

Registration No.

197801000983 (38000-U)

RHB INSURANCE BERHAD

(Incorporated in Malaysia)

REPORTS AND STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Registration No.

197801000983 (38000-U)

RHB INSURANCE BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

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RHB INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2020.

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	121,164
Retained earnings brought forward	531,592
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Profits available for appropriation	652,756
Dividend paid during the financial year	(175,000)
	<hr/>
Retained earnings carried forward	477,756
	<hr/> <hr/>

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2019	
- Single-tier interim dividend of 150%	150,000
In respect of the financial year ended 31 December 2020	
- Single-tier interim dividend of 25%	25,000
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Total dividend paid	175,000
	<hr/> <hr/>

The Directors declared a single-tier interim dividend of 25% amounting to RM25,000,000 in respect of the financial year ended 31 December 2020 on 27 July 2020.

RESERVES AND PROVISIONS

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

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DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES

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

INSURANCE LIABILITIES

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

IMPAIRED DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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DIRECTORS' REPORT (CONTINUED)

CONTINGENT AND OTHER LIABILITIES (CONTINUED)

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

Jahanath Muthusamy

Wong Pek Yee

Shaifubahrim Mohd Saleh

Donald Joshua Jaganathan (Appointed on 1 October 2020)

Kong Shu Yin

Tan Sri Saw Choo Boon (Retired on 28 May 2020)

Datuk Seri Dr Govindan Kunchambo (Appointed on 2 May 2020 and Resigned on 1 October 2020)

In accordance with Clause 79 of the Company's Constitution, Ms Wong Pek Yee shall retire at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Clause 85 of the Company's Constitution, Mr Donald Joshua Jaganathan shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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RHB INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

DIRECTORS' BENEFITS

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

During the financial year, Directors of the Company are covered under the RHB Banking Group Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of RHB Banking Group subject to the term of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the RHB Banking Group was RM200 million (2019: RM200 million). The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group was RM843,240 (2019: RM828,400).

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

HOLDING COMPANY

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

AUDITORS' REMUNERATION

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

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

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RHB INSURANCE BERHAD
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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE

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

AUDITORS

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

This report was approved by the Board of Directors on 22 February 2021.

Signed on behalf of the Board of Directors:



JAHANATH MUTHUSAMY
CHAIRMAN



KONG SHU YIN
MANAGING DIRECTOR

Kuala Lumpur

24 FEB 2021

RHB INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CORPORATE GOVERNANCE

Introduction

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

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

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

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

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

BOARD OF DIRECTORS

Composition of the Board

The Board currently comprises one (1) Independent Non-Executive Chairman (“INEC”), one (1) Senior Independent Non-Executive Director (“SINED”), two (2) Independent Non-Executive Directors (“INED”) and one (1) Managing Director (“MD”), details of which are as follows:

Name of Directors

Jahanath Muthusamy (INEC)	
Wong Pek Yee (SINED)	
Shaifubahrim Mohd Saleh (INED)	
Donald Joshua Jaganathan (INED)	(Appointed on 1 October 2020)
Kong Shu Yin (MD)	
Tan Sri Saw Choo Boon (Non-INEC)	(Retired on 28 May 2020)
Datuk Seri Dr Govindan Kunchambo	(Appointed on 2 May 2020 and Resigned on 1 October 2020)

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS (continued)

Directors' Profiles

JAHANATH MUTHUSAMY

Independent Non-Executive Chairman
65/Male/Malaysian

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

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

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

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

RHB INSURANCE BERHAD
(Incorporated in Malaysia)**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)****BOARD OF DIRECTORS (continued)**

Directors' Profiles (continued)

WONG PEK YEE

Senior Independent Non-Executive Director
63/Female/Malaysian

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

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

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

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

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS (continued)

Directors' Profiles (continued)

SHAIFUBAHRIM MOHD SALEH

Independent Non-Executive Director
61/Male/Malaysian

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

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

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

Encik Shaifubahrim is currently the Director, Chief Executive Officer International of Gamat Emas Sdn Bhd, a company specialising in health lifestyle/supplements and export business. He is also the Chairman of Frontline Resources Sdn Bhd which involves in ICT systems integration, consultancy and investments.

He is also a Council Member of Malaysian Service Providers Confederation.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

BOARD OF DIRECTORS (continued)

Directors' Profiles (continued)

DONALD JOSHUA JAGANATHAN

Independent Non-Executive Director
61/Male/Malaysian

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

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

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

Mr Donald has had a fulfilling career with Bank Negara Malaysia (BNM) for 36 years, rising to the rank of Assistant Governor, with key responsibilities over the financial stability function, including oversight of BNM's Financial Stability Report. His work experience included leadership and management oversight over the supervision and regulation of the banking and insurance industry in Malaysia, training and development activities with the banking and insurance institutes, and serving as country representative in international supervisory bodies.

He also held previous positions as the Chairman of the Board of Directors of Payments Network Malaysia Sdn Bhd, Chairman of the Board Executive Committee of the Malaysian Insurance Institute, Council Member of the Malaysian Institute of Accountants and Member of the Malaysian Financial Reporting Foundation.

Mr Donald is also a Director of RHB Bank Berhad and Zurich Life Insurance Malaysia Berhad. He also serves as the Chairman of the Board Risk Committee of RHB Bank Berhad.

RHB INSURANCE BERHAD
(Incorporated in Malaysia)**STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)****BOARD OF DIRECTORS (continued)**

Directors' Profiles (continued)

KONG SHU YIN

Managing Director/Chief Executive Officer
60/Male/Malaysian

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

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

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

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

Duties and Responsibilities of the Board

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

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

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

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Board Meetings and Access of Information

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

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

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

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

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

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

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Board Meetings and Access of Information (continued)

The Board convened twelve (12) meetings for the financial year ended 31 December 2020. Details of the attendance of each Director at Board meetings held during the financial year are set out below:

<u>Name of Directors</u>	<u>Total meetings attended</u>	<u>Percentage of attendance (%)</u>
Jahanath Muthusamy (Chairman)	12/12	100
Wong Pek Yee	12/12	100
Shaifubahrim Mohd Saleh	12/12	100
Donald Joshua Jaganathan*	3/3	100
Kong Shu Yin	12/12	100
Tan Sri Saw Choo Boon [^]	5/5	100
Datuk Seri Dr Govindan Kunchambo [#]	5/5	100

Notes:

* Appointed on 1 October 2020

[^] Retired on 28 May 2020

[#] Resigned on 1 October 2020

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

Appointments and Re-election to the Board

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

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

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

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training

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

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

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

During the financial year ended 31 December 2020, the Directors of RHB Insurance Berhad attended the following training programmes, conferences and seminars:

Name of Director(s)	Training Programme Attended	Training Scope & Description
Jahanath Muthusamy	Adequate Procedures: The Director's Response to Individual Liability (9 March 2020) ICDM	<ul style="list-style-type: none"> • Understand the changing nature of regulatory frameworks to minimise corrupt activity. • Take a holistic look and overview of the legislative intent and the scope of Section 17A and the T.R.U.S.T principles. • Appreciate the local and global Anti-Corruption provisions 3 and international standards. • Consideration of an organisational framework to minimise corruption-related risk.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Jahanath Muthusamy (continued)	E-Learning: Information Security Awareness RHB Banking Group	<ul style="list-style-type: none"> The objective of the programme is to enhance Board members' awareness on cyber and information security to enable effective discharge of their oversight role as well as to comply with the requirements set out by the regulators (i.e. Bank Negara Malaysia ("BNM") through Risk Management in Technology ("RMiT") Policy and Securities Commission ("SC") through Guidelines on Management of Cyber Risk) on security awareness education for the organisation's board members.
Wong Pek Yee	COVID-19: Resilience (24 March 2020) KPMG	<ul style="list-style-type: none"> Businesses have faced crises before, but COVID-19 is a uniquely complex and unpredictable crisis. Customer demand, supply chains, financial markets, the workforce force and every aspect of business are affected. The need to make critical strategic, financial and operational decisions, to mitigate risks and seize opportunities, requires clear, considered and compassionate leadership.
	In Times of Crisis, What Leadership mind-set do need (16 April 2020) Leaderonomics	<ul style="list-style-type: none"> What needs to be done (5 Steps of grief)? How to remain a going concern and seize opportunities?
	SC Announcement Annual Report 2019 (16 April 2020) Securities Commission	<ul style="list-style-type: none"> Annual Report – Media Conference.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	Webinar: How can you be an effective director in the time of COVID-19 (17 April 2020) KPMG	<ul style="list-style-type: none"> In the current climate of business stress and uncertainty caused by the COVID-19 outbreak, now more than ever directors need a clear strategy and strong principles to see their boards through this storm.
	Virtual Annual General Meeting (“AGM”) – A necessary reality (21 April 2020) KPMG	<ul style="list-style-type: none"> Crisis-proofing the AGM.
	COVID-19: Recovery and resilience A webinar series by PwC Malaysia Governance and Risk – An Uncertain World (30 April 2020) PwC Malaysia	<ul style="list-style-type: none"> Post-COVID-19, organisations will certainly be looking at transforming the way they manage their workforce, potentially increasing their investments into technology that will create an integrated workspace not constrained by geographical space. This introduces another layer of cyber risk, as accessibility and flow of information intensify over wider connected parties. In this session, we discuss what organisations should consider doing to mitigate these concerns.
	COVID 10 Impact on Financial Reporting (5 May 2020) PwC Malaysia	<ul style="list-style-type: none"> Common issues that many CEOs, CFOs and their organisations are facing since the COVID-19 outbreak. What organisations should consider as part of their response strategy.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	Audit Committee Institute Virtual Roundtable 2020: Staying Resilient during an Economic Downturn (12 May 2020) KPMG	<ul style="list-style-type: none"> • Covid-19 impact to Risk Reporting and Internal Audit. • Leading through the Crisis: Dealing with Risks and to Commit to a Strategy of Resilience. • Mitigating Fraud Risks in a Challenging Time.
	Raising Defences: Section 17A, MACC Act (12 & 13 May 2020) FIDE Forum	<ul style="list-style-type: none"> • Definition of Corruption. The Law S17A MACC Act. • Principles of Adequate Procedure. • Section 17A MACC Act – Legal Action and Adequate Measure.
	Risks: A Fresh Look from the Board's Perspective (8 July 2020) FIDE Forum	<ul style="list-style-type: none"> • The critical discussions about risk and compliance that Board Members of banks and insurance companies should be having in view of the continued uncertainties and their long-term impact on the financial ecosystem. • The Board and the Board-level Risk Committee lead the organisation during these unprecedented times? What must they do differently with regard to emerging risk and compliance in this scenario? • The factors should the Chairman of the Board and the Risk Committee consider when leading risk- and compliance-related discussions and decision-making • The key questions that Board Members should be asking their CEOs, CROs and CCOs now?

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	BNM-FIDE Forum Annual Dialogue with Governor of Bank Negara Malaysia (3 September 2020) FIDE Forum	<ul style="list-style-type: none"> • Dialogue session to discuss substantive matters that concern the boards of financial institutions (“FIs”). • Impact of Covid-19 and other emerging trends on FIs and financial stability.
	AML/CFT Training for Board of Directors and Senior Management (9 September 2020) RHB Banking Group	<ul style="list-style-type: none"> • The global versus Asian regulatory landscape - what are Asian banks focused on in terms of evolution, systems and core compliance risks • The influence of Fintech/ digitisation of financial services on compliance and regulatory agenda, the growth of Fintech and Regtech. • AML/ financial crime areas, AML/CFT latest global practices, issues and challenges with focus on ASEAN countries. • Drivers and trends in AML/CFT, including challenges with KYC/eKYC, Trade Based Money Laundering, and Artificial Intelligence, Machine Learning. • FATF guidance in respect of Covid-19.

