ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2021

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of general insurance business.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	RM'000
Net profit for the financial year	124,974

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2020 was as follows:

	RM'000
In respect of financial year ended 31 December 2020, final dividends of:	
- 28.28 sen per share, single-tier tax exempt dividend on 212,151,399 ordinary shares	59,996

The final dividend was declared on 7 April 2021 and paid on 4 August 2021.

MAYBANK GROUP EMPLOYEES' SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE GRANT PLAN ("CESGP")

Maybank Group ESGP is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017. It was awarded to the participating Maybank Group employees who fullfil the eligibilty criteria. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee. The ESGP consists of two (2) types of performance-based awards namely as Employees' Share Grant Plan ("ESGP Share") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

MAYBANK GROUP EMPLOYEES' SHARE GRANT PLAN ("ESGP") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE GRANT PLAN ("CESGP") (CONTD.)

The ESGP Shares are a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Plan ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and as such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

The maximum number of ordinary shares in Maybank available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Mohd Najib Bin Abdullah (Chairman)
Mr. Frank Johan Gerard Van Kempen (Vice Chairman)
Mr. Koh Heng Kong
Datuk Normala Binti Abdul Manaf
Cik Serina Binti Abdul Samad
Ms. Daniela Adaggi
Encik Mohamad Shukor Bin Ibrahim

Pursuant to Article 101 of the Company’s Constitution, the Directors appointed under the provisions of the Constitution shall not be subject to retirement by rotation under Section 205 of the Companies Act, 2016.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the Maybank Group ESGP.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Notes 30 and 38 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INDEMNITY

The Maybank Group maintains on a group basis, a Directors' and Officers' Liability Insurance ("D&O") against any legal liability incurred by the Directors in the discharge of their duties while holding office for the Company. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Premium paid for D&O policy

Coverage	Premium paid
Limit of Liability - Group Policy	**2021 Gross Premium (RM'000)**
RM 250 Million	1,049

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 59 of the Companies Act, 2016, the interests of directors in office at the end of the financial year in shares and ESGP of the Ultimate Holding Company, Maybank, during the financial year were as follows:

	Number of Ordinary Shares		
	As at 1 January 2021	**Acquired / (Disposed) 2021**	**As at 31 December 2021**
Ultimate Holding Company			
Direct interest:			
Datuk Normala Binti Abdul Manaf	198	2,000	2,198

The Ultimate Holding Company has awarded the following ESGP shares to the following Director:

	Award date	**Number of ESGP shares awarded**	**Vesting year**
Datuk Normala Binti Abdul Manaf	14 December 2018	104,000	2021
	30 September 2019	104,000	2022
	30 September 2020	104,000	2023
	30 September 2021	104,000	2024
		416,000	

The ESGP shares will be vested on the ESGP vesting date provided that all the ESGP vesting conditions are met.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted Management practices that are consistent with the principles prescribed under Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance as disclosed from pages 7 to 23.

FINANCIAL HOLDING COMPANY

The financial holding company is Maybank Ageas Holdings Berhad ("MAHB").

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The Directors regard MAHB, a company incorporated in Malaysia, as the Company's immediate holding company and Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Maybank, companies incorporated in Malaysia, as the penultimate and ultimate holding companies.

OTHER STATUTORY INFORMATION

(a) Before the Statement of Financial Position and Income Statement of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts;

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise; and

   (iii) to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the prescribed valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Company misleading.

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

(d) 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.

OTHER STATUTORY INFORMATION (CONTD.)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i) above, contingent liabilities or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

SIGNIFICANT EVENTS

There were no significant events which have occurred during the financial year other than as disclosed in Note 47 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year that would require adjustment or disclosure in the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remunerations are as disclosed in Note 29 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 February 2022.

DATUK MOHD NAJIB BIN ABDULLAH

KOH HENG KONG

CORPORATE GOVERNANCE DISCLOSURES

(1) INTRODUCTION

The Board of Directors (“the Board”) of Etiqa General Insurance Berhad (“the Company”), a wholly-owned subsidiary of Maybank Ageas Holdings Berhad ("MAHB"), the immediate holding company [collectively referred to as (“the Group”)] acknowledges the importance of robust and sound Corporate Governance (“CG”) Framework in promoting integrity and transparency throughout the Group. Amidst an increasing challenging operating environment, the Board continuously strives to refine the Company’s CG practices and processes in ensuring high standards of transparency, integrity and honesty.

The Company’s CG Framework is premised upon the following statutory provisions, best practices and guidelines:-

(i) Companies Act, 2016; and
(ii) Policy on CG issued by Bank Negara Malaysia on 3 August 2016 ("BNM CG Policy").

Disclosures in this section are pursuant to Paragraph 22 of the BNM CG Policy.

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT

(a) Board Composition

As at 31 December 2021, the Board consists of seven (7) Directors, comprising of:-

(i) one (1) Executive Director ("ED");
(ii) two (2) Non-Independent Non-Executive Directors ("NINED"); and
(iii) four (4) Independent Non-Executive Directors (“INED”).

