FIT 22
Fund. Invest. Transform

OUR WAY FORWARD

ANNUAL REPORT 2017

RHB

RHB INSURANCE BERHAD

OUR WAY FORWARD

Having gained tremendous traction and momentum in our transformation journey, our way forward is guided by an enhanced set of strategies that will strengthen our core competencies and drive our performance. To propel our way forward, we have charted a 5-year strategy known as “FIT22” comprising 22 initiatives, driven by three key pillars, namely:

- **F**und our Journey
- **I**nvest to Win
- **T**ransform for Success

Under this strategic plan, our priorities will be to strengthen Malaysia as our core and win in our targeted segments, focus on our niche and strengths overseas while we explore partnerships, and build a winning operating model.

While scale effects are still important, we aim to differentiate ourselves and win through Digital initiatives, customer intimacy and an Agile way of working.

In driving digitalisation, we aim to strengthen our digital capabilities by introducing market-leading features and providing superior customer experiences. Our customers are our priority, therefore we are constantly enhancing our product and service offering to deliver customised innovative solutions. We are adopting the Agile way of working which is a working culture that brings together key resources from multiple disciplines to achieve common goals and to reimagine customer journeys to deliver superior performance by responding to the market faster while increasing productivity customer centricity and new talent acquisition and development.

AGILITY:

MANAGING CHANGE

VALUES

PROFESSIONAL	RESPECT	INTEGRITY	DYNAMIC	EXCELLENCE
We are committed to maintain a high level of proficiency, competency and reliability in all that we do.	We are courteous, humble and we show empathy to everyone through our actions and interactions.	We are honest, ethical and we uphold a high standard of governance.	We are proactive, responsive and forward thinking.	We will continuously achieve high standards of performance and service deliverables.

VISION

To be a Top 3 Bank by Performance

FIT22: Our Way Forward

- Affluent & Wealth
- SME
- Large Caps
- Mid Caps

- Strengthen Malaysia as our core
- Position overseas business to focus on our strengths & explore potential partnerships/JVs

- Customer Journeys
- AGILE@Scale

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

CORE BUSINESSES

- Group Retail Banking
- Group Business & Transaction Banking
- Group Wholesale Banking
- Singapore Business Operations
- Group International Business
- Group Insurance
- Group Shariah Business

CONTENTS

ABOUT OUR REPORT

CORPORATE GOVERNANCE

STATUTORY FINANCIAL STATEMENTS

Our Report provides cross-references to our suite of reporting publications:

AR

Annual Report
Our annual report is issued in accordance with the Bursa Main Market Listing requirements.

FR

Financial Report
The financial statements and remuneration report are prepared in accordance with International Financial Reporting Standards, together with the report of the Audit Committee.

PDF Version
These reports are available on our website
www.rhbgroup.com

CORPORATE INFORMATION

AS AT 15 FEBRUARY 2018

BOARD OF DIRECTORS

01 **Abdul Aziz Peru Mohamed**
Independent
Non-Executive Chairman

02 **Datuk Haji Faisal Siraj**
Non-Independent
Non-Executive Director

03 **Jahanath Muthusamy**
Senior Independent
Non-Executive Director

04 **Tan Sri Saw Choo Boon**
Independent
Non-Executive Director

05 **Kong Shu Yin**
Managing Director/
Chief Executive Officer

BOARD NOMINATING & REMUNERATION COMMITTEE#

Tan Sri Saw Choo Boon
(Chairman)

Tan Sri Azlan Zainol

Tan Sri Ong Leong Huat @ Wong Joo Hwa

Ong Ai Lin

Tan Sri Dr Rebecca Fatima Sta Maria

BOARD AUDIT COMMITTEE#

Tan Sri Dr Rebecca Fatima Sta Maria
(Chairman)

Tan Sri Saw Choo Boon

Ong Ai Lin

COMMON INVESTMENT COMMITTEE#

Patrick Chin Yoke Chung
(Chairman)

Abdul Aziz Peru Mohamed

Dato' Darawati Hussain

Choo Shan

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

GROUP SENIOR MANAGEMENT & GROUP INTERNAL AUDIT

Dato' Khairussaleh Ramli
Group Managing Director/
Group Chief Executive Officer

Syed Ahmad Taufik Albar
Group Chief Financial Officer

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

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

Nazri Othman
Acting Head, Group Retail Banking

Jeffrey Ng Eow Oo
Head, Group Business & Transaction Banking

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

Kong Shu Yin
Managing Director/
Chief Executive Officer,
RHB Insurance Berhad

Mohd Rashid Mohamad
Group Treasurer

Rohan Krishnalingam
Group Chief Operations Officer

Gan Pai Li
Group Chief Strategy Officer

Patrick Ho Kwong Hoong
Group Chief Risk Officer

Jamaluddin Bakri
Group Chief Human Resource Officer

Norazzah Sulaiman
Group Chief Communications Officer/
Chief Executive Officer, RHB Foundation

Abdul Sani Abdul Murad
Group Chief Marketing Officer

Alex Tan Aun Aun
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
55000 Kuala Lumpur
Tel : 603 2180 3000
Fax : 603 2161 9255

COMPANY NO.

38000-U

AUDITORS

PricewaterhouseCoopers PLT
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 603 2173 1188
Fax : 603 2173 1288

GROUP CORPORATE STRUCTURE

AS AT 15 FEBRUARY 2018

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
  - 100.00% RHB Wealth Management Hong Kong Limited
  - 100.00% RHB (China) Investment Advisory Co Ltd
- 99.00% PT RHB Sekuritas 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.

94.70% RHB Insurance Berhad

- 100.00% RHB Futures and Options Sdn Bhd*
- 100.00% RHB Research Sdn Bhd(7)
- 100.00% RHB International Asset Management Sdn Bhd*
- 100.00% RHBIB Nominees (Tempatan) Sdn Berhad(7)
- 100.00% RHBIB Nominees (Asing) Sdn Berhad(7)
- 100.00% TCL Nominees (Tempatan) Sdn Bhd(7)
- 100.00% TCL Nominees (Asing) Sdn Bhd(7)
- 100.00% KE-ZAN Nominees (Tempatan) Sdn Bhd(7)
- 100.00% KE-ZAN Nominees (Asing) Sdn Bhd(7)
- 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

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; (iv) RHB Futures and Options Sdn Bhd; and (v) RHB Bank Berhad with direct shareholdings of 20.00% each.

(7) The company has commenced members' voluntary winding-up on 30 June 2017.

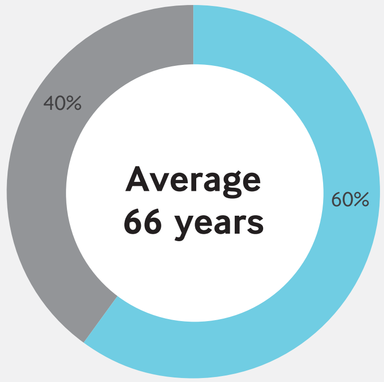
BOARD DIVERSITY

The diversity and skills of the Board ensure that RHB Insurance Berhad is steered to deliver growth to all our stakeholders.

BOARD COMPOSITION

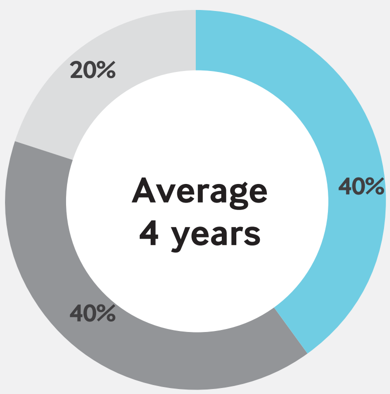
Independent Non-Executive Directors	2
Non-Independent Non-Executive Director	1
Senior Independent Non-Executive Director	1
Managing Director	1

AGE



66 years & above	3
51 years – 65 years	2

BOARD TENURE



Below 5 years	2
5 years – 9 years	2
More than 9 years	1

GENDER

Male 5

ETHNICITY

Malay	2
Chinese	2
Indian	1

NATIONALITY

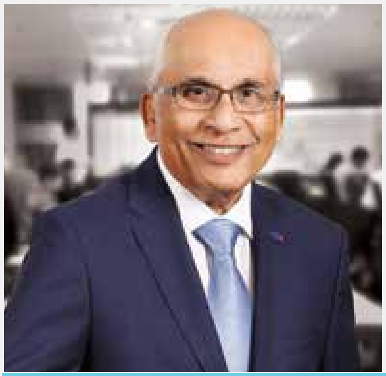
Malaysians 5

KEY FEATURES OF OUR BOARD

- The Board comprises majority Independent Directors
- The Chairman is an Independent Non-Executive Director
- The roles of the Chairman and the Managing Director are distinct

PROFILE OF THE BOARD OF DIRECTORS

AS AT 15 FEBRUARY 2018



ABDUL AZIZ PERU MOHAMED

Independent
Non-Executive Chairman

Malaysian | Age 69

Date of Appointment:
2 March 2012*

Length of Service:
5 years 11 months

Date of Last Re-Election:
6 May 2016

Board Committee memberships:
- Common Investment Committee

Other Directorships:
Listed Entities:
- RHB Bank Berhad

Public Companies:
- As-Salihin Trustee Berhad
- RHB Indochina Bank Limited
- RHB Bank Lao Limited

No. of Board Meetings Attended in the Financial Year:
- 13/13

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 the Association of Banks of Malaysia and has held several other key positions including as a Board Member of Mayban Property Trust and Mayban Trustees 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

* 19 November 2017 (Re-designated as Independent Non-Executive Chairman)

DATUK HAJI FAISAL SIRAJ

Non-Independent
Non-Executive Director

Malaysian | Age 72

Date of Appointment:
1 January 2008*

Length of Service:
9 years 1 month

Date of Last Re-Election:
6 May 2016

Board Committee Memberships:
- Nil

Other Directorships:
Listed Entities:
- Nil

Public Companies:
- RHB Islamic Bank Berhad
- RHB Capital Berhad (In Member's Voluntary Liquidation)

No. of Board Meetings Attended in the Financial Year:
- 12/13

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 Siraj joined the Malaysia Mining Corporation ("MMC") Group in 1976. He was the Group Executive Director and a Board member of MMC 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 also a Board member of DRB-HICOM 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

* 1 January 2018 (Re-designated as Non-Independent Non-Executive Director)

JAHANATH MUTHUSAMY

Senior Independent
Non-Executive Director

Malaysian | Age 62

Date of Appointment:
1 November 2016*

Length of Service:
1 year 3 months

Date of Last Re-Election:
25 April 2017

Board Committee Memberships:
- Nil

Other Directorships:
- Nil

No. of Board Meetings Attended in the Financial Year:
- 13/13

Qualifications:
- Fellow, Chartered Insurance Institute, United Kingdom
- Fellow, The Malaysian Insurance Institute, Malaysia

Skills and Experience:
Mr Jahanath Muthusamy 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 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

* *1 January 2018 (Re-designated as Senior Independent Non-Executive Director)*

TAN SRI SAW CHOO BOON

Independent
Non-Executive Director

Malaysian | Age 71

Date of Appointment:
1 October 2017

Length of Service:
4 months

Date of Last Re-Election:
Not Applicable

Board Committee Memberships:
- Board Nominating & Remuneration Committee (Chairman)
- Board Audit Committee (Member)

Other Directorships:
Listed Entities:
- RHB Bank Berhad
- Digi.Com Berhad
- Ranhill Holdings Berhad

Public Companies:
- RHB Capital Berhad (In Member's Voluntary Liquidation)

Associations:
- Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH) as the Co-Chair
- Council Member of the Federation of Malaysian Manufacturers (FMM)
- Socio-Economic Research Centre (SERC) Board of the Associated Chinese Chambers of Commerce and Industry Malaysia

No. of Board Meetings Attended in the Financial Year:
- 3/3

Qualifications:
- Bachelor of Science (Chemistry) from the University of Malaya

Skills and experience:
Tan Sri Saw Choo Boon ("Tan Sri Saw") joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, Tan Sri Saw was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 – 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. In 2005, he assumed the role of Vice-President Global Marine Products.

Tan Sri Saw was appointed the Chairman of Shell Malaysia on 1 March 2006. He was also the Vice-President Business Development Asia Pacific responsible for developing the commercial businesses in new market entries in Asia – China, India, Indonesia and Vietnam. From 1 January 2010, Tan Sri Saw was appointed the Senior Advisor of Shell Malaysia until his retirement on 30 June 2010.

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

KONG SHU YIN

Managing Director/
Chief Executive Officer

Malaysian | Age 57

Date of Appointment:
13 March 2011

Length of Service:
6 years 11 months

Date of Last Re-Election:
Not Applicable

Board Committee Memberships:
- Nil

Other Directorship:
- ISM Insurance Services Malaysia Berhad

No. of Board Meetings Attended in the Financial Year:
- 13/13

Qualifications:
- Bachelor of Engineering from University of Malaya
- Fellow, Chartered Insurance Institute, United Kingdom
- Fellow, The Malaysian Insurance Institute, Malaysia

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 capacities including Chief Executive Officer. He also has experience with the Thailand and Indonesian insurance markets.

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

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

STATEMENT ON CORPORATE GOVERNANCE

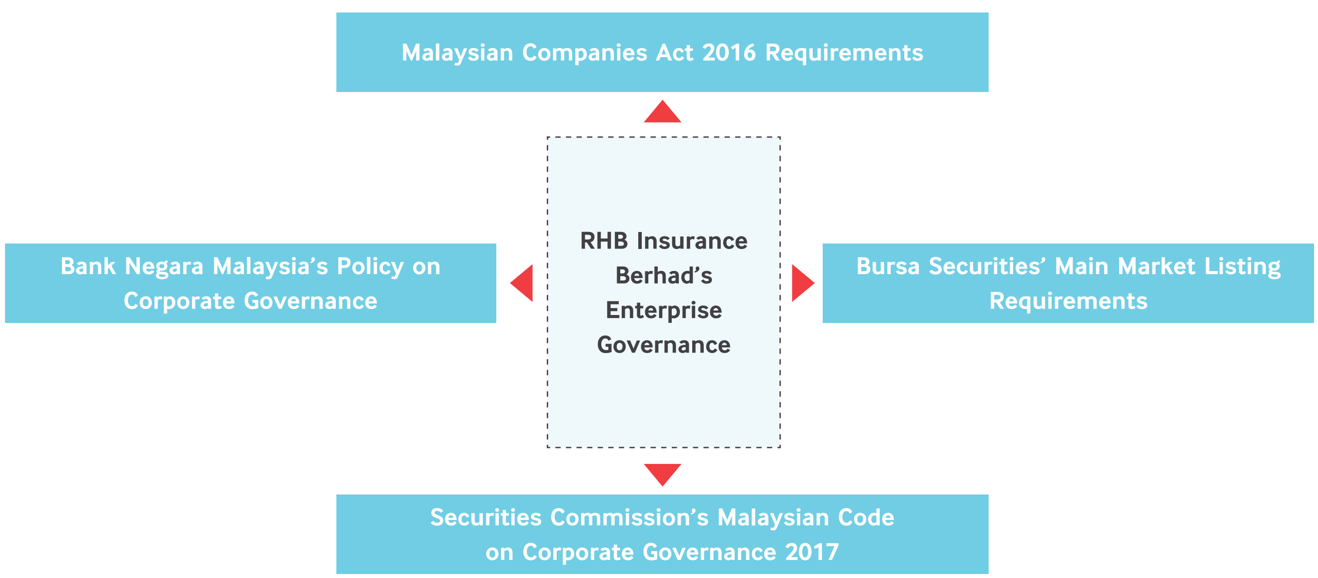
"In these times, moral courage, integrity and transparency will be more important than ever. We must be brave enough to pursue the right course of action, doing the right thing, unpopular as they may be in the short-term. We must also be accountable for our decisions. This requires that we engage and communicate with the public as never before… It is also important that we foster a culture and environment that prioritises these values at the level of the individual… This will require leadership, incentives and structures that will enable individuals to be clear-eyed and independent-minded… Integrity is best demonstrated through the transparency and thoroughness of disclosures. The publication of financial and non-financial information is the central means by which the public can truly hold… institutions to account".

