Environment and Control Activities

Organisation Structure

The Group has a clear organisational structure with well-defined accountabilities and responsibilities, and lines of reporting. The organisational structure provides the basic framework to help the Group's operations proceed smoothly and functionally as well as depicting the span of control in ensuring effective supervision of day-to-day business conduct and accountability.

Policies and Procedures

Policies, procedures and processes governing the Group's businesses and operations are documented and communicated group-wide as well as made available to employees through the Group's intranet portal for ease of reference and compliance. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured review and approval process to cater to changes in laws and regulations as well as changes to the business and operational environment.

Authority Limits

The Board has approved the Group Manual of Authority ("MOA") which defines the approving authority with its approving limits delegated to the various levels of Management in the Group to ensure accountability and responsibility. The Group MOA is reviewed periodically and updated in line with changes in the organisation structure, business environment or operational needs.

Information Technology (IT) Security

The objectives of the Group's IT security encompass the protection of programs, data, information stored and facilities of the computerised data processing system from unauthorised access and use, loss or destruction as well as ensuring reliability and continuous availability of the computerised data processing systems.

IT security in the Group is achieved through the implementation of control processes which include documented policies, standards, procedures and guidelines as well as organisational structures and software control functions. IT security controls protect the Group's information and data from a wide range of threats and safeguard its confidentiality, integrity and availability.

Computer equipment and information assets of various forms are provided to enable employees of the Group and relevant third parties to satisfactorily complete their duties. These assets, depending on its value and risk exposure, are subjected to controls that are designed to protect them from accidental or intentional loss, or unauthorised access, modification, manipulation or disclosure.

Budgeting Process

A robust budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the respective Boards. The Group's budget and business plans as well as strategic initiatives, taking into account the established risk appetite, are deliberated at the Board where the group budget is presented.

Human Capital Management

One of the key constituents of any internal control system is its people and that our system of risk management and internal control is dependent on the responsibility, integrity and sound judgement that employees apply to their work. Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management, compensation and reward as well as policies and procedures that govern discipline, termination and dismissal.

For sustainable growth, the Group places emphasis on human capital development, talent management and succession planning. To enhance staff competencies, structured and technical trainings as well as management and leadership workshops are provided to staff based on their identified needs during the annual performance assessment. For talent management, initiatives such as Leadership Development Programme, Individual Development Plan and mentoring are implemented to develop identified talents in the Group to facilitate the continuous supply of high potentials and suitable successors for future leadership roles.

Group Code of Ethics and Conduct

The Group Code of Ethics and Conduct ("the Code") sets out the standards of good and ethical banking practices, as well as aims to maintain confidence in the security and integrity of the Group's business practices. It is a requirement that all employees of the Group understand and observe the Code. New recruits are briefed on the Code and are required to sign the Employee Declaration of Compliance Form upon joining the Group.

The Group has also established the Gifts and Hospitality Guidelines to promote integrity and transparency for giving and receiving gifts. The Guidelines complement the Code and are designed to help the Group and its employees understand the respective parties' obligations in upholding corporate integrity about gifting.

Group Anti-Money Laundering/Counter Financing of Terrorism Policy

The Group Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policy is drawn up in accordance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and Bank Negara Malaysia ("BNM")'s standard on AML/CFT. It sets out the high level policies towards building a stronger and robust AML/CFT compliance regime within the Group, facilitates consistency in managing the AML/CFT compliance risk across the local and regional entities within the Group, and sets out the Group's policy statements in respect of the general principles and key measures to which the Group adheres to.

Pursuant to the Group AML/CFT Policy, the entities within the Group are required to adopt and implement the AML/CFT Compliance Programme framework which includes customer due diligence ("CDD") requirements, tracking, monitoring and reporting of suspicious transactions, record keeping, AML/CFT training, duty of care on customer information, and enforcement actions for non-compliance to the requirements.

The Group AML/CFT Policy also outlines the roles and responsibilities as well as establish clear accountability of the Board of Directors, Senior Management and all employees within the Group.

The Board has an oversight responsibility for establishing the AML/CFT policies and minimum standards while the Senior Management is accountable for the implementation and management of AML/CFT compliance programmes in accordance with the policies approved by the Board.

Group Fraud Risk Management Policy

The Group Fraud Risk Management Policy is designed to promote consistent organisational behaviour through the development, implementation, and regular review of fraud prevention, detection and response strategies. The Policy defines the core governing principles for fraud management within the Group which include leadership and ethical culture, fraud awareness and prevention, fraud control and detection, fraud reporting and escalation as well as fraud response with appropriate corrective actions.

Business Continuity Management

The Group recognises and is fully committed to the need to provide uninterrupted critical services to its customers, ensure the safety of its employees, protect its assets/data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. The Group's Business Continuity Management ("BCM") Programme is based on good business continuity practices and guidelines which are in line with the Bank Negara Malaysia and internationally recognised standards.

The Board has an oversight function on the Group's BCM readiness through the BRC and GCRC. The Group Business Continuity Steering Committee is the management committee established to oversee the Group's business continuity framework, policies, budget and plans, and reports to GCRC.

The Group has on-going and actively managed BCM programmes, which include effective crisis management to deal with real life crisis. The BCP Programmes are subject to regular testing/exercising to ensure their efficacy, reliability and functionality. Simulation exercises and drills are conducted to familiarise and equip staff with the skills and techniques required to identify, assess, respond and cope with any untoward situations.

Information and Communication

Performance Review

Regular and comprehensive information is provided by Management to monitor its performance against the strategic business plan and the annual budget approved by the Board. This information covers all key financial and operational indicators as well as key strategic initiatives undertaken by the Company during the year.

The Board and the Management Committee receive and review financial reports on the Company's monthly and quarterly financial performance against approved targets and the reasons for any significant variances as well as measures that are being put in place to meet such targets.

Group Whistle Blower Policy

There is an established process for reporting anyone found to be abusing or circumventing processes and controls of the Group. All staff are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially and that the reporter's identity will be protected.

Incident Management Reporting

To complement the Group's system of internal control, a comprehensive incident management reporting system has been implemented to ensure proper escalation and management of incidents. The incident management reporting system also ensures that all incidences with material risk and losses are escalated promptly to Senior Management and the Board with necessary steps taken to mitigate any potential risks that may arise. This enables the decision makers to undertake informed decision making and be kept up to date on situations as well as manage risks effectively.

Monitoring

Board Committees

Board Committees have been set up to assist the Board to perform its oversight functions, namely the BRC, BAC, Board Nominating & Remuneration Committee, Board Credit Committee, Board Technology Committee and Islamic Risk Management Committee. These Board Committees have been delegated with specific duties to review and consider all matters within their scope of responsibility as defined in their respective terms of reference.

Group Management Committee

The Group Management Committee ("GMC") comprises the Group Managing Director as the Chairman, the Chief Executive Officers/ Managing Directors of the relevant key operating subsidiaries and the key Senior Management of the Group. The GMC provides the leadership and direction in the implementation of strategies and policies approved by the Board and meets on a monthly basis to discuss and deliberate strategic matters that impact the Group's operations.

Management Audit Committee

Management Audit Committee ("MAC") is established at the Company to ensure timely rectification of any audit findings and control lapses highlighted by the internal and external auditors, and regulators.

The MAC comprising senior level representatives of the Company is chaired by the Managing Director. The MAC meets regularly and the minutes of meetings together with the relevant audit reports are subsequently tabled to the BAC for information, deliberation and direction for further action where required.

Group Compliance

Compliance is the collective responsibility of the Board, Senior Management and every employee of the Group. Therefore, everyone concerned is expected to promote self-regulation and be accountable for his or her own activities while maintaining ethical principles and behaviour in everything that he or she does.

In addition to the day-to-day monitoring, the Group Compliance's commitment towards achieving a strong compliance culture across the Group is demonstrated through the establishment of a robust compliance monitoring framework which includes, amongst others, implementation of comprehensive compliance policies, offsite and onsite review programmes, regular engagement sessions with business and functional units and conduct of continuous training/awareness programmes across the Group to ensure that all employees are well informed of the latest regulatory requirements.

In addition, the Boards and Senior Management are also further apprised of the Group's state of compliance through the submission of the Group Compliance report on a periodic basis.

Group Internal Audit

Group Internal Audit ("GIA") function assists the Board and BAC by providing independent and objective assurance in respect of the adequacy of the design and operating effectiveness of the Group's risk management framework, control and governance processes implemented across the Group.

The internal audit plan is developed based on a risk-based approach and is approved by the BAC annually. Audit reports which include significant findings and recommendations for improvement, and Management's response to the recommendations are tabled to MACs and BAC on a monthly basis.

The established MACs are tasked to ensure that issues raised by GIA, external auditor and regulators are addressed within an appropriate and agreed timeline. Confirmation to this effect must be provided by Management to GIA for verification before the issues concerned can be closed at the MACs.

The Group Chief Internal Auditor reports functionally to the BAC and administratively to the Group Managing Director to ensure GIA's independence from Management.

Further information on the GIA function is provided in the Statement on Internal Audit of this Annual Report.

CONCLUSION

The Board has received assurance from RHB Insurance's Managing Director and Group Chief Financial Officer as well as the Group Chief Risk Officer that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Company. The Board also receives monthly updates on key risk management and internal control matters through its BRC and BAC as well as compliance assurance from the Group Compliance function.

Based on the assurance received from Management and updates from its Board Committees, the Board is of the view that the Company's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this statement.