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	E-Learning: Information Security Awareness RHB Banking Group	<ul style="list-style-type: none"> The objective of the programme is to enhance Board members' awareness on cyber and information security to enable effective discharge of their oversight role as well as to comply with the requirements set out by the regulators (i.e. Bank Negara Malaysia ("BNM") through Risk Management in Technology ("RMiT") Policy and Securities Commission ("SC") through Guidelines on Management of Cyber Risk) on security awareness education for the organisation's board members.
	Captains' Forum: Transformation towards recovery Session 1 – Financial Resilience (25 September 2020) KPMG	<ul style="list-style-type: none"> Highlights from the 2020 KPMG Global CEO Outlook. Managing in the new reality, with a special focus on achieving financial resilience. Panel discussion with IHH, Standard Chartered Bank and Maxis.
	FIDE FORUM Webinar Invitation: "Climate Action: The Board's Leadership in Greening the Financial Sector" (2 November 2020) FIDE Forum	<ul style="list-style-type: none"> Overview of climate science, practical implications of climate change risk for financial institutions ("FIs") and why it should be incorporated into FIs' strategy, risk management and reporting. What a "net zero" climate approach means to FIs? How different FIs globally have managed this issue and measured their success?

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	FIDE FORUM Webinar Invitation: "Climate Action: The Board's Leadership in Greening the Financial Sector" (2 November 2020) FIDE Forum (continued)	<ul style="list-style-type: none"> Lessons learnt from different FIs' experience on what worked and what did not work. Key metrics for FIs to consider adopting, including whose responsibility should it be in an FI to drive, implement and track this area. The role of the Boards of FIs to drive this strategy/agenda and the key conversations that Boards should have with their CEOs in this regard.
	FIDE Forum Webinar: "Green Fintech: Ping An's journey to becoming a top ESG-performing Financial Institution" (11 November 2020) FIDE Forum	<ul style="list-style-type: none"> How to leverage technology platform to evaluate, monitor and improve FIs' own ESG performance holistically. Real-time monitoring of ESG incidents for better risk management considerations. The use of natural language processing ("NLP") and unsupervised machine learning to compare climate risk disclosure against specified metrics, across markets or industries. NLP's use case in detecting "greenwashing", by evaluating disclosure against actual performance. Explore the notion of climate value-at-risk and its impact on asset pricing models. The local contextualisation of market-specific idiosyncrasies on top of the standard ESG factors for a fuller view.

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Wong Pek Yee (continued)	Recovery & Resolution Plan by PwC (1 December 2020) RHB Banking Group	<ul style="list-style-type: none"> • Share key concepts of Recovery and Resolution Planning. • Global and regional developments of RRP. • Current developments of RRP in Malaysia. • Overview of BNM Exposure Draft on Recovery Planning issued in Jan 2020 and PIDM's Draft Guidelines on Resolution Planning for Deposit-Taking Members. • Interlinkages between Recovery Planning components with risk appetite and risk management framework.
	E-learning Anti-Bribery & Corruption for BOD (31 December 2020) RHB Banking Group	<ul style="list-style-type: none"> • This e-learning module covers, among others, RHB Group's 'ABC Policy', 'Corporate Liability under Section 17A' and 'the primary offences' under the Malaysian Anti-Corruption Commission Act 2009.
Shaifubahrim Mohd Saleh	In-House Training Programme on Integrated Thinking & Value Creation Awareness (10 February 2020) RHB Banking Group	<ul style="list-style-type: none"> • Awareness on Integrated Thinking & Value Creation. • Gap Analysis + Bridge the Gap Workshop. • Implementation Roadmap & Conclusion.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Shaifubahrim Mohd Saleh (continued)	Enlightenment on the Shariah Resolutions Issued by Shariah Advisory Council ("SAC") of BNM 2020' (11 August 2020) RHB Banking Group	The financial product range has now expanded into an extensive spectrum. Thus, the dynamism of Shariah has been an important driving force in contributing to the accelerated pace of innovation in Islamic finance. In commensurate to that, this session would like to share some high level insights from Shariah perspective in relations to Shariah resolutions issued by SAC BNM 2020 on e-money as payment instrument, the execution of Tawarruq via Straight-Through Processing and the structure of Rahn product based on Tawarruq.
	AML/CFT Training for Board of Directors and Senior Management (9 September 2020) RHB Banking Group	<ul style="list-style-type: none"> • The global versus Asian regulatory landscape - what are Asian banks focused on in terms of evolution, systems and core compliance risks. • The influence of Fintech/ digitisation of financial services on compliance and regulatory agenda, the growth of Fintech and Regtech. • AML/financial crime areas, AML/CFT latest global practices, issues and challenges with focus on ASEAN countries. • Drivers and trends in AML / CFT, including challenges with KYC/eKYC, Trade Based Money Laundering, and Artificial Intelligence, Machine Learning • FATF guidance in respect of Covid-19.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Shaifubahrim Mohd Saleh (continued)	E-Learning: Information Security Awareness RHB Banking Group	<ul style="list-style-type: none"> The objective of the programme is to enhance Board members' awareness on cyber and information security to enable effective discharge of their oversight role as well as to comply with the requirements set out by the regulators (i.e. Bank Negara Malaysia ("BNM") through Risk Management in Technology ("RMiT") Policy and Securities Commission ("SC") through Guidelines on Management of Cyber Risk) on security awareness education for the organisation's board members.
Donald Joshua Jaganathan	AML/CFT Training for Board of Directors and Senior Management (9 September 2020) RHB Banking Group	<ul style="list-style-type: none"> The global versus Asian regulatory landscape - what are Asian banks focused on in terms of evolution, systems and core compliance risks. The influence of Fintech/ digitisation of financial services on compliance and regulatory agenda, the growth of Fintech and Regtech. AML/financial crime areas, AML/CFT latest global practices, issues and challenges with focus on ASEAN countries. Drivers and trends in AML / CFT, including challenges with KYC/eKYC, Trade Based Money Laundering, and Artificial Intelligence, Machine Learning FATF guidance in respect of Covid-19.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan (continued)	The Mandatory Accreditation Program ("MAP") (19 -21 October 2020) ICLIF Executive Education Center	<ul style="list-style-type: none"> • Introduction to Corporate Governance and Key Corporate Governance Rules. • Corporate Governance Framework of a Listed Company, Board Composition and Board Committees. • Board Composition and Director Duties. • Board's Role and Setting Corporate Culture and Safeguarding Stakeholders' Interests. • Demystifying Listing Obligations.
	Webinar - Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020) FIDE Forum	<ul style="list-style-type: none"> • Overview of climate science, practical implications of climate change risk for financial institutions (FIs) and why it should be incorporated into FIs' strategy, risk management and reporting. • What a "net zero" climate approach means to FIs. • How different FIs globally have managed this issue and measured their success. • Lessons learnt from different FIs' experience on what worked and what did not work.

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Donald Joshua Jaganathan (continued)	Webinar - Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020) FIDE Forum	<ul style="list-style-type: none"> Key metrics for FIs to consider adopting, including whose responsibility should it be in an FI to drive, implement and track this area. The role of the Boards of FIs to drive this strategy/agenda and the key conversations that Boards should have with their CEOs in this regard.
	Malaysia Budget 2021 Review by Deloitte (20 November 2020) RHB Banking Group	<ul style="list-style-type: none"> Personal Tax Corporate Tax Charges Tax Incentives Administrative Matters Transfer pricing Industry Tax Issues
	Recovery & Resolution Plan by PwC (1 December 2020) RHB Banking Group	<ul style="list-style-type: none"> Share key concepts of Recovery and Resolution Planning. Global and regional developments of RRP. Current developments of RRP in Malaysia. Overview of BNM Exposure Draft on Recovery Planning issued in Jan 2020 and PIDM's Draft Guidelines on Resolution Planning for Deposit-Taking Members. Interlinkages between Recovery Planning components with risk appetite and risk management framework.
	E-learning Anti-Bribery & Corruption for Board (31 December 2020) RHB Banking Group	<ul style="list-style-type: none"> This e-learning module covers, among others, RHB Group's 'ABC Policy', 'Corporate Liability under Section 17A' and 'the primary offences' under the Malaysian Anti-Corruption Commission Act 2009.

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Kong Shu Yin	In-House Training Programme on Integrated Thinking & Value Creation Awareness (10 February 2020) RHB Banking Group	<ul style="list-style-type: none"> • Awareness on Integrated Thinking & Value Creation. • Gap Analysis + Bridge the Gap Workshop. • Implementation Roadmap & Conclusion.
	Webinar: Covid-19 and Current Economic Reality: Implications for Financial Stability (14 April 2020) FIDE Forum	The financial product range has now expanded into an extensive spectrum. Thus, the dynamism of Shariah has been an important driving force in contributing to the accelerated pace of innovation in Islamic finance. In commensurate to that, this session would like to share some high level insights from Shariah perspective in relations to Shariah resolutions issued by SAC BNM 2020 on e-money as payment instrument, the execution of Tawarruq via Straight-Through Processing and the structure of Rahn product based on Tawarruq.
	AML/CFT Training for Board of Directors and Senior Management (9 September 2020) RHB Banking Group	<ul style="list-style-type: none"> • The global versus Asian regulatory landscape - what are Asian banks focused on in terms of evolution, systems and core compliance risks. • The influence of Fintech / digitization of financial services on compliance and regulatory agenda, the growth of Fintech and Regtech. • AML/financial crime areas, AML/CFT latest global practices, issues and challenges with focus on ASEAN countries.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Kong Shu Yin (continued)	AML/CFT Training for Board of Directors and Senior Management (9 September 2020) RHB Banking Group (continued)	<ul style="list-style-type: none"> • Drivers and trends in AML/CFT, including challenges with KYC/eKYC, Trade Based Money Laundering, and Artificial Intelligence, Machine Learning. • FATF guidance in respect of Covid-19.
	Malaysia Budget 2021 Review by Deloitte (20 November 2020) RHB Banking Group	<ul style="list-style-type: none"> • Personal Tax • Corporate Tax Charges • Tax Incentives • Administrative Matters • Transfer pricing • Industry Tax Issues
	Recovery & Resolution Plan by PwC (1 December 2020) RHB Banking Group	<ul style="list-style-type: none"> • Share key concepts of Recovery and Resolution Planning. • Global and regional developments of RRP. • Current developments of RRP in Malaysia. • Overview of BNM Exposure Draft on Recovery Planning issued in Jan 2020 and PIDM's Draft Guidelines on Resolution Planning for Deposit-Taking Members. • Interlinkages between Recovery Planning components with risk appetite and risk management framework.