The composition of the Board meets the requirement of having a majority of independent directors and common directors remain in the minority as set out in the BNM CG Policy. Datuk Mohd Najib Bin Abdullah, an INED, is the Chairman of the Board, while Datuk Normala Binti Abdul Manaf is the only ED on the Board and the two (2) NINEDs are nominees of Ageas Insurance International N.V. (“Ageas”), a shareholder of MAHB.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations and the Company embraces the proposition that having a diverse Board would have a positive, value-added impact on the Company. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

The Board meets on bi-monthly basis, and the meeting dates are scheduled well in advance (before the commencement of each financial year) to enable the Directors to plan ahead. When required, the Board will meet on ad hoc basis to consider urgent matters. All Directors attended more than 75% of Board meeting held during the financial year.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(a) Board Composition (contd.)

The composition of the Board and the attendance of the Directors at meetings during the financial year are as follows:

Members of the Board	Designation	Number of Board Meetings attended	%
Datuk Mohd Najib Bin Abdullah *(Chairman)*	INED	12/12	100
Mr. Frank Johan Gerard Van Kempen *(Vice Chairman)*	NINED	12/12	100
Datuk Normala Binti Abdul Manaf	ED	12/12	100
Mr. Koh Heng Kong	INED	12/12	100
Cik Serina Binti Abdul Samad	INED	12/12	100
Ms. Daniela Adaggi	NINED	12/12	100
Encik Mohamad Shukor Bin Ibrahim	INED	12/12	100

Profile of Directors

Name/Designation/Age/Nationality	Background/ Experience	Other directorships within the Group
Datuk Mohd Najib Bin Abdullah Independent Non-Executive Director Chairman 61 years of age Malaysian	Banking & Insurance	• Director of Maybank Ageas Holdings Berhad • Chairman of Etiqa Life Insurance Berhad
Mr. Frank Johan Gerard Van Kempen Non-Independent Non-Executive Director 54 years of age Dutch	Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa Insurance Pte Ltd *(Incorporated in Singapore)* • Director of Etiqa Offshore International (L) Ltd *(Incorporated in F.T. Labuan)*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(a) Board Composition (contd.)

Profile of Directors (contd.)

Name/Designation/Age/Nationality	Background/ Experience	Other directorships within the Group
Datuk Normala Binti Abdul Manaf Executive Director 57 years of age Malaysian	Corporate Management	NIL
Mr. Koh Heng Kong Independent Non-Executive Director 69 years of age Malaysian	Insurance	• Director of Etiqa General Takaful Berhad
Cik Serina Binti Abdul Samad Independent Non-Executive Director 52 years of age Malaysian	Legal Practice	NIL
Ms. Daniela Adaggi Non-Independent Non-Executive Director 41 years of age Italian	Human Resources	NIL
Encik Mohamad Shukor Bin Ibrahim Independent Non-Executive Director 57 years of age Malaysian	Sales & Marketing	NIL

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(a) Board Composition (contd.)

Profile of Directors (contd.)

Detailed profile of each Director is available on the Group's corporate website (www.etiqa.com.my). Directors' interests in shares and share options in the ultimate holding company, Malayan Banking Berhad ("Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2021 ("FYE 2021").

(b) Roles and Responsibilities of the Board

The business and affairs of the Company are managed under the direction and oversight of the Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of the Company. The Board also sets the core values, adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations.

The roles and responsibilities of the Board are set out in the Company's Board Charter and its Term of Reference which are available on the Group's corporate website (www.etiqa.com.my).

(c) Board Committees Composition and Roles & Responsibilities

The Company leverages on the Group Board Committees at MAHB, which MAHB Board had established to assist the Board in carrying out effective oversight of the operations and business affairs of the Company, namely:

(i) Nomination and Remuneration Committee;
(ii) Audit Committee of the Board;
(iii) Risk Management Committee; and
(iv) Investment Committee.

(i) Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") consists of a majority of INEDs and chaired by an INED.

The primary objectives of the NRC are to establish a documented, formal and transparent procedure for the nomination and appointment of new directors, Chief Executive Officer ("CEO"), Shariah Committee members, senior management and Company Secretary.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(i) Nomination and Remuneration Committee (contd.)

The Board via the NRC assesses the independence of INEDs prior to their appointments and re-appointments as part of the annual Fit and Proper Assessment exercise. Pursuant to the recommendation of the NRC based on the assessment undertaken for the financial year, the Board is satisfied that all the INEDs of the Board have met the independence criteria set out under the BNM CG Policy as well as Maybank's Directors' Independence Policy adopted by the Group. NRC engaged a consultant firm to conduct the annual Board Effectiveness Evaluation on the overall effectiveness of the Board and individual Directors.