BOARD AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2016 ("year"), a total of thirteen (13) Board Audit Committee ("BAC") meetings were held. The BAC comprises the following members and the details of attendance of each member at the BAC meetings held during the year are as follows:

No	Composition of BAC	Attendance at Meetings
1.	Tan Sri Dr Rebecca Fatima Sta Maria (Chairperson/Independent Non-Executive Director) – Appointed as Chairperson on 1 November 2016	2/2 (100%)
2.	Mr Ong Seng Pheow (Member/Independent Non-Executive Director) – Re-designated from Chairman to Member on 1 November 2016	13/13 (100%)
3.	Tan Sri Saw Choo Boon (Member/Independent Non-Executive Director)	13/13 (100%)
4.	Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (Member/Independent Non-Executive Director) – Appointed as Member on 15 June 2016	8/8 (100%)
5.	Dato' Othman Jusoh (Member/Independent Non-Executive Director) – Retired as Member on 11 May 2016	4/4 (100%)
6.	Datuk Haji Faisal Siraj (Member/Independent Non-Executive Director) – Ceased to be Member on 15 June 2016	5/5 (100%)
7.	Dato' Abdul Rahman Ahmad (Member/Independent Non-Executive Director) – Appointed as Member on 15 June 2016 and resigned w.e.f. 30 September 2016	5/5 (100%)

In compliance with Paragraphs 15.09(1) and 15.09(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the BAC membership comprises all Independent Non-Executive Directors with no alternate director appointed as a member and at least one member has membership with the Malaysian Institute of Accountants.

The BAC meetings was also attended by the Group Chief Internal Auditor while the attendance of the Managing Director of the Company and other Senior Management is by invitation depending on the matters deliberated by the BAC.

Matters deliberated at the BAC meetings together with the BAC's recommendations and decisions are summarised and presented to the Board in the same month by the Chairperson of the BAC. This allows the Board to be timely apprised of significant matters deliberated by the BAC and for the Board to provide any direction, if necessary.

SUMMARY OF BAC'S WORK

The work carried out by the BAC in the discharge of its functions and duties during the financial year are summarised as follows:

1. Financial Reporting

a) Reviewed the quarterly unaudited financial results and the annual audited financial statements of Company before recommending them for approval by the Board. The review process encompassed the following:

- Reviewed on any significant changes in accounting policy and adoption of new or updated accounting standards, and its impact to the financial statements.
- Reviewed the highlights on the performance of various business sectors contributing to the financial performance of the Company and the main factors impacting the Company's operating expenses and costs.
- Reviewed the financial statements and made enquiries on any material changes between the current and preceding or corresponding quarter/year as well as any items that may appear uncorrelated to assess their reasonableness.

2. Internal Audit

a) Reviewed and approved the Group Internal Audit ("GIA")'s annual audit plan for the financial year 2016 in November 2015 to ensure adequacy of scope, coverage and resources for the identified auditable areas.

b) Reviewed the staffing requirements of GIA including the skillsets and core competencies of the internal auditors to ensure effective discharge of GIA's duties and responsibilities.

c) Reviewed the audit activities of GIA for the financial year 2015 covering the planned audit assignments, ad-hoc audit projects, review of policies, processes and procedures, and IT project participation to ensure that the audit assignments were completed for the year.

d) Reviewed and appraised the performance of the Group Chief Internal Auditor and assessed the effectiveness of the internal audit function.

e) Reviewed and deliberated on the minutes of the MAC meetings, internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely mitigation actions taken by Management to improve the system of internal controls and its processes on the areas highlighted.

f) Reviewed and deliberated on the investigation reports tabled to the BAC and provided directions where necessary to address and improve the internal control weaknesses highlighted.

g) Reviewed the inspection and examination reports issued by the regulatory authorities and the Management's response as well as the remedial actions taken by Management in respect of the reported findings to ensure that all matters highlighted in these reports had been adequately and promptly addressed by Management.

h) Reviewed the proposed changes to the Internal Audit Charter ("Audit Charter") at the BAC meeting in September 2016 in order to align the Audit Charter with the BNM Guidelines, and The Institute of Internal Auditors' mandatory guidance, which includes the "Definition of Internal Auditing", the "Code of Ethics" and the "International Standards for the Professional Practice of Internal Auditing" prior to recommending the same for the Board's approval.

Further information on the GIA function is provided in the Statement on Internal Audit of this Annual Report.

3. External Audit

a) Reviewed the 2016 audit plan of the external auditors for RHB Banking Group at the BAC meeting held on 26 September 2016 covering the audit strategy, risk assessment, areas of audit emphasis for the year and the new auditors' report as per the new and amended International Standards on Auditing which are effective for financial year ended on or after 15 December 2016.

b) Reviewed with the external auditors, the results of their audit together with their recommendations and Management's response to their findings as detailed in the following reports and provided BAC's views and directions on areas of concern where necessary:

Audit Report issued by External Auditors in 2016	Date tabled to BAC
Final Audit Committee Report for the financial year 2015	22 January 2016
Internal Control Report for the financial year 2015	22 April 2016
Interim Audit Committee Report for the financial year 2016	9 December 2016

c) Met twice with the external auditors on 22 January 2016 and 9 December 2016 without the presence of Management to enable open discussion between the auditors and the BAC on any issues of concern to the auditors arising from their half year limited review and the annual statutory audit.

d) Reviewed and recommended for the Board's approval, the appointment of the external auditors for the provision of non-audit services after considering among others, the expertise, adequacy of knowledge and experience required for the services rendered and the competitiveness of fees quoted.

e) Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy to ensure that the external auditors' independence and objectivity are not compromised. The total non-audit fees incurred as a percentage of the total statutory audit and other audit related services fees for the financial year 2016 for RHB Banking Group was 29.98% which is well within the policy threshold.

For the financial year 2016, the main non-audit services rendered by the external auditors is to perform statutory requirement of Perbadanan Insurans Deposit Malaysia ("PIDM") validation program for assessment year 2016.

f) Reviewed the external auditors' performance and independence before recommending them to the Board for reappointment as external auditors for the Group:

- The external auditors have declared in their 2016 audit plan which was tabled to the BAC in September 2016 that they have maintained their independence for the audit of the financial statements of the Group in accordance with the firm's requirements and with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants. They have further declared that the non-audit services provided to the Group during the year have not compromised their independence as external auditors of the Group.
- Evaluated the performance of the external auditors based on the results of assessment of their work by the relevant Management staff of the Group following the completion of the annual statutory audit covering the categories of people, meeting objectives, responsiveness, knowledge of business, adding value and communications.
- A comprehensive review was conducted on the external auditors to assess its independence and the potential risk of familiarity threat at all the banking entities within the Group to determine whether a change of external auditors is warranted. The comprehensive review covered three main categories, namely:

	Categories	Main areas assessed
(i)	Governance and independence	Rotation of audit partner and key engagement team staff; meeting with the BAC without Management to discuss their objectivity and independence; any relationship between the external auditors, its staff and the Group; any safeguards in place to protect the external auditors' independence when approving non-audit services; nature of non-audit services provided by the external auditors to the Group; etc.
(ii)	Communication and interaction	Communication to the BAC on a timely basis in relation to audit planning, audit strategy, significant audit and accounting issues, and related risks and control weaknesses, areas of significant judgements made by Management and their impact on the financial statements; etc.
(iii)	Quality of services and resources	Audit firm's presence internationally; external auditors demonstrate appropriate technical knowledge and expertise; external audit team made up of sufficient and suitably experienced staff; meeting deadlines in providing their services; responded timely to issues; etc.

The results of the comprehensive review were deliberated and concurred by the BAC at its meeting in July 2016. The BAC has further decided that the familiarity threat review on the external auditors shall be conducted annually prior to its reappointment.

- Reviewed and recommended to the Board a policy to address the issue of long association and familiarity threat of the external auditors. The policy was approved by the Board in July 2016 upon recommendation by the BAC.

4. Related Party Transactions

a) Reviewed the reports of related party transactions ("RPTs") on a quarterly basis covering the nature and amount of the transactions including any possible conflict of interest ("COI") situations in ensuring that the terms and conditions of the transactions are commercially based and at arm's length.

b) The review covered the aggregate consideration of Recurrent RPTs ("RRPTs") which are individually tracked and monitored against the ceiling set to ensure proper reporting and disclosures in accordance with the regulatory requirements.

c) The Group has put in place an approved policy on RPTs which governs the process of identifying, evaluating, approving, reporting and monitoring of RPTs, RRPTs and potential COI situations as well as outlining the duties and responsibilities of the relevant parties involved in the RPT process.

TRAINING

During the year, the BAC members have attended various training programmes, conferences and seminars to enhance their knowledge in order to efficiently discharge their duties as Independent Non-Executive Directors of the Bank.

Details of the trainings attended by BAC members are included in the Statement of Corporate Governance of the annual report.

STATEMENT ON INTERNAL AUDIT

RHB Banking Group (the "Group") has an in-house internal audit function which is guided by its Internal Audit Charter, Bank Negara Malaysia ("BNM") Guidelines on Internal Audit Function of Licensed Institutions (BNM GL13-4) and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Group Internal Audit ("GIA")'s main function is to provide the Board with independent assurance that the Group's risk management, internal control and governance processes are operating adequately and effectively.

The Group Chief Internal Auditor ("Group CIA") reports functionally to the Board Audit Committee ("BAC") of RHB Banking Group (which undertakes the functions of the Audit Committee of the major operating entities within the Group, such as RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad). To further preserve the independence of the GIA function, the Group CIA's performance is appraised by the BAC.

INTERNAL AUDIT CHARTER

The Internal Audit Charter ("Audit Charter") defines the purpose, authority and responsibility of the internal audit function and is approved by the Board. The approved Audit Charter is published in the Group's intranet portal which can be viewed by all employees of the Group.