– Bank Negara Malaysia's Governor Tan Sri Muhammad Ibrahim's Remarks
at the National PSA Conference 2017 on 15 August 2017

ENTERPRISE 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 compliance practices, whether in accordance with mandatory or voluntary requirements, is fundamental in strengthening and ensuring long-term sustainability of the Group.

The Company continuously strives to stimulate and sustain value creation by subscribing to the principles set out in the following essential requirements and practices:



CORPORATE GOVERNANCE – *Commitment to Conformance*

The Group is fully committed to protect the interests of all its stakeholders by conforming to good corporate governance practices, including greater transparency and sustainable disclosure. This commitment is translated into a corporate culture and manifested across the Group, from the Board of Directors, to the Senior Management and all the Employees. A dedicated Business Risk and Compliance Officer is appointed in each respective business, functional units and branches to propagate and ensure a high standard of compliance to all regulatory and internal requirements. This control function is part of the Group's enterprise risk management framework.

The continuous enhancement in the Group's corporate governance practices has borne significant results in the way RHB Banking Group operates. 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 from stakeholders and in return, built lasting commercial relationship with the Group's business partners. These efforts were recognised by reputable and independent third parties' assessments which have currently positioned the holding company, RHB Bank Berhad ("RHB Bank"), among the **Top 6** of Malaysian Public Listed Companies ("PLCs") and **Top 50** of Association of Southeast Asian Nations ("ASEAN") Public Listed Companies, in terms of quality disclosures and scope of corporate governance practices.

During 2017, the Group also received the following recognitions:

- Winner of **'Excellence Award for Corporate Governance Disclosure'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017.
- **Constituent of the FTSE4Good Bursa Malaysia Index** for good demonstration of Environmental, Social & Governance (E.S.G.) practices as independently assessed by FTSE Russell during 2017 semi-annual reviews.
- Winner of **'Merit Award for Board Diversity'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017.
- Winner of **'Merit Award: Finalist'** in the National Annual Corporate Report Awards (NACRA) 2017 hosted by the Malaysian Institute of Certified Public Accountants (MICPA), the Malaysian Institute of Accountants (MIA) & Bursa Malaysia on 23 November 2017.
- Winner of **'Merit Award for Most Improved Corporate Governance Disclosure'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017.
- Joint Gold Winner of **'Best Governed & Most Transparent Award'** in The Global Good Governance Awards 2017 hosted by The Pinnacle Group International on 30 March 2017 (2016: Silver Winner).
- Ranked **11th** among Malaysia's Top 100 Public Listed Companies in terms of **Transparency in Corporate Reporting** as accorded by the Malaysian Institute of Corporate Governance (MICG) on 8 August 2017. The assessment mainly covers on 3 dimensions, namely *Anti-Corruption Programme (40%), Organisational Transparency (30%) and Sustainability (30%).*

Excellence in **corporate governance** is central to promoting the Group's financial services in the areas where it operates. This compliance culture fosters the Group's Directors, Senior Management and the rest of the Employees to embrace professional business ethics and be self-adherent to internal and external requirements.

MSWG - ASEAN
CORPORATE GOVERNANCE RECOGNITION
2017

FTSE4Good

2016

- Enlisted on the FTSE4Good Bursa Malaysia Index for demonstrating good Environmental, Social and Governance (ESG) practices beyond threshold limit

"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."

- Excellence Award for Corporate Governance Disclosure
- Merit Award for Board Diversity
- Merit Award for Most Improved Corporate Governance Disclosure

ASEAN Corporate Governance Scorecard

2015

- Top 50 ASEAN Public Listed Companies

Public listed companies in Southeast Asia were assessed on good governance and transparency practices using the scorecard methodology, based on the Organisation for Economic Co-operation and Development ("OECD")'s Principles of Corporate Governance.

BUSINESS GOVERNANCE – *Commitment to Performance*

The Group aspires to become amongst the Top 3 **Multinational Financial Services Group**, in terms of performance by 2022. This vision commits the Group to deliver complete solutions to its customers through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience. This mission intent has been translated into the Group's Core **Shared Values** namely P.R.I.D.E. (**P**rofessional, **R**espect, **I**ntegrity, **D**ynamic & **E**xcellence), the Company's Annual Balanced Scorecard, Sustainable Key Performance Indicators and the Group's **I.G.N.I.T.E.** principles, namely **Innovative** in approach, **Growth** oriented, **Nimble** in action, **Impactful** in outcomes, **Teamwork** to succeed and **Excellence** in delivery. A new 5-year strategic plan, known as FIT22 (**F**und our Journey, **I**nvest to Win and **T**ransform for Success 20**22**) comprising 22 initiatives has now been put in place commencing 2018 to achieve its objectives and aspirations by 2022.

A key component of the new strategic plan is the Group's brand promise of **Together We Progress**, basically promoting the idea of the Group, walking hand-in-hand with its internal and external stakeholders, towards achieving sustainable operations as the Group runs and manages its business in an orderly fashion. This includes utilisation of the Group's capitals (financial, manufactured, intellectual, human, social relationship and natural) at optimal level to improve its integrated value chain while safeguarding its assets and the environment for future generations.

The Board of RHB Insurance has also adopted sustainability principles in 2017 by including Economic, Environment and Social ("EES") considerations into the Company's Board Charter and the Group's business strategies to further emphasise the creation of sustainable business operations and share value. An overview of the Group's EES considerations matters is laid out in its holding company's Sustainability Report 2017.

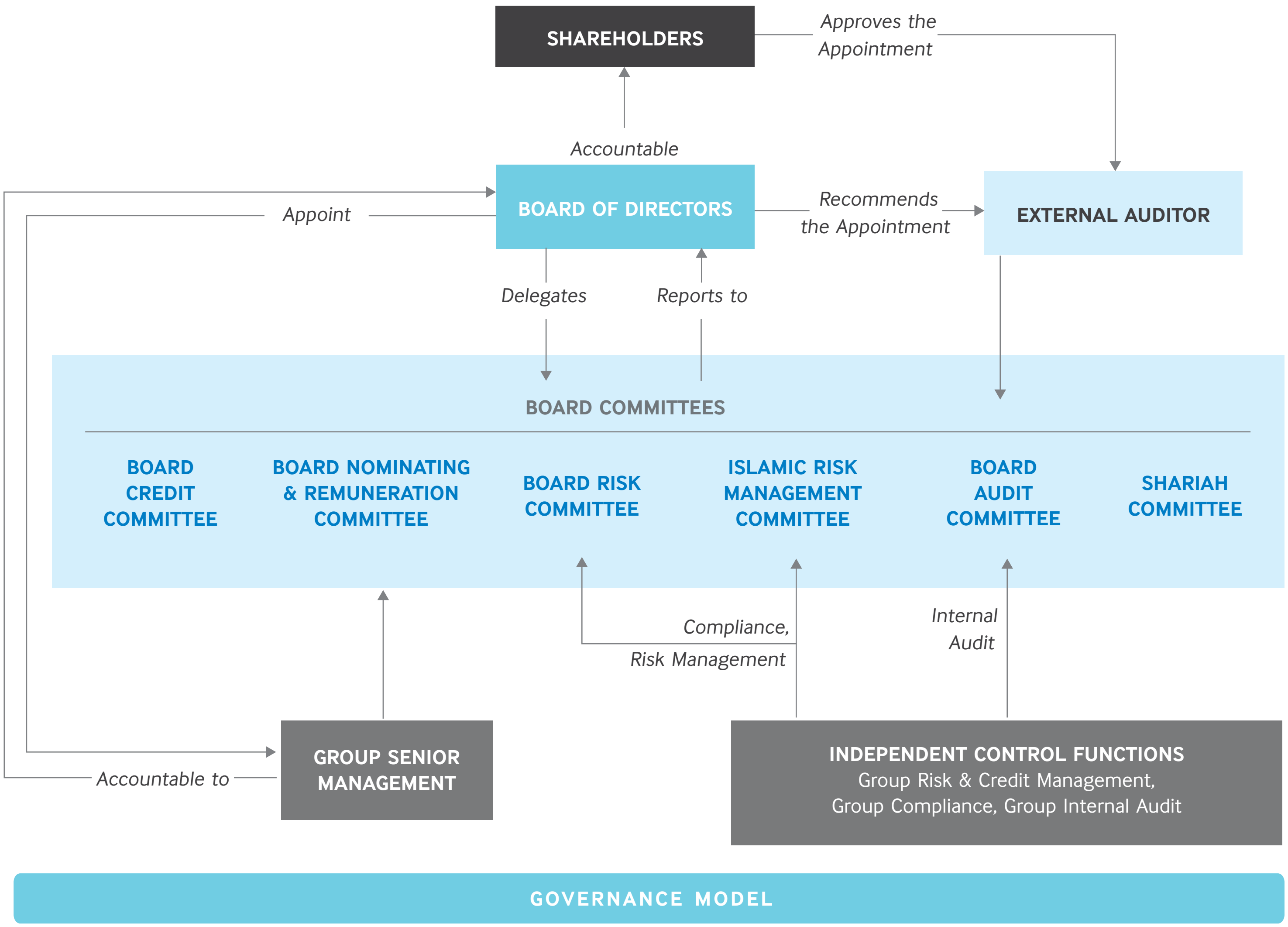
Excellence in **business governance** is essential towards attaining stakeholders' confidence in the Group's sustainable operations. The Group, through its journey in adopting integrated reporting for the past three years, aims to achieve this goal of communicating effectively to stakeholders, matters which are most relevant, material and important to them and to the Group, covering both financial and non-financial information.

ORGANISATIONAL CULTURE

A corporate culture that embraces the correct behaviours to achieve a company's objectives is fundamental in ensuring sustainable long-term growth and success for any organisation. The latest Board Effectiveness Evaluation exercise was designed internally for the first time, specifically to assess the tone at the top in areas such as leadership, decision-making, communication, group dynamics and mindset of the Board as a collective unit and Board members as individuals. Actions will then be taken to address identified gaps to enhance the performance of the Board.

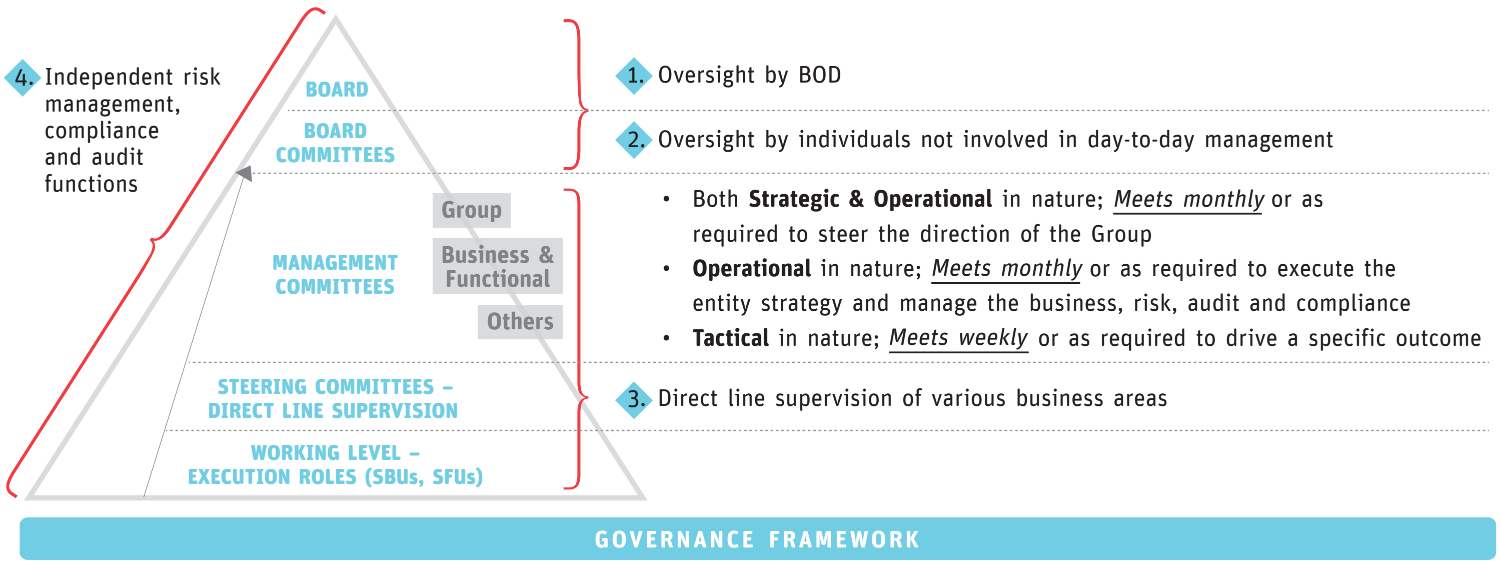
In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met within the approved risk appetites, the Board is bound by its Charter, Terms of Reference ("ToR") for its various Board Committees, Group Code of Ethics & Business Conduct for Directors, and other internal guidelines. To complement the Charter, various policies and guidelines including the Group Manual of Authority, Power of Attorney, Delegated Lending & Financing Authority (Discretionary Powers), 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.

GOVERNANCE MODEL & FRAMEWORK



The Board continuously explores enhancements to the Group's governance processes to ensure it remains robust as it continues to expand. The governance model and framework are currently being used as a 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 controls 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.

The Board has also approved and established the **Group Governance Framework** as a basis of an effective governance and oversight to support the overall RHB Banking Group's strategies.



Under this framework, there are various levels of oversights operating across the Group's business and functional activities. These include amongst others; direct supervision, Senior Management, independent parties comprising 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 has institutionalised the Company as a risk-focused organisation with proper control functions and good corporate governance practice.