NRC plays a major role in the recruitment and selection process of potential candidates, which includes procuring from time to time the curriculum vitae of prospective candidates discreetly to ensure that the Board will always have a steady pool of talent whenever there is a need to appoint new directors, not only to ensure continuity in meeting its long term goals but also to ensure that the knowledge, experience and skillset of the Board members would be well suited to meet the demands of the ever-changing landscape of the insurance industry.

In addition, the NRC is also responsible to provide a formal and transparent procedure in developing remuneration policies for directors, CEO and senior management and ensuring compensation is competitive and consistent with the Group's culture, objectives and strategy but most importantly, the industry standards.

The roles and responsibilities of the NRC are set out in its Terms of Reference which is available on the Group's corporate website (www.etiqa.com.my).

The composition of the NRC and the attendance of its members at meetings during the financial year are as follows:

Members of the NRC	Designation	Number of NRC Meetings attended	%
Dato' Johan Bin Ariffin	INED[1]	10/10	100
Datuk Mohd Najib Bin Abdullah	INED	10/10	100
Dato' Majid Bin Mohamad	INED[2]	10/10	100
Ms. Daniela Adaggi	NINED[3]	10/10	100
Mr. Gary Lee Crist	NINED[4]	N/A	N/A

[1] INED of MAHB and Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

[2] INED of MAHB, Chairman of Etiqa Family Takaful Berhad, Etiqa General Takaful Berhad, Etiqa Life International (L) Ltd (incorporated in F.T Labuan) and Etiqa Offshore Insurance Ltd (incorporated in F.T Labuan), wholly-owned subsidiaries of MAHB.

[3] Appointed as a member of the NRC w.e.f 1 January 2021.

[4] Ceased as a member of the NRC w.e.f. 1 January 2021. NINED of MAHB.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(ii) Audit Committee of the Board

The Audit Committee of the Board ("ACB") consists of a majority of INEDs and chaired by an INED.

The ACB supports the Board in ensuring reliable and transparent financial reporting, oversees the effectiveness of the internal audit functions, review related-party transactions and conflicts of interest situations, assess the suitability, objectivity and independence of the Group's appointed external auditors and independently assess the integrity of organisational wide management practices through the review of audit findings raised by the internal auditors, external auditors and/or regulators, ensuring that corrective actions, where necessary, are taken in a timely manner to ensure the Group's operations run in an effective and efficient manner as well as to safeguard the Group's assets and stakeholders' interests.

The roles and responsibilities of the ACB are set out in its Terms of Reference which is available on the Group's corporate website (www.etiqa.com.my).

The composition of the ACB and the attendance of its members at meetings during the financial year are as follows:

Members of the ACB	Designation	Number of ACB Meetings attended	%
Mr. Loh Lee Soon *(Chairman)*	INED[1]	7/7	100
Mr. Gary Lee Crist	NINED[2]	7/7	100
Mr. Koh Heng Kong	INED	7/7	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[3]	4/4	100
Cik Serina Binti Abdul Samad	INED[4]	7/7	100
Assoc. Prof. Dr. Azman Bin Mohd Noor	INED[5]	3/3	100
Puan Norazilla Binti Mohd Tahir	INED[6]	3/3	100

[1] Ceased as Chairman of the ACB and INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB w.e.f. 1 January 2022.

[2] NINED of MAHB.

[3] Ceased as a member of the ACB w.e.f 17 June 2021. INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

[4] Appointed as a member of the ACB w.e.f 1 January 2021.

[5] Appointed as a member of the ACB w.e.f 17 June 2021. INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

[6] Appointed as a member of the ACB w.e.f 17 June 2021 and redesignated as Chairman of ACB w.e.f. 1 January 2022. INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary of MAHB.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(iii) Risk Management Committee

The Risk Management Committee ("RMC") consists of a majority of INEDs and chaired by an INED.

The RMC assists the Board in ensuring that the risk exposures and outcomes affecting the Group are effectively managed and addressed by the Board. More specifically, the RMC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group under the key risk categories of financial, insurance, operational and enterprise risks.

The roles and responsibilities of the RMC are set out in its Terms of Reference which is available on the Group's corporate website (www.etiqa.com.my).

The composition of the RMC and the attendance of its members at meetings during the financial year are as follows:

Members of the RMC	Designation	Number of RMC Meetings attended	%
Mr. Koh Heng Kong *(Chairman)*	INED	7/7	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[1]	7/7	100
Mr. Antonio Cano	NINED[2]	6/7	86
Encik Mohd Din Bin Merican	INED[3]	6/6	100
Encik Mohamad Shukor Bin Ibrahim	INED	4/4	100
Prof. Dr. Rusni Binti Hassan	INED[4]	4/4	100
Mr. Gary Lee Crist	NINED[5]	N/A	N/A

[1] INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

[2] Appointed as a member of the RMC w.e.f. 1 January 2021. NINED of MAHB.

[3] Appointed as a member of the RMC w.e.f. 15 February 2021. INED of Etiqa Family Takaful Berhad, a wholly-owned subsidiary of MAHB.