The Audit Charter is reviewed by the Group CIA every two years to assess whether the GIA's purpose, authority and responsibility, as defined in the Audit Charter, continue to be adequate and relevant to enable the audit function to accomplish its objectives. Following the recent review, the updated Audit Charter was approved by the respective Boards in October 2016.

AUDIT SCOPE AND COVERAGE

The internal audit universe covers all key activities of the Group, including that of its branches, business centres, overseas operations, representative offices, subsidiaries as well as outsourced activities. GIA adopts a risk-based approach in determining the auditable units and frequency of audits in ensuring that the audit resources are prioritised in line with the Group's key risks and areas of focus which are identified based on GIA's risk assessment methodology.

The 2016 audit plan for RHB Banking Group which includes the audit objectives and scope, and manpower requirements for each planned auditable unit as well as GIA's risk assessment methodology was reviewed and approved by the BAC in November 2015.

The key areas covered by GIA during the financial year 2016 include amongst others, the Branches, Credit Underwriting, Business Centres, Treasury Operations, Information Technology Security and Enterprise Applications, Shariah Business Compliance and Shariah Advisory, Investment Banking Business, Insurance Business, Asset Management, Overseas Operations, etc.

GIA had also conducted audits as per regulatory requirements such as compliance with BNM's Guidelines on Anti-Money Laundering and Counter Financing of Terrorism, Disclosure of Customer Documents or Information, Single Counterparty Exposure Limit, Product Transparency & Disclosure, MyClear's applicable rules, procedures and manual for payment and debt securities systems, etc.

In addition to the planned audits, the key tasks performed by GIA during the financial year are as follows:

- Investigations and special reviews as requested by the Senior Management, BAC, Board or regulators.
- Review of policies, procedures and processes as requested by Management to provide feedback on the adequacy of internal control systems.
- Participated in system or product development activities to provide recommendations upfront on the relevant control features to be considered by Management.

REPORTING AND MONITORING

Upon completion of the audits, all audit reports on the results of work undertaken together with the recommended mitigation plans and their implementation status are presented to the respective Management Audit Committees ("MACs"). The MACs are established at the key operating entities in the Group to ensure timely rectification of any audit findings and control lapses highlighted by the internal and external auditors, and regulators. The status of rectification of all audit findings are closely monitored by the MACs at every meeting.

The MACs comprising senior level representatives from different business/functional groups are chaired by the Group Chief Financial Officer/Managing Director/Chief Executive Officer of the entity concerned. The MACs meet on a regular basis and the minutes of meetings together with the relevant audit reports are subsequently tabled to the BAC for information, deliberation and direction for further action where required.

INTERNAL AUDIT RESOURCES

The Group CIA, in consultation with the BAC and the Group Managing Director, decides on the appropriate resources required for the GIA taking into consideration the size and complexity of operations of the Group. The primary organisation chart/structure of GIA is reviewed and approved by the BAC annually.

As at 31 December 2016, GIA has 160 internal auditors with relevant academic/professional qualifications and experience to carry out the activities of the internal audit function.

PROFESSIONAL PROFICIENCY

The Group CIA ensures that the internal auditors are suitably qualified and provided with the necessary trainings and continuous professional development for the purpose of enhancing their audit and relevant technical skills to perform their duties and responsibilities.

Based on each staff's Individual Development Plan for the year 2016, the internal auditors attended the relevant technical as well as leadership and management programmes offered by RHB Academy, the Group's Learning and Development Centre and external programmes. For the year 2016, the internal auditors attended a total of 1,054 days of training which translates to 6.5 days per auditor.

The internal auditors are further guided by the GIA Learning Development Framework to pursue the relevant certification programmes such as those offered by the Institute of Internal Auditors and Asian Institute of Chartered Banker in order for them to be proficient and competent in the relevant disciplines.

INTERNAL AUDIT QUALITY ASSURANCE REVIEW

To ensure effectiveness of the internal audit function, the Group CIA has developed and maintained a quality assurance and improvement programme that covers all aspects of the internal audit activities. The quality assurance programme assesses the effectiveness of processes within the internal audit function and identifies opportunities for improvement through both internal and external assessments.

The internal assessment is performed according to the approved annual Quality Assurance Review ("QAR") plan by a QAR team within GIA. The Head of QAR function reports directly to the Group CIA to maintain its independence of the internal audit activities within GIA.

In addition to the internal assessment, external quality assessment is conducted by a qualified independent reviewer covering a broad scope that includes conformance with the Definition of Internal Auditing, the Standards, and the Code of Ethics, and the internal audit charter, audit plan, policies and procedures in line with the requirements of the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and BNM guidelines. The external quality assessment is conducted once every three years and the appointment of independent reviewer is subjected to the Group's established procurement process and endorsed by the BAC.

The results as well as recommendations for improvement of both the internal and external assessments are tabled to the BAC for deliberation and guidance or direction, if necessary.

STATUTORY FINANCIAL STATEMENTS

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual audited financial statements of the Company, the Directors are collectively responsible in ensuring that the audited financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

It is the responsibility of the Directors to ensure that the annual audited financial statements of the Company present a true and fair view of the state of affairs of the Company as at 31 December 2016 and of the financial results and cash flows of the Company for the financial year ended 31 December 2016.

The audited financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, appropriate accounting policies are applied on a consistent basis and accounting estimates made are reasonable and fair so as to enable the preparation of the financial statements of the Company with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Company to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 115 of the financial statements.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2016.

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
Profit for the financial year	101,460
Retained earnings brought forward	323,595
Profits available for appropriation	425,055
Dividend paid during the financial year	(25,000)
Retained earnings carried forward	400,055

DIVIDENDS

Dividend paid by the Company since 31 December 2015 are as follows:

	RM'000
In respect of the financial year ended 31 December 2015	
– Single-tier interim dividend of 25% paid on 8 April 2016	25,000

The Directors do not propose any dividends for the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

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

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").

DIRECTORS' REPORT

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.

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 since the date of the last report and at the date of this report are:

Ong Seng Pheow	
Datuk Haji Faisal Siraj	
Tuan Haji Md Ja'far Abdul Carrim	
Dato' Othman Jusoh	(Retired w.e.f 31 March 2016)
Abdul Aziz Peru Mohamed	
Jahanath Muthusamy	(Appointed w.e.f. 1 November 2016)
Kong Shu Yin	

In accordance with Article 74 of the Company's Articles of Association, Mr Ong Seng Pheow shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election

In accordance with Article 80 of the Company's Articles of Association, Mr Jahanath Muthusamy shall retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

None of the other Directors holding office at the end of the financial year had any interest in the securities of the Company or its related corporations during the financial year.

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 23 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 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.

DIRECTORS' REPORT

HOLDING COMPANY

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

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors.

ONG SENG PHEOW
CHAIRMAN

KONG SHU YIN
MANAGING DIRECTOR

Kuala Lumpur
28 February 2017

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Property, plant and equipment	5	**16,186**	10,716
Intangible assets – computer software	6	**4,736**	4,198
Investments	7	**848,942**	836,558
– Held-to-maturity		**15,392**	15,399
– Fair value through profit or loss		**90,266**	131,047
– Available-for-sale		**699,332**	621,549
– Loans and receivables		**43,952**	68,563
Reinsurance assets	9	**379,000**	371,238
Insurance receivables	10	**101,689**	114,269
Other receivables	11	**90,240**	86,085
Deferred tax assets	16	**1,198**	3,466
Tax recoverable		**–**	2,931
Cash and cash equivalents	12	**13,905**	4,104
Total assets		**1,455,896**	1,433,565
LIABILITIES			
Insurance contract liabilities	13	**872,909**	870,884
Insurance payables	14	**29,661**	91,119
Other payables	15	**50,829**	49,027
Current tax liabilities		**3,950**	–
Total liabilities		**957,349**	1,011,030
SHAREHOLDERS' FUND			
Share capital	17	**100,000**	100,000
Retained earnings	18	**400,055**	323,595
Available-for-sale reserve		**(1,508)**	(1,060)
		498,547	422,535
Total liabilities and shareholders' fund		**1,455,896**	1,433,565

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

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Gross earned premiums	19	**659,864**	622,072
Premiums ceded to reinsurers	19	**(228,633)**	(218,850)
Net earned premiums	19	**431,231**	403,222
Investment income	20	**34,284**	30,945
Realised losses	21	**(8,311)**	(1,329)
Fair value gains/(losses)	22	**2,303**	(1,184)
Reinsurance commission income		**44,380**	42,825
Other operating income		**3,786**	1,958
Other income		**76,442**	73,215
Gross claims paid	13(a)	**(324,289)**	(278,934)
Claims ceded to reinsurers	13(a)	**138,379**	111,324
Gross change to claims liabilities	13(a)	**(16,252)**	(57,980)
Change in claims liabilities ceded to reinsurers	13(a)	**12,792**	33,377
Net claims		**(189,370)**	(192,213)
Commission expense		**(80,365)**	(82,247)
Management expenses	23	**(107,809)**	(108,779)
Other operating expenses		**–**	–
Other expenses		**(188,174)**	(191,026)
Profit before taxation		**130,129**	93,198
Taxation	25	**(28,669)**	(17,959)
Profit for the financial year		**101,460**	75,239
Basic earnings per share (sen)	26	**101.46**	75.24

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Profit for the financial year		**101,460**	75,239
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to the income statements			
Available-for-sale reserve			
– Net loss arising during the financial year	7(e)	**(570)**	(352)
– Income tax relating to components of other comprehensive income		**122**	87
		(448)	(265)
Total comprehensive income for the financial year		**101,012**	74,974