BOARD GOVERNANCE MANUAL

The main documents governing the Board are the Company's Memorandum & Articles of Association (*moving forward to be known as the* "Constitution"), the Board Charter and the Code of Ethics and Business Conduct for Directors. The Board is also guided by the Approval Framework on Directors' Expenses, the Boardroom Diversity Policy, Policy and Guidelines on Fit and Proper for Key Responsible Persons, Guidelines on Tenure of Non-Executive Directors' Appointment, Procedures for Independent Professional Advice and also Procedures on Directors' In-House Orientation & Continuing Education Programme. All these frameworks, policies, procedures and processes serve as guidance to the Board in discharging their duties effectively, efficiently and responsibly.

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 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 human resource (HR) matters and operations, and recommend to the Boards for approval of remuneration and HR 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 Senior INED of RHB Bank. The composition of the BNRC consisting majority Independent Directors, complies with the Bursa Malaysia Listing Requirements, Malaysian Code on Corporate Governance 2017 and Bank Negara Malaysia's Policy Document on Corporate Governance 2016. Similar composition was recorded throughout the calendar year of 2017 from 1st January until the retirement of Mr Ong Seng Pheow, an INED of the Company effective 19 November 2017. The vacancy on the BNRC was then filled-in by YBhg Tan Sri Dr Rebecca Fatima Sta Maria, also an INED effective 15 February 2018.

Board Audit Committee

The Board Audit Committee ("BAC") comprises three INEDs representing RHB Bank and its major operating subsidiaries. The Chair of the BAC is not the Chairman of the Board of the Company. The BAC has policies and procedures to assess the suitability, objectivity and independence of the external auditors engaged. Considerations on the appointment of the external auditors to provide audit and non-audit services would include the expertise, adequacy of knowledge and experience required for the services rendered, the tenure of the engagement partner and also the concurring partner, the competitiveness of the fees quoted and the fees threshold established under the internal Group Policy on Non-Audit Fees Paid/Payable to External Auditors.

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 2016.

The BAC also meets twice a year with the external auditors, without the presence of the Management and the executive Board member, 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 36 to 41 of RHB Insurance's Annual Report 2017.

Common Investment Committee

The Common Investment Committee comprises four members, namely one NINED and three INEDs, representing the respective business entities within the Group. It mainly oversees the investment aspects of RHB Insurance, RHB Asset Management Sdn Bhd and RHB Islamic International Asset Management Berhad.

BOARD TRAINING AND DEVELOPMENT

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 Board Effectiveness Evaluation ("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 Non-Executive Directors ("NED") 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 facilitates 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

For newly appointed Directors, an induction programme will be organised by the Management of the Group to brief on the functions and areas of responsibility of various divisions. This enables the new NEDs to familiarise themselves with the Group's operations and organisational structure and also helps them to establish effective channels of communication and interaction with Management.

In addition, the new NEDs will receive a comprehensive Director's induction kit to assist them in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations. Pursuant to the requirement of Bank Negara Malaysia, all Directors are required to complete the Financial Institutions Directors' Education ("FIDE") programme within one year of appointment. The FIDE programme aims to enhance boardroom governance within the financial sector and develop world class directors who are advocates of best practices and excellence in corporate governance.

Director's Training

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
Abdul Aziz Peru Mohamed	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	• Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	• Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	• Digital Economy Era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Fintech: Opportunities for the Financial Services Industry in Malaysia by FIDE Forum	• Current Status & Approach in Fintech Adoption Among Malaysian Financial Institutions (FI) • Opportunities for FI-Fintech Collaboration under Regtech Sandbox • Key Areas & Issues for Board's Consideration
	Board In The Digital Economy by SIDC	• The Rise of Globalised Digital Economy • Board's Navigation in the Digital Economy Wave
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	• The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Shariah Awareness Programme by Amanie Group	• Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors

Name of Director(s)	Training Programme Attended	Training Scope & Description
Abdul Aziz Peru Mohamed (continue)	Bankruptcy (Amendment) Act 2017 by Messrs. Shook Lin & Bok	• Salient Features of the Insolvency Act 1967 • Moratorium under the Bankruptcy Act 1967 & the Insolvency Act 1967 • Protection of Social and Commercial Guarantors • Automatic Discharge of Bankrupts
	Integrating An Innovation Mindset with Effective Governance by Bursa Malaysia & MINDA	• The Nature of Innovation • Biggest Business Risks in Most Enterprise Risk Management Assessment • Enabling Value-Creating Change for Effective Governance
	The Essence of Independence by Bursa Malaysia & ICLIF	• The Concept of Director Independence • Roles, Responsibilities & Obligations of Independent Director • 'Conflict of Interest' Situations • Regulator's Role
Datuk Haji Faisal Siraj	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	• Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	• Digital Economy Era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	• The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Shariah Awareness Programme by Amanie Group	• Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors
Jahanath Muthusamy	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	• Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	FIDE Core Programme Module A & B	• Understanding of the role of the board • Equip directors with tools and strategies • Responsibility of the board for promoting a strong risk control culture • Explore plausible and extreme stress scenario
	Companies Act 2016: Changes and Implications to Company Directors	• Duties & Responsibilities as a Company's Director/Officer under New Act • Understanding of Key Amendments and New Compliance & Disclosure Requirements • Creation of A Conducive Corporate Governance Ecosystem
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	• Digital Economy Era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Jahanath Muthusamy (continue)	Shariah Awareness Programme by Amanie Group	• Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors
Tan Sri Saw Choo Boon	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	• Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	• Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	• Digital Economy Era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Promoting Prosperity By Improving Women's Rights by The World Bank	• Women, Business and the Law • Improving Women's Economic Rights
	Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability by Bursa Malaysia	• Environmental, Social and Governance ("ESG") Landscape & Global Institutional Investors' Expectation on the Role of Board • Climate Competency Oversight • Hot Button Issues In Investment Processes
	National Conference: Companies Act – From Policies to Implementation by Companies Commission of Malaysia	• Duties & Responsibilities as a Company's Director/Officer under New Act • Understanding of Key Amendments and New Compliance & Disclosure Requirements • Creation of A Conducive Corporate Governance Ecosystem
	Fraud Risk Management Workshop by Bursa Malaysia	• Financial Misstatement Fraud • Cybercrimes – Data Analytics & Computer Forensics • The Role of the Board & Board Committees in Risk Management Programme's Design & Implementation • Fraud Control Programme
	Business Ethics and Integrity: Key to Sustainability in the Digital Economy by Federation of Malaysian Manufacturers	• Ethics & Integrity in Digital Business • Cybersecurity Challenges • Ransomware Threats & Integrity • Building Business Trusts • Best Practices & ASEAN Perspectives on Corporate Integrity & Ethics
	National Convention on Good Regulatory Practice (GRP) by Malaysia Productivity Corporation	• Bringing People Involvement Through Public Engagement • Behavioural Changes Towards GRP Sustainability
	ASEAN Economic Conference	• Winning in ASEAN – Turning Diversity into Strength • Finding Your Niche in ASEAN • Digital Connectivity between ASEAN and the World
	Digital Products	• The advantage of selling digital products • Online Scams

Name of Director(s)	Training Programme Attended	Training Scope & Description
Kong Shu Yin	Briefing on Blockchain Technology and Potential Use Cases in Financial Services	• Blockchain is the technology that enables distributed ledger • The concept of distributed ledger can be used in various areas of banking business such as remittance, payments, invoice financing & etc
	RHB Leadership Talk: "Leadership Pipeline"	• Leadership
	RHB Digital Academy and Megatrends Workshop	• Digital – Technical & Functional
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	• The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Leadership Customer Experience Hack Session	• Leadership
	Workplace by Facebook: "Senior Leadership Engagement"	• Leadership – Business Communication
	Senior Management Direction Setting Workshop	• Leadership – Business Knowledge
	Bankruptcy (Amendment) Act 2017 by Messrs Shook Lin & Bok	• Salient Features of the Insolvency Act 1967 • Moratorium under the Bankruptcy Act 1967 & the Insolvency Act 1967 • Protection of Social and Commercial Guarantors • Automatic Discharge of Bankrupts
	Talk on Asia-Pac & Emerging Markets: Learning From Global Economic Disruptions in the Next Five Years	• Technical & Functional
	Agile Leadership Workshop	• Leadership
Ong Seng Pheow *(Resigned on 19 November 2017)*	Cryptocurrency and Blockchain Technology by Neuroware	• Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	• Digital Economy Era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA	• What Bankers Need to Know • Benefits of Forensic Accounting Techniques • Understanding of Fraud Schemes • Computer Forensic Skills & Digital Evidence
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	• The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Name of Director(s)	Training Programme Attended	Training Scope & Description
Ong Seng Pheow *(Resigned on 19 November 2017)* (continue)	Bankruptcy (Amendment) Act 2017 by Messrs Shook Lin & Bok	• Salient Features of the Insolvency Act 1967 • Moratorium under the Bankruptcy Act 1967 & the Insolvency Act 1967 • Protection of Social and Commercial Guarantors • Automatic Discharge of Bankrupt
Tuan Haji Md Ja'far Abdul Carrim *(Demised on 19 October 2017)*	Briefing on Blockchain Technology and Potential Use Cases in Financial Services	• Blockchain is the technology that enables distributed ledger • The concept of distributed ledger can be used in various areas of banking business such as remittance, payments, invoice financing, & etc
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Force of Change by SHAPE	• Digital Economy Era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Cyber Fraud For Board	• Cyber Fraud
	FIDE Forum Invitation – 2nd Distinguished Board Leadership Series & 6th Annual General Meeting	• The role that the board plays in assessing the adequacy of such a remuneration policy, including key questions that boards should ask to ensure that the remuneration policy is sufficiently robust to meet regulatory requirements while attracting the right talent to the FI • Key issues and challenges in implementing such a remuneration policy • Pragmatic steps and quick tips in managing the challenges that arise from the implementation of such a remuneration policy
	Fintech: Opportunities for the Financial Services Industry in Malaysia by FIDE Forum	• Current Status & Approach in Fintech Adoption Among Malaysian Financial Institutions (FI) • Opportunities for FI-Fintech Collaboration under Regtech Sandbox • Key Areas & Issues for Board's Consideration
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	• The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Cryptocurrency & Blockchain Technology, Viewpoints of An Entrepreneur	• Key issues and challenges, as well as opportunities and threats of cryptocurrencies and blockchain technology • Possible strategy for your business models

BOARD COMPOSITION AND ATTENDANCE

Details on the **independent status** of the Board of Directors, their **roles** in Board Committees and their **attendance** at the aforesaid meetings in 2017 are set out below:

Company's Director	Position/ Independent Status	Date of Board Appointment	Attendance of Meetings				
			Board Meeting	BNRC[1] Meeting	BAC[2] Meeting	BTC[3] Meeting	CIC[4] Meeting
Encik Abdul Aziz Peru Mohamed	Chairman*/Independent Non-Executive Director	2 March 2012	13/13 (100%)	*NA*	*NA*	*NA*	1/1 (100%)
YBhg Datuk Haji Faisal Siraj	Non-Independent Non-Executive Director**	1 January 2008	12/13 (92%)	*NA*	*NA*	*NA*	4/5 (80%)
Mr Jahanath Muthusamy	Senior Independent Non-Executive Director^	1 November 2016	13/13 (100%)	*NA*	*NA*	*NA*	*NA*
YBhg Tan Sri Saw Choo Boon[>]	Independent Non-Executive Director	1 October 2017	3/3 (100%)	6/6 (100%) [Chair]	12/13 (92%)	*NA*	*NA*
Mr Kong Shu Yin	Managing Director	13 March 2011	13/13 (100%)	*NA*	*NA*	*NA*	*NA*
Mr Ong Seng Pheow[v]	Chairman/Independent Non-Executive Director	1 January 2008	11/11 (100%)	6/6 (100%)	9/11 (82%)	2/2 (100%)	5/5 (100%)
Tuan Haji Md Ja'far Abdul Carrim[#]	Non-Independent Non-Executive Director	11 August 2009	10/10 (100%)	*NA*	*NA*	*NA*	*NA*

Notes:

*	Re-designated on 19 November 2017.
**	Re-designated on 1 January 2018.
^	Re-designated on 1 January 2018.
>	Appointed on 1 October 2017.
v	Resigned on 19 November 2017.
#	Demised on 19 October 2017.
1-4	Abbreviations used denote various main Board Committees.
3	Board Technology Committee was dissolved on 1 May 2017.
NA	Not Applicable

REMUNERATION GOVERNANCE

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

The Managing Director's sustainable remuneration package also includes performance bonus, in line with the Group's retention policy and risk-based approach. His Key Performance Indicators and remuneration are approved by the Board.

The details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company during the financial year ended 2017) are, as follows:

Name of Company's Executive Director	Salary and Bonus (RM'000)	Other Emoluments (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Managing Director ("MD") Kong Shu Yin	1,594	285	7	1,886
Name of Company's Non-Executive Directors ("NEDs")	**Directors' Fees* (RM'000)**	**Other Emoluments** (RM'000)**	**Benefits-in-kind (RM'000)**	**Total (RM'000)**
Abdul Aziz Peru Mohamed	139	25	–	164
Datuk Haji Faisal Siraj	135	22	–	157
Jahanath Muthusamy	135	21	–	156
Tan Sri Saw Choo Boon[>]	34	17	–	51
Ong Seng Pheow[V]	150	84	31	265
Tuan Haji Md Ja'far Abdul Carrim[#]	108	15	–	123
Sub Total (NEDs)	**701**	**184**	**31**	**916**
Grand Total (MD + NEDs)	**2,295**	**469**	**38**	**2,802**

Notes:
> Appointed on 1 October 2017.
V Resigned on 19 November 2017.
Demised on 19 October 2017.
* Based on proposed new fees, subject to shareholders' approval.
** Include Board Committees' allowances and meeting allowance.

Further information on the total remuneration of the Directors received and/or receivable from the Company is available under Note 24 to the Financial Statements on page 83 of this Annual Report 2017.

Additionally, the remuneration structure of RHB Insurance's NEDs in the Company for 2017 per BNM Policy disclosure requirement is laid out as follows:

No.	NEDs' Remuneration Scheme	Aggregated Amount of the NEDs' Remuneration	
		Unrestricted/Non-Deferred (RM'000)	Restricted/Deferred (RM'000)
A.	Fixed-Type Remuneration		
	i. Cash-based • Fixed Fees – Directors' Fees[1] – Board Committees' Allowances[2] – Chairmen's premium[3]	748	Nil
	ii. Shares & share-linked instruments	Nil	Nil
	iii. Others • Benefits-in-kind[4]	31	Nil
	• Emolument – Farewell Pot[5]	Nil	8
B.	Variable-Type Remuneration		
	i. Cash-based • Meeting Attendance Allowance[6]	111	Nil
	ii. Shares & share-linked instruments	Nil	Nil
	iii. Others • Directors' & Officers' Liability Insurance[7]	35	Nil

Notes:

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

1) Directors' Fees

The Non-Executive Chairman and NEDs are entitled to annual Directors' fees. As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities required for Directors per current requirements under the Companies Act 2016, the Financial Services Act 2013 and the Malaysian Code on Corporate Governance 2017, it is recommended that the Directors' fees per annum (p.a.) at Board level be revised as follows:

Description	Existing (RM)	Proposed (RM)
Non-Executive Chairman	150,000.00 p.a.	170,000.00 p.a.
Non-Executive Directors	120,000.00 p.a.	135,000.00 p.a.