[4] Appointed as a member of the RMC w.e.f 17 June 2021. INED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[5] Ceased a member of the RMC w.e.f. 1 January 2021. NINED of MAHB.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(c) Board Committees Composition and Roles & Responsibilities (contd.)

(iv) Investment Committee

The Investment Committee ("IC") consists of a majority of INEDs and chaired by an ED.

The Board established the IC as a governance body to oversee investment related activities.

The roles and responsibilities of the IC are set out in its Terms of Reference which is available on the Group's corporate website (www.etiqa.com.my).

The composition of the IC and the attendance of its members at meetings during the financial year are as follows:

Members of the IC	Designation	Number of IC Meetings attended	%
Dato' Mohamed Rafique Bin Mohd Wahiduddin Merican *(Chairman)*	ED[1]	5/5	100
Mr. Philippe Pol Arthur Latour	NINED[2]	4/5	80
Datuk Mohd Najib Bin Abdullah	INED[3]	5/5	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[4]	3/3	100
Dato' Amirul Feisal Bin Wan Zahir *(Chairman)*	ED[5]	3/3	100

[1] Redesignated as Chairman of the IC w.e.f. 16 July 2021. ED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[2] NINED of Etiqa General Takaful Berhad, a wholly-owned subsidiary of MAHB.

[3] Appointed as a member of the IC w.e.f. 1 January 2021.

[4] Appointed as a member of IC w.e.f. 17 June 2021. INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries of MAHB.

[5] Ceased as a Chairman of the IC and ED of MAHB w.e.f. 29 June 2021.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(d) Directors' Training

The Board acknowledges the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet the challenges facing the Board.

During the financial year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programmes for new Directors, namely the Induction Programme (in-house training) and Financial Institutions Directors' Education ("FIDE").

(i) <u>Induction Programme</u>

A comprehensive induction programme has also been established and coordinated by the Company Secretary to ease new Directors into their new role and to assist them in their understanding of the Group's business strategy and operational matters. New Directors are required to attend the programme as soon as possible after they have been appointed. The programme includes intensive one-on-one session with the Senior Management Committee members/Head of Departments, wherein new Directors would be briefed and brought up to speed on the challenges and issues faced by the Group.

(ii) <u>Training Attended</u>

The Board continues to assess the training needs of its Directors and identify key areas of focus for training programmes vide the Annual Board Assessment conducted at the beginning of each financial year.

Training attended by the Directors during the financial year were as follows:

Training attended by Directors	DN[1]	FVK[2]	NAM[3]	KHK[4]	SAS[5]	DA[6]	MSI[7]
A. In-house Training							
1. Etiqa: Directors' Training Programme Module 1 – Series # 1 (Day 1) : • Corporate Overview of Etiqa; Its Dynamic Organization, People, Process and Product. • Industry Updates / Market Landscape. • Brief Overview of Key Pillars				√	√	√	√
2. Etiqa: Directors' Training Programme Module 1 – Series # 2 (Day 2) : • Introduction To Insurance and Takaful				√	√	√	√
3. Etiqa's Director Training Programme Module 1 – Series #3 (Day 3): • Discovering the basic of Takaful Updates on Anti Money Laundering/Counter Financing of Terrorism				√	√	√	√
4. Etiqa Risk Management Division: Etiqa Risk Landscape FY 2021	√	√	√	√		√	√
5. Etiqa: Oversight Committee Innovation & Technology Onboarding session				√			
6. Etiqa: IFRS17 – Walkthrough Session With ACB and RMC members on Financial Impact Assessment				√			
7. Etiqa: Invitation to Merdeka Talk					√		
8. Etiqa: PMO IFRS17 Transition Approach	√						
9. Etiqa: Impacts of IFRS17 on Financial Reporting		√					
10. Etiqa: SCRUM Training				√			
11. Etiqa and Ernst & Young: Environmental, Social & Governance ("ESG") related training		√		√			
12. Maybank: Group Strategy Offsite	√						
13. Maybank: Inaugural Diversity Day	√		√			√	√
14. Maybank Group Risk/ Group Compliance: Annual Board Risk Workshop: Risk Session – Building Sustainability in a Digital World, Compliance Session – Managing Financial Crime in Emerging Markets	√		√			√	
15. Maybank Group Human Capital: International Women's Day Celebration 2021 – IWD Flagship Programme				√	√		√
16. Maybank Group Technology/Nicholas Palmer, Group IB: Cyber Threat Landscape Awareness		√	√		√	√	

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(2) BOARD OF DIRECTORS - COMPOSITION, FUNCTION AND CONDUCT (CONTD.)

(d) Directors' Training (contd.)

(ii) Training Attended (contd.)