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Issued and fully paid ordinary shares RM1 each	Distributable	Non-distributable	
2016	**No. of shares '000 units**	**Nominal value RM'000**	**Retained earnings RM'000**	**Available-for-sale reserve RM'000**	**Total RM'000**
At 1 January 2016	**100,000**	**100,000**	**323,595**	**(1,060)**	**422,535**
Total comprehensive income/(loss) for the financial year	**–**	**–**	**101,460**	**(448)**	**101,012**
Dividends paid during the financial year (Note 27)	**–**	**–**	**(25,000)**	**–**	**(25,000)**
At 31 December 2016	**100,000**	**100,000**	**400,055**	**(1,508)**	**498,547**
2015					
At 1 January 2015	100,000	100,000	273,356	(795)	372,561
Total comprehensive income/(loss) for the financial year	–	–	75,239	(265)	74,974
Dividends paid during the financial year (Note 27)	–	–	(25,000)	–	(25,000)
At 31 December 2015	100,000	100,000	323,595	(1,060)	422,535

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

STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	**101,460**	75,239
Adjustment for:		
Realised losses	**8,311**	1,329
Fair value (gains)/losses	**(2,303)**	1,184
Allowance or impairment on insurance receivables	**231**	1,158
Bad debts written off	**118**	30
Amortisation of premiums	**7**	1
Depreciation of property, plant and equipment	**2,274**	2,413
Amortisation of intangible assets – computer software	**1,387**	924
Investment income	**(34,284)**	(30,945)
Unrealised gains on foreign exchange	**(316)**	(152)
Taxation expense	**28,669**	17,959
Operating profit before changes in operating assets and liabilities	**105,554**	69,140
Purchase of fair value through profit or loss investments	**(62,278)**	(154,945)
Proceeds from sale of fair value through profit or loss investments	**97,051**	133,782
Decrease in loans and receivables	**24,611**	25,528
Purchase of available-for-sale investments	**(78,353)**	(103,015)
Recovery of fully impaired available-for-sale investments	**–**	13
Interest received	**2,634**	3,900
Dividend received	**31,933**	26,994
Decrease/(increase) in insurance receivables	**12,489**	(43,399)
Increase in other receivables	**(4,438)**	(15,819)
Increase in insurance contract liabilities	**2,025**	95,185
Increase in reinsurance assets	**(7,762)**	(39,125)
(Decrease)/increase in insurance payables	**(61,458)**	40,823
Increase in other payables	**1,802**	12,154
Cash generated from operations	**63,810**	51,216
Income taxes paid	**(19,397)**	(28,543)
Net cash generated from operating activities	**44,413**	22,673

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

STATEMENT OF CASH FLOW

31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(7,744)**	(4,983)
Purchase of intangible assets - computer software		**(1,925)**	(2,688)
Proceeds from sale of property, plant and equipment		**-**	64
Net cash used in investing activities		**(9,669)**	(7,607)
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid		**(25,000)**	(25,000)
Net cash used in financing activity		**(25,000)**	(25,000)
Effect on exchange rate changes on cash and cash equivalents		**57**	153
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,801**	(9,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**4,104**	13,885
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	12	**13,905**	4,104

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

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 and comply with the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

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.

(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, 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 2016 are as follows

- Annual Improvements to MFRS 2012 – 2014 Cycle
- Amendments to MFRS 116 'Property Plant and Equipment' and MFRS 138 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortisation
- Amendments to MFRS 101 'Presentation of Financial Statements' - Disclosure initiative

The adoption of these annual improvements do not give rise to any material financial impact to the Company.

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.

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect on the financial statements of the company, except the following set out below:

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- Amendments to MFRS 112 "Income Taxes" (effective from 1 January 2017). The amendments clarify the requirements for recognising deferred tax assets on unrealised losses where an asset is measured at fair value and that fair value is below the asset's tax base.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 107 "Statements of Cash Flows" (effective from 1 January 2017). The amendments introduce additional disclosure which require an entity to evaluate changes in liabilities arising from financing activities, including cash flows and non-cash changes.

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)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect on the financial statements of the company, except the following set out below: (Continued)

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on-balance sheet) or operating leases (off-balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

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)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have significant effect on the financial statements of the company, except the following set out below: (Continued)

- MFRS 16 “Leases” (effective from 1 January 2019) supersedes MFRS 117 ‘Leases’ and the related interpretations (Continued)

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the income statements.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- Annual Improvements to MFRS 2014-2016 Cycle:

- Amendments to MFRS 4 - Applying MFRS 9 ‘Financial Instruments’ with MFRS 4 ‘Insurance Contracts’ effective for annual periods beginning on or after 1 January 2018. The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 “Financial Instruments” before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS ‘Insurance Contracts’, the related liabilities from insurance contracts are often measured on amortised cost basis.

  The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The adoption of the above accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Company except for enhanced disclosures. The Company is in the process of reviewing the financial impact arising from the requirements of MFRS 9 to identify critical issues and to design robust methodologies arising from the adoption of this standard. The Company expects this process to be completed prior to the respective effective dates.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets 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. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Property, plant and equipment are depreciated on the straight line method to write-off the cost of the property, plant and equipment to their residual values over their estimated useful lives as follows:

Leasehold land	range from 80 to 95 years
Buildings	50 years
Motor vehicles	5 years
Furniture, fixtures and fittings, office equipment	3 – 5 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down to the recoverable amount is made if the carrying amount exceeds the recoverable amount. See Note 3(g) to the financial statements on the impairment of non-financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets - computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;

(ii) management intends to complete the software product and use or sell it;

(iii) there is an ability to use or sell the software product;

(iv) it can be demonstrated how the software product will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives, which does not exceed 5 years.

(c) Investments and other financial assets

The Company classifies its investments into financial assets at fair value through profit or loss, held-to-maturity, loans and receivables or available-for-sale. The classification of the financial assets is determined at initial recognition.

(i) Fair value through profit or loss

The Company classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(ii) Held-to-maturity

Held-to-maturity financial assets are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investments and other financial assets (Continued)

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

(iv) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) Derecognition

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

Receivables that are factored out to banks and other financial institutions with recourse to the Company are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(e) Impairment of financial assets

The Company assesses at each date of statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on held-to-maturity financial asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of financial assets (Continued)

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on securities carried at cost (e.g. equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

(iii) Financial assets carried at fair value

In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered in determining whether the assets are impaired. If any such evidence exists for financial asset held at available-for-sale, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. Impairment losses previously recognised in the income statement on equity instruments are not reversed through the income statement.

(iv) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the assets. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

An impairment loss in respect of insurance receivables is recognised in income statement and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, to the extent that the insurance receivables' carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 loan 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.

(g) Impairment of non-financial assets

The carrying values of assets that are subject to amortisation are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the fair value less cost to sell and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to the income statement immediately.

A subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(h) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 relate.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) General insurance underwriting results (Continued)

Premium liabilities (Continued)

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.

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) General insurance underwriting results (Continued)

Reinsurance (Continued)

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.

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 provision 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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 the income statement.

(k) 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.

(l) 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 the income statement in the period to which they relate. Once the contributions have been paid, the Company has no further legal or constructive obligations.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(n) 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.

(o) 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.

(p) Dividends

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

(q) 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 values of quoted shares, warrants, loan stocks and Real Estate Investment Trusts ("REITs") are based on the quoted market price.

(iv) The fair values of loans are based on the discounted cash flows by using the interest rates at valuation date for similar loans.

(v) The fair value of wholesale unit trust fund is based on the fair value of the underlying assets in the fund.

(vi) 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.

(r) Equity instruments

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

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 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.

5 PROPERTY, PLANT AND EQUIPMENT

2016	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
Net book value						
At beginning of financial year	**584**	**302**	**478**	**3,804**	**5,548**	**10,716**
Additions at cost	**–**	**–**	**–**	**1,394**	**6,350**	**7,744**
Depreciation charge	**(8)**	**(9)**	**(179)**	**(2,078)**	**–**	**(2,274)**
At end of financial year	**576**	**293**	**299**	**3,120**	**11,898**	**16,186**
2015						
Net book value						
At beginning of financial year	592	309	682	5,312	1,251	8,146
Additions at cost	–	–	–	686	4,297	4,983
Depreciation charge	(8)	(7)	(204)	(2,194)	–	(2,413)
At end of financial year	584	302	478	3,804	5,548	10,716
2016						
Cost	**730**	**423**	**998**	**21,842**	**11,898**	**35,891**
Accumulated depreciation	**(154)**	**(121)**	**(520)**	**(16,644)**	**–**	**(19,705)**
Net book value	**576**	**302**	**478**	**3,804**	**11,898**	**16,186**
2015						
Cost	730	423	998	20,448	5,548	28,147
Accumulated depreciation	(146)	(122)	(521)	(16,643)	–	(17,431)
Net book value	584	302	478	3,804	5,548	10,716

6 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2016 RM'000	2015 RM'000
Cost		
At beginning of financial year	**7,875**	5,187
Additions	**1,925**	2,688
At end of financial year	**9,800**	7,875
Accumulated amortisation		
At beginning of financial year	**3,677**	2,753
Amortisation for the financial year	**1,387**	924
At end of financial year	**5,064**	3,677
Net book value		
At end of financial year	**4,736**	4,198

7 INVESTMENTS

	2016 RM'000	2015 RM'000
Debt securities	**15,392**	15,399
Equities securities	**74,277**	129,137
Wholesale unit trust funds	**699,332**	621,549
Property trust funds	**15,989**	1,910
Staff loans	**4**	12
Fixed and call deposits	**43,948**	68,551
	848,942	836,558