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Tan Sri Saw Choo Boon (Retired on 28 May 2020)	In-House Training Programme on Integrated Thinking & Value Creation Awareness (10 February 2020) RHB Banking Group	<ul style="list-style-type: none"> • Awareness on Integrated Thinking & Value Creation. • Gap Analysis + Bridge the Gap Workshop. • Implementation Roadmap & Conclusion.
	Webinar: Outthink The Competition: Excelling in a Post Covid-19 World (5 May 2020) FIDE Form	<ul style="list-style-type: none"> • The Outthinker Process® to generate powerful ideas that can drive bottom-line results across all levels of the business. • “Fourth Option”: the option beyond the obvious choices, one others will not see or respond to. • The Outthinker playbook: five strategic narratives directors want to master • A simple approach to avoid killing off “crazy” ideas and instead turn them into winning moves. • Value of internal ideas to drive organic growth. • To build a culture of Outthinking that celebrates fresh strategic and innovative ideas and thinking. • To empower and inspire your employees so that they are ready to take action to develop, test and scale innovative growth ideas.
	Webinar: Challenging Times: What Role Must the Board Play? (15 May 2020) FIDE Forum	<ul style="list-style-type: none"> • What should be the top priorities of the Board. • Immediate changes must the Board initiate now, within the next 6 months, and within the next 12 months. • The most critical roles of Board Chair during this period. • The ‘new normal’ that Board leaders could anticipate.

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Tan Sri Saw Choo Boon (continued)	Risks: A Fresh Look from the Board's Perspective (8 July 2020) FIDE Forum	<ul style="list-style-type: none"> • The critical discussions about risk and compliance that Board Members of banks and insurance companies should be having in view of the continued uncertainties and their long-term impact on the financial ecosystem. • The Board and the Board-level Risk Committee lead the organisation during these unprecedented times? What must they do differently with regard to emerging risk and compliance in this scenario? • The factors should the Chairman of the Board and the Risk Committee consider when leading risk- and compliance-related discussions and decision-making. • The key questions that Board Members should be asking their CEOs, CROs and CCOs now?
	Webinar: Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses (21 July 2020) FIDE Forum	<ul style="list-style-type: none"> • Lessons learned from discussions with regulators. • Opportunities for a differentiated value proposition from the incumbent banks and insurers. • Experience from launching digital financial services in collaboration with non-financial service partners.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Datuk Seri Dr Govindan Kunchambo <i>(Resigned on 1 October 2020)</i>	In-House Training Programme on Integrated Thinking & Value Creation Awareness (10 February 2020) RHB Banking Group	<ul style="list-style-type: none"> • Awareness on Integrated Thinking & Value Creation. • Gap Analysis + Bridge the Gap Workshop. • Implementation Roadmap & Conclusion.
	The Mandatory Accreditation Program (MAP) (15-17 June 2020) FIDE Forum	<ul style="list-style-type: none"> • Introduction to Corporate Governance and Key Corporate Governance Rules. • Corporate Governance Framework of a Listed Company, Board Composition and Board Committees. • Board Composition and Director Duties. • Board's Role and Setting Corporate Culture and Safeguarding Stakeholders' Interests. • Demystifying Listing Obligations.
	FIDE Core Program Module A (29 June 2020 – 2 July 2020) (6 July 2020 – 9 July 2020) FIDE Forum	<ul style="list-style-type: none"> • To emphasise and reinforce a clear understanding of the role of the board and the fiduciary responsibilities of individual directors to all stakeholders. • To deepen boards' understanding of principles of sound governance, and to translate this into practice; lessons from within best-in-class organisations, and how they inculcate values throughout the organisation and promote organisational values and effectiveness.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Datuk Seri Dr Govindan Kunchambo (continued)	FIDE Core Program Module A (29 June 2020 – 2 July 2020) (6 July 2020 – 9 July 2020) FIDE Forum (continued)	<ul style="list-style-type: none"> • To equip directors with tools and strategies that can be applied to build a dynamic and sustainable management team. • To emphasise the principal responsibility of the board for promoting a strong risk control culture and sound ethical standards throughout the organisation. • To create a heightened awareness of the changing dimensions of risk. • To explore plausible and extreme stress scenarios and how boards can ensure the organisation's ability to withstand shocks. • To examine the link between risk and capital management, exploring what capital adequacy really means. • To help boards appreciate their oversight role in risk management and the adoption of key risks and organisational structures for managing risk.
	FIDE Core Program Module B (13 July – 15 July 2020) (16 July – 17 July 2020) (20 July – 21 July 2020) FIDE Forum	<ul style="list-style-type: none"> • To deepen boards' understanding of principles of sound governance, and to translate these into practice; lessons from within best-in-class organisations, and how they inculcate values throughout the organization and promote organisational values and effectiveness.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Datuk Seri Dr Govindan Kunchambo (continued)	FIDE Core Program Module B (13 July – 15 July 2020) (16 July – 17 July 2020) (20 July – 21 July 2020) FIDE Forum (continued)	<ul style="list-style-type: none"> • To encourage the adoption of more structured and robust processes for the selection of board members and ongoing assessments of board effectiveness to achieve an optimal board mix. • To heighten awareness of the impact of internal conflicts and effects of dominant influences associated with controlled companies. • To provide an understanding of the key issues in financial reporting and help boards to discharge their responsibilities effectively for ensuring the integrity of financial reports. • To examine the impact of differing accounting treatments and provide an understanding of financial analysis needed when considering reports and proposals. • To examine the heightened expectations and responsibilities of the audit committee, and help boards consider how best to organise audit committees to ensure independence and achieve overall effectiveness. • To equip boards with the know-how to set or review strategy that creates value for the organisation, and to be able to identify when strategies need to be adapted in response to changing business and market conditions. • To help boards identify and avoid common pitfalls in strategy execution.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Datuk Seri Dr Govindan Kunchambo (continued)	Enlightenment on the Shariah Resolutions Issued by Shariah Advisory Council of BNM 2020 (11 August 2020) RHB Banking Group	<ul style="list-style-type: none"> The financial product range has now expanded into an extensive spectrum. Thus, the dynamism of Shariah has been an important driving force in contributing to the accelerated pace of innovation in Islamic finance. In commensurate to that, this session would like to share some high level insights from Shariah perspective in relations to Shariah resolutions issued by SAC BNM 2020 on e-money as payment instrument, the execution of Tawarruq via Straight-Through Processing and the structure of Rahn product based on Tawarruq.
	AML/CFT Training for Board of Directors and Senior Management (9 September 2020) RHB Banking Group	<ul style="list-style-type: none"> The global versus Asian regulatory landscape - what are Asian banks focused on in terms of evolution, systems and core compliance risks. The influence of Fintech / digitisation of financial services on compliance and regulatory agenda, the growth of Fintech and Regtech. AML/ financial crime areas, AML/CFT latest global practices, issues and challenges with focus on ASEAN countries. Drivers and trends in AML/CFT, including challenges with KYC/eKYC, Trade Based Money Laundering, and Artificial Intelligence, Machine Learning. FATF guidance in respect of Covid-19.

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Training (continued)

Name of Director(s)	Training Programme Attended	Training Scope & Description
Datuk Seri Dr Govindan Kunchambo (continued)	FIDE FORUM's Board Effectiveness Focus Group Discussion (10 September 2020) FIDE Forum	<ul style="list-style-type: none"> To deliver a practical and fit-for-purpose framework that is focused on the most important and decisive aspects that influence a Board's performance that can be easily adopted by financial institutions. More importantly, the study seeks to establish sustainable practices to drive meaningful change in today's Boards.
	Finance for Board of Directors Programme (IF4BOD) (4 & 5 November 2020) ISRA	<ul style="list-style-type: none"> Enhance Director's appreciation on the dynamics of Shariah principles in shaping different offerings of Islamic banking business. Equip Directors with practical understanding on the value propositions of Islamic finance and its specificities vis-à-vis conventional banking with the aim of enhancing business potential. Provide Directors with diverse perspectives from within and beyond the Islamic banking community on contemporary issues in the industry.
	Recovery & Resolution Plan by PwC (1 December 2020) RHB Banking Group	<ul style="list-style-type: none"> Share key concepts of Recovery and Resolution Planning. Global and regional developments of RRP. Current developments of RRP in Malaysia. Overview of BNM Exposure Draft on Recovery Planning issued in Jan 2020 and PIDM's Draft Guidelines on Resolution Planning for Deposit-Taking Members. Interlinkages between Recovery Planning components with risk appetite and risk management framework.

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Board Performance Evaluation (“BEE”)

The Board had since 2006 undertaken the BEE exercise on the Board and Board Committees with the objective of assessing the effectiveness of the Board and Board Committees as a whole, as well as the individual Directors. The BEE is based on a combination of self and peer assessment methodologies performed via a customised questionnaire. The results of the BEE are presented to the BNRC as well as the Board of the Company for deliberation and adoption.

Group Board Committees

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

- Board Audit Committee
- Board Nominating and Remuneration Committee

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

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

Board Audit Committee (“BAC”)

The Board Audit Committee (“BAC”) comprises three (3) INEDs, of whom one (1) INED is the Chairperson. A total of fourteen (14) meetings were held for the BAC during the financial year ended 31 December 2020. Details of the attendance of each member at the BAC’s meetings are as follows:

<u>Members of BAC</u>	<u>Total meetings attended</u>	<u>Percentage of attendance</u> (%)
Ong Ai Lin (Chairperson)	14/14	100
Sharifatu Laila Syed Ali	14/14	100
Donald Joshua Jaganathan*	4/4	100
Tan Sri Saw Choo Boon [^]	5/5	100
Datuk Seri Dr Govindan Kunchambo [#]	9/9	100

Notes:

* Appointed as Member on 1 October 2020

[^] Resigned as Member on 29 May 2020

[#] Appointed as Member on 1 February 2020 and Resigned as Member on 20 October 2020

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Board Audit Committee (“BAC”) (continued)

The main objectives of the BAC are as follows:

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

Board Nominating and Remuneration Committee (“BNRC”)

BNRC comprises three (3) INEDs and one (1) Non INED. A total of eight (8) meetings were held for the BNRC during the financial year ended 31 December 2020. Details of the attendance of each member for the BNRC’s meetings are as follows:

<u>Members of BNRC</u>	<u>Total meetings attended</u>	<u>Percentage of attendance</u> (%)
Tan Sri Dr Rebecca Fatima Sta Maria (Chairperson)	8/8	100
Sharifatu Laila Syed Ali	8/8	100
Dato’ Mohamad Nasir Ab Latif*	4/4	100
Donald Joshua Jaganathan**	2/2	100
Tan Sri Saw Choo Boon^	3/3	100
Datuk Seri Dr Govindan Kunchamboo#	2/3	67
Ong Ai Lin@	4/4	100

Notes:

* Appointed as Member on 1 July 2020

** Appointed as Member on 1 October 2020

^ Resigned as Member on 29 May 2020

Appointed as Member on 29 May 2020 and Resigned as Member on 20 October 2020

@ Resigned as Member on 1 July 2020

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Board Nominating and Remuneration Committee (“BNRC”)

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

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

Board Committees

Board Risk Committee (“BRC”)

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

The BRC comprises three (3) INEDs. A total of twelve (12) meetings were held during the financial year ended 31 December 2020. Details of the attendance of each member for the BRC’s meetings are as follows:

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

Notes:

* Appointed as Chairperson on 28 May 2020

^ Re-designated as Member on 28 May 2020

The key objectives of the BRC are to:

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

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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Investment Committee (“IC”)

IC comprises three (3) INEDs. A total of four (4) meetings were held for the IC during the financial year ended 31 December 2020. Details of the attendance of each member for the IC’s meetings are as follows:

<u>Members of IC</u>	<u>Total meetings attended</u>	<u>Percentage of attendance</u> (%)
Shaifubahrim Mohd Saleh* (Chairman)	4/4	100
Wong Pek Yee^	2/2	100
Jahanath Muthusamy#	2/2	100
Dato’ Darawati Hussain	4/4	100

Notes:

* Appointed as Chairman on 1 October 2020

^ Appointed as Chairperson on 28 May 2020 and Re-designated as Member on 1 October 2020

Resigned as Chairman on 28 May 2020

The main objectives of the IC are:

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

Remuneration Governance

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

RHB INSURANCE BERHAD
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Remuneration Governance (continued)

The Managing Director's sustainable remuneration package also includes performance bonus, in line with the Group's retention policy and risk-based approach. His Key Performance Indicators and remuneration are approved by the Board. The details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company during the financial year ended 31 December 2019) are, as follows:

Name of Company's ED	Salary and Bonus (RM'000)	Other Emoluments (RM'000)	Benefits-In-Kind (RM'000)	Total (RM'000)
Kong Shu Yin	1,119		7	1,126
Name of Company's NEDs	Directors' Fees* (RM'000)	Other Emoluments** (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Jahanath Muthusamy [^]	156	54	25	235
Wong Pek Yee	135	58	-	193
Shaifubahrim Mohd Saleh	135	56	-	191
Donald Joshua Jaganathan [#]	34	17		51
Tan Sri Saw Choo Boon [@]	69	26	13	108
Datuk Seri Dr Govindan Kunchambo ⁺	56	25		81
Sub Total (NEDs)	585	236	38	859
Grand Total (MD + NEDs)	1,704	236	45	1,985

Notes:

* Based on new Directors' fees.