Training attended by Directors	DN[1]	FVK[2]	NAM[3]	KHK[4]	SAS[5]	DA[6]	MSI[7]
17. Maybank Islamic Bank Shariah Management: MIB's 6th Shariah Discourse Session			√				
18. Maybank Investment Bank: Invest Asian 2021/IA2021: • US-China Rivalry & the New Geopolitics in ASEAN • ASEAN Financials, The Shape of Things to Come • ASEAN Real Estate, Path to Recovery • ASEAN Exchanges – ASEAN, Beyond the Pandemicrisis • Digital Infrastructure, Scaling Up • Decarbonising ASEAN • The Rise of ASEAN EV • ASEAN Macro Outlook & ASEAN Strategy					√		
19. Maybank Investment Bank and Bursa Malaysia: ESG Ratings & Green Revenues - Data Tools for Investing	√				√		
20. Maybank Kim Eng: US China rivalry and the new geopolitics in Asean - By Dr Tan Kwang Yam, Prof Of Economy Nanyang Technological University	√						
21. Maybank Kim Eng & Bursa: Invest Malaysia 2021 Series 1 - "Economic Reform					√		
22. Maybank/IMD Business School: Senior Leaders Module 1: The Global Context for ESG			√				
23. Maybank/IMD Business School Senior Leaders Module 2: How To: Driving Our ESG Transformation			√				
24. Maybank/IMD Business School Senior Leaders Module 3: Frame a Sustainable ESG Practice			√				
25. Maybank/IMD Business School Master class 2: Catalysing ESG Transformations in Asia: Lessons from International Finance Corporation (IFC)			√				
26. Ageas Partnership Day - A World Authority on Corporate Responsibility and Sustainable Future of Capitalism Called "Green Swans" by Mr. John Elkington					√		
27. Ageas Academy with Korn Ferry: Executive Development Journey		√					
28. Ageas Academy: DARE-series: A future for next generations - sustainability matters						√	
29. Ageas Academy: DARE Deep Dives – Leading Adaptive Organisations						√	
30. Ageas Asia HR: Vaccine Awareness talks						√	
31. Ageas Compliance : Compulsory Compliance e-Learning (HK Office)						√	
B. External Training							
1. FIDE Core Program Module A: January 2021, Insurance Group						√	√
2. FIDE Core Program Module B: March 2021, Insurance Group						√	√
3. FIDE Core Board Simulation: Insurance Group						√	
4. FIDE Elective Program: Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?	√	√		√			√
5. FIDE: Implementing Amendments in the Malaysia Code on Corporate Governance ("MCCG")					√		
6. FIDE Forum: Dialogue with Tan Sri Nor Shamsiah binti Mohd Yunus, Governor of BNM	√						
7. FIDE Forum: Board Effectiveness Evaluation – Industry Briefing	√						√
8. FIDE Forum: MASB Dialogue on MFRS 17 – Insurance Contracts – What every director must know	√			√	√		√
9. FIDE Forum: The role of Independent Directors in embracing present and future challenges with Deputy Governor Jessica Chew	√				√		
10. FIDE Forum: 1st Distinguished Board Leadership Webinar: Rethinking Our Approach to Cyber Defense in FIs	√	√			√		√
11. FIDE Forum: Dialogue on the future of Malaysia's financial sector by Suhaimi Ali – Director Financial Development and Innovation, Bank Negara Malaysia	√			√			
12. FIDE Forum: Dialogue with senior leadership of Bank Negara on Risk-Based Capital Framework for Insurance and Takaful operators by Ms Cindy Siah Hooi Hoon	√			√			
13. BNM and Securities Commission Malaysia: JC-3 Flagship Conference 2021 (Day 1 & 2), Sustainability as a Business Strategy for Financial Institutions & Outcomes and implications for Malaysian Financial Institutions	√			√	√		
14. BNM and Securities Commission Malaysia: JC-3 Flagship Conference 2021 (Day 3) Sustainable Finance for the Private Sector					√		
15. Labuan IBFC: The Asian Captive Conference 2021				√			
16. Permodalan Nasional Berhad ("PNB") Research Institute Sdn Bhd: PNB Knowledge Forum 2021 – Climate Change: A New Green Deal for Malaysia	√		√	√			
17. PNB Research Institute: PNB Knowledge Forum 2021 - Rising Above Covid-19: Reimagining Work in Malaysia & Beyond	√						
18. Ernst & Young ("EY"): IFRS 17 Webinar – The Journey Ahead for Life Insurance	√						
19. EY: APAC Blockchain Summit – Blockchain for trust, transparency and efficiency				√			
20. EY: Cloud Game Changer				√			
21. EY Digital Insurance Future after Covid				√			

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(d) Directors' Training (contd.)