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

	2016 RM'000	2015 RM'000
Held-to-maturity	**15,392**	15,399
Fair value through profit or loss	**90,266**	131,047
Available-for-sale	**699,332**	621,549
Loans and receivables	**43,952**	68,563
	848,942	836,558

7 INVESTMENTS (CONTINUED)

The following investments mature after 12 months:

	2016 RM'000	2015 RM'000
Held-to-maturity	**15,392**	15,399
Loans and receivables	**–**	–
	15,392	15,399

	2016 RM'000	2015 RM'000
(a) Held-to-maturity ("HTM")		
At amortised cost		
Unquoted in Malaysia:		
– Debt securities	**15,392**	15,399
	15,392	15,399
(b) Fair value through profit or loss ("FVTPL")		
At fair value		
Quoted in Malaysia:		
Held-for-trading ("HFT")		
– Equities securities	**74,277**	129,137
– Property trust funds	**15,989**	1,910
	90,266	131,047
(c) Available-for-sale ("AFS")		
At fair value		
Unquoted in Malaysia:		
– Wholesale unit trust funds (Note 8)	**699,332**	621,549
	699,332	621,549
(d) Loans and receivables ("LAR")		
At amortised cost		
– Loans	**4**	12
– Fixed and call deposits	**43,948**	68,551
	43,952	68,563

7 INVESTMENTS (CONTINUED)

(e) Carrying value of financial instruments

	Fair value through profit or loss RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Available-for-sale RM'000	Total RM'000
At 1 January 2016	**131,047**	**15,399**	**68,563**	**621,549**	**836,558**
Purchases	**62,278**	**–**	**9,000**	**78,353**	**149,631**
Maturities	**–**	**–**	**(33,611)**	**–**	**(33,611)**
Disposals	**(105,362)**	**–**	**–**	**–**	**(105,362)**
Recovery of fully impaired unsecured corporate debts during the financial year	**–**	**–**	**–**	**–**	**–**
Fair value gains recorded in Income Statement	**2,303**	**–**	**–**	**–**	**2,303**
Fair value losses recorded in Other Comprehensive Income	**–**	**–**	**–**	**(570)**	**(570)**
Movement in impairment allowance	**–**	**–**	**–**	**–**	**–**
Amortisation charge	**–**	**(7)**	**–**	**–**	**(7)**
At 31 December 2016	**90,266**	**15,392**	**43,952**	**699,332**	**848,942**
At 1 January 2015	112,475	15,400	94,096	518,886	740,857
Purchases	154,945	–	28,000	103,015	285,960
Maturities	–	–	(53,533)	–	(53,533)
Disposals	(135,176)	–	–	–	(135,176)
Recovery of fully impaired unsecured corporate debts during the financial year	–	–	–	(13)	(13)
Fair value losses recorded in Income Statement	(1,197)	–	–	–	(1,197)
Fair value losses recorded in Other Comprehensive Income	–	–	–	(352)	(352)
Movement in impairment allowance	–	–	–	13	13
Amortisation charge	–	(1)	–	–	(1)
At 31 December 2015	131,047	15,399	68,563	621,549	836,558

7 INVESTMENTS (CONTINUED)

(f) Fair value investments

2016	Fair value through profit or loss RM'000	Available-for-sale RM'000	Total RM'000
Level 1 - Quoted market price	**90,266**	**–**	**90,266**
Level 2 - Valuation techniques – market observable inputs	**–**	**699,332**	**699,332**
	90,266	**699,332**	**789,598**
2015			
Level 1 - Quoted market price	131,047	–	131,047
Level 2 - Valuation techniques – market observable inputs	–	621,549	621,549
	131,047	621,549	752,596

(g) 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).

2016	Level 1 RM'000	Level 2 RM'000	Total RM'000
Fair value through profit and loss			
– Quoted equities securities	**90,266**	**–**	**90,266**
Available-for-sale			
– Wholesale unit trust funds	**–**	**699,332**	**699,332**
	90,266	**699,332**	**789,598**

7 INVESTMENTS (CONTINUED)

(g) Fair value measurements (Continued)

2015	Level 1 RM'000	Level 2 RM'000	Total RM'000
Fair value through profit and loss			
– Quoted equities securities	**131,047**	**–**	**131,047**
Available-for-sale			
– Wholesale unit trust funds	**–**	**621,549**	**621,549**
	131,047	**621,549**	**752,596**

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.

8 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 and RHB 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 available-for-sale investments and the change in fair value of each investee fund is included in the statement of other comprehensive income.

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.

	2016 RM'000	2015 RM'000
Number of wholesale unit trust funds	**3**	3
Average net asset value per unit of wholesale unit trust funds:		
RHB Income Plus Fund 2	**1.0127**	1.0127
RHB Income Plus Fund 9	**1.0000**	1.0000
AmIncome Value	**0.9923**	0.9943
Fair value of underlying assets:		
Debt securities	**510,289**	462,885
Call deposits	**184,045**	143,522
Receivables	**4,566**	5
Cash equivalents	**432**	15,137
	699,332	621,549
Total loss incurred	**(1,984)**	(1,413)

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.

9 REINSURANCE ASSETS

	2016 RM'000	2015 RM'000
Claims liabilities (Note 13)	**287,815**	275,023
Premium liabilities (Note 13)	**91,185**	96,215
	379,000	371,238

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.

10 INSURANCE RECEIVABLES

	2016 RM'000	2015 RM'000
Due premiums including agents, brokers and co-insurers balances	**102,676**	117,577
Due from reinsurers and cedants	**6,463**	3,911
	109,139	121,488
Allowance for impairment	**(7,450)**	(7,219)
	101,689	114,269

2016	Gross amounts of recognised financial Assets RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 14) RM'000	Net amounts of financial assets presented in the statement of financial position RM'000
Insurance receivables	**104,564**	**(2,875)**	**101,689**
2015			
Insurance receivables	116,460	(2,191)	114,269

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 2016 (2015: Nil).

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

11 OTHER RECEIVABLES

	2016 RM'000	2015 RM'000
Other receivables, deposits and prepayments	15,332	11,246
Amount due from Malaysian Motor Insurance Pool ("MMIP")		
– Cash call	25,359	34,359
– Assets held in MMIP	34,744	38,664
Amount due from stock brokers	14,096	872
Dividend income receivable	709	944
	90,240	86,085

MMIP amount as at 31 December 2016 is a net receivable of RM1,803,908 (2015: net payables RM6,675,531) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities included in Note 13 to the financial statements.

12 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.

13 INSURANCE CONTRACT LIABILITIES

2016	Gross RM'000	Reinsurance RM'000	Net RM'000
Claims reported	393,533	(210,098)	183,435
Incurred but not reported claims ("IBNR")	195,659	(77,717)	117,942
Claims liabilities (Note (a))	589,192	(287,815)	301,377
Premium liabilities (Note (b))	283,717	(91,185)	192,532
	872,909	(379,000)	493,909
2015			
Claims reported	380,225	(205,126)	175,099
Incurred but not reported claims ("IBNR")	192,715	(69,897)	122,818
Claims liabilities (Note (a))	572,940	(275,023)	297,917
Premium liabilities (Note (b))	297,944	(96,215)	201,729
	870,884	(371,238)	499,646

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Claims liabilities

2016	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2016	572,940	(275,023)	297,917
Claims incurred for current accident year			
– Paid	108,495	(28,365)	80,130
– Case reserves	175,466	(88,413)	87,053
– IBNR	114,589	(50,102)	64,487
Claims incurred for prior accident year			
– Paid	215,794	(110,014)	105,780
– Case reserves	(498,675)	221,820	(276,855)
– IBNR	(99,417)	42,282	(57,135)
At 31 December 2016	589,192	(287,815)	301,377
2015			
At 1 January 2015	514,960	(241,647)	273,313
Claims incurred for current accident year			
– Paid	98,984	(25,918)	73,066
– Case reserves	170,515	(90,909)	79,606
– IBNR	106,690	(46,932)	59,758
Claims incurred for prior accident year			
– Paid	179,950	(85,406)	94,544
– Case reserves	(398,853)	170,902	(227,951)
– IBNR	(99,306)	44,887	(54,419)
At 31 December 2015	572,940	(275,023)	297,917

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) Premium liabilities

2016	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2016	**297,944**	**(96,215)**	**201,729**
Premiums written for the financial year (Note 19)	**645,637**	**(223,603)**	**422,034**
Premiums earned during the financial year (Note 19)	**(659,864)**	**228,633**	**(431,231)**
At 31 December 2016	**283,717**	**(91,185)**	**192,532**
2015			
At 1 January 2015	260,739	(90,467)	170,272
Premiums written for the financial year (Note 19)	659,277	(224,598)	434,679
Premiums earned during the financial year (Note 19)	(622,072)	218,850	(403,222)
At 31 December 2015	297,944	(96,215)	201,729

14 INSURANCE PAYABLES

	2016 RM'000	2015 RM'000
Due to agents and intermediaries	**22,843**	26,179
Due to reinsurers and cedants	**6,818**	64,940
	29,661	91,119

2016	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the statement of financial position (Note 10) RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000
Insurance payables	**32,536**	**(2,875)**	**29,661**
2015			
Insurance payables	93,310	(2,191)	91,119

14 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 2016 (2015: Nil).