** Include Board Committees' allowances and meeting allowance.

[^] Appointed as Chairman on 28 May 2020.

[#] Appointed as Director on 1 October 2020

[@] Retired on 28 May 2020.

⁺ Appointed as Director on 2 May 2020 and Resigned as Director on 1 October 2020.

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

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RHB INSURANCE BERHAD
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Remuneration Governance (continued)

No.	Non-Executive Directors' Remuneration Scheme	Unrestricted/Non-Deferred	Total (RM'000)	Restricted/Deferred	Total (RM'000)
A. Fixed-Type Remuneration					
i	Cash-based	<ul style="list-style-type: none"> • Fixed Fees <ul style="list-style-type: none"> • Directors' Fees¹ • Board Committees' Allowances² • Chairmen's premium³ for various Board & Board Committees • Emoluments⁴ 	686	-	Nil
ii	Shares & share-linked instruments	-	Nil	-	Nil
iii	Others	Benefits-In-Kind ⁵	38	-	Nil
B. Variable-Type Remuneration					
i	Cash-based	Meeting Attendance Allowance ⁶	135	-	Nil
ii	Shares & Share-Linked Instruments	-	Nil	-	Nil
iii	Others	Directors' & Officers' Liability Insurance ⁷	37	-	Nil

Notes:

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

1. *Directors' Fees*

NEDs are entitled to annual Directors' fees, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company. As part of a periodical review to ensure the Company remains competitive against its peers and with the heightened responsibilities and accountabilities under the Companies Act 2016, the Financial Services Act 2013 and the Malaysian Code on Corporate Governance 2017. Total Directors' fees paid/payable to the Directors for financial year 2020 are RM585,054.

2. *Board Committee Allowances*

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

3. *Chairmen's Premium*

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

RHB INSURANCE BERHAD
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Remuneration Governance (continued)

Notes:

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

4. *Farewell Pot*

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

5. *Benefits-in-kind*

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

6. *Meeting attendance allowance*

NEDs are also entitled to meeting attendance allowances when they attend the Board/Board Committee meetings.

7. *Directors' & Officers' ("D&O") Liability Insurance*

The insurance covers the Group's Directors in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards a portion of the premiums of the said policy.

The remuneration structure and package for the (NEDs) are approved by the shareholders at the Company's Annual General Meeting. Further information on the total remuneration of the Directors from the Company is available under Note 26 to the Financial Statements 2020 on pages 54 to 55.

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

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

RHB INSURANCE BERHAD
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

RHB Total Rewards

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

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

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

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



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

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

RHB INSURANCE BERHAD
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STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

RHB Total Rewards (continued)

Tabulated below is the remuneration summary for FY2020 for the Senior Management and Other Material Risk Takers.

Total value of remuneration awards for the financial year ended 2020	Senior Management (1 Headcount)		Other Material Risk Takers (8 Headcounts)	
	Unrestricted/ Non-Deferred	Restricted/ Deferred	Unrestricted/ Non-Deferred	Restricted/ Deferred
Fixed remuneration				
- Cash-based	1,117,635	-	3,826,009	-
- Shares and share-linked instruments	-	-	-	-
- Others	8,726		-	
Variable remuneration				
- Cash-based	457,400	-	1,110,320	-
- Shares and share-linked instruments	-	-	-	-
- Others	-	-	-	-

Notes:

Figures presented in the table are in Ringgit Malaysia.

RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Pursuant to Guidance 22.2 of Bank Negara Malaysia's Policy Document on Corporate Governance, RHB Insurance Berhad leverages on RHB Banking Group's risk management and internal control framework and policies. As such, details of the Group's risk management and internal control framework and policies can be found within the RHB Bank Berhad's Integrated Report 2020 available at www.rhbgroup.com.

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RHB INSURANCE BERHAD
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
ASSETS			
Property, plant and equipment	5	16,917	14,840
Right of use assets – Property Office	6	5,647	2,864
Intangible assets - computer software	7	24,775	23,562
Investments	8	1,040,573	1,041,995
- Fair value through profit or loss		1,022,686	1,024,555
- Loans and receivables		17,887	17,440
Reinsurance assets	10	467,504	510,176
Insurance receivables	11	42,890	45,609
Other receivables	12	52,908	55,328
Tax recoverable		4,684	6,726
Cash and cash equivalents	13	100,698	119,925
Total assets		<u>1,756,596</u>	<u>1,821,025</u>
LIABILITIES			
Insurance contract liabilities	14	1,086,385	1,106,886
Insurance payables	15	9,267	14,868
Other payables	16	65,423	58,627
Lease liabilities	17	6,219	2,888
Deferred tax liabilities	18	11,546	6,164
Total liabilities		<u>1,178,840</u>	<u>1,189,433</u>
SHAREHOLDERS' FUND			
Share capital	19	100,000	100,000
Retained earnings	20	477,756	531,592
		<u>577,756</u>	<u>631,592</u>
Total liabilities and shareholders' fund		<u>1,756,596</u>	<u>1,821,025</u>

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

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RHB INSURANCE BERHAD
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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
Gross earned premiums	21	695,005	722,660
Premiums ceded to reinsurers	21	(211,632)	(215,730)
Net earned premiums	21	<u>483,373</u>	<u>506,930</u>
Investment income	22	48,837	48,971
Realised (losses)/gains	23	(24)	1,911
Fair value gains/(losses)	24	9,932	11,528
Reinsurance commission income		38,829	42,614
Other operating income		2,603	3,912
Other income		<u>100,177</u>	<u>108,936</u>
Gross claims paid	14(a)	(349,813)	(374,813)
Claims ceded to reinsurers	14(a)	151,386	142,276
Gross change to claims liabilities	14(a)	4,202	(38,941)
Change in claims liabilities ceded to reinsurers	14(a)	(40,802)	(1,118)
Net claims		<u>(235,027)</u>	<u>(272,596)</u>
Commission expense		(80,042)	(85,242)
Management expenses	25	(117,880)	(116,360)
Other expenses		<u>(197,922)</u>	<u>(201,602)</u>
Profit before taxation		150,601	141,668
Taxation	27	(29,437)	(33,666)
Net profit for the year, representing total comprehensive income for the financial year		<u>121,164</u>	<u>108,002</u>
Basic earnings per share (sen)	28	<u>121.16</u>	<u>108.00</u>

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

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RHB INSURANCE BERHAD
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**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Issued and fully paid ordinary shares		Retained earnings RM'000	Total RM'000
	No. of shares '000 units	Share capital RM'000		
<u>2020</u>				
At 1 January 2020	100,000	100,000	531,592	631,592
Total comprehensive income for the financial year	-	-	121,164	121,164
Dividends paid during the financial year (Note 29)	-	-	(175,000)	(175,000)
At 31 December 2020	<u>100,000</u>	<u>100,000</u>	<u>477,756</u>	<u>577,756</u>
<u>2019</u>				
At 1 January 2019	100,000	100,000	473,590	573,590
Total comprehensive income for the financial year	-	-	108,002	108,002
Dividends paid during the financial year (Note 29)	-	-	(50,000)	(50,000)
At 31 December 2019	<u>100,000</u>	<u>100,000</u>	<u>531,592</u>	<u>631,592</u>

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

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RHB INSURANCE BERHAD
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STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	121,164	108,002
Adjustment for:		
Realised losses/(gains)	24	(1,911)
Fair value gains	(9,932)	(11,528)
Writeback on impairment loss on insurance receivables	(5,618)	(1,691)
Bad debts written off and recovered	633	13
Amortisation adjustment	-	1
Depreciation of property, plant and equipment	2,132	2,594
Depreciation of right-of-use assets	2,573	2,651
Amortisation of intangible assets - computer software	3,203	4,052
Investment income	(48,837)	(48,971)
Unrealised gains on foreign exchange	(560)	(74)
Taxation expense	29,437	33,666
	<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities	94,219	86,804
Sale/(purchase) of fair value through profit or loss investments	(86,199)	(232,428)
Proceeds from sale of fair value through profit or loss investments	98,000	113,522
(Increase)/Decrease in loans and receivables	(447)	10,495
Interest received	2,832	4,966
Dividend received	46,099	44,365
Decrease in insurance receivables	7,553	43,462
Decrease in other receivables	2,326	48,442
(Decrease)/increase in insurance contract liabilities	(20,501)	12,772
Decrease in reinsurance assets	42,671	1,060
Decrease in insurance payables	(5,601)	(29,438)
Increase/(decrease) in other payables	7,333	(967)
	<hr/>	<hr/>
Cash generated from operations	188,285	103,055
Income taxes paid	(22,013)	(21,015)
	<hr/>	<hr/>
Net cash generated from operating activities	166,272	82,040
	<hr/>	<hr/>

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

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RHB INSURANCE BERHAD
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STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(8,790)	(6,927)
Purchase of intangible assets - computer software		(274)	(260)
Proceeds from sale of property, plant and equipment		(24)	35
Net cash used in investing activities		<u>(9,088)</u>	<u>(7,152)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		(175,000)	(50,000)
Principle lease payments		(2,121)	(2,897)
Net cash used in financing activities		<u>(177,121)</u>	<u>(52,897)</u>
Effect on exchange rate changes on cash and cash equivalents		710	545
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(19,227)	22,536
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		<u>119,925</u>	<u>97,389</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	13	<u><u>100,698</u></u>	<u><u>119,925</u></u>

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

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RHB INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 January 2020 are as follows:

- (i) The Conceptual Framework for Financial Reporting (Revised 2018)

The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

RHB INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 January 2020 are as follows (continued):

- (i) The Conceptual Framework for Financial Reporting (Revised 2018) (continued)

Key changes to the Framework are as follows:

- Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship;
- Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and 'substance over form' concept to ensure faithful representation of economic phenomenon;
- Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity;
- Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts;
- Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added;
- Measurement - explanation of factors to consider when selecting a measurement basis have been provided; and
- Presentation and disclosure - clarification that income statements is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to income statements is required if this results in more relevant information or a more faithful representation of income statements.

RHB INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 January 2020 are as follows (continued):

- (i) The Conceptual Framework for Financial Reporting (Revised 2018) (continued)

Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

- (ii) Amendments to MFRS 101 and MFRS 108 'Definition of Material'

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole;
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information;
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

RHB INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 January 2020 are as follows (continued):

- (iii) Amendments to MFRS 3 'Definition of a Business'

The amendments clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. The assets acquired would not represent a business when substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets).