(ii) <u>Training Attended (contd.)</u>

Training attended by Directors	DN[1]	FVK[2]	NAM[3]	KHK[4]	SAS[5]	DA[6]	MSI[7]
22. EY Asia Pacific: Reimagine Climate Finance Net Zero				√			
23. KPMG Transfer Pricing War Stories				√			
24. KPMG and Google Cloud Webinar: Smarter Digital City – AI for Everyone, Financial Services		√					
25. Actuarial Society of Hong Kong ("AHSK"): Health virtual talk - China Standardised CI Definitions (revised edition 2020)		√					
26. ASHK Actuarial Innovation Webinar: Blockchain - an Actuarial Perspective		√					
27. ASHK 4th General Insurance Virtual Seminar: Preparing and Dealing with Change		√					
28. ASHK Joint Regional Actuarial Seminar: JRS Regional Programme and JRS Hong Kong 2021		√					
29. ASHK/IFoA Joint Webinar 2021: Health Products amid Covid-19 and Regulation Changes		√					
30. The Digital Insurer ("TDI") Academy Webinar: Claims for Life & Health		√					
31. TDI: Platforms and ecosystems		√					
32. Life Insurance Marketing and Research Association ("Limra")Agency webinar Master of Distribution (M.O.D): How to Transform from 4G to 5G in a Remote World		√					
33. Limra: Creating an Omni-Channel Presence: Digitizing the Agent Labor Force		√					
34. Financial Times Asia Insurance Summit: Robust strategies for the decade to come		√					
35. Mental Health First Aider Workshop: Standard Mental Health Certification Programme			√				
36. IMD Business School: Executive Education Programme on Sustainability (Senior Leaders Session)			√				
37. IMD Business School: Leaders Teaching Leaders Series: A Sharing Session by Group Sustainability			√				
38. The Star: The rise of Gov coins and What's next for Crypto				√			
39. IMD: Innovate to Win: Learn From the IOC and UEFA To Create A Creative Culture of Success	√						
40. IMD: Strategic Agility - The Art of Piloting Initiatives	√						
41. IMD Alumni Club of Mexico: Alien Thinking - The Unconventional Path to Breakthrough Thinking	√						
42. IMD Alumni Club of Melbourne: The Right Place on "How National Competitiveness Makes or Breaks Companies"	√						

Training attended by Directors	DN[1]	FVK[2]	NAM[3]	KHK[4]	SAS[5]	DA[6]	MSI[7]
43. International Islamic University Malaysia: Education: Session 3: Webinar on Higher Education Institution Leadership Towards Education for Sustainable Development					√		
44. LexisNexis: Developments in Corporate Governance: Recovering from the waves of COVID-19 & what you need to know					√		
45. Islamic Banking and Finance Institute Malaysia ("IBFIM") Webinar: Fundamentals of Takaful • Overview of Takaful & Legal Aspects in Takaful Business • Takaful Products • Retakaful, Governance and Risk Management of Takaful and Issues & Future of Takaful					√		
46. LeaderS4: Webinar: I'm A Litigant....Get Me Out of Here					√		
47. Marcum Bernstein & Pinchuk LLP: Webinar: The SPAC boom comes to Asia					√		
48. Asia School of Business ("ASB"): Board's Role in changing world of work • Understanding the Future Workplace • Implications for the Changing Workplace • Importance of Innovation-Driven Organizations • Role of Boards in creating an Innovation-Driven Culture					√		
49. ASB: Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?					√		
50. ASB: Corporate Governance Regulatory Updates for the Capital Markets					√		
51. ASB: Corruption Risk Management					√		
52. ASB: Financial Management for Leaders					√		

1 DN - Datuk Mohd Najib Bin Abdullah
2 FVK - Mr. Frank J.G. Van Kempen
3 NAM - Puan Nora Binti Abd. Manaf
4 KHK - Mr. Koh Heng Kong
5 SAS – Ms. Serina Binti Abdul Samad
6 DA – Ms. Daniela Adaggi
7 MSI - Encik Mohamad Shukor Bin Ibrai

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(3) INTERNAL CONTROL FRAMEWORK

The Board exercises overall responsibility on the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing risk. The Company has established internal controls which cover all levels of personnel and business processes to ensure the Company's operations run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action, where necessary, is taken in a timely manner. As a custodian of public funds, the Company's dealings with the public are always conducted fairly honesty and professionally.

(4) REMUNERATION - QUALITATIVE DISCLOSURES

(a) Board Performance

In line with good corporate governance, the Board via the NRC has set out its intention to periodically review the Non-Executive Directors' ("NED") remuneration as per Maybank's remuneration policy for Directors.

The Board believes the one area that the Board needs to focus on in order to remain effective in the discharge of its duties and responsibilities is the setting of a fair and comprehensive remuneration package commensurate with the expertise, skills, and responsibilities with being a director of a financial institution.

The remuneration package of NEDs consists of the following:

Fees and meeting allowances – Directors' fees and meeting allowances for NEDs are based on a fixed sum as determined by the NRC and the Board, and subsequently approved by the shareholders.

(b) Senior Management Appointment and Performance

NRC also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversee the appointment and succession planning of the identified Senior Officers (Chief Financial Officer, Chief Risk Officer and Appointed Actuary) of the Company.

NRC is responsible to oversee performance evaluation of CEO and Senior Officers.