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

15 OTHER PAYABLES

	2016 RM'000	2015 RM'000
Other payables	**10,215**	13,438
Other accrued expenses	**18,613**	18,377
Provision for staff bonus	**7,884**	8,308
Provision for advertising and marketing expenses	**1,574**	1,352
Provision for agents' profit commission	**3,500**	2,000
Provision for training expenses	**8,933**	4,990
Cash collaterals held on behalf of insureds	**110**	107
Amount due to fund managers	**–**	455
	50,829	49,027

16 DEFERRED TAX ASSETS/(LIABILITIES)

	2016 RM'000	2015 RM'000
At beginning of financial year	**3,466**	2,378
Transferred to Income Statement (Note 25)	**(2,390)**	1,001
Transferred to Other Comprehensive Income	**122**	87
At end of financial year	**1,198**	3,466

16 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

2016	At beginning of financial year RM'000	(Debited)/ credited to Income Statement RM'000	Credited to Other Comprehensive Income RM'000	At end of financial year RM'000
Excess of capital allowances over depreciation	(757)	223	–	(534)
Amortisation of premiums/(accretion of discounts) – net	1	–	–	1
Impairment loss on insurance receivables	1,600	19	–	1,619
Premium liabilities	119	60	–	179
Fair value change on FVTPL financial assets	9	(553)	–	(544)
Impairment loss on AFS financial assets	2,141	(2,139)	–	2
Fair value changes on AFS financial assets	353	–	122	475
Total	3,466	(2,390)	122	1,198
2015				
Excess of capital allowances over depreciation	(1,097)	340	–	(757)
Amortisation of premiums/(accretion of discounts) – net	1	–	–	1
Impairment loss on insurance receivables	1,299	301	–	1,600
Premium liabilities	56	63	–	119
Fair value change on FVTPL financial assets	(291)	300	–	9
Impairment loss on AFS financial assets	2,144	(3)	–	2,141
Fair value changes on AFS financial assets	266	–	87	353
Total	2,378	1,001	87	3,466

	2016 RM'000	2015 RM'000
Utilised/(reversed) within 12 months	1,198	3,466
Utilised/(reversed) after 12 months	–	–
	1,198	3,466

17 SHARE CAPITAL

	2016 RM'000	2015 RM'000
Ordinary shares of RM1 each:		
Authorised:		
At beginning and end of financial year	**100,000**	100,000
Issued and fully paid:		
At beginning and end of financial year	**100,000**	100,000

18 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 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.

19 NET EARNED PREMIUMS

	2016 RM'000	2015 RM'000
(a) Gross earned premiums		
Gross written premiums	**645,637**	659,277
Change in premium liabilities	**14,227**	(37,205)
Gross earned premiums	**659,864**	622,072
(b) Premiums ceded		
Reinsurance	**(223,603)**	(224,598)
Change in premium liabilities	**(5,030)**	5,748
Premiums ceded	**(228,633)**	(218,850)
Net earned premiums	**431,231**	403,222

20 INVESTMENT INCOME

	2016 RM'000	2015 RM'000
Dividend income from FVTPL investments	**3,376**	3,049
Interest income from HTM investments	**1,164**	1,161
Interest income from loans and receivables	**1,421**	2,733
Dividend income from AFS investments	**28,323**	24,002
	34,284	30,945

21 REALISED GAINS AND LOSSES

	2016 RM'000	2015 RM'000
Property, plant and equipment	**–**	65
FVTPL investments		
– Equities securities	**(8,311)**	(1,394)
	(8,311)	(1,329)

22 FAIR VALUE GAINS AND LOSSES - NET

	2016 RM'000	2015 RM'000
Fair value losses from FVTPL investments	**2,303**	(1,197)
Recovery of fully impaired AFS investments	**–**	13
	2,303	(1,184)

23 MANAGEMENT EXPENSES

	2016 RM'000	2015 RM'000
Personnel costs		
Staff salary and bonus	**35,970**	39,920
Defined contribution plan	**5,762**	6,195
Career Transition Scheme	**–**	3,226
Other staff benefits	**3,273**	2,335
	45,005	51,676
Establishment costs		
Rental of offices	**3,697**	3,158
Depreciation of property, plant and equipment	**2,274**	2,413
Amortisation of intangible assets – computer software	**1,387**	924
Others	**1,069**	928
	8,427	7,423
Marketing costs		
Electronic printing	**14,365**	11,083
Advertising and marketing expenses	**10,435**	10,199
Others	**14,483**	12,616
	39,283	33,898
Administrative and general expenses		
Auditors' remuneration		
Statutory audit	**197**	197
Other audit related	**12**	11
Allowance for/(write-back of) impairment on insurance receivables	**231**	1,158
Bad debts written off/(recovered)	**118**	30
Bank charges	**2,958**	2,982
Other expenses	**11,578**	11,404
	15,094	15,782
	107,809	108,779

Included in the personnel costs is the Chief Executive Officer's remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM1,666,800 (2015: RM1,487,771) as disclosed in Note 24 to the financial statements.

Included in the administration and general expenses are other Directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM765,839 (2015: RM1,063,347) as disclosed in Note 24 to the financial statements.

24 DIRECTORS' REMUNERATION

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

2016	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
Chief Executive Officer/Executive Director				
Kong Shu Yin	**968**	**7**	**699**	**1,674**
2015				
Chief Executive Officer/Executive Director				
Kong Shu Yin	**916**	**7**	**572**	**1,495**

2016	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
Non–executive Directors				
Ong Seng Pheow	**150**	**31**	**87**	**268**
Datuk Haji Faisal Siraj	**120**	**–**	**38**	**158**
Tuan Haji Md Ja'far Abdul Carrim	**120**	**–**	**39**	**159**
Abdul Aziz Peru Mohamed	**120**	**–**	**21**	**141**
Dato' Othman Jusoh (retired 31 March 2016)	**30**	**–**	**17**	**47**
Jahanath Muthusamy (appointed 1 November 2016)	**20**	**–**	**3**	**23**
	560	**31**	**205**	**796**
2015				
Non–executive Directors				
Ong Seng Pheow	150	31	93	274
Datuk Haji Faisal Siraj	120	–	69	189
Tuan Haji Md Ja'far Abdul Carrim	120	–	73	193
Dato' Othman Jusoh	120	–	74	194
Tan Sri Dato' Teo Chiang Liang (retired 3 August 2015)	70	–	34	104
Abdul Aziz Peru Mohamed	120	–	21	141
	700	31	364	1,095

* Others comprise of Directors' committee allowance and meeting allowance.

25 TAXATION

	2016 RM'000	2015 RM'000
Malaysian taxation:		
Current taxation	**26,279**	18,960
Deferred taxation (Note 16)	**2,390**	(1,001)
	28,669	17,959
Current taxation		
Current financial year	**24,365**	16,959
Under provision in respect of prior financial years	**1,914**	2,001
	26,279	18,960
Deferred taxation		
Origination and reversal of temporary differences	**2,390**	(1,001)
	28,669	17,959

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:

	2016 RM'000	2015 RM'000
Profit before taxation	**130,129**	93,198
Tax calculated at a tax rate of 24% (2015: 25%)	**31,231**	23,300
Tax deduction of cash contribution to MMIP during the financial year*	**–**	(1,753)
Expenses not deductible for tax purposes	**1,125**	1,263
Income exempted for tax purposes	**(7,739)**	(6,801)
Income subject to different tax rate	**–**	(51)
Reversal of temporary differences recognised in prior years	**2,138**	–
Under provision in respect of prior financial years	**1,914**	2,001
Tax expense	**28,669**	17,959

* The tax deduction of cash contribution to MMIP (2015: RM2,339,692) relates to the double tax deduction allowed on MMIP contributions made, pursuant to the Gazette Order issued by the Attorney General Chambers of Malaysia on 28 November 2012.

26 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the net profit for the financial year amounting to RM101,459,577 (2015: RM75,238,624) divided by the number of ordinary shares in issue of 100,000,000 (2015: 100,000,000) during the financial year.

27 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2016 are as follows:

	2016		2015	
2016	Net dividend per share Sen	Amount of dividend net of tax Sen	Net dividend per share RM'000	Amount of dividend net of tax RM'000
Interim dividend	–	–	25.00	25,000

The Directors do not propose any dividends for the financial year ended 31 December 2016.

28 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

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

Related parties	Relationship
RHB Bank Berhad	Immediate and ultimate holding company
Subsidiaries and associate of RHB Capital 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

28 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.

		2016 RM'000	2015 RM'000
Related party transactions	Nature of transaction		
With subsidiaries of immediate and ultimate holding company	Interest income	**1,224**	2,096
	Insurance premium earned	**29,154**	26,214
	Commission paid and payable	**(16,688)**	(11,235)
	Rental expense	**176**	599
With key management personnel	Insurance premium earned	**144**	195
	Claims incurred	**119**	20
Related party balances	Types of balances		
With subsidiaries of immediate and ultimate holding company	Bank balances	**6,880**	2,215
	Fixed and call deposits	**36,204**	33,392
	Insurance premium	**1,440**	9,348
	Investment in corporate debts securities	**5,012**	5,014
	Others	**(431)**	(728)

Key management personnel

	2016 RM'000	2015 RM'000
The remuneration of key management personnel is as follows:		
Short-term employee benefits		
– Salary and other remuneration	**1,674**	1,495

29 CAPITAL COMMITMENTS

	2016 RM'000	2015 RM'000
Authorised and contracted for	**507**	5,408
Authorised but not contracted for	**39,525**	33,507
	40,032	38,915

30 RISK MANAGEMENT FRAMEWORK

(a) Risk Management framework

The Company operates within clearly 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 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 Group Risk Management Framework governs the management of risks in the RHB Banking Group inclusive of the Company, as follows:-

1. It provides a holistic overview of the risk and control environment of the Group, 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 Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models.

   The responsibility for the supervision of the day to day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee (GCRC) comprising Senior Management of the Group and which reports to the BRC and the Group Management Committee (GMC). The Company's Investment Committee manages interest rate risk, market risk, credit risk and liquidity risk associated with Company's investments.