2) Board Committees' Allowances

NEDs who sit on Board Committees are entitled to receive Board Committees' 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) Benefits-in-kind

Benefits are accorded to the Chairman of the Company, consisting amongst others the provision of a company car, driver and petrol allowance.

5) Emoluments

All NEDs will be awarded with 'Farewell Pot' scheme upon exit from the Group. Under the 'Farewell Pot' scheme, any NED who leaves the Group would be entitled to RM2,000 in cash equivalent for each year of his/her service in the Group or as decided by the BNRC.

6) Meeting Attendance Allowance

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committees' meetings. Total allowances are subject to number of Board/Board Committees sittings and number of meetings attended by each Company's NED.

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.

All the NEDs' remuneration, including the fees, allowances, benefits in-kind and other emoluments will be subject to the shareholders' approval during the Company's AGM on a yearly basis. When the NEDs' remuneration matters were presented before the Company's directors during the AGM, the Board members (save for Mr Kong Shu Yin, being the MD) declared their interests in respect of the above proposal. The interested Directors abstained from voting in respect of their direct and/or indirect shareholdings (if any) on the resolution relating thereto.

A summary of the Company's Corporate Governance Practices during Financial Year Ended 2017 vis-à-vis the Malaysian Code on Corporate Governance 2017 ("MCCG") is laid out, as follows:

Herewith are snapshots of the Company's corporate governance practices during year 2017 disclosed vis-à-vis the 3 Principles set out in the MCCG namely (i) Board Leadership and Effectiveness, (ii) Effective Audit and Risk Management, and (iii) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

(i) The roles and responsibilities of the Board of Directors ("the Board") are incorporated in the Board Charter, including strategy setting, management of the company, risk management and succession planning.

(ii) The Corporate Scorecard for the Chief Executive Officer and the management team has been developed early of the year to measure their on-going performance against corporate objectives and goals set.

(iii) The Group has set its Strategy Statement, Vision, Aspirations and Brand Promise. Its 3-year accelerated programme namely **I.G.N.I.T.E. 2017** has ended and replaced by a 5-year transformation programme called **F.I.T.22** to support its Vision: "To be among the Top 3 Multinational Financial Services Group in terms of performance by **2022**".

(iv) The Board and the senior management have concurred that the Company's strategic aims, including its Strategic Priorities, Focus Areas and Strategic Initiatives to be achieved by 2022, and set the organisational core shared Values, namely P.R.I.D.E. and internal Codes of Ethics & Conduct for Directors and Employees in building the right working and behavioural culture among the workforce to ensure that the Company's strategic aims and goals are met.

(v) The Board assumes overall responsibility for promoting sustainable growth and financial soundness of the Company. This includes the following:

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

(b) Risk Management

(c) Talent Development and Succession Planning

(d) Effective Communication

(e) Internal Control

II. Board Composition

(i) The Board of RHB Insurance comprises five members, with a majority of Independent Directors, i.e. an Independent Non-Executive Chairman, one NINED, one Senior INED, an INED and the MD.

(ii) The MCCG 2017 recommends a limit on the tenure of Independent Director, i.e. up to a cumulative term of 9 years of service. Accordingly, the Company has amended its existing Internal Guidelines to adhere strictly to the 9 years cap for tenure of its own Independent Directors.

(iii) Per its latest internal guidelines requirement, an Independent Director, Mr Ong Seng Pheow who was serving the Group and the Company more than 9 years (he held directorships in the Group and the Company since 2006 and 2008 respectively) had retired from the Group and resigned from the Company effective 19 November 2017.

(iv) Current Independent Directors of the Company account for majority 60% of the Board, exceeding Bank Negara Malaysia (BNM)'s existing requirement of at least half (50%).

(v) Currently, there is no Independent Director who is serving for more than 9 years tenure on the Board.

(vi) As a very diverse Board in terms of age, educational background, ethnicity, experience, nationality and so forth, existing Board members are able to offer in-depth deliberation during Board meetings which would be beneficial for the Company's sustainable performance and operation.

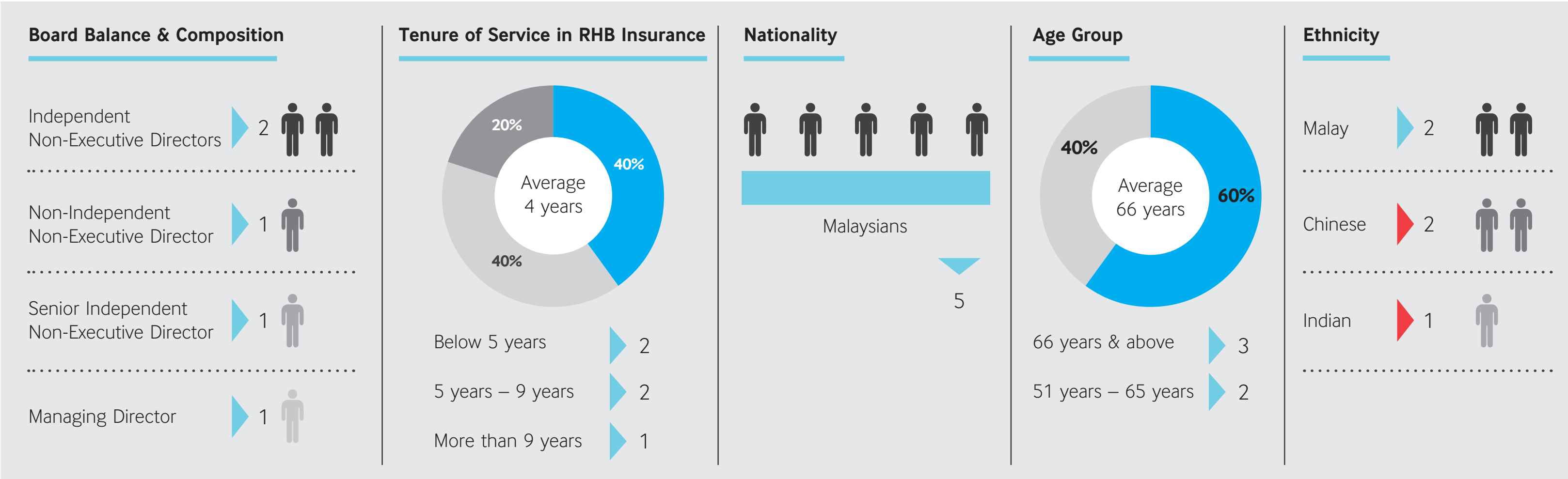


Diagram: Board Composition

III. Remuneration

(i) Policies and procedures, including the nomination framework for the directors and senior management are reviewed regularly to ensure the remuneration levels are:

(a) Commensurate with the responsibilities, risks and time commitment; and

(b) Market-competitive and sufficient to attract and retain quality people but yet not excessive.

(ii) The total remuneration for all the directors, including both executive and NEDs, is disclosed in the Company's Annual Report on named basis, with breakdown of each remuneration components (i.e. fees, salary and bonus, benefits in-kind and other emoluments) received and receivable, including remuneration received/receivable at the Company's level.

The remuneration structure and package for the NEDs are approved by the shareholders at the Company's AGM.

The remuneration of the Company's Executive Director, i.e. the MD is determined independently by the BNRC and not decided at the management level.

(iii) The Company has established a remuneration framework for key Senior Management, consisting a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with their performance and contributions to the organisation:

(a) Detailed remuneration package for Key Senior Management is disclosed before the Board of Directors of the Company pursuant to BNM's Policy on Corporate Governance.

(b) There is also incorporation of penalty in the final rating of their pay-for-performance scheme for any material non-compliance with legal and regulatory requirements.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

(i) The Company's Board Audit Committee ("BAC") comprises only Independent Directors:

(a) There is a Senior Independent Director among the three BAC members.

(b) All members of the BAC have diverse skills set and are financially literate. They possess necessary financial background, knowledge and experience to review financial and non-financial reporting processes and matters deliberated before the committee.

(c) One of the BAC members is currently an associate of the Institute of Chartered Accountants in England and Wales (ICAEW), a member of the Malaysian Institute of Accountants (MIA) and a Certified Information System Auditor (CISA).

(ii) During financial year ended 2017, the BAC members undertook several relevant training programmes per disclosure in the Board Audit Committee Report of RHB Bank's Annual Report 2017, including workshop on Forensic Accounting and Digital Forensics.

II. Risk Management and Internal Control Framework

(i) The Board has established relevant frameworks and policies to ensure that the risk management and internal controls across the organisation are managed effectively within the risk appetite and risk principles set by the Board.

(ii) The Company's Risk Management Framework put emphasises on 5 fundamental principles based on the risk governance structure, ownership, function, strategy and linkage to capital allocation.

(iii) The Board conducts annual review on the Company's risk management and internal control framework to ensure effective checks and controls in the organisation.

(iv) Details of the features of the Company's risk management and internal control framework, which include the governance, culture, processes and assessment of the risks and controls are disclosed under the Statement on Risk Management and Internal Control ("SORMIC") in the Annual Report.

(v) The control environment, the control activities and other control aspects implemented within the organisation, are also laid out in the SORMIC, with objectives to achieve operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

(i) Communication and engagement with the Company's stakeholders are made continuously through various platforms and media other than general meeting(s), including roadshows and via electronic means such as corporate website, corporate email and social media such as the Group's Official Facebook, Corporate Instagram, My1Portal (Intranet) and the Group's Workplace by Facebook.

(ii) Insurance and other related queries can be directed to its customer service and respective parties, as disclosed on the corporate website and in its Annual Report.

(iii) The Company annually discloses two main corporate reporting, namely its Annual Report and Financial Report/Audited Financial Statements.

II. Conduct of General Meetings

(i) The Notice of the AGM contained details of resolutions approved by the shareholders at the last AGM with accompanying explanatory notes was duly issued on 31 March 2017. A revised Notice of AGM was subsequently issued on 7 April 2017 in conjunction with the declaration of 24 April 2017 as a national public holiday in relation to the coronation of Sultan Muhammad V as the 15th Yang di-Pertuan Agong.

(ii) All Directors of the Company attended the 38th AGM held last year on 25 April 2017.

(iii) The Company's general meetings have always been held in the same state as its Registered Office for its shareholders' convenience to attend and able to participate.

(iv) All the Company's shareholders are entitled to appoint representatives or proxy/proxies to vote on their behalf in their absence at the general meeting.

Note:

This Corporate Governance Statement and the disclosures in this report have been approved by the Board on 3 May 2018.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board of Directors ("Board") of RHB Insurance Berhad ("Company") is cognisant of its overall responsibility in establishing a sound risk management and internal control system in the Company as well as reviewing its adequacy, integrity and effectiveness. Such a system is designed to manage the Company's risk appetite within the established risk tolerance set by the Board and Management rather than total elimination of risks to achieve the Company's business objectives. The system can therefore only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud. Limitations inherent in the system include among others, human error and potential impact of external events beyond Management control.

In acknowledging that having a sound risk management and internal control system is imperative, the Board has established a governance structure that ensures effective oversight of risks and internal controls in the Company at all levels. To this end, 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 remains responsible for the governance of risk and for all the actions of the Board Committees with regard to the execution of the delegated oversight responsibilities.

MANAGEMENT RESPONSIBILITY

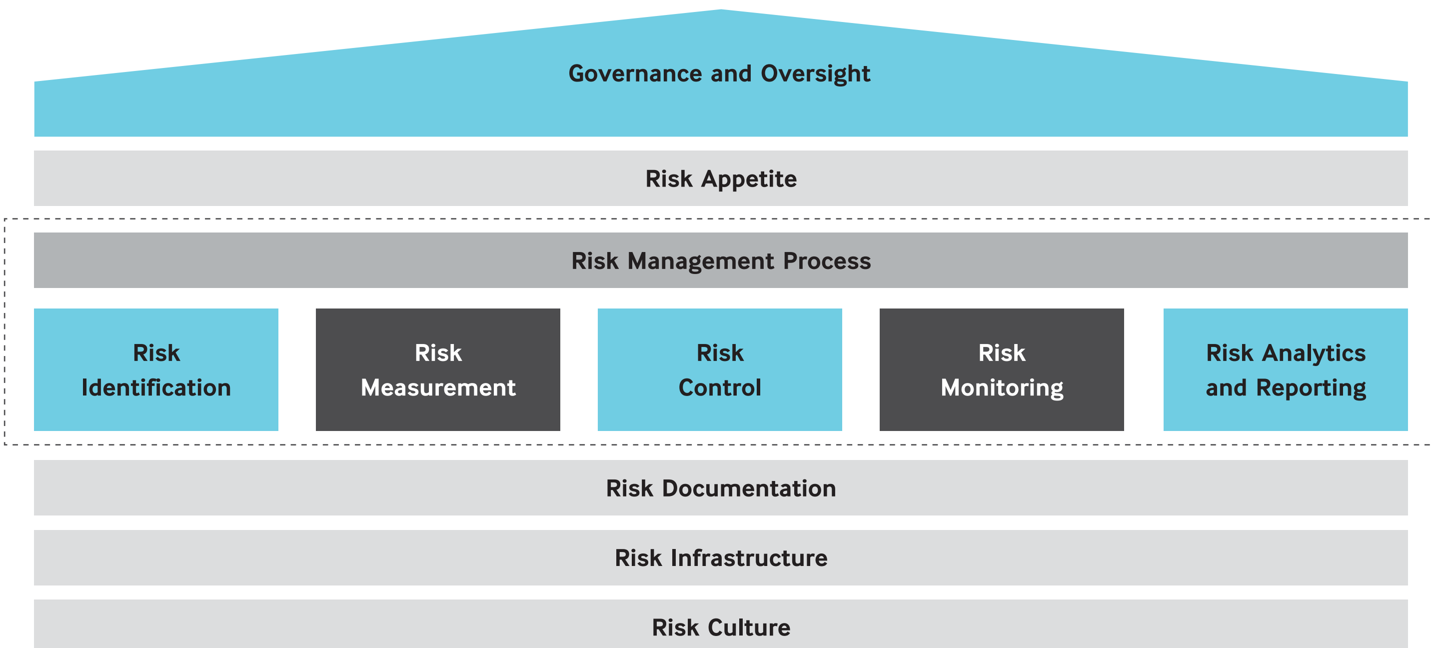
The Management is overall responsible for implementing the Company's policies and processes to identify, evaluate, measure, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely remedial actions as required. Its roles include:

- Identifying and evaluating the risks relevant to the Company's business and achievement of its business objectives and strategies;
- Formulating relevant policies and procedures to manage risks and the conduct of business;
- Designing and implementing the risk management framework and internal control system, and monitoring its effectiveness;
- Implementing policies approved by the Board;
- Implementing remedial actions to address compliance deficiencies as directed by the Board; and
- Reporting in a timely manner to the Board any changes to the risks and the remedial actions taken.