NRC is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES

(a) Non-Executive Directors' Remuneration

The Non-Executive Directors' Remuneration for the financial year are as follows:

Remuneration	Per Annum (RM)
(i) Fees	
▪ Board:	
- Chairman	180,000
- Member	120,000
▪ Committee:	
- Chairman	32,500
- Member	28,000
(ii) Meeting Allowance	
▪ per meeting attended	2,000

(b) Disclosure of Directors' and CEO's Remuneration

The details of Directors' and CEO's Remuneration for FYE 2021 are disclosed in Notes 29 and 30 to the Company's financial statements.

(c) Remuneration Policy in respect of Officers of the Company

Maybank Group's total rewards philosophy goes beyond tangible rewards. It is integrated rewards strategy that focuses on the right remuneration, benefits and career development as well as progression opportunities at the right timing for employees' personal and professional aspirations. It involves a holistic integration of the total rewards' key elements that are aligned to the Group strategy, Group Human Capital strategy, culture and Core Values T.I.G.E.R.*, all critical to sustain employee engagement levels, productivity and business growth.

Remuneration policy is approved by the Board and is monitored and reviewed periodically. It reinforces a high performance culture to attract, motivate and retain talent through market competitiveness and differentiated pay.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

Maybank Group's rewards' principles are delivered holistically via the Group's Total Rewards Framework which includes base pay, other fixed cash, performance-based variable cash, long-term incentive awards, benefits and development.

Key elements	Purpose
Fixed Pay	Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and location, and internally aligned with consideration of differences in individual performance and achievements, skills-set, job scope as well as competency level
Variable Pay	Variable Bonus - Reinforce pay-for-performance culture and adherence to the Group's Core Values T.I.G.E.R.* - Variable cash award design that is aligned with the long-term performance goals of the Group through deferral and claw-back policies - Based on overall Group Performance, Business/Corporate Function and individual performance. - Performance is measured via the Balanced Scorecard approach. - Deferral Policy: Any Variable Bonus Awards in excess of certain thresholds will be deferred over a period of time Long-term Incentive Award The Long-term Incentive Award is offered within the suite of Total Rewards for eligible Talents. An approved customized Share Grant Plan is offered to eligible Senior Management who has direct line of sight in driving, leading and executing the Group's business strategies and objectives. Clawback Provision The Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustment or clawback on Variable Bonus and Long-term Incentive Awards.
Benefits	Provides employees with financial protection, access to health care, paid time-off, staff loans at preferential rates, programmes to support work/life balance, etc. for a diverse workforce. The benefits programmes which blend all elements including cost optimisation and employee/job needs, are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich employees, as part of total rewards strategy.
Development and Career Opportunities	Continue to invest in the personal and professional growth of employees. Opportunities provided to employees to chart their careers across different businesses and geographies.

** Core Values: Teamwork; Integrity; Growth; Excellence & Efficiency and Relationship Building*

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(c) Remuneration Policy in respect of Officers of the Company (contd.)

Total compensation ensures that employees are paid equitably to the market, delivered via cash and share/share-linked instruments, where applicable. The mix of cash and shares/shares-linked instruments is aligned to the Group's long-term value creation and time horizon of risks with targeted mix ratio.

The target positioning of Base Pay is mid-market while target positioning for Total Compensation for a performer is to be within the Upper Range of Market. Target positioning for benefits is mid-market. In certain markets/geographies, there may be exceptions for selected benefits with above mid-market positioning for strategic purposes. As the Group operates globally, it is essential that local legislation and practices are observed. Should any clause of any policy conflict with local legislation, local legislations shall take precedence.

Key Features of Remuneration Framework that Promotes Alignment between Risk and Rewards

The Group's total compensation, comprising a mixture of Fixed and Variable elements (i.e. Variable Bonus and Long-term Incentive Plan) is designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome as well as individual’s level and accountability.

The Company has strong internal governance on performance and remuneration of control functions which are measured and assessed independently from the business units they support to avoid any conflict of interests. The remuneration of staff in control functions are predominantly fixed to reflect the nature of their responsibilities. Annual reviews of compensation are benchmarked against market rate and internally to ensure that it is set at an appropriate level.

Performance Management principles ensure Key Performance Indicators (“KPI”) continue to focus on outcomes delivered that are aligned to the business plans. Each of the Senior Officers and Other Material Risk Takers carry Risk, Governance & Compliance goals in their individual scorecard and are cascaded accordingly. Being a responsible organisation, the right KPI setting continues to shape the organisational culture, actively drive risk and compliance agendas effectively where inputs from control functions and Board Committees are incorporated into the sector and individual performance results.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

Long-term Incentive Award – Employees' Share Grant Plan

Maybank, in December 2018, rolled out a new scheme under the Long-Term Incentive Award i.e. Employees' Shares Grant Plan ("ESGP") replacing the previous scheme that expired in June 2018. ESGP serves as a long-term incentive award for eligible Senior Management with the following objectives:

- To align to the Group's long-term strategic objectives to maximise shareholders' value through a high performance culture.
- To continue to attract, motivate and retain key talents in Senior Management level.
- To align the Group total rewards to the long-term value creation and time horizon of risk.
- To drive performance that is tied to long-term outcomes and business growth.
- To participate in the Group's business strategies for future growth of the Group.