30 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 Group. The Strategic Business Units (SBUs) and Strategic Functional Units (SFUs) of the respective operating entities in the Group 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 Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group.

4. Alignment of Risk Management to Business Strategies

The Group Risk Management Framework serves to align the Group's business strategy to risk strategy, and vice-versa. This is articulated through the risk appetite setting and the Group'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 and the Group 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 Group. 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 Policy

Capital Management Policy ("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 will require the Board and management of the Company to undertake remedial actions so as to improve the Company's capital position. The policy is aligned to the Company's vision and mission It is intended that through the guidance of Internal Capital Adequacy Assessment Paper Process ("ICAAP") coupled with the CMP, strong alignment will be forged between risk and capital. Capital adequacy shall be assessed in relation to the Company's risk profiles, and strategies will be put in place to maintain appropriate capital levels. Through ICAAP, material risks are identified, measured and reported and adequate capital levels consistent with the risk profiles including capital buffers are maintained to support the Company's current and projected demand for capital under existing and stressed conditions.

30 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital Management Policy (Continued)

With reference to the Guidelines of Stress Testing for Insurers (BNM/RH/GL/003-23), the impact of the adverse scenarios on the capital position of the company is studied on the CAR. This is consistent with our practice to review and study the Internal CAR every half-year which is consistent to the stress test guidelines where it focuses on short to medium term views.

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 the internal CAR target level.

31 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 claiming, 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.

31 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.

2016	**Change in assumptions**	**Impact on gross liabilities RM'000**	**Impact on net liabilities RM'000**	**Impact on profit before tax RM'000**	**Impact on equity RM'000**
Average claim cost	**+10%**	**53,065**	**24,961**	**(24,961)**	**(18,970)**
Average number of claims	**+10%**	**42,770**	**23,839**	**(23,839)**	**(18,118)**
Average claim settlement period	**Increased by 6 months**	**9,943**	**5,302**	**(5,302)**	**(4,030)**
2015					
Average claim cost	+10%	49,487	23,032	(23,032)	(17,274)
Average number of claims	+10%	40,797	22,203	(22,203)	(16,652)
Average claim settlement period	Increased by 6 months	9,323	4,939	(4,939)	(3,704)

(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.

31 INSURANCE RISK (CONTINUED)

(c) Claims development table (Continued)

Gross insurance claims liabilities for 2016:

Accident year	Before 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		171,164	197,050	234,640	303,820	363,486	376,174	398,549	
One year later		155,885	188,105	219,458	276,429	339,386	363,477		
Two years later		146,173	183,227	210,419	257,101	315,647			
Three years later		142,690	173,787	202,835	249,518				
Four years later		140,021	172,041	204,386					
Five years later		137,618	171,747						
Six years later		135,071							
Seven years later									
Current estimate of cumulative claims incurred		135,071	171,747	204,386	249,518	315,647	363,477	398,549	
At end of accident year		(51,789)	(57,313)	(66,947)	(75,616)	(91,529)	(98,970)	(108,495)	
One year later		(108,154)	(129,615)	(154,519)	(166,887)	(222,518)	(235,621)		
Two years later		(123,092)	(149,304)	(182,102)	(190,071)	(262,001)			
Three years later		(127,702)	(160,502)	(189,908)	(204,158)				
Four years later		(130,325)	(164,000)	(196,435)					
Five years later		(131,179)	(164,438)						
Six years later		(133,438)							
Seven years later									
Cumulative payments to-date		(133,438)	(164,438)	(196,435)	(204,158)	(262,001)	(235,621)	(108,495)	
Gross insurance claims liabilities per Statement of Financial Position (note 13(a))	55,383	1,633	7,309	7,951	45,360	53,646	127,856	290,054	589,192

31 INSURANCE RISK (CONTINUED)

(c) Claims development table (Continued)

Net insurance claims liabilities for 2016:

Accident year	Before 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		126,677	136,749	154,367	173,678	197,440	212,416	231,669	
One year later		114,798	126,585	146,227	157,247	177,134	196,319		
Two years later		110,199	121,799	137,404	146,257	162,941			
Three years later		107,963	118,122	132,504	141,546				
Four years later		105,538	117,028	132,468					
Five years later		104,693	114,291						
Six years later		103,482							
Seven years later									
Current estimate of cumulative claims incurred		103,482	114,291	132,468	141,546	162,941	196,319	231,669	
At end of accident year		(45,331)	(47,677)	(49,146)	(55,721)	(65,922)	(73,052)	(80,129)	
One year later		(86,633)	(95,770)	(105,577)	(112,324)	(124,363)	(139,947)		
Two years later		(96,331)	(106,108)	(119,912)	(127,485)	(142,454)			
Three years later		(99,645)	(112,076)	(125,322)	(132,340)				
Four years later		(101,142)	(113,829)	(128,090)					
Five years later		(101,459)	(111,161)						
Six years later		(102,331)							
Seven years later									
Cumulative payments to-date		(102,331)	(111,161)	(128,090)	(132,340)	(142,454)	(139,947)	(80,129)	
Net insurance claims liabilities per Statement of Financial Position (note 13(a))	55,113	1,151	3,130	4,378	9,206	20,487	56,372	151,540	301,377

31 INSURANCE RISK (CONTINUED)

(c) Claims development table (Continued)

Gross insurance claims liabilities for 2015:

Accident year	Before 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year		190,481	171,164	197,050	234,640	303,820	363,486	376,174	
One year later		175,385	155,885	188,105	219,458	276,429	339,386		
Two years later		157,675	146,173	183,227	210,419	257,101			
Three years later		148,901	142,690	173,787	202,835				
Four years later		147,369	140,021	172,041					
Five years later		137,617	137,618						
Six years later		136,706							
Seven years later									
Current estimate of cumulative claims incurred		136,706	137,618	172,041	202,835	257,101	339,386	376,174	
At end of accident year		(52,238)	(51,789)	(57,313)	(66,947)	(75,616)	(91,529)	(98,970)	
One year later		(103,373)	(108,154)	(129,615)	(54,519)	(166,887)	(222,518)		
Two years later		(115,918)	(123,092)	(149,304)	(182,102)	(190,071)			
Three years later		(129,157)	(127,702)	(160,502)	(189,908)				
Four years later		(126,050)	(130,325)	(164,000)					
Five years later		(126,575)	(131,179)						
Six years later		(126,794)							
Seven years later									
Cumulative payments to-date		(126,794)	(131,179)	(164,000)	(189,908)	(190,071)	(222,518)	(98,970)	
Gross insurance claims liabilities per Statement of Financial Position (note 13(a))	74,519	9,912	6,439	8,041	12,927	67,030	116,868	277,204	572,940

32 INSURANCE RISK (CONTINUED)

(d) Claims development table (Continued)

Net insurance claims liabilities for 2015:

Accident year	**Before 2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**Total RM'000**
At end of accident year		119,648	126,677	136,749	154,367	173,678	197,440	212,416	
One year later		109,416	114,798	126,585	146,227	157,247	177,134		
Two years later		107,372	110,199	121,799	137,404	146,257			
Three years later		103,662	107,963	118,122	132,504				
Four years later		102,240	105,538	117,208					
Five years later		99,135	104,693						
Six years later		98,520							
Seven years later									
Current estimate of cumulative claims incurred		98,520	104,693	117,028	132,504	146,257	177,134	212,416	
At end of accident year		(46,140)	(45,331)	(47,677)	(49,146)	(55,721)	(65,922)	(73,052)	
One year later		(81,903)	(86,633)	(95,770)	(105,577)	(112,324)	(124,363)		
Two years later		(89,792)	(96,331)	(106,108)	(119,912)	(127,485)			
Three years later		(95,612)	(99,645)	(112,076)	(125,322)				
Four years later		(96,150)	(101,142)	(113,829)					
Five years later		(96,367)	(101,459)						
Six years later		(96,541)							
Seven years later									
Cumulative payments to-date		(96,541)	(101,459)	(113,829)	(125,322)	(127,485)	(124,363)	(73,052)	
Net insurance claims liabilities per Statement of Financial Position (note 13(a))	71,416	1,979	3,234	3,199	7,182	18,772	52,771	139,364	297,917

32 FINANCIAL RISKS

(a) Credit risk

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil 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.

	2016 RM'000	2015 RM'000
Investments held-to-maturity		
Unquoted corporate debt securities	**15,392**	15,399
Loans and receivables		
Loans	**4**	12
Fixed and call deposits	**43,948**	68,551
Reinsurance assets - claims liabilities	**287,815**	275,023
Insurance receivables	**101,689**	114,269
Other receivables*	**89,862**	85,751
Cash and cash equivalents**	**13,898**	4,098
	552,608	563,103

* excluding prepayments amounting to RM377,984 (2015: RM333,488) which is not subject to credit risk
** excluding petty cash amounting to RM7,300 (2015: RM5,890) which is not subject to credit risk

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (Continued)

Credit exposure by credit rating

	Neither past-due nor impaired					
2016	**Rated: satis-factory RM'000**	**Rated: unsatis-factory RM'000**	**Not rated RM'000**	**Not past-due but impaired RM'000**	**Past-due and impaired RM'000**	**Total RM'000**
Investments held-to-maturity						
Unquoted corporate debt securities	**15,392**	**–**	**–**	**–**	**–**	**15,392**
Loans and receivables						
Loans	**–**	**–**	**4**	**–**	**–**	**4**
Fixed and call deposits	**43,948**	**–**	**–**	**–**	**–**	**43,948**
Reinsurance assets – claims liabilities	**217,205**	**987**	**69,623**	**–**	**–**	**287,815**
Insurance receivables	**–**	**–**	**5**	**45,179**	**63,955**	**109,139**
Allowance for impairment	**–**	**–**	**–**	**(2,540)**	**(4,910)**	**(7,450)**
Other receivables	**–**	**–**	**89,862**	**–**	**–**	**89,862**
Cash and cash equivalents	**13,898**	**–**	**–**	**–**	**–**	**13,898**
	290,443	**987**	**159,494**	**42,639**	**59,045**	**552,608**
2015						
Investments held-to-maturity						
Unquoted corporate debt securities	15,399	–	–	–	–	15,399
Loans and receivables						
Loans	–	–	12	–	–	12
Fixed and call deposits	68,551	–	–	–	–	68,551
Reinsurance assets – claims liabilities	235,178	1,209	38,636	–	–	275,023
Insurance receivables	–	–	5	43,797	77,687	121,489
Allowance for impairment	–	–	–	(2,239)	(4,981)	(7,220)
Other receivables	–	–	85,751	–	–	85,751
Cash and cash equivalents	4,098	–	–	–	–	4,098
	323,226	1,209	124,404	41,558	72,706	563,103

* excluding prepayments amounting to RM377,984 (2015: RM333,488) which is not subject to credit risk
** excluding petty cash amounting to RM7,300 (2015: RM5,890) which is not subject to credit risk

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (Continued)

Credit exposure by credit rating (Continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the reputable rating agencies' credit ratings of counterparties. AAA is the highest possible rating.