- (iv) Amendments to MFRS 7, MFRS 9 and MFRS 139 'Interest Rate Benchmark Reform'

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate ('IBOR') reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statements of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present.

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

RHB INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(i) Amendments to MFRS 16 'COVID-19 related Rent Concessions' – effective 1 June 2020

The amendments grant an optional exemption for lessees to account for rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

Lessees are not required to restate comparative information or to provide the disclosure under paragraph 28(f) of MFRS 108.

(ii) Amendments to MFRS 3 'Business Combinations': Reference to the Conceptual Framework - effective 1 January 2022

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Annual Improvements to MFRSs 2018 - 2020 - effective 1 January 2022

- Amendments to MFRS 1 'First-time Adoption of MFRS': Subsidiary as First-time Adopter

Cumulative translation differences - a subsidiary that adopts MFRS later than its parent and elects to measure its assets and liabilities based on the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to MFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, may likewise elect to measure cumulative translation differences for all its foreign operations based on the carrying amounts that would be included in the parent's consolidated financial statements in the same manner.

The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

- Amendments to MFRS 9 'Financial Instruments'

When entities restructure their loans with existing lenders, they are required to quantitatively assess the significance of the difference in cash flows based on the old and new contractual terms (commonly known as the MFRS 9 '10% test').

Fees could be paid by the borrower to either third parties or the lender in a debt modification. This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the assessment. Fees paid to third parties (e.g. fee paid to lawyers) are not included in the 10% test.

The amendment need not be applied retrospectively for annual periods beginning on or after 1 January 2022 and is applicable to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to illustrative Example 13 accompanying MFRS 16 'Leases': Lease Incentives

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

The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(iv) Amendments to MFRS 116 'Property, Plant and Equipment': Proceeds before Intended Use - effective 1 January 2022

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment ('PPE') the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds would have met the revenue definition and therefore should be recognised in income statements.

The amendments also clarify that 'testing' in MFRS 116 refers to assessing the technical and physical performance of the PPE rather than its financial performance.

The amendments shall be applied retrospectively to PPE that became available for use on or after the beginning of the earliest period presented in the financial statements when an entity first applies the amendments.

(v) Amendments to MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets': 'Onerous Contracts - Cost of Fulfilling a Contract' - effective 1 January 2022

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

The amendments shall be applied retrospectively.

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

The MFRS 101 classification principle requires an assessment of whether an entity has the substantive right to defer settlement of a liability at the end of the reporting period.

The amendments clarify that when the right to defer settlement is subject to complying with specified conditions, the right only exists at the end of the reporting period if the entity complies with those conditions at that date. The entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

Also, classification is unaffected by the expectations of the entity or events after the reporting date (e.g. waiver obtained or breach of loan covenant).

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2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(vii) Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' - effective 1 January 2022 (continued)

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

These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies those amendments for an earlier period, it should disclose that fact.

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

MFRS 17 'Insurance Contracts' replaces MFRS 4 "Insurance Contracts".

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee 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 from Contracts with Customers'. 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.

MFRS 17 requires a current measurement model where estimates are re-measured 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:

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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.

An entity shall apply MFRS 17 retrospectively unless impracticable, except that an entity:

- is not required to present the quantitative information required by paragraph 28(f) of MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- shall not apply the option in MFRS 17 B115 for periods before the date of initial application of MFRS 17.

If retrospective application is impracticable, an entity shall apply one of the following approaches:

- the modified retrospective approach (to achieve the closest outcome to retrospective application using reasonable and supportable information and choosing from a list of available simplification); or
- the fair value approach

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective above are not expected to give rise to any material financial impact to the Group and the Bank, except for the adoption of MFRS 17, of which the cumulative impact upon adoption will be recognised in the retained earnings as at 1 January 2023, and with enhanced disclosures.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Financial assets

(i) Classification

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

- Those to be measured at fair value (either through other comprehensive income ('OCI'), or through profit or loss; and
- Those to be measured at amortised cost.

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

(a) Business model assessment

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(ii) Recognition and derecognition

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

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

(iii) Measurement

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

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

(a) Debt instruments

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

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

(1) Financial investments at amortised cost

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(iii) Measurement (continued)

(a) Debt instruments (continued)

(2) Financial assets through other comprehensive income ('FVOCI')

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of interest, foreign exchange gains or losses and expected credit losses which are recognised in profit or loss.

When these financial assets are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to income statements and recognised in 'other operating income'. The interest income is recognised in profit or loss using the effective interest rate method. Foreign exchange gains or losses are recognised in 'other operating income' and impairment credit losses are presented separately under 'allowance for credit losses'.

(3) Financial assets at FVTPL

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

(b) Equity instruments

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(iii) Measurement (continued)

(b) Equity instruments (continued)

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

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

(iv) Reclassification policy

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

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

(v) Impairment

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets

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

(a) Computer software licenses

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

(d) Leases - where the Company is the Lessee

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

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

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

(a) Lease term

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Lease term (continued)

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

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

(iii) Lease liabilities

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Lease liabilities (continued)

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

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

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

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

(iv) Reassessment of lease liabilities

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment income

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

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

(f) Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the non-financial assets exceeds its recoverable amount.

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

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

(g) Insurance receivables

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

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) General insurance underwriting results

Product classification

The Company issues contracts that transfer insurance risk.

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

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

Premium income

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) General insurance underwriting results (continued)

Premium liabilities

Premium liabilities refer to the higher of:

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

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

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

Claim liabilities

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

Acquisition costs

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) General insurance underwriting results (continued)

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) General insurance underwriting results (continued)

Insurance contract liabilities

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

These liabilities comprise claims liabilities and premium liabilities.

Outstanding claims 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.

(i) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes

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

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

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

(k) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(m) Cash and cash equivalents

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

(n) Dividends

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

(o) Fair value of financial instruments

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

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

(p) Equity instruments

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

5 PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Furniture, fixtures and fittings, office Equipment</u> RM'000	<u>Assets work in progress</u> RM'000	<u>Total</u> RM'000
<u>2020</u>						
<u>Net book value</u>						
At beginning of financial year	552	271	211	4,794	9,012	14,840
Additions at cost	-	-	283	1,526	6,981	8,790
Disposals	-	-	(164)	-	-	(164)
Reclassifications	-	-	-	6	(4,423)	(4,417)
Depreciation charge	(8)	(7)	(66)	(2,051)	-	(2,132)
At end of financial year	<u>544</u>	<u>264</u>	<u>264</u>	<u>4,275</u>	<u>11,570</u>	<u>16,917</u>
<u>2019</u>						
<u>Net book value</u>						
At beginning of financial year	560	278	302	6,010	15,072	22,222
Additions at cost	-	-	-	1,035	5,892	6,927
Disposals	-	-	-	237	(11,952)	(11,715)
Depreciation charge	(8)	(7)	(91)	(2,488)	-	(2,594)
At end of financial year	<u>552</u>	<u>271</u>	<u>211</u>	<u>4,794</u>	<u>9,012</u>	<u>14,840</u>
<u>2020</u>						
Cost	729	422	775	32,436	11,570	45,932
Accumulated depreciation	(185)	(158)	(511)	(28,161)	-	(29,015)
Net book value	<u>544</u>	<u>264</u>	<u>264</u>	<u>4,275</u>	<u>11,570</u>	<u>16,917</u>
<u>2019</u>						
Cost	729	422	842	30,740	9,012	41,745
Accumulated depreciation	(177)	(151)	(631)	(25,946)	-	(26,905)
Net book value	<u>552</u>	<u>271</u>	<u>211</u>	<u>4,794</u>	<u>9,012</u>	<u>14,840</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

6 RIGHT OF USE ASSETS – PROPERTY OFFICE

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Cost</u>		
At beginning of financial year	7,994	-
Effect of adoption of MFRS 16	-	7,994
Additions	5,356	-
	<hr/>	<hr/>
At end of financial year	<u>13,350</u>	<u>7,994</u>
<u>Accumulated depreciation</u>		
At beginning of financial year	5,130	-
Effect of adoption of MFRS 16	-	5,130
Depreciation for the financial year	2,573	-
	<hr/>	<hr/>
At end of financial year	<u>7,703</u>	<u>5,130</u>
<u>Net book value</u>		
At end of financial year	<u>5,647</u>	<u>2,864</u>

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7 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Cost</u>		
At beginning of financial year	38,021	26,079
Additions	274	260
Reclassification from property, plant and equipment	3,977	11,682
	<hr/>	<hr/>
At end of financial year	<u>42,272</u>	<u>38,021</u>
<u>Accumulated amortisation</u>		
At beginning of financial year	14,459	10,407
Reclassification from property, plant and equipment	(165)	-
Amortisation for the financial year	3,203	4,052
	<hr/>	<hr/>
At end of financial year	<u>17,497</u>	<u>14,459</u>
<u>Net book value</u>		
At end of financial year	<u>24,775</u>	<u>23,562</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

8 INVESTMENTS

	<u>2020</u> RM'000	<u>2019</u> RM'000
Equities securities	-	-
Wholesale unit trust funds	1,022,686	1,024,555
Staff loans	13	16
Fixed and call deposits	17,874	17,424
	<u>1,040,573</u>	<u>1,041,995</u>

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
Fair value through profit or loss	1,022,686	1,024,555
Loans and receivables	17,887	17,440
	<u>1,040,573</u>	<u>1,041,995</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

8 INVESTMENTS (CONTINUED)

	<u>2020</u> RM'000	<u>2019</u> RM'000	
(a) Fair value through profit or loss ("FVTPL") <u>At fair value</u> Unquoted in Malaysia:			
- Wholesale unit trust funds (Note 9)	1,022,686	1,024,555	
	<u>1,022,686</u>	<u>1,024,555</u>	
(b) Loans and receivables ("LAR") <u>At amortised cost</u>			
- Loans	13	16	
- Fixed and call deposits	17,874	17,424	
	<u>17,887</u>	<u>17,440</u>	
(c)			
	Fair value through profit or loss <u>RM'000</u>	Loans and receivables <u>RM'000</u>	<u>Total</u> RM'000
At 1 January 2020	1,024,555	17,440	1,041,995
Purchases	86,199	447	86,646
Disposals	(98,000)	-	(98,000)
Fair value gains recorded in profit or loss	9,932	-	9,932
At 31 December 2020	<u>1,022,686</u>	<u>17,887</u>	<u>1,040,573</u>
At 1 January 2019	892,244	27,933	920,177
Purchases	232,428	-	232,428
Disposals	(111,463)	(10,493)	(121,956)
Fair value gains recorded in profit or loss	11,528	-	11,528
Amortisation charge	(182)	-	(182)
At 31 December 2019	<u>1,024,555</u>	<u>17,440</u>	<u>1,041,995</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

8 INVESTMENTS (CONTINUED)

(d)

	Fair value through profit or loss RM'000	Total RM'000
<u>2020</u>		
Level 2 - Valuation techniques – market observable inputs	1,022,686	1,022,686
	<u>1,022,686</u>	<u>1,022,686</u>
<u>2019</u>		
Level 2 - Valuation techniques – market observable inputs	1,024,555	1,024,555
	<u>1,024,555</u>	<u>1,024,555</u>

(e) Fair value measurements

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

8 INVESTMENTS (CONTINUED)

(f) Fair value measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>2019</u>			
Fair value through profit and loss			
Wholesale unit trust funds	-	1,024,555	1,024,555
	<u>-</u>	<u>1,024,555</u>	<u>1,024,555</u>
	<u>-</u>	<u>1,024,555</u>	<u>1,024,555</u>