The Management has provided assurance that the Company's risk management and internal control system is operating adequately and effectively and that necessary processes have been implemented.

RISK MANAGEMENT FRAMEWORK

The RHB Banking Group, inclusive of the Company ("Group"), has in place a risk management framework approved by the Board for identifying, measuring, monitoring and reporting of significant risks faced by the Group in the achievement of the Group's business objectives and strategies. The Group's risk management framework ensures that there is an effective on-going process to identify, evaluate and manage risk across the Group and is represented in the following diagram:



Risk Governance and Oversight

The Board, through the BRC, provides oversight over the risk management activities for the Group to ensure that the Group's risk management processes are 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.

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. In order to ensure on-going engagement and assessment of the Group's risk profile and capital adequacy, the ICAAP report is reviewed at least annually and is presented to senior management and relevant Board committees prior to approval by the respective entities' Boards.

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 ("IRMC"), Board Credit Committee, and Group Digital & Technology Committee with their scope of responsibility as defined in their respective terms of reference.

Risk Appetite

Risk appetite for the Group is defined as the amount and the type of risks that the Group is willing to accept in pursuit of its strategic and business objectives. Risk tolerance on the other hand, is the acceptable level of variation relative to the achievement of the Group's strategic and business objectives. It is measured in the same units as the related objectives. It translates risk appetite into operational metrics, and it can be defined at any level of the Group.

The Board, through the BRC, IRMC, 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 Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for the 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 Group'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, credit risk, market and liquidity risk, operational and technology risk, and Shariah non-compliance risk.

Risk Management Processes

The risk management processes within the Group seek to identify, evaluate, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and ensure that the risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- Controlling and Monitoring: Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.
- Analytics and Reporting: Risk analysis and reports prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and the relevant Boards to ensure that the risks remain within the established appetite and to support an informed decision-making process.

Risk Documentation and Infrastructure

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group.

In terms of risk infrastructure, the Group has organised its resources and talents into specific functions, and invested into technology, including data management to support the Group's risk management activities.

Risk Culture

Risk management is integral to all aspects of the Group's activities and is the responsibility of all employees across the Group. 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 programme which comprises training, awareness campaigns and roadshows within the Group (including overseas branches and subsidiaries) 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") programme that aims to cultivate proactive risk and compliance management and to establish a robust risk culture. The BRCO programme entails the appointment of BRCO at the respective business and functional units to provide real time advisory on risk and compliance matters.

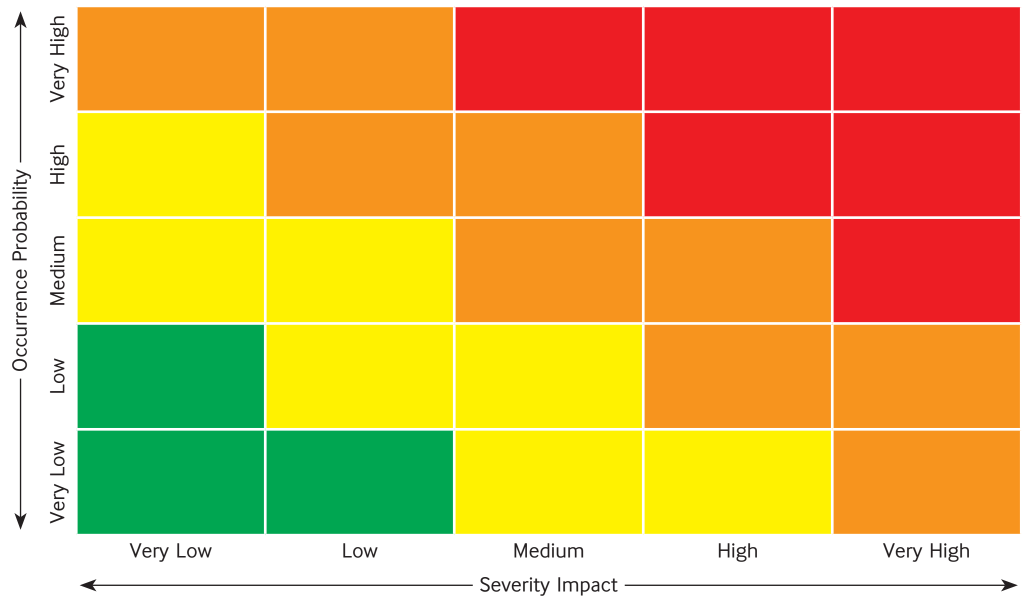
The implementation of the BRCO programme is in line with the 'Three Lines of Defence' model practised globally. There is clear accountability of risk ownership across the Group. The model is depicted in the diagram below:

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

Risk Assessment

The Group has an established and comprehensive process for risk identification at every stage of the risk taking activities, namely transactional, product and even at the respective entities and Group level. Risks are also identified through Operational Risk Loss Event reporting and Portfolio thematic analysis. As part of the Group's periodic material risk assessment, the Group reviews the types and components of material risks, determines its quantum of materiality and refinement of processes taking into consideration the feedback received, including the independent reviews.

Material risk assessment is measured from the dimension of occurrence probability and severity impact. In addition, risk assessment also considers amongst others, the effectiveness of controls in place, and the impact to financial and non-financial indicators such as reputational risk. These are translated into a heat map matrix to derive the materiality of the risk as shown in the table below:



The use of the above matrix is a simple mechanism to increase visibility of risks and assist in decision making. The Group considers residual risks which fall within the Amber and Red zones are 'Significant' and 'Material', which may have severe impact to the Group's financials and/or reputation. Significant efforts will be taken to manage and mitigate these risks events.

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.

KEY INTERNAL CONTROL PROCESSES

The Group's system of internal control is designed to manage and reduce risks that will hinder the Group from achieving its goals and objectives. It encompasses the policies, procedures, processes, organisational structures and other control aspects that are implemented for assuring the achievement of the Group's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and internal policies.

The key processes established by the Board that provide effective governance and oversight of internal control systems include:

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

Organisation Structure

The Group has a formal organisational structure with clearly defined lines of accountability and responsibility, authority limits and 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 Group regards IT security as a very high priority to ensure the confidentiality, integrity and availability of the Group's information assets and IT infrastructure.

IT security in the Group is achieved through the implementation of a risk based control approach which includes documented policies, standards, procedures and guidelines as well as organisational structures and, software and hardware controls.

With the increasing number of cyber threats globally as well as locally, the Group has established a Cyber Coordination and Command Centre to ensure that there is a structured process of prompt monitoring and timely response to cyber threats and incidents.

In order to strengthen and enhance the level of information security management, the Group has obtained certifications of ISO/IEC27001:2013 - Information Security Management System and ISO/IEC 20000:2011 - Information Technology Service Management, in addition to complying with various regulatory requirements on managing information technology risk holistically.

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 employee competencies, structured and technical trainings as well as management and leadership workshops are provided to them 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 Bank Negara Malaysia's Code of Ethics for banking institutions has been adopted and institutionalised within the Group. 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 Hospitability 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 and 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's standards on AML/CFT. It sets out the high level standards 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 and/or employees within the Group are required to adopt Risk Based Approach ("RBA") to customer acceptance and implement the AML/CFT Compliance Programme framework which includes customer due diligence ("CDD") requirements, monitoring of customer activities/transactions, reporting of suspicious transactions, record keeping, AML/CFT training, protection of 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 establishes clear accountability of the Board of Directors, Senior Management and all employees across 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 and procedures as 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 overall framework is to build organisational resilience with effective response mechanism to safeguard the interests of key stakeholders, reputation and brand.

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 ongoing 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 ensure that in the event of any disruption, critical business processes can continue or be recovered in a timely manner.

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.

The heads of the core businesses and functions in the Company present their respective management reports to the Management Committee at its monthly meeting, covering areas such as financial performance, key activity results and new business proposal or process for information of and deliberation by the Management Committee.

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 employees are made aware of the Group's whistle blowing policy and its processes and are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially that the complainant's identity will be protected and that the complainant will be protected from any harassment or victimisation at work due to the disclosure.

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 according to the level of severity. 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 IRMC. 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 monthly to discuss and deliberate strategic matters that impact the Group's operations.

Management Audit Committee

Management Audit Committees ("MACs") are established at the key operating entities in the Group to ensure timely rectification of any audit findings and the underlying causes highlighted by the internal and external auditors, and regulators. The status of rectification of all audit findings and the mitigation actions taken by Management to adequately address the underlying causes are closely monitored by the MAC at every meeting.

The Company's MAC comprising senior level representatives from different business/functional groups is chaired by the Managing Director of the Company. The Company's 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. The compliance function forms an integral part of the Group's risk management and internal control framework. Because a strong compliance culture reflects a corporate culture of high integrity and ethics, everyone is expected to promote self-regulation and be accountable for his or her own activities while maintaining ethical principles and behaviour.

In addition to day-to-day monitoring, Group Compliance's commitment towards instilling 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, periodic compliance risk assessment/reviews, regular engagement sessions with business and functional units and conduct of continuous training/awareness programmes of the Group to ensure that all employees are well informed of the latest regulatory requirements.

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

INTERNAL AUDIT

Group Internal Audit ("GIA") reports functionally to the BAC and is independent of the operations and activities it audits. The GIA's main responsibility is to provide an objective and independent assessment on the adequacy and effectiveness of the Group's risk management, control and governance processes implemented by the Management.

The internal audit universe covers all key activities of the Group, including that of its branches, business centres 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 areas to be audited are documented in the internal audit plan that is developed based on a risk- based approach and is approved by the BAC annually. Audit reports which include detailed audit findings, GIA's comments and recommendations, and Management's response are tabled to MAC and BAC.

The established MAC is 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 MAC.

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 Board Audit Committee Report of this Annual Report.

CONCLUSION

The Board, through the BAC and BRC, confirms that it has reviewed the adequacy and effectiveness of the Company's risk management and internal control system.

The Board has further obtained assurance from the Managing Director of the Company and the Group Chief Financial 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 and internal control system of the Company.

Based on the monthly updates from its Board Committees and the assurance received from the Management, 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 year, a total of thirteen (13) Board Audit Committee ("BAC") meetings were held. The BAC comprises the following members who are all independent directors and the details of attendance of each member at the BAC meetings held during the year are as follows:

Composition of BAC	Attendance at Meetings
1. Tan Sri Dr Rebecca Fatima Sta Maria (Chairperson/Independent Non-Executive Director)	13/13 (100%)
2. Tan Sri Saw Choo Boon (Member/Senior Independent Non-Executive Director)	12/13 (92%)
3. Ms Ong Ai Lin (Member/Independent Non-Executive Director) – Appointed on 1 July 2017	7/7 (100%)
4. Mr Ong Seng Pheow (Member/Independent Non-Executive Director) – Retired on 19 November 2017	9/11 (82%)
5. Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (Member/Independent Non-Executive Director) – Resigned on 1 July 2017	4/6 (67%)

The BAC meetings were also attended by the Managing Director of RHB Insurance Berhad/Head of Insurance Finance and the Group Chief Internal Auditor while the attendance of other Senior Management is by invitation, depending on the matters deliberated by the BAC.

The BAC undertakes the functions of the Audit Committee of the major operating entities within the Group encompassing RHB Bank Berhad ("RHB Bank"), RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad ("Company").

Key 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 or representative of the BAC. This allows the Board to be timely apprised of significant matters deliberated by the BAC and for the Board to provide direction, if necessary. Extracts of the minutes of the BAC meetings held were provided to the Board for their information.

AUTHORITY

The BAC is authorised by the Board to, among others, review and investigate any matters within its terms of reference; have direct communication channels with the external and internal auditors; obtain independent professional advice, if necessary, at the Company's expense; and access to Management as well as resources to enable effective discharge of its functions. The full terms of reference, including the authority, duties and responsibilities of the BAC are published in the RHB Bank's website.

SUMMARY OF BAC ACTIVITIES IN 2017

The work carried out by the BAC in the discharge of its duties and responsibilities 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 RHB Insurance Berhad before recommending them for the Board's approval. The review process encompassed the following:

- Reviewed changes in accounting policy and adoption of new or updated accounting standards, and its impact to the financial statements.
- Reviewed the financial statements and sought explanations from the Senior Management including the Head of Insurance Finance on any significant changes between the current and corresponding quarter/period to assess their reasonableness.

b) Discussed with the external auditors the matters identified during the statutory audit for the financial year ended 31 December 2017 as highlighted in their Audit Committee Report.

2. Internal Audit

a) Reviewed and approved the Group Internal Audit ("GIA")'s annual audit plan for the financial year 2017 in November 2016 to ensure adequacy of scope, coverage and resources for the identified auditable areas.

b) Reviewed GIA's risk-based methodology in assessing the risk levels of the Group's various business and functional areas for the audit planning purpose with emphasis on high and above average risk areas which are required to be audited annually whilst moderate and low risk areas are subject to a cycle audit.

c) 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.

d) Reviewed the GIA's audit activities undertaken for the financial year covering the planned audit assignments, ad-hoc audit projects, review of policies, processes and procedures, and IT project participation.

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

f) Reviewed and deliberated on the minutes of all 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.

g) 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.

h) 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.

3. External Audit

a) Reviewed the 2017 audit plan of the external auditors for RHB Banking Group at the BAC meeting held on 17 October 2017 covering the audit strategy, risk assessment, areas of audit emphasis for the year.

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 2017	Date tabled to BAC
Final Audit Committee Report for the financial year 2016	20 January 2017
Internal Control Report for the financial year 2016	23 March 2017
Limited review of the unaudited financial statements of RHB Bank and RHB Islamic Bank for the financial period ended 30 June 2017	21 July 2017

The BAC further directed the respective MACs to track the audit findings highlighted by the external auditors in their Internal Control Report to ensure timely resolution of all matters by Management.

c) Met twice with the external auditors on 20 January 2017 and 17 October 2017 without the presence of Management and Executive Directors to enable the external auditors to discuss on matters with the BAC privately.

d) Reviewed the appointment of the external auditors for the provision of non-audit services before recommending them for the Board's approval. Areas that are considered include the external auditors' expertise, adequacy of knowledge and experience required for the services rendered, competitiveness of fees quoted and whether its independence and objectivity would be impaired.

Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fee threshold established under the Group policy to ensure that the external auditors' independence and objectivity were 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 2017 for RHB Banking Group was 57.41% which is within the policy threshold.