2016	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
Investments held-to-maturity						
Unquoted corporate debt securities	–	5,226	10,166	–	–	15,392
Loans and receivables						
Loans	–	–	–	–	4	4
Fixed and call deposits	–	41,344	2,604	–	–	43,948
Reinsurance assets – claims liabilities		23,191	194,014	987	69,623	287,815
Insurance receivables	–	–	–	–	101,689	101,689
Other receivables	–	–	–	–	89,862	89,862
Cash and cash equivalents	7,022	6,876	–	–	–	13,898
	7,022	76,637	206,784	987	261,178	552,608
2015						
Investments held-to-maturity						
Unquoted corporate debt securities	–	5,231	10,168	–	–	15,399
Loans and receivables						
Loans	–	–	–	–	12	12
Fixed and call deposits	–	66,099	2,452	–	–	68,551
Reinsurance assets – claims liabilities	–	18,325	216,852	1,209	38,637	275,023
Insurance receivables	–	–	–	–	114,269	114,269
Other receivables	–	–	–	–	85,751	85,751
Cash and cash equivalents	2,465	1,633	–	–	–	4,098
	2,465	91,288	229,472	1,209	238,669	563,103

* excluding prepayments amounting to RM377,984 (2015: RM333,488) which is not subject to credit risk
** excluding petty cash amounting to RM7,300 (2015: RM5,890) which is not subject to credit risk

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (Continued)

Age analysis of financial assets impaired

2016	Less than 3 months RM'000	3 to 6 months RM'000	More than 6 months RM'000	Total RM'000
Insurance receivables	**62,667**	**28,301**	**10,716**	**101,684**
2015				
Insurance receivables	63,438	37,597	13,229	114,264

Impaired financial assets

For receivables to be considered as 'past due', contractual payment must be in arrears for more than 60 days. A receivable is considered as impaired if the counterparty is in the process of liquidation or legal actions have been taken to recover the outstanding for which the Company provides specific impairment allowance. The Company also provides for allowance for impairment for potential defaults of credit terms and irrrecoverability via collective assessment for balances that are past due but not impaired and balances that are past due and impaired. As at 31 December 2016, the Company has provided an allowance of doubtful debts on a collective basis of RM7,450,322 (2015: RM7,219,445). No collateral is held as security for any past due or 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:

	2016 RM'000	2015 RM'000
At 1 January	**7,219**	6,061
Charge for the financial year	**113**	3,451
Write-off	**118**	–
Write-back	**–**	(2,293)
At 31 December	**7,450**	7,219

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (Continued)

An investment in debt security is considered as individually impaired when the management is of opinion that the counterparty is unable to meet the payment obligation as scheduled. A reconciliation of the allowance for impairment losses for investment in debt securities is as follows:

Available-for-sale investments

	2016 RM'000	2015 RM'000
At 1 January	**6**	19
Recovery of fully impaired investment	**–**	(13)
At 31 December	**6**	6

(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 and 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.

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.

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (Continued)

Maturity profiles (Continued)

2016	Carrying value RM'000	1 year or less RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Investments held-to-maturity						
Unquoted corporate debt securities	15,392	1,163	2,325	2,325	41,250	47,063
Loans and receivables						
– Loans	4	4	–	–	–	4
– Fixed and call deposits	43,948	43,948	–	–	–	43,948
Reinsurance assets – claims liabilities	287,815	51,816	188,963	32,914	14,122	287,815
Insurance receivables	101,689	101,689	–	–	–	101,689
Other receivables	89,862	89,862	–	–	–	89,862
Cash and cash equivalents	13,898	13,898	–	–	–	13,898
Total financial assets	552,608	302,380	191,288	35,239	55,372	584,279
Insurance contract liabilities						
– claims liabilities	589,192	177,069	343,835	57,194	11,094	589,192
Insurance payables	29,661	29,661	–	–	–	29,661
Other payables	50,829	50,829	–	–	–	50,829
Total financial liabilities	669,682	257,559	343,835	57,194	11,094	669,682

* excluding prepayments amounting to RM377,984 (2015: RM333,488) which is not subject to liquidity risk

** excluding petty cash amounting to RM7,300 (2015: RM5,890) which is not subject to liquidity risk

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (Continued)

Maturity profiles (Continued)

2015	Carrying value RM'000	1 year or less RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Investments held-to-maturity						
Unquoted corporate debt securities	15,399	1,163	2,325	2,325	41,250	47,063
Loans and receivables						
– Loans	12	12	–	–	–	12
– Fixed and call deposits	68,551	68,977	–	–	–	68,977
Reinsurance assets – claims liabilities	275,023	50,589	197,016	22,296	5,122	275,023
Insurance receivables	114,269	114,269	–	–	–	114,269
Other receivables	86,085	86,085	–	–	–	86,085
Cash and cash equivalents	4,104	4,104	–	–	–	4,104
Total financial assets	563,443	325,199	199,341	24,621	46,372	595,533
Insurance contract liabilities						
– claims liabilities	572,940	183,712	338,428	43,523	7,277	572,940
Insurance payables	91,119	91,119	–	–	–	91,119
Other payables	49,027	49,027	–	–	–	49,027
Total financial liabilities	713,086	323,858	338,428	43,523	7,277	713,086

* excluding prepayments amounting to RM377,984 (2015: RM333,488) which is not subject to liquidity risk

** excluding petty cash amounting to RM7,300 (2015: RM5,890) which is not subject to liquidity risk

32 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. To deal with this risk, 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.

32 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.

Investment Committee has set up a guideline to manage the maturities of interest/profit-bearing financial assets and liabilities.

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 (that reflects re-valuing fixed rate/yield available-for-sale financial assets). 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.

		2016	2015
	Change in variables	**Impact on equity* RM'000**	**Impact on equity* RM'000**
Interest	+100 basis points	**(16,782)**	(11,982)
Interest rate	-100 basis points	**17,741**	12,472

* 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.

32 FINANCIAL RISKS (CONTINUED)

(c) Market risk (Continued)

Equity Price risk

Equity price risk is the risk of holding or taking positions in instruments that exhibit market behavior similar to equities but not to non-convertible preference shares.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments and limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Income Statement) and Equity (that reflects adjustments to profit before tax). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	2016			2015	
	Change in variables	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
Bursa Malaysia	**+15%**	**10,102**	**7,677**	17,230	12,923
Bursa Malaysia	**-15%**	**(10,102)**	**(7,677)**	(17,230)	(12,923)

* 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.

31 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.

33 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2016, as prescribed under the RBC Framework is provided below:

	Note	2016 RM'000	2015 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	17	**100,000**	100,000
Retained earnings		**400,055**	323,595
		500,055	423,595
Tier 2 Capital			
Available-for-sale reserve		**(1,508)**	(1,060)
Amount deducted from Capital		**(1,198)**	(3,466)
Total Capital Available		**497,349**	419,069

34 APPROVAL OF FINANCIAL STATEMENTS

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

STATEMENT BY DIRECTORS

Pursuant to Section 169 (15) of the Companies Act, 1965, we, Ong Seng Pheow and Kong Shu Yin, two of the Directors of RHB Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 55 to 114 are drawn up so as to show a true and fair view of the state of affairs of the Company as at 31 December 2016 and of its results and cash flows for the financial year ended 31 December 2016 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors.

ONG SENG PHEOW
CHAIRMAN

KONG SHU YIN
MANAGING DIRECTOR

Kuala Lumpur
28 February 2017

STATUTORY DECLARATION

Pursuant to Section 169 (16) of the Companies Act, 1965, 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 55 to 114 are, in my opinion, 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 28 February 2017) **CHONG SOOK YIN**

Before me,

COMMISSIONER FOR OATHS
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RHB INSURANCE BERHAD
(INCORPORATED IN MALAYSIA) (COMPANY NO. 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 2016, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 114.

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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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, 1965 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.

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 represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RHB INSURANCE BERHAD
(INCORPORATED IN MALAYSIA) (COMPANY NO. 38000 U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/17 (J))
Chartered Accountant

Kuala Lumpur
28 February 2017

RHB Insurance Berhad (38000-U)
Level 12, West Wing, The Icon, No.1 Jalan 1/68F, Jalan Tun Razak, 55000 Kuala Lumpur
Tel : 603-2180 3000 Fax : 603-2161 9255

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