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

9 STRUCTURED ENTITIES

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

The Company holds 100% of units in each of its investee fund and has control over these investee funds. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

	<u>2020</u>	<u>2019</u>
Number of wholesale unit trust funds	4	4
Average net asset value per unit of wholesale unit trust funds (RM):		
RHB Income Plus Fund 2	1.0486	1.0404
RHB Cash Management Fund 1	1.0000	1.0000
AmIncome Value	1.0419	1.0221
Affin Hwang Income Fund 1	1.0932	1.0719
Fair value of underlying assets (RM’000):		
Malaysian Government securities	179,862	170,572
Debt securities	703,263	684,050
Call deposits	123,325	170,636
Receivables	16,168	(1,165)
Cash equivalents	68	462
	<u>1,022,686</u>	<u>1,024,555</u>
Total gain	<u>28,096</u>	<u>18,164</u>

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

10 REINSURANCE ASSETS

	<u>2020</u> RM'000	<u>2019</u> RM'000
Claims liabilities (Note 14)	369,960	410,763
Premium liabilities (Note 14)	97,544	99,413
	<u>467,504</u>	<u>510,176</u>

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

11 INSURANCE RECEIVABLES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Due premiums including agents, brokers and co-insurers balances	46,238	50,195
Due from reinsurers and cedants	4,315	8,653
	<u>50,553</u>	<u>58,848</u>
Allowance for impairment	(7,663)	(13,239)
	<u>42,890</u>	<u>45,609</u>

	<u>Gross amounts of recognised financial Assets</u> RM'000	<u>Gross amounts of recognised financial liabilities set off in the statement of financial position</u> (Note 15) RM'000	<u>Net amounts of financial assets presented in the statement of financial position</u> RM'000
<u>2020</u>			
Insurance receivables	46,637	(3,747)	42,890
<u>2019</u>			
Insurance receivables	50,542	(4,933)	45,609

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 2020 (2019: Nil).

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

12 OTHER RECEIVABLES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Other receivables, deposits and prepayments	2,948	5,909
Amount due from Malaysian Motor Insurance Pool ("MMIP")		
- Cash call	16,859	16,859
- Assets held in MMIP	32,469	31,975
Amount due from stock brokers	10	10
Dividend income receivable	622	575
	<u>52,908</u>	<u>55,328</u>

MMIP amount as at 31 December 2020 is a net receivable of RM19,702,000 (2019: net receivable RM15,305,051) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities included in Note 14 to the financial statements.

13 CASH AND CASH EQUIVALENTS

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

14 INSURANCE CONTRACT LIABILITIES

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>2020</u>			
Claims reported	507,337	(289,228)	218,109
Incurred but not reported claims ("IBNR")	279,333	(80,732)	198,601
	<u>786,670</u>	<u>(369,960)</u>	<u>416,710</u>
Claims liabilities (Note (a))	786,670	(369,960)	416,710
Premium liabilities (Note (b))	299,715	(97,544)	202,171
	<u>1,086,385</u>	<u>(467,504)</u>	<u>618,881</u>
<u>2019</u>			
Claims reported	530,956	(318,277)	212,679
Incurred but not reported claims ("IBNR")	259,916	(92,486)	167,430
	<u>790,872</u>	<u>(410,763)</u>	<u>380,109</u>
Claims liabilities (Note (a))	790,872	(410,763)	380,109
Premium liabilities (Note (b))	316,014	(99,413)	216,601
	<u>1,106,886</u>	<u>(510,176)</u>	<u>596,710</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

14 **INSURANCE CONTRACT LIABILITIES (CONTINUED)**

(a) Claims liabilities

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>2020</u>			
At 1 January 2020	790,872	(410,763)	380,109
Claims incurred for current accident year			
- Paid	120,210	(29,068)	91,142
- Case reserves	253,511	(100,093)	153,418
- IBNR	238,761	(62,027)	176,734
Claims incurred for prior accident year			
- Paid	229,603	(122,318)	107,285
- Case reserves	(627,675)	280,528	(347,147)
- IBNR	(218,612)	73,781	(144,831)
At 31 December 2020	<u>786,670</u>	<u>(369,960)</u>	<u>416,710</u>
<u>2019</u>			
At 1 January 2019	751,931	(411,881)	340,050
Claims incurred for current accident year			
- Paid	147,500	(39,980)	107,520
- Case reserves	325,695	(149,023)	176,672
- IBNR	267,202	(86,627)	180,575
Claims incurred for prior accident year			
- Paid	227,313	(102,296)	125,017
- Case reserves	(668,580)	278,855	(389,725)
- IBNR	(260,189)	100,189	(160,000)
At 31 December 2019	<u>790,872</u>	<u>(410,763)</u>	<u>380,109</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

14 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) Premium liabilities

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<u>2020</u>			
At 1 January 2020	316,014	(99,413)	216,601
Premiums written for the financial year (Note 21)	678,706	(209,763)	468,943
Premiums earned during the financial year (Note 21)	(695,005)	211,632	(483,373)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	299,715	(97,544)	202,171
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>2019</u>			
At 1 January 2019	342,183	(99,355)	242,828
Premiums written for the financial year (Note 21)	696,491	(215,788)	480,703
Premiums earned during the financial year (Note 21)	(722,660)	215,730	(506,930)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	316,014	(99,413)	216,601
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15 INSURANCE PAYABLES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Due to agents and intermediaries	5,039	13,105
Due to reinsurers and cedants	4,228	1,763
	<hr/>	<hr/>
	9,267	14,868
	<hr/> <hr/>	<hr/> <hr/>

	<u>Gross amounts of recognised financial liabilities</u> RM'000	<u>Gross amounts of recognised financial assets set off in the statement of financial position</u> (Note 11) RM'000	<u>Net amounts of financial liabilities presented in the statement of financial position</u> RM'000
<u>2020</u>			
Insurance payables	13,014	(3,747)	9,267
	<hr/>	<hr/>	<hr/>
<u>2019</u>			
Insurance payables	19,801	(4,933)	14,868
	<hr/>	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

15 INSURANCE PAYABLES (CONTINUED)

There are no financial liabilities subject to enforceable master netting arrangement or similar agreements and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2020 (2019: Nil).

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

16 OTHER PAYABLES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Other payables	16,449	14,614
Other accrued expenses	24,944	16,458
Provision for staff bonus	8,898	8,921
Provision for advertising and marketing expenses	4,356	7,816
Provision for agents' profit commission	5,165	6,738
Provision for training expenses	5,611	4,080
	<u>65,423</u>	<u>58,627</u>

17 LEASE LIABILITIES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Lease liabilities	<u>6,219</u>	<u>2,888</u>
Scheduled repayment of lease liabilities		
- Within one year	431	2,406
- One year to three years	5,788	482
At end of financial year	<u>6,219</u>	<u>2,888</u>

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18 DEFERRED TAX (LIABILITIES)/ASSETS

	<u>2020</u> RM'000	<u>2019</u> RM'000
At beginning of financial year	(6,164)	(197)
Effect of adoption of MFRS 16	-	22
	<hr/>	<hr/>
At 1 January 2020 (restated)	(6,164)	(175)
Transferred to in profit or loss (Note 27)	(5,382)	(5,989)
	<hr/>	<hr/>
At end of financial year	<u>(11,546)</u>	<u>(6,164)</u>

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

	<u>At beginning of financial year</u> RM'000	<u>Effect of adoption of MFRS 9 & 16</u> RM'000	<u>(Debited)/ credited to profit or loss</u> RM'000	<u>At end of financial year</u> RM'000
<u>2020</u>				
Excess of capital allowances over depreciation	(1,814)	-	(2,367)	(4,181)
Amortisation of premiums/ (accretion of discounts) – net	1	-	-	1
Impairment loss on insurance receivables	(182)	-	(893)	(1,075)
Premium liabilities	189	-	262	451
Fair value changes on FVTPL financial assets	(4,358)	-	(2,384)	(6,742)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>(6,164)</u>	<u>-</u>	<u>(5,382)</u>	<u>(11,546)</u>

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18 DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

	At beginning of financial year	Effect of adoption of MFRS 9 & 16	(Debited)/ credited to profit or loss	At end of financial year
	RM'000	RM'000	RM'000	RM'000
<u>2019</u>				
Excess of capital allowances over depreciation	(1,977)	22	141	(1,814)
Amortisation of premiums/ (accretion of discounts) – net	1	-	-	1
Impairment loss on insurance receivables	3,255	-	(3,437)	(182)
Premium liabilities	271	-	(82)	189
Fair value changes on FVTPL financial assets	(1,688)	-	(2,670)	(4,358)
Impairment loss on FVTPL financial assets	(59)	-	59	-
Total	<u>(197)</u>	<u>22</u>	<u>(5,989)</u>	<u>(6,164)</u>
			<u>2020</u>	<u>2019</u>
			RM'000	RM'000
Reversed within 12 months			(11,661)	(6,164)
Utilised after 12 months			-	-
			<u>(11,661)</u>	<u>(6,164)</u>

19 SHARE CAPITAL

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>
	RM'000	of shares	RM'000	of shares
Ordinary shares:				
Issued and fully paid:				
At beginning and end of financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

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20 RETAINED EARNINGS

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

21 NET EARNED PREMIUMS

	<u>2020</u> RM'000	<u>2019</u> RM'000
(a) Gross earned premiums		
Gross written premiums	678,706	696,491
Change in premium liabilities	16,299	26,169
	<hr/>	<hr/>
Gross earned premiums	695,005	722,660
	<hr/>	<hr/>
(b) Premiums ceded		
Reinsurance	(209,763)	(215,788)
Change in premium liabilities	(1,869)	58
	<hr/>	<hr/>
Premiums ceded	(211,632)	(215,730)
	<hr/>	<hr/>
Net earned premiums	483,373	506,930
	<hr/> <hr/>	<hr/> <hr/>

22 INVESTMENT INCOME

	<u>2020</u> RM'000	<u>2019</u> RM'000
Dividend income from FVTPL investments	46,146	44,264
Interest income from loans and receivables	2,691	4,707
	<hr/>	<hr/>
	48,837	48,971
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

23 REALISED GAINS/(LOSSES)

	<u>2020</u> RM'000	<u>2019</u> RM'000
Disposal of property, plant and equipment	(24)	35
FVTPL investments		
- Equities securities	-	1,876
	<u>(24)</u>	<u>1,911</u>

24 FAIR VALUE GAINS AND LOSSES - NET

	<u>2020</u> RM'000	<u>2019</u> RM'000
Fair value gains/(losses) from FVTPL investments	9,932	11,528

25 MANAGEMENT EXPENSES

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Personnel costs</u>		
Staff salary and bonus	52,875	47,033
Defined contribution plan	8,421	7,665
Other staff benefits	2,148	2,693
	<u>63,444</u>	<u>57,391</u>

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25 **MANAGEMENT EXPENSES (CONTINUED)**

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Establishment costs</u>		
Rental of offices	862	883
Depreciation of property, plant and equipment	2,132	2,594
Depreciation of right of use asset	2,573	2,651
Amortisation of intangible assets – computer software	3,203	4,052
Others	1,344	1,195
	<u>10,114</u>	<u>11,375</u>
<u>Marketing costs</u>		
Electronic printing	8,847	7,779
Advertising and marketing expenses	1,885	5,826
Others	11,701	14,404
	<u>22,433</u>	<u>28,009</u>
<u>Administrative and general expenses</u>		
Auditors' remuneration		
Statutory audit	280	295
Other audit related	21	21
Write back of impairment on insurance receivables	(5,618)	(1,691)
Bad debts written off	896	24
Bad debts recovered	(263)	(11)
Bank charges	3,779	3,560
Other expenses	22,794	17,387
	<u>21,889</u>	<u>19,585</u>
	<u>117,880</u>	<u>116,360</u>