For the financial year 2017, the main non-audit services rendered by the external auditors are as follows:

- Conducted validation of impairment models for the purpose of Malaysian Financial Reporting Standard ("MFRS") 9 implementation;
- Provided services in relation to the proposed merger (the merger discussion subsequently ceased); and
- Performed statutory requirement of Perbadanan Insurans Deposit Malaysia ("PIDM") validation program for assessment year 2017.

e) 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 2017 audit plan, which was tabled to the BAC in October 2017, 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.
- The annual assessment on the external auditors covering the key areas of performance, independence and objectivity in accordance with the BNM Guidelines on External Auditor.
- The performance of the external auditors was also assessed through a survey completed by the Management personnel of the Group based on their dealings with the external auditors covering areas such as the quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness and staff continuity.
- A comprehensive review was also conducted in December 2017 prior to the reappointment of the external auditors to assess its independence and the potential risk of familiarity threat at all the banking entities within the Group. The comprehensive review covered the following three main categories:

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; and nature of non-audit services provided by the external auditors to the Group.
(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.
(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; and responded timely to issues.

The comprehensive review was conducted by Group Finance and independently verified by GIA prior to tabling to the BAC for deliberation.

4. Related Party Transactions and Conflict of Interest

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 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 keep abreast of latest developments as well as to enhance their knowledge for the discharge of their duties and responsibilities.

Details of the trainings attended by BAC members are as follows:

Name of Director(s)	Training Programmes Attended
Tan Sri Dr Rebecca Fatima Sta Maria	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer
	Cryptocurrency and Blockchain Technology by Neuroware
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE
	Capital Market Director Programme by SIDC: – Module 1 – Module 2A – Module 2B – Module 3 – Module 4
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA

Name of Director(s)	Training Programmes Attended
Tan Sri Saw Choo Boon	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer
	Cryptocurrency and Blockchain Technology by Neuroware
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE
	Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability by Bursa Malaysia
	Promoting Prosperity by Improving Women's Rights by The World Bank
	National Conference: Companies Act - From Policies to Implementation by Companies Commission of Malaysia
	Fraud Risk Management Workshop by Bursa Malaysia
	Business Ethics and Integrity: Key to Sustainability in the Digital Economy by Federation of Malaysian Manufacturers
	National Convention on Good Regulatory Practice by Malaysia Productivity Corporation
	ASEAN Economic Conference
Ms Ong Ai Lin	New Directors' In-House Orientation by Group Company Secretary
	Cyber Landscape In The Malaysian Financial Industry by AICB
	Mandatory Accreditation Programme for Directors of Public Listed Companies by ICLIF
	Malaysian Institute of Accountants Annual Conference 2017
Mr Ong Seng Pheow	Cryptocurrency and Blockchain Technology by Neuroware
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC
	Bankruptcy (Amendment) Act 2017 by Messrs Shook Lin & Bok
	Fintech Opportunities for the Financial Services Industry in Malaysia by FIDE Forum
	Board In The Digital Economy by SIDC
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC

INTERNAL AUDIT FUNCTION

RHB Banking 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/RH/GL 013-4) and the Institute of Internal Auditors' latest International Professional Practices Framework. GIA's main responsibility is to provide an objective and independent assessment on the adequacy and effectiveness of the Group's risk management, internal control and governance processes implemented by the Management.

The GIA is headed by Mr Alex Tan Aun Aun who has more than 25 years of multifaceted experience in the banking business, with 10 years' experience in internal auditing. He holds a Bachelor of Commerce (Finance) degree from the University of Toronto and is a member of The Institute of Internal Auditors Malaysia.

The Group Chief Internal Auditor ("Group CIA") reports functionally to the BAC and administratively to the Group Managing Director. To further preserve the independence of the GIA function, the Group CIA's appointment and performance appraisal, as well as the GIA's scope of work and resources, are approved 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.

Summary of GIA's Activities

The main activities undertaken by GIA during the financial year are summarised as follows:

a) Prepared the annual risk-based audit plan for RHB Banking Group which includes the audit objectives and scope, and manpower requirements for each planned auditable unit.

b) Conducted audits as per the approved audit plan as well as ad hoc reviews and investigations requested by Management or regulators during the year.

c) Audited key areas during the financial year which included the Branches, Credit Underwriting, Business Centres, Treasury Operations, IT Security, Head Office functions, Shariah Compliance, Investment Banking Business, Asset Management, Insurance Business and Overseas Operations.

d) 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, Outsourcing, Product Transparency & Disclosure and PayNet's applicable rules, procedures and manual for payment and debt securities systems.

e) Carried out ad-hoc compliance and validation reviews as requested by regulators.

f) Monitored and followed up through the respective MACs on the timely rectification of any reported audit findings and the underlying causes highlighted by the internal and external auditors, and regulators. The status of any outstanding audit findings is summarised and reported to the BAC on a monthly basis.

g) Reviewed new or updated policies, procedures and processes as requested by Management to provide feedback on the adequacy of internal control systems.

h) Participated in system or product development activities to provide recommendations upfront on the relevant control features to be considered by Management.

i) Assisted the BAC in the annual exercise on the reappointment of external auditors by assessing its independence and potential risk of familiarity threat at all the banking entities within the Group.

j) Attended Management meetings as permanent invitee on a consultative and advisory capacity to provide independent feedback where necessary on internal control related matters.

k) Organised the MACs meetings, preparing meeting materials and preparing minutes of meetings for submission to BAC.

l) Prepared the BAC Report and the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2017 of RHB Bank and the major operating entities in the Group (inclusive of the Company).

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 2017, GIA has 153 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.

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.

Based on each staff's Individual Development Plan for the year 2017, 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 2017, the internal auditors attended a total of 1,163 days of training, which translates to approximately 7.5 days per auditor.

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 every three years by qualified professionals. The appointment of independent reviewer is subject to the Group's established procurement process and endorsed by the BAC.

The review covered 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 ("IIA") and BNM guidelines.

In end 2016, a leading consulting firm was engaged to conduct an external quality assurance review on GIA. Based on the QAR report issued, GIA's activities conformed with the International Standards for the Professional Practice of Internal Auditing and IIA's Code of Ethics as well as its Definition of Internal Auditing, Internal Audit Charter, Policies, Manual and Procedures. There were also opportunities for improvement recommended which GIA had implemented accordingly.

CONTENTS

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 2016 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 2017 and of the financial results and cash flows of the Company for the financial year ended 31 December 2017.

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 2016 is set out in page 105 of the financial statements.

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2017.

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	113,263
Retained earnings brought forward	400,055
Profits available for appropriation	513,318
Dividend paid during the financial year	(100,000)
Retained earnings carried forward	413,318

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2017 – Single-tier interim dividend of 100% paid on 19 December 2017	100,000

The Directors do not propose any final dividends for the financial year ended 31 December 2017.

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").

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 during the financial year and during the period from the end of the financial year to the date of the report are:

Abdul Aziz Peru Mohamed	
Datuk Haji Faisal Siraj	
Jahanath Muthusamy	
YBhg Tan Sri Saw Choo Boon	(Appointed on 1 October 2017)
Kong Shu Yin	
Ong Seng Pheow	(Resigned on 19 November 2017)
Tuan Haji Md Ja'far Abdul Carrim	(Demised on 19 October 2017)

In accordance with Article 74 of the Company's Articles of Association, Datuk Haji Faisal Siraj 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, YBhg Tan Sri Saw Choo Boon shall retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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 24 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.

HOLDING COMPANY

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 23 to the financial statements.

AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF: 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers PLT (AF: 1146), a conventional partnership was converted to a limited liability partnership.

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

ABDUL AZIZ PERU MOHAMED
CHAIRMAN

KONG SHU YIN
MANAGING DIRECTOR

Kuala Lumpur
28 February 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Property, plant and equipment	5	**17,615**	16,186
Intangible assets – computer software	6	**15,396**	4,736
Investments	7	**992,686**	848,942
– Held-to-maturity		**15,393**	15,392
– Fair value through profit or loss		**125,103**	90,266
– Available-for-sale		**766,676**	699,332
– Loans and receivables		**85,514**	43,952
Reinsurance assets	9	**482,760**	379,000
Insurance receivables	10	**109,816**	101,689
Other receivables	11	**90,351**	90,240
Deferred tax assets	16	**–**	1,198
Tax recoverable		**6,779**	–
Cash and cash equivalents	12	**2,434**	13,905
Total assets		**1,717,837**	1,455,896
LIABILITIES			
Insurance contract liabilities	13	**998,310**	872,909
Insurance payables	14	**46,294**	29,661
Other payables	15	**156,618**	50,829
Deferred tax liabilities	16	**2,567**	–
Current tax liabilities		**–**	3,950
Total liabilities		**1,203,789**	957,349
SHAREHOLDERS' FUND			
Share capital	17	**100,000**	100,000
Retained earnings	18	**413,318**	400,055
Available-for-sale reserve		**730**	(1,508)
		514,048	498,547
Total liabilities and shareholders' fund		**1,717,837**	1,455,896

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Gross earned premiums	19	**668,491**	659,864
Premiums ceded to reinsurers	19	**(217,010)**	(228,633)
Net earned premiums	19	**451,481**	431,231
Investment income	20	**39,335**	34,284
Realised gains/(losses)	21	**7,426**	(8,311)
Fair value gains	22	**7,815**	2,303
Reinsurance commission income		**45,195**	44,380
Other operating income		**2,723**	3,786
Other income		**102,494**	76,442
Gross claims paid	13(a)	**(319,365)**	(324,289)
Claims ceded to reinsurers	13(a)	**108,472**	138,379
Gross change to claims liabilities	13(a)	**(102,995)**	(16,252)
Change in claims liabilities ceded to reinsurers	13(a)	**89,870**	12,792
Net claims		**(224,018)**	(189,370)
Commission expense		**(85,538)**	(80,365)
Management expenses	23	**(111,471)**	(107,809)
Other expenses		**(197,009)**	(188,174)
Profit before taxation		**132,948**	130,129
Taxation	25	**(19,685)**	(28,669)
Profit for the financial year		**113,263**	101,460
Basic earnings per share (sen)	26	**113.26**	101.46

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Profit for the financial year		**113,263**	101,460
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to the income statements			
Available-for-sale reserve			
– Net gain/(loss) arising during the financial year	7(e)	**2,945**	(570)
– Income tax relating to components of other comprehensive income		**(707)**	122
		2,238	(448)
Total comprehensive income for the financial year		**115,501**	101,012

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Issued and fully paid ordinary shares		Distributable	Non-distributable	
	No. of shares '000 units	Nominal value RM'000	Retained earnings RM'000	Available-for-sale reserve RM'000	Total RM'000
2017					
At 1 January 2017	**100,000**	**100,000**	**400,055**	**(1,508)**	**498,547**
Total comprehensive income for the financial year	**–**	**–**	**113,263**	**2,238**	**115,501**
Dividends paid during the financial year (Note 27)	**–**	**–**	**(100,000)**	**–**	**(100,000)**
At 31 December 2017	**100,000**	**100,000**	**413,318**	**730**	**514,048**
2016					
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

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		**113,263**	101,460
Adjustment for:			
Realised (gains)/losses		**(7,426)**	8,311
Fair value gains		**(7,815)**	(2,303)
Impairment loss on insurance receivables		**1,210**	231
Bad debts written off		**159**	118
(Accretion)/amortisation adjustment		**(1)**	7
Depreciation of property, plant and equipment		**2,480**	2,274
Amortisation of intangible assets - computer software		**2,247**	1,387
Investment income		**(39,335)**	(34,284)
Unrealised gains on foreign exchange		**(82)**	(316)
Taxation expense		**19,685**	28,669
Operating profit before changes in operating assets and liabilities		**84,385**	105,554
Purchase of fair value through profit or loss investments		**(121,293)**	(62,278)
Proceeds from sale of fair value through profit or loss investments		**101,697**	97,051
(Increase)/decrease in loans and receivables		**(41,562)**	24,611
Purchase of available-for-sale investments		**(64,399)**	(78,353)
Interest received		**3,569**	2,634
Dividend received		**35,582**	31,933
(Increase)/decrease in insurance receivables		**(9,126)**	12,489
Decrease/(increase) in other receivables		**73**	(4,438)
Increase in insurance contract liabilities		**125,401**	2,025
Increase in reinsurance assets		**(103,760)**	(7,762)
Increase/(decrease) in insurance payables		**16,633**	(61,458)
Increase in other payables		**105,789**	1,802
Cash generated from operations		**132,989**	63,810
Income taxes paid		**(27,356)**	(19,397)
Net cash generated from operating activities		**105,633**	44,413

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(14,895)**	(7,744)
Purchase of intangible assets - computer software		**(1,921)**	(1,925)
Net cash used in investing activities		**(16,816)**	(9,669)
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid		**(100,000)**	(25,000)
Net cash used in financing activity		**(100,000)**	(25,000)
Effect on exchange rate changes on cash and cash equivalents		**(288)**	57
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(11,471)**	9,801
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**13,905**	4,104
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	12	**2,434**	13,905

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 ("IFRS") and comply with the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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 to the financial statements.

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

The relevant new accounting standards, 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 2017 are as follows:

(i) Amendments to MFRS 112 'Income Taxes' - 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.

(ii) Amendments to MFRS 107 'Statements of Cash Flows' - 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.

(iii) Annual Improvements to MFRSs 2014 - 2016 Cycle: Amendments to MFRS 12 'Disclosures of Interests in Other Entities' - The amendment clarifies that when an entity's interest in a subsidiary, a joint venture or an associate classified as held for sale in accordance with MFRS 5, the entity is not required to disclose summarised financial information of these interests. Other disclosure requirements in MFRS 12 remain applicable.

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.

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

The Company have reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard:

(A) Classification

(i) Financial instruments classified as fair value through other comprehensive income ('FVOCI')

Financial instruments classified as FVOCI will be measured at fair value, with changes in fair value recognised in FVOCI reserve.

Gains or losses realised on the sale of financial assets at FVOCI will be transferred to profit or loss on sale, except for equity instruments.

Gains and losses realised on the sales of equity instruments classified as FVOCI will be reclassified below the line from the FVOCI reserve to retained earnings.

The majority of the Company's debt and equity instruments that are currently classified as financial investments AFS will satisfy the conditions for classification as FVOCI and hence there will be no change to the accounting for these assets.

Arising from the change in business model, the Company also intend to classify certain financial instruments currently classified as financial investments HTM or financial assets FVTPL to FVOCI going forward. Fair value is measured at reclassification date, and related changes in fair value for financial investments HTM will be adjusted to FVOCI reserve while fair value for financial assets FVTPL becomes its new carrying amount on 1 January 2018.

In addition, financial instruments AFS that did not pass the 'solely payment for principal and interest' ('SPPI') test prescribed under MFRS 9 will be classified to FVTPL. Related fair value gains from AFS investments will have to be transferred from the AFS reserve to retained earnings on 1 January 2018.

(ii) Financial instruments classified as classified as amortised cost

The majority of the Company's debt instruments currently classified as HTM and measured at amortised cost will meet the conditions for classification at amortised cost under MFRS 9 and continue to be recognised at amortised cost, except for the reclassification of certain debt instruments to FVOCI arising from changes in the Company's business model mentioned in paragraph (A)(i) above.