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

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

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26 DIRECTORS' REMUNERATION

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

	Salary and other remuneration, including meeting allowance RM'000	Benefits-in- kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
<u>2020</u>				
<u>Chief Executive Officer/ Managing Director</u> Kong Shu Yin	1,138	7	457	1,602
<u>2019</u>				
<u>Chief Executive Officer/ Managing Director</u> Kong Shu Yin	1,125	7	700	1,832

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26 DIRECTORS' REMUNERATION (CONTINUED)

	<u>Fees</u>	Benefits-in-kind (based on an estimated monetary value)	<u>Others*</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2020</u>				
<u>Non-executive Directors</u>				
Jahanath Muthusamy	156	25	54	235
Wong Pek Yee	135		58	193
Shaifubahrim Mohd Saleh	135		56	191
Donald Joshua Jaganathan	34		17	51
Tan Sri Saw Choo Boon	69	13	26	108
Datuk Seri Dr Govindan Kunchambo	56		25	81
	<u>585</u>	<u>38</u>	<u>236</u>	<u>859</u>
<u>2019</u>				
<u>Non-executive Directors</u>				
Tan Sri Saw Choo Boon	170	31	65	266
Jahanath Muthusamy	135	-	65	200
Wong Pek Yee	135	-	36	171
Shaifubahrim Mohd Saleh	102	-	37	139
Abdul Aziz Peru Mohamed	40	-	6	46
	<u>582</u>	<u>31</u>	<u>209</u>	<u>822</u>

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

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27 TAXATION

	<u>2020</u> RM'000	<u>2019</u> RM'000
Malaysian taxation:		
Current taxation	24,055	27,677
Deferred taxation (Note 18)	5,382	5,989
	<u>29,437</u>	<u>33,666</u>
<u>Current taxation</u>		
Current financial year	26,436	22,291
(Over)/Under provision in respect of prior financial years	(2,381)	5,386
	<u>24,055</u>	<u>27,677</u>
<u>Deferred taxation</u>		
Origination and reversal of temporary differences	5,382	5,989
	<u>29,437</u>	<u>33,666</u>

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
Profit before taxation	150,601	141,668
Tax calculated at a tax rate of 24%	36,144	34,000
Expenses not deductible for tax purposes	7,147	4,953
Income exempted for tax purposes	(11,473)	(10,673)
Under/(over) provision in respect of prior financial years	(2,381)	5,386
Tax expense	<u>29,437</u>	<u>33,666</u>

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28 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the net profit for the financial year amounting to RM121,163,994 (2019: RM108,002,335) divided by the number of ordinary shares in issue of 100,000,000 (2019: 100,000,000) during the financial year.

29 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2020 are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Net dividend per share</u>	<u>Amount of dividend net of tax</u>	<u>Net dividend per share</u>	<u>Amount of dividend net of tax</u>
	Sen	RM'000	Sen	RM'000
Interim dividend	25.00	25,000	150.00	150,000

The Directors declared a single-tier interim dividend of 25% amounting to RM25,000,000 in respect of the financial year ended 31 December 2020. The interim dividends were approved by the Board of Directors on 27 July 2020.

30 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

30 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

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

		<u>2020</u>	<u>2019</u>
		RM'000	RM'000
<u>Related party transactions</u>	<u>Nature of transaction</u>		
With subsidiaries of immediate and ultimate holding company	Interest income	2,358	3,536
	Insurance premium earned	14,961	13,990
	Commission paid and payable	(21,438)	(21,151)
	Rental expense	(369)	(369)
With key management personnel	Insurance premium	138	203
	Claims incurred	14	120
<u>Related party balances</u>	<u>Types of balances</u>		
With subsidiaries of immediate and ultimate holding company	Bank balances	24,608	24,957
	Fixed and call deposits	91,378	112,138
	Insurance premium	1,815	78
		<u>24,608</u>	<u>24,957</u>
<u>Key management personnel</u>			
The remuneration of key management personnel is as follows:			
Short-term employee benefits			
- Salary and other remuneration		1,431	1,606
- Contribution to EPF		164	218
- Benefits in kind		7	7
		<u>1,602</u>	<u>1,831</u>

31 CAPITAL COMMITMENTS

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Authorised and contracted for	1,921	3,023
	<u>1,921</u>	<u>3,023</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK

(a) Risk Management framework

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

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

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

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

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

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

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

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

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

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

RHB INSURANCE BERHAD
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)****32 RISK MANAGEMENT FRAMEWORK (CONTINUED)****(a) Risk Management Framework (continued)**

2. **Clear Understanding of Risk Management Ownership**
Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Company. The respective departments are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function.
3. **Institutionalisation of a Risk-focused Organisation**
In addition to risk ownership, a risk-focused culture is promoted throughout the Company through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Company.
4. **Alignment of Risk Management to Business Strategies**
The Enterprise Risk Management Framework serves to align the Company's business strategy to risk strategy, and vice-versa. This is articulated through the risk appetite setting and the Company's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite is set by the Board and reported through various metrics that enable the Company to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Company and the Group are prepared to accept in delivering its strategy.
5. **Optimisation of Risk-adjusted Return**
One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Company. By linking risk to capital, the risk-adjusted return measure contributes to the creation of shareholder value by facilitating the allocation of capital to the businesses.

(b) Capital Management Plan

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital Management Plan (continued)

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

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

33 INSURANCE RISK

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

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

(a) Key assumptions

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

33 INSURANCE RISK (CONTINUED)

(b) Sensitivity analysis

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

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	<u>Change in assumptions</u>	<u>Impact on gross liabilities</u> RM'000	<u>Impact on net liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity</u> RM'000
<u>2020</u>					
Average claim cost	+10%	76,169	39,116	(39,116)	(29,728)
Average number of claims	+10%	57,102	34,136	(34,136)	(25,943)
Average claim settlement period	Increased by 6 months	11,641	6,347	(6,347)	(4,824)
<u>2019</u>					
Average claim cost	+10%	95,930	35,030	(35,030)	(26,623)
Average number of claims	+10%	76,829	32,833	(32,833)	(24,953)
Average claim settlement period	Increased by 6 months	15,571	6,428	(6,428)	(4,885)

(c) Claims development table

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

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

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33 INSURANCE RISK (CONTINUED)

(c) Claims development table (continued)

Gross insurance claims liabilities for 2020:

	<u>Before</u> <u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		363,486	376,174	398,549	471,308	532,463	527,252	424,635	
One year later		339,386	363,477	378,131	439,866	462,905	485,228		
Two years later		315,647	343,381	360,880	426,292	440,163			
Three years later		316,206	332,779	343,541	417,873				
Four years later		314,269	327,385	340,806					
Five years later		311,125	327,241						
Six years later		311,078							
Seven years later									
Current estimate of cumulative claims incurred		311,078	327,241	340,806	417,873	440,163	485,228	424,635	
At end of accident year		(91,529)	(98,970)	(108,495)	(155,795)	(185,153)	(147,497)	(120,208)	
One year later		(222,518)	(235,621)	(209,175)	(283,938)	(317,115)	(276,206)		
Two years later		(262,001)	(269,854)	(251,432)	(323,412)	(358,800)			
Three years later		(274,897)	(279,804)	(290,675)	(368,529)				
Four years later		(282,166)	(284,136)	(296,912)					
Five years later		(283,811)	(285,924)						
Six years later		(285,023)							
Seven years later									
Cumulative payments to-date		(285,023)	(285,92)	(296,912)	(368,529)	(358,800)	(276,206)	(120,208)	
Net insurance claims liabilities per Statement of Financial Position (note13(a))		31,250	26,055	41,317	43,893	49,344	81,363	209,022	786,670

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

33 INSURANCE RISK (CONTINUED)

(c) Claims development table (continued)

Net insurance claims liabilities for 2020:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Accident year	RM'000								
At end of accident year		197,440	212,416	231,669	256,432	329,794	304,953	281,975	
One year later		177,134	196,319	212,650	244,429	301,115	275,600		
Two years later		162,941	187,021	204,236	243,951	288,822			
Three years later		161,521	181,112	202,471	241,046				
Four years later		159,639	180,967	201,607					
Five years later		159,079	180,703						
Six years later		158,004							
Seven years later									
Current estimate of cumulative claims incurred		158,004	180,703	201,607	241,046	288,822	275,600	281,975	
At end of accident year		(65,922)	(73,052)	(80,129)	(105,430)	(141,728)	(107,518)	(91,141)	
One year later		(124,363)	(139,947)	(142,961)	(188,866)	(223,324)	(177,151)		
Two years later		(142,454)	(160,294)	(172,886)	(210,207)	(243,648)			
Three years later		(149,563)	(167,922)	(181,961)	(218,039)				
Four years later		(152,204)	(170,993)	(185,287)					
Five years later		(153,309)	(172,230)						
Six years later		(154,140)							
Seven years later									
Cumulative payments to-date		(154,140)	(172,230)	(185,287)	(218,039)	(243,648)	(177,151)	(91,141)	
Net insurance claims liabilities per Statement of Financial Position (note13(a))	30,587	3,864	8,473	16,320	23,008	45,174	98,449	190,834	416,710

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

33 INSURANCE RISK (CONTINUED)

(d) Claims development table (continued)

Gross insurance claims liabilities for 2019:

	Before <u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		303,820	363,486	376,174	398,549	471,308	532,463	527,252	
One year later		276,429	339,386	363,477	378,131	439,866	462,905		
Two years later		257,101	315,647	343,381	360,880	426,292			
Three years later		249,518	316,206	332,779	343,541				
Four years later		243,231	314,269	327,385					
Five years later		229,381	311,125						
Six years later		225,388							
Seven years later									
Current estimate of cumulative claims incurred		225,388	311,125	327,385	343,541	426,292	462,905	527,252	
At end of accident year		(75,616)	(91,529)	(98,970)	(108,495)	(155,795)	(185,153)	(147,497)	
One year later		(166,887)	(222,518)	(235,621)	(209,175)	(283,938)	(317,115)		
Two years later		(190,071)	(262,001)	(269,854)	(251,432)	(323,412)			
Three years later		(204,158)	(274,897)	(279,804)	(290,675)				
Four years later		(206,696)	(282,166)	(284,136)					
Five years later		(218,895)	(283,811)						
Six years later		(221,494)							
Seven years later									
Cumulative payments to-date		(221,494)	(283,811)	(284,136)	(290,675)	(323,412)	(317,115)	(147,497)	
Net insurance claims liabilities per Statement of Financial Position (note13(a))	35,124	3,894	27,314	43,249	52,866	102,880	145,790	379,755	790,872

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33 INSURANCE RISK (CONTINUED)

(d) Claims development table (continued)

Net insurance claims liabilities for 2019:

	Before <u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year		173,678	197,440	212,416	231,669	256,432	329,794	304,953	
One year later		157,247	177,134	196,319	212,650	244,429	301,115		
Two years later		146,257	162,941	187,021	204,236	243,951			
Three years later		141,546	161,521	181,112	202,471				
Four years later		140,230	159,639	180,967					
Five years later		140,309	159,079						
Six years later		139,123							
Seven years later									
Current estimate of cumulative claims incurred		139,123	159,079	180,967	202,471	243,951	301,115	304,953	
At end of accident year		(55,721)	(65,922)	(73,052)	(80,129)	(105,430)	(141,728)	(107,518)	
One year later		(112,324)	(124,363)	(139,947)	(142,961)	(188,866)	(223,324)		
Two years later		(127,485)	(142,454)	(160,294)	(172,886)	(210,207)			
Three years later		(132,340)	(149,563)	(167,922)	(181,961)				
Four years later		(134,804)	(152,204)	(170,993)					
Five years later		(136,135)	(153,309)						
Six years later		(137,678)							
Seven years later									
Cumulative payments to-date		(137,678)	(153,309)	(170,993)	(181,961)	(210,207)	(223,324)	(107,518)	
Net insurance claims liabilities per Statement of Financial Position (note13(a))	33,440	1,445	5,770	9,974	20,510	33,744	77,791	197,435	380,109

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 **FINANCIAL RISKS**

(a) **Credit risk**

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

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

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

Credit exposure

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

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Loans and receivables		
Staff loans	13	16
Fixed and call deposits	17,874	17,424
Reinsurance assets - claims liabilities	369,960	410,763
Insurance receivables	42,890	45,609
Other receivables*	52,662	54,537
Cash and cash equivalents**	100,691	119,818
	<u>584,090</u>	<u>648,167</u>

* excluding prepayments amounting to RM245,011 (2019: RM790,475) which is not subject to credit risk

** excluding petty cash amounting to RM7,300 (2019: RM7,300) which is not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 **FINANCIAL RISKS (CONTINUED)**

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

Credit exposure by credit rating

	<u>Neither past-due nor impaired</u>			<u>Not past-</u>	<u>Past-</u>	<u>Total</u>
	<u>Rated:</u> <u>satis-</u> <u>factory</u> RM'000	<u>Rated:</u> <u>unsatis-</u> <u>factory</u> RM'000	<u>Not</u> <u>rated</u> RM'000	<u>due but</u> <u>impaired</u> RM'000	<u>due and</u> <u>impaired</u> RM'000	
<u>2020</u>						
Loans and receivables						
Staff loans	-	-	13	-	-	13
Fixed and call deposits	17,874	-	-	-	-	17,874
Reinsurance assets -						
claims liabilities	240,001	4,895	125,064	-	-	369,960
Insurance receivables	-	-	5	41,663	8,885	50,553
Allowance for impairment	-	-	-	(1,142)	(6,521)	(7,663)
Other receivables*	-	-	52,662	-	-	52,662
Cash and cash	100,691	-	-	-	-	100,691
	<u>358,566</u>	<u>4,895</u>	<u>177,744</u>	<u>40,521</u>	<u>2,364</u>	<u>584,090</u>
<u>2019</u>						
Loans and receivables						
Staff loans	-	-	16	-	-	16
Fixed and call deposits	17,424	-	-	-	-	17,424
Reinsurance assets - claims						
liabilities	280,449	-	130,314	-	-	410,763
Insurance receivables	-	-	5	45,569	13,274	58,848
Allowance for impairment	-	-	-	(1,423)	(11,816)	(13,239)
Other receivables*	-	-	54,537	-	-	54,537
Cash and cash equivalents**	119,818	-	-	-	-	119,818
	<u>417,691</u>	<u>-</u>	<u>184,872</u>	<u>44,146</u>	<u>1,458</u>	<u>648,167</u>

* excluding prepayments amounting to RM245,011 (2019: RM790,475) which is not subject to credit risk

** excluding petty cash amounting to RM7,300 (2019: RM7,300) which is not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure by credit rating (continued)

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

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2020</u>						
Loans and receivables						
Staff loans	-	-	-	-	13	13
Fixed and call deposits	-	17,874	-	-	-	17,874
Reinsurance assets - claims liabilities	-	-	240,001	4,895	125,064	369,960
Insurance receivables	-	-	-	-	42,890	42,890
Other receivables*	-	-	-	-	52,662	52,662
Cash and cash equivalents**	3,554	97,137	-	-	-	100,691
	<u>3,554</u>	<u>115,011</u>	<u>240,001</u>	<u>4,895</u>	<u>220,629</u>	<u>584,090</u>
<u>2019</u>						
Loans and receivables						
Staff loans	-	-	-	-	16	16
Fixed and call deposits	-	17,424	-	-	-	17,424
Reinsurance assets - claims liabilities	-	-	280,449	-	130,314	410,763
Insurance receivables	-	-	-	-	45,609	45,609
Other receivables*	-	-	-	-	54,537	54,537
Cash and cash equivalents**	1,160	118,658	-	-	-	119,818
	<u>1,160</u>	<u>136,082</u>	<u>280,449</u>	<u>-</u>	<u>230,476</u>	<u>648,167</u>

* excluding prepayments amounting to RM245,011 (2019: RM790,475) which is not subject to credit risk

** excluding petty cash amounting to RM7,300 (2019: RM7,300) which is not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 **FINANCIAL RISKS (CONTINUED)**

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

Age analysis of financial assets impaired

	<u>1 month</u> RM'000	<u>1 to 3</u> <u>months</u> RM'000	<u>More than</u> <u>3 months</u> RM'000	<u>Total</u> RM'000
<u>2020</u>				
Insurance receivables	27,948	12,572	2,370	42,890
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2019</u>				
Insurance receivables	32,189	11,958	1,462	45,609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Impaired financial assets

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

As at 31 December 2020, the Company has provided an allowance for credit losses on a collective basis of RM7,663,289 (2019: RM13,281,109). No collateral is held as security for impaired assets. The Company records impairment allowance for loans and receivables and insurance receivables in separate "allowance for impairment" accounts. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
At 1 January	13,281	14,972
	<u> </u>	<u> </u>
At 1 January (restated)	13,281	14,972
(Write-back)/allowance made	(6,251)	(1,704)
Recovered	(263)	(11)
Write off	896	24
	<u> </u>	<u> </u>
At 31 December	7,663	13,281
	<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

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

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

The Company also sets minimum 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 **FINANCIAL RISKS (CONTINUED)**

(b) Liquidity risk (continued)

Maturity profiles (continued)

2020

	<u>Carrying Value</u> RM'000	<u>1 year or less</u> RM'000	<u>1 to 3 years</u> RM'000	<u>3 to 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Loans and receivables						
- Staff loans	13	13	-	-	-	13
- Fixed and call deposits	17,874	17,874	-	-	-	17,874
Reinsurance assets – claims liabilities	369,960	59,571	206,040	96,260	8,089	369,960
Insurance receivables	42,890	42,890	-	-	-	42,890
Other receivables*	52,662	52,662	-	-	-	52,662
Cash and cash equivalents**	100,691	100,691	-	-	-	100,691
Total financial assets	584,090	273,701	206,040	96,260	8,089	584,090
Insurance contract liabilities						
- claims liabilities	786,670	193,165	432,037	142,653	18,815	786,670
Insurance payables	9,267	9,267	-	-	-	9,267
Other payables	65,423	65,423	-	-	-	65,423
Total financial liabilities	861,360	267,855	432,037	142,653	18,815	861,360

* excluding prepayments amounting to RM245,011 (2019: RM790,475) which is not subject to credit risk

** excluding petty cash amounting to RM7,300 (2019: RM7,300) which is not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

2019

	<u>Carrying Value</u> RM'000	<u>1 year or less</u> RM'000	<u>1 to 3 years</u> RM'000	<u>3 to 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Loans and receivables						
- Staff loans	16	16	-	-	-	16
- Fixed and call deposits	17,424	17,424	-	-	-	17,424
Reinsurance assets – claims liabilities	410,763	92,717	212,539	96,018	9,489	410,763
Insurance receivables	45,609	45,609	-	-	-	45,609
Other receivables*	54,537	54,537	-	-	-	54,537
Cash and cash equivalents**	119,818	119,818	-	-	-	119,818
Total financial assets	648,167	330,121	212,539	96,018	9,489	648,167
Insurance contract liabilities						
- claims liabilities	790,872	224,351	409,686	136,916	19,919	790,872
Insurance payables	14,868	14,868	-	-	-	14,868
Other payables	58,627	58,627	-	-	-	58,627
Total financial liabilities	864,367	297,846	409,686	136,916	19,919	864,367

* excluding prepayments amounting to RM790,475 (2019: RM452,089) which is not subject to credit risk

** excluding petty cash amounting to RM7,300 (2019: RM7,300) which is not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (CONTINUED)

34 **FINANCIAL RISKS (CONTINUED)**

(c) **Market risk**

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

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

Foreign exchange risk

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

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

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

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

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

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34 **FINANCIAL RISKS (CONTINUED)**

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

Interest rate risk

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

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

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

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (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.

	<u>Change in variables</u>	<u>2020</u> <u>Impact on equity*</u> RM'000	<u>2019</u> <u>Impact on equity*</u> RM'000
Interest rate	+100 basis points	(38,992)	(36,385)
Interest rate	-100 basis points	41,614	38,634

* impact on equity reflects adjustments for tax, where applicable.

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

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34 FINANCIAL RISKS (CONTINUED)

(d) Operational risk

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

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

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

35 REGULATORY CAPITAL REQUIREMENTS

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

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Eligible Tier 1 Capital</u>			
Share capital (paid-up)	17	100,000	100,000
Retained earnings		477,756	531,592
		<u>577,756</u>	<u>631,592</u>
Amount deducted from Capital		-	-
Total Capital Available		<u>577,756</u>	<u>631,592</u>

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

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

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

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

The Company's share of the financial penalty imposed by MyCC amounts to RM4,180,021. The MyCC also imposed certain behavioural remedies upon the Company and the other insurers. The Company has obtained external legal advice and was advised by its legal counsel that there is no basis nor justification for MyCC's decision and findings and that the Company should challenge the same. The Company has instructed its Legal counsel to challenge MyCC's decision and thus far this includes, amongst others, the lodgement of an appeal to the Competition Appeal Tribunal and the application for a stay of MyCC's decision in appropriate terms. The appeal and stay application have not yet been heard by the Tribunal.

Without any admission of liability, the Company has made a provision of the financial penalty in the financial statements as at 31 December 2020 due to the uncertainty on the outcome and duration of the tribunal process and whether a stay order will be granted before the payment deadline of March 2021.

37 APPROVAL OF FINANCIAL STATEMENTS

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

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(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016, we, Jahanath Muthusamy 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 6 to 77 are drawn up so as to show a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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



JAHANATH MUTHUSAMY
CHAIRMAN



KONG SHU YIN
MANAGING DIRECTOR

Kuala Lumpur

24 FEB 2021

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016, I, Chong Sook Yin, being the Officer primarily responsible for the financial management of RHB Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 77 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 24 FEB 2021

Before me,



CHONG SOOK YIN

COMMISSIONER FOR OATHS



Kuala Lumpur

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur
Tel: 019-6600742



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of RHB Insurance Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2020, 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 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 77.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors’ report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors’ Report, but does not include the financial statements of the Company and our auditors’ report thereon.

*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB INSURANCE BERHAD (CONTINUED)**
(Incorporated in Malaysia)
(Company No. 197801000983 (38000 U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

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

A handwritten signature in black ink, appearing to be 'PricewaterhouseCoopers' with a stylized flourish at the end.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Srividharan Nair' with a stylized flourish at the end.

SRIDHARAN NAIR
02656/05/2022 J
Chartered Accountant

Kuala Lumpur
24 February 2021