(iii) Financial instruments classified as fair value through profit or loss ('FVTPL')

Under MFRS 9, FVTPL is the residual category and financial instruments which do not qualify to be recognised as FVOCI or at amortised cost will be recognised as FVTPL. The majority of instruments currently held at fair value through profit or loss will continue to be measured on the same basis under MFRS 9, except for those financial instruments currently classified under financial investment AFS that do not pass the SPPI test mentioned in paragraph (A)(i) above.

(B) Financial liabilities

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company do not have any such liabilities. The derecognition rules have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

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)

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

(C) Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts.

(D) Disclosure requirements

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Company are now progressing to the implementation of the identified changes and will complete this process prior to the releasing of the interim results for the financial period ending 31 March 2018. The Company have therefore not finalised the financial impact of the adoption of MFRS 9. However, based on the preliminary assessments undertaken to-date, the Company expect an increase in the allowance for impairment on insurance receivables under the new impairment requirements, which will result in a reduction in opening retained profits as of 1 January 2018.

(ii) 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.

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)

(iii) Annual Improvements to MFRS 2014-2016 Cycle:

MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' effective for annual periods beginning on or after 1 January 2018. The amendment deletes short-term exemptions covering transition provisions of MFRS 7, MFRS 10 and MFRS 119. Those reliefs provided were available for entities with reporting periods that had passed and therefore no longer applicable.

(iv) 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.

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.

(v) IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

(vi) MFRS 17 'Insurance Contracts' effective for annual periods beginning on or after 1 January 2021.

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

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)

(vi) MFRS 17 'Insurance Contracts' effective for annual periods beginning on or after 1 January 2021. (continued)

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

Alternative measurement models are provided for the different insurance coverages:

a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less

b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items

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

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

The Company has not fully assessed the impact of MFRS 17 on its financial statements.

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 the cumulative impact of the adoption of MFRS 9 and MFRS 15 which will be recognised in retained earnings as at 1 January 2018, and enhanced disclosures.

(c) Changes in regulatory requirements

(i) Companies Act 2016

The Companies Act 2016 ('New Act') was enacted to replace the Companies Act 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and on 29 April 2016 by Dewan Negara and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation (except Section 241 and Division 8 of Part III of the New Act) would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company upon the commencement of the New Act on 31 January 2017 are:

(i) Abolition of the authorised capital; and

(ii) Abolition of the concept of nominal value in shares which will also render the share premium account of a company to be no longer relevant.

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 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 income statement 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) General insurance underwriting results (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) General insurance underwriting results (continued)

Insurance contract liabilities

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

These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes (continued)

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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

	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
2017						
Net book value						
At beginning of financial year	**576**	**293**	**299**	**3,120**	**11,898**	**16,186**
Additions at cost	**–**	**–**	**–**	**1,725**	**13,170**	**14,895**
Reclassification from/(to) assets work in progress	**–**	**–**	**–**	**4,514**	**(15,500)**	**(10,986)**
Depreciation charge	**(8)**	**(7)**	**(178)**	**(2,287)**	**–**	**(2,480)**
At end of financial year	**568**	**286**	**121**	**7,072**	**9,568**	**17,615**
2016						
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
2017						
Cost	**730**	**423**	**998**	**28,081**	**9,568**	**39,800**
Accumulated depreciation	**(162)**	**(137)**	**(877)**	**(21,009)**	**–**	**(22,185)**
Net book value	**568**	**286**	**121**	**7,072**	**9,568**	**17,615**
2016						
Cost	730	423	998	21,842	11,898	35,891
Accumulated depreciation	(154)	(130)	(699)	(18,722)	–	(19,705)
Net book value	576	293	299	3,120	11,898	16,186

6 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2017 RM'000	2016 RM'000
Cost		
At beginning of financial year	**9,800**	7,875
Additions	**1,921**	1,925
Reclassification from asset work in progress	**10,986**	–
At end of financial year	**22,707**	9,800
Accumulated amortisation		
At beginning of financial year	**5,064**	3,677
Amortisation for the financial year	**2,247**	1,387
At end of financial year	**7,311**	5,064
Net book value		
At end of financial year	**15,396**	4,736

7 INVESTMENTS

	2017 RM'000	2016 RM'000
Debt securities	**15,393**	15,392
Equities securities	**108,114**	74,277
Wholesale unit trust funds	**766,676**	699,332
Property trust funds	**16,989**	15,989
Staff loans	**20**	4
Fixed and call deposits	**85,494**	43,948
	992,686	848,942

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

	2017 RM'000	2016 RM'000
Held-to-maturity	**15,393**	15,392
Fair value through profit or loss	**125,103**	90,266
Available-for-sale	**766,676**	699,332
Loans and receivables	**85,514**	43,952
	992,686	848,942

7 INVESTMENTS (CONTINUED)

The following investments mature after 12 months:

	2017 RM'000	2016 RM'000
Held-to-maturity	**15,393**	15,392

		2017 RM'000	2016 RM'000
(a)	Held-to-maturity ("HTM")		
	At amortised cost		
	Unquoted in Malaysia:		
	– Debt securities	**15,393**	15,392
(b)	Fair value through profit or loss ("FVTPL")		
	At fair value		
	Quoted in Malaysia:		
	Held-for-trading ("HFT")		
	– Equities securities	**108,114**	74,277
	– Property trust funds	**16,989**	15,989
		125,103	90,266
(c)	Available-for-sale ("AFS")		
	At fair value		
	Unquoted in Malaysia:		
	– Wholesale unit trust funds (Note 8)	**766,676**	699,332
(d)	Loans and receivables ("LAR")		
	At amortised cost		
	– Loans	**20**	4
	– Fixed and call deposits	**85,494**	43,948
		85,514	43,952

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 2017	**90,266**	**15,392**	**43,952**	**699,332**	**848,942**
Purchases	**121,293**	**–**	**41,562**	**64,399**	**227,254**
Disposals	**(94,271)**	**–**	**–**	**–**	**(94,271)**
Fair value gains recorded in Income Statement	**7,815**	**–**	**–**	**–**	**7,815**
Fair value gains recorded in Other Comprehensive Income	**–**	**–**	**–**	**2,945**	**2,945**
Accretion of discounts	**–**	**1**	**–**	**–**	**1**
At 31 December 2017	**125,103**	**15,393**	**85,514**	**766,676**	**992,686**
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)
Fair value gains recorded in Income Statement	2,303	–	–	–	2,303
Fair value losses recorded in Other Comprehensive Income	–	–	–	(570)	(570)
Amortisation charge	–	(7)	–	–	(7)
At 31 December 2016	90,266	15,392	43,952	699,332	848,942

(f) Fair value investments

	Fair value through profit or loss RM'000	Available-for-sale RM'000	Total RM'000
2017			
Level 1 – Quoted market price	**125,103**	**–**	**125,103**
Level 2 – Valuation techniques – market observable inputs	**–**	**766,676**	**766,676**
	125,103	**766,676**	**891,779**
2016			
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

7 INVESTMENTS (CONTINUED)

(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).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2017			
Fair value through profit and loss			
– Quoted equities securities	**125,103**	**–**	**125,103**
Available-for-sale			
– Wholesale unit trust funds	**–**	**766,676**	**766,676**
	125,103	**766,676**	**891,779**
2016			
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

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.

	2017 RM'000	2016 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	**1.0178**	1.0127
RHB Income Plus Fund 9	**–**	1.0000
RHB Cash Management Fund 1	**1.0000**	–
AmIncome Value	**0.9974**	0.9923
Fair value of underlying assets:		
Malaysian Government securities	**90,773**	–
Debt securities	**518,899**	510,289
Call deposits	**150,845**	184,045
Receivables	**5,873**	4,566
Cash equivalents	**286**	432
	766,676	699,332
Total loss incurred	**961**	(1,984)

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

	2017 RM'000	2016 RM'000
Claims liabilities (Note 13)	**377,685**	287,815
Premium liabilities (Note 13)	**105,075**	91,185
	482,760	379,000

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

	2017 RM'000	2016 RM'000
Due premiums including agents, brokers and co-insurers balances	**106,695**	102,676
Due from reinsurers and cedants	**11,781**	6,463
	118,476	109,139
Allowance for impairment	**(8,660)**	(7,450)
	109,816	101,689

	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
2017			
Insurance receivables	**114,091**	**(4,275)**	**109,816**
2016			
Insurance receivables	104,564	(2,875)	101,689

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 2017 (2016: Nil).

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

11 OTHER RECEIVABLES

	2017 RM'000	2016 RM'000
Other receivables, deposits and prepayments	**20,597**	15,332
Amount due from Malaysian Motor Insurance Pool ("MMIP")		
– Cash call	**25,359**	25,359
– Assets held in MMIP	**31,162**	34,744
Amount due from stock brokers	**12,458**	14,096
Dividend income receivable	**775**	709
	90,351	90,240

MMIP amount as at 31 December 2017 is a net receivable of RM10,819,173 (2016: net receivable RM1,803,908) 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

	Gross RM'000	Reinsurance RM'000	Net RM'000
2017			
Claims reported	**481,109**	**(291,147)**	**189,962**
Incurred but not reported claims ("IBNR")	**211,078**	**(86,538)**	**124,540**
Claims liabilities (Note (a))	**692,187**	**(377,685)**	**314,502**
Premium liabilities (Note (b))	**306,123**	**(105,075)**	**201,048**
	998,310	**(482,760)**	**515,550**
2016			
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

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
2017			
At 1 January 2017	**589,192**	**(287,815)**	**301,377**
Claims incurred for current accident year			
– Paid	**155,796**	**(50,365)**	**105,431**
– Case reserves	**191,634**	**(112,334)**	**79,300**
– IBNR	**123,880**	**(52,178)**	**71,702**
Claims incurred for prior accident year			
– Paid	**163,569**	**(58,107)**	**105,462**
– Case reserves	**(427,920)**	**139,757**	**(288,163)**
– IBNR	**(103,964)**	**43,357**	**(60,607)**
At 31 December 2017	**692,187**	**(377,685)**	**314,502**
2016			
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

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) Premium liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
2017			
At 1 January 2017	**283,717**	**(91,185)**	**192,532**
Premiums written for the financial year (Note 19)	**690,897**	**(230,900)**	**459,997**
Premiums earned during the financial year (Note 19)	**(668,491)**	**217,010**	**(451,481)**
At 31 December 2017	**306,123**	**(105,075)**	**201,048**
2016			
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

14 INSURANCE PAYABLES

	2017 RM'000	2016 RM'000
Due to agents and intermediaries	**25,327**	22,843
Due to reinsurers and cedants	**20,967**	6,818
	46,294	29,661

	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
2017			
Insurance payables	**50,569**	**(4,275)**	**46,294**
2016			
Insurance payables	32,536	(2,875)	29,661

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 2017 (2016: Nil).

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

15 OTHER PAYABLES

	2017 RM'000	2016 RM'000
Other payables	**7,189**	10,215
Dividend payable	**100,000**	–
Other accrued expenses	**25,571**	18,613
Provision for staff bonus	**7,235**	7,884
Provision for advertising and marketing expenses	**8,460**	1,574
Provision for agents' profit commission	**4,000**	3,500
Provision for training expenses	**4,163**	8,933
Cash collaterals held on behalf of insureds	**–**	110
	156,618	50,829

16 DEFERRED TAX (LIABILITIES)/ASSETS

	2017 RM'000	2016 RM'000
At beginning of financial year	**1,198**	3,466
Transferred to Income Statement (Note 25)	**(3,058)**	(2,390)
Transferred to Other Comprehensive Income	**(707)**	122
At end of financial year	**(2,567)**	1,198

16 DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

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

	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
2017				
Excess of capital allowances over depreciation	**(534)**	**(1,463)**	**–**	**(1,997)**
Amortisation of premiums/(accretion of discounts) – net	**1**	**–**	**–**	**1**
Impairment loss on insurance receivables	**1,619**	**330**	**–**	**1,949**
Premium liabilities	**179**	**(48)**	**–**	**131**
Fair value change on FVTPL financial assets	**(544)**	**(1,877)**	**–**	**(2,421)**
Impairment loss on AFS financial assets	**2**	**–**	**–**	**2**
Fair value changes on AFS financial assets	**475**	**–**	**(707)**	**(232)**
Total	**1,198**	**(3,058)**	**(707)**	**(2,567)**
2016				
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

	2017 RM'000	2016 RM'000
Utilised/(reversed) within 12 months	**(2,567)**	1,198
Utilised/(reversed) after 12 months	**–**	–
	(2,567)	1,198

17 SHARE CAPITAL

	2017		2016	
	Amount RM'000	Number of shares	Amount RM'000	Number of shares
Ordinary shares:				
Issued and fully paid:				
At beginning and end of financial year	**100,000**	**100,000**	100,000	100,000

The new Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

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

		2017 RM'000	2016 RM'000
(a)	Gross earned premiums		
	Gross written premiums	**690,897**	645,637
	Change in premium liabilities	**(22,406)**	14,227
	Gross earned premiums	**668,491**	**659,864**
(b)	Premiums ceded		
	Reinsurance	**(230,900)**	(223,603)
	Change in premium liabilities	**13,890**	(5,030)
	Premiums ceded	**(217,010)**	**(228,633)**
	Net earned premiums	**451,481**	**431,231**

20 INVESTMENT INCOME

	2017 RM'000	2016 RM'000
Dividend income from FVTPL investments	**4,347**	3,376
Interest income from HTM investments	**1,161**	1,164
Interest income from loans and receivables	**2,526**	1,421
Dividend income from AFS investments	**31,301**	28,323
	39,335	34,284

21 REALISED GAINS AND LOSSES

	2017 RM'000	2016 RM'000
FVTPL investments		
– Equities securities	**7,426**	(8,311)

22 FAIR VALUE GAINS AND LOSSES – NET

	2017 RM'000	2016 RM'000
Fair value gains from FVTPL investments	**7,815**	2,303

23 MANAGEMENT EXPENSES

	2017 RM'000	2016 RM'000
Personnel costs		
Staff salary and bonus	**40,516**	35,970
Defined contribution plan	**6,490**	5,762
Other staff benefits	**3,308**	3,273
	50,314	45,005

23 MANAGEMENT EXPENSES (CONTINUED)

	2017 RM'000	2016 RM'000
Establishment costs		
Rental of offices	**3,747**	3,697
Depreciation of property, plant and equipment	**2,480**	2,274
Amortisation of intangible assets – computer software	**2,247**	1,387
Others	**1,258**	1,069
	9,732	8,427
Marketing costs		
Electronic printing	**15,636**	14,365
Advertising and marketing expenses	**6,367**	10,435
Others	**10,906**	14,483
	32,909	39,283
Administrative and general expenses		
Auditors' remuneration		
Statutory audit	**200**	197
Other audit related	**17**	12
Allowance for impairment on insurance receivables	**1,210**	231
Bad debts written off	**159**	118
Bank charges	**2,843**	2,958
Other expenses	**14,087**	11,578
	18,516	15,094
	111,471	107,809

Included in the personnel costs is the Chief Executive Officer's remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM1,878,654 (2016: RM1,666,800) 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 RM884,700 (2016: RM765,839) 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:

	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
2017				
Chief Executive Officer/Executive Director				
Kong Shu Yin	**1,022**	**7**	**857**	**1,886**
2016				
Chief Executive Officer/Executive Director				
Kong Shu Yin	968	7	699	1,674

	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
2017				
Non-executive Directors				
Abdul Aziz Peru Mohamed	**139**	**–**	**25**	**164**
Datuk Haji Faisal Siraj	**135**	**–**	**22**	**157**
Jahanath Muthusamy	**135**	**–**	**21**	**156**
YBhg Tan Sri Saw Choo Boon (Appointed w.e.f. 1 October 2017)	**34**	**–**	**17**	**51**
Ong Seng Pheow (Resigned on 19 November 2017)	**150**	**31**	**84**	**265**
Tuan Haji Md Ja'far Abdul Carrim (Demised on 19 October 2017)	**108**	**–**	**15**	**123**
	701	**31**	**184**	**916**
2016				
Non-executive Directors				
Abdul Aziz Peru Mohamed	120	–	21	141
Datuk Haji Faisal Siraj	120	–	38	158
Jahanath Muthusamy (appointed 1 November 2016)	20	–	3	23
Ong Seng Pheow	150	31	87	268
Tuan Haji Md Ja'far Abdul Carrim	120	–	39	159
Dato' Othman Jusoh (retired 31 March 2016)	30	–	17	47
	560	31	205	796

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

25 TAXATION

	2017 RM'000	2016 RM'000
Malaysian taxation:		
Current taxation	**16,627**	26,279
Deferred taxation (Note 16)	**3,058**	2,390
	19,685	28,669
Current taxation		
Current financial year	**23,466**	24,365
(Over)/under provision in respect of prior financial years	**(6,839)**	1,914
	16,627	26,279
Deferred taxation		
Origination and reversal of temporary differences	**3,058**	2,390
	19,685	28,669

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:

	2017 RM'000	2016 RM'000
Profit before taxation	**132,948**	130,129
Tax calculated at a tax rate of 24%	**31,908**	31,231
Expenses not deductible for tax purposes	**2,318**	1,125
Income exempted for tax purposes	**(7,702)**	(7,739)
Reversal of temporary differences recognised in prior years	**–**	2,138
(Over)/under provision in respect of prior financial years	**(6,839)**	1,914
Tax expense	**19,685**	28,669

26 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the net profit for the financial year amounting to RM113,263,284 (2016: RM101,459,577) divided by the number of ordinary shares in issue of 100,000,000 (2016: 100,000,000) during the financial year.

27 DIVIDENDS

Dividends paid and declared in respect of the financial year ended 31 December 2017 are as follows:

	2017		2016	
	Net dividend per share Sen	Amount of dividend net of tax RM'000	Net dividend per share Sen	Amount of dividend net of tax RM'000
Interim dividend	**100.00**	**100,000**	25.00	25,000

The Directors declared a single-tier interim dividend of 100% amounting to RM100,000,000 in respect of the financial year ended 31 December 2017. The interim dividend was approved by the Board of Directors on 10 November 2017.

The Directors do not propose any final dividends for the financial year ended 31 December 2017.

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.

		2017 RM'000	2016 RM'000
Related party transactions	Nature of transaction		
With subsidiaries of immediate and ultimate holding company	Interest income	**2,271**	1,224
	Insurance premium earned	**12,427**	29,154
	Commission paid and payable	**(18,797)**	(16,688)
	Rental expense	**(170)**	(176)
With key management personnel	Insurance premium earned	**150**	144
	Claims incurred	**(65)**	(119)
Related party balances	Types of balances		
With subsidiaries of immediate and ultimate holding company	Bank balances	**(149)**	6,880
	Fixed and call deposits	**71,255**	36,204
	Insurance premium	**1,019**	1,440
	Investment in corporate debts securities	**5,013**	5,012
	Dividend payable	**(94,700)**	–
	Others	**4,872**	(431)

	2017 RM'000	2016 RM'000
Key management personnel		
The remuneration of key management personnel is as follows:		
Short-term employee benefits		
– Salary and other remuneration	**1,886**	1,674

29 CAPITAL COMMITMENTS

	2017 RM'000	2016 RM'000
Authorised and contracted for	**399**	507

30 RISK MANAGEMENT FRAMEWORK

(a) Risk Management framework

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

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

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

The 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.

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.

30 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Management Framework (continued)

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 Plan

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

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

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

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 claims, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

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

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.

	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
2017					
Average claim cost	**+10%**	**72,488**	**27,369**	**(24,961)**	**(18,970)**
Average number of claims	**+10%**	**54,860**	**25,968**	**(23,839)**	**(18,118)**
Average claim settlement period	**Increased by 6 months**	**11,196**	**5,697**	**(5,302)**	**(4,030)**
2016					
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)

(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 2017:

Accident year	Before 2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident year		197,050	234,640	303,820	363,486	376,174	398,549	471,308	
One year later		188,105	219,458	276,429	339,386	363.477	378,131		
Two years later		183,227	210,419	257,101	315,647	343,381			
Three years later		173,787	202,835	249,518	316,206				
Four years later		172,041	204,386	243,231					
Five years later		171,748	203,450						
Six years later		170,462							
Seven years later									
Current estimate of cumulative claims incurred		170,462	203,450	243,231	316,206	343,381	378,131	471,308	
At end of accident year		(57,313)	(66,947)	(75,616)	(91,529)	(98,970)	(108,495)	(155,795)	
One year later		(129,615)	(154,519)	(166,887)	(222,518)	(235,621)	(209,175)		
Two years later		(149,304)	(182,102)	(190,071)	(262,001)	(269,854)			
Three years later		(160,502)	(189,908)	(204,158)	(274,897)				
Four years later		(164,000)	(196,435)	(206,696)					
Five years later		(164,438)	(197,828)						
Six years later		(164,925)							
Seven years later									
Cumulative payments to-date		(164,925)	(197,828)	(206,696)	(274,897)	(269,854)	(209,175)	(155,795)	
Gross insurance claims liabilities per Statement of Financial Position (Note 13(a))	45,188	5,537	5,622	36,535	41,309	73,527	168,956	315,513	692,187

31 INSURANCE RISK (CONTINUED)

(c) Claims development table (continued)

Net insurance claims liabilities for 2017:

Accident year	Before 2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident year		136,749	154,367	173,678	197,440	212,416	231,669	256,432	
One year later		126,585	146,227	157,247	177,134	196,319	212,650		
Two years later		121,799	137,404	146,257	162,941	187,021			
Three years later		118,122	132,504	141,546	161,521				
Four years later		117,028	132,468	140,230					
Five years later		114,291	132,408						
Six years later		113,507							
Seven years later									
Current estimate of cumulative claims incurred		113,507	132,408	140,230	161,521	187,021	212,650	256,432	
At end of accident year		(47,677)	(49,146)	(55,721)	(65,922)	(73,052)	(80,129)	(105,430)	
One year later		(95,770)	(105,577)	(112,324)	(124,363)	(139,947)	(142,961)		
Two years later		(106,108)	(119,912)	(127,485)	(142,454)	(160,294)			
Three years later		(112,076)	(125,322)	(132,340)	(149,563)				
Four years later		(113,829)	(128,090)	(134,804)					
Five years later		(111,161)	(129,097)						
Six years later		(111,500)							
Seven years later									
Cumulative payments to-date		(111,500)	(129,097)	(134,804)	(149,563)	(160,294)	(142,961)	(105,430)	
Net insurance claims liabilities per Statement of Financial Position (Note 13(a))	44,382	2,007	3,311	5,426	11,958	26,727	69,689	151,002	314,502

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 (Note13 (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

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.

	2017 RM'000	**2016 RM'000**
Investments held-to-maturity		
Unquoted corporate debt securities	**15,393**	15,392
Loans and receivables		
Staff loans	**20**	4
Fixed and call deposits	**85,494**	43,948
Reinsurance assets - claims liabilities	**377,685**	287,815
Insurance receivables	**109,816**	101,689
Other receivables*	**89,691**	89,862
Cash and cash equivalents**	**2,427**	13,898
	680,526	552,608

* excluding prepayments amounting to RM659,971 (2016: RM377,984) which is not subject to credit risk

** excluding petty cash amounting to RM7,106 (2016: RM7,300) 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					
	Rated: satisfactory RM'000	Rated: unsatisfactory RM'000	Not rated RM'000	Not past-due but impaired RM'000	Past-due and impaired RM'000	Total RM'000
2017						
Investments held-to-maturity						
Unquoted corporate debt securities	**15,393**	**–**	**–**	**–**	**–**	**15,393**
Loans and receivables						
Staff loans	**–**	**–**	**20**	**–**	**–**	**20**
Fixed and call deposits	**85,494**	**–**	**–**	**–**	**–**	**85,494**
Reinsurance assets – claims liabilities	**257,084**	**478**	**120,123**	**–**	**–**	**377,685**
Insurance receivables	**–**	**–**	**5**	**47,245**	**71,226**	**118,476**
Allowance for impairment	**–**	**–**	**–**	**(3,038)**	**(5,622)**	**(8,660)**
Other receivables*	**–**	**–**	**89,691**	**–**	**–**	**89,691**
Cash and cash equivalents**	**2,427**	**–**	**–**	**–**	**–**	**2,427**
	360,398	**478**	**209,839**	**44,207**	**65,604**	**680,526**
2016						
Investments held-to-maturity						
Unquoted corporate debt securities	15,392	–	–	–	–	15,392
Loans and receivables						
Staff 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

* excluding prepayments amounting to RM659,971 (2016: RM377,984) which is not subject to credit risk

** excluding petty cash amounting to RM7,106 (2016: RM7,300) 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.

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
2017						
Investments held-to-maturity						
Unquoted corporate debt securities	**–**	**5,227**	**10,166**	**–**	**–**	**15,393**
Loans and receivables						
Staff loans	**–**	**–**	**–**	**–**	**20**	**20**
Fixed and call deposits	**–**	**82,736**	**2,758**	**–**	**–**	**85,494**
Reinsurance assets – claims liabilities	**–**	**27,160**	**229,924**	**478**	**120,123**	**377,685**
Insurance receivables	**–**	**–**	**–**	**–**	**109,816**	**109,816**
Other receivables*	**–**	**–**	**–**	**–**	**89,691**	**89,691**
Cash and cash equivalents**	**2,571**	**(144)**	**–**	**–**	**–**	**2,427**
	2,571	**114,979**	**242,848**	**478**	**319,650**	**680,526**
2016						
Investments held-to-maturity						
Unquoted corporate debt securities	–	5,226	10,166	–	–	15,392
Loans and receivables						
Staff 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

* excluding prepayments amounting to RM659,971 (2016: RM377,984) which is not subject to credit risk

** excluding petty cash amounting to RM7,106 (2016: RM7,300) which is not subject to credit risk

32 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Age analysis of financial assets impaired

	Less than 3 months RM'000	3 to 6 months RM'000	More than 6 months RM'000	Total RM'000
2017				
Insurance receivables	**67,866**	**27,203**	**14,747**	**109,816**
2016				
Insurance receivables	62,667	28,301	10,716	101,684

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 irrecoverability via collective assessment for balances that are past due but not impaired and balances that are past due and impaired. As at 31 December 2017, the Company has provided an allowance of doubtful debts on a collective basis of RM8,659,914 (2016: RM7,450,322). 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:

	2017 RM'000	2016 RM'000
At 1 January	**7,450**	7,219
Charge for the financial year	**1,051**	113
Write off	**162**	118
Write back	**(3)**	–
At 31 December	**8,660**	7,450

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

	2017 RM'000	2016 RM'000
At 1 January/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 without having to transact at a reasonable cost.

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

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

Maturity profiles

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

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

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

32 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

2017	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	15,393	1,163	2,475	2,625	37,312	43,575
Loans and receivables						
– Staff loans	20	20	–	–	–	20
– Fixed and call deposits	85,494	85,494	–	–	–	85,494
Reinsurance assets – claims liabilities	377,685	130,964	207,794	32,188	6,739	377,685
Insurance receivables	109,816	109,816	–	–	–	109,816
Other receivables*	89,691	89,691	–	–	–	89,691
Cash and cash equivalents**	2,427	2,427	–	–	–	2,427
Total financial assets	680,526	419,575	210,269	34,813	44,051	708,708
Insurance contract liabilities						
– claims liabilities	692,187	267,761	357,305	57,671	9,450	692,187
Insurance payables	46,294	46,294	–	–	–	46,294
Other payables	156,618	156,618	–	–	–	156,618
Total financial liabilities	895,099	470,673	357,305	57,671	9,450	895,099

* excluding prepayments amounting to RM659,971 (2016: RM377,984) which is not subject to liquidity risk

** excluding petty cash amounting to RM7,106 (2016: RM7,300) which is not subject to liquidity risk

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						
– Staff 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 RM659,971 (2016: RM377,984) which is not subject to liquidity risk

** excluding petty cash amounting to RM7,106 (2016: RM7,300) 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. 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.

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 also manages its asset-liability mismatching risks within its appetites through regular monitoring of asset duration and liability duration.

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

32 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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.

	Change in variables	2017 Impact on equity* RM'000	2016 Impact on equity* RM'000
Interest rate	+100 basis points	**(22,168)**	(16,782)
Interest rate	-100 basis points	**23,532**	17,741

* 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.

Equity price risk

Equity price risk is the risk of holding or taking positions in instruments that exhibit market behaviour 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.

		2017		2016	
	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%	**15,334**	**11,654**	10,102	7,677
Bursa Malaysia	-15%	**(15,334)**	**(11,654)**	(10,102)	(7,677)

* 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)

(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 2017, as prescribed under the RBC Framework is provided below:

	Note	2017 RM'000	2016 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	17	**100,000**	100,000
Retained earnings		**413,318**	400,055
		513,318	500,055
Tier 2 Capital			
Available-for-sale reserve		**730**	(1,508)
Amount deducted from Capital		**–**	(1,198)
Total Capital Available		**514,048**	497,349

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 251(2) OF THE COMPANIES ACT 2016

We, Abdul Aziz Peru Mohamed 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 48 to 104 are drawn up so as to show a true and fair view of the financial position for the financial year ended on 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

ABDUL AZIZ PERU MOHAMED
CHAIRMAN

KONG SHU YIN
MANAGING DIRECTOR

Kuala Lumpur
28 February 2018

STATUTORY DECLARATION

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

I, Chong Sook Yin, being the Officer primarily responsible for the financial management of RHB Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 48 to 104 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared at Kuala Lumpur)
on 28 February 2018)
)
Before me,) **CHONG SOOK YIN**

COMMISSIONER FOR OATHS
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RHB INSURANCE BERHAD

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 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 104.

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 on the other information that we obtained prior to the date of this auditors' report, 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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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.

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
No. 3252/05/18(J)
Chartered Accountant

Kuala Lumpur
28 February 2018

www.rhbgroup.com

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

facebook.com/RHBGroup
twitter.com/RHBGroup