Corporate Governance – Remuneration practices

As part of the overall corporate governance framework, the Company ensures its remuneration policies and structure are in line with the requirements of governance regulations. From a risk management perspective, the remuneration policy is supported by strong governance and sensitive to risk outcomes.

Staff rewards are reviewed on an annual basis and consistent with business performance and prudent risk management. Appropriately, involvement by the relevant control functions are sufficiently embedded to provide an independent and objective assessment of the remuneration principles and practices which are pre-requisites for executing a sound remuneration policy.

(d) Senior Officers and Other Material Risk Takers ("OMRT")

The remuneration package for Senior Officers and OMRTs are reviewed on an annual basis and submitted to the NRC for recommendation and to the Board for approval.

Senior officer is defined as performing a senior management function primary or significant responsibility is for the management and performance of significant business activities and includes those who assume primary or significant responsibility for key control functions.

Other Material Risk Taker ("OMRT") is defined as:

(i) an officer who is a member of senior management of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or

(ii) among the most highly remunerated officers in the Company.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(d) Senior Officers and Other Material Risk Takers ("OMRT")

Summary of FYE 2021 compensation outcome for those identified as Senior Officers and Other Material Risk Takers:

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	**No. of pax**	**RM'000**	**No. of pax**	**RM**
Material Risk Taker ("Senior Officers")				
Cash-based	1	1,460	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	2	1,527	Nil	Nil
Shares and share-linked instruments (ESOS etc.)				
Other	Nil			

ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

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

We, Datuk Mohd Najib Bin Abdullah and Koh Heng Kong, being two of the Directors of Etiqa General Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 29 to 159 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 February 2022.

DATUK MOHD NAJIB BIN ABDULLAH

KOH HENG KONG

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

I, Nor Fazihah Binti Ahmad, being the officer primarily responsible for the financial management of Etiqa General Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 29 to 159 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed NOR FAZIHAH BINTI AHMAD
at Kuala Lumpur in Wilayah Persekutuan
on 21 February 2022

NOR FAZIHAH BINTI AHMAD
(MIA 15973)
Head, Finance

Before me,

Commissioner for Oaths

PESURUHJAYA SUMPAH
NO: W 681
RAJEEV SAIGAL A/L
KAMLABATA SAIGAL
BC/R/548
1 JAN 2022 - 31 DIS 2024
MALAYSIA

NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR

Building a better
working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

Independent auditors' report to the member of
Etiqa General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Etiqa General Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 159.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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 *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 and the Corporate Governance disclosures, but does not include the financial statements of the Company and our auditors' report thereon.

**Independent auditors' report to the member of
Etiqa General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)**

Information Other than the Financial Statements and Auditors' Report Thereon (contd.)

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 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
Etiqa General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)**

Auditors' Responsibilities for the Audit of the Financial Statements (contd.)

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 skepticism throughout the audit. We also:

- 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 ommissions, misrepresentations, or the override of internal control.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Building a better
working world

Independent auditors' report to the member of
Etiqa General Insurance Berhad
197001000276 (9557-T)
(Incorporated in Malaysia)

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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
21 February 2022

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Property, plant and equipment	3	12,421	13,576
Investment properties	4	311,866	287,860
Right-of-use assets	5	4,991	6,036
Intangible assets	6	30,574	32,702
Investment in subsidiary	7	* -	* -
Investment in associate	8	152	152
Investments	9	1,657,572	1,560,438
Financing receivables	10	26,150	27,830
Reinsurance assets	11	3,871,090	3,930,463
Insurance receivables	12	246,397	257,723
Other assets	13	78,038	75,205
Derivative assets	14	-	6,099
Current tax assets	15	28,239	41,275
Cash and bank balances		10,724	31,962
Total Assets		6,278,214	6,271,321
Equity			
Share capital	16	229,879	229,879
Reserves	17	959,500	931,470
Total Equity		1,189,379	1,161,349
Liabilities			
Insurance contract liabilities	18	4,595,449	4,595,728
Derivative liabilities	14	545	-
Deferred tax liabilities, net	19	33,801	46,516
Insurance payables	20	360,870	379,265
Other liabilities	21	86,750	78,870
Current tax liabilities		11,420	9,593
Total Liabilities		5,088,835	5,109,972
Total Equity and Liabilities		6,278,214	6,271,321

* Representing RM 1

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Operating revenue	22	1,506,064	1,358,977
Gross earned premiums	23(a)	1,436,253	1,345,000
Earned premiums ceded to reinsurers	23(b)	(984,550)	(849,519)
Net earned premiums	23	451,703	495,481
Fee and commission income	24	48,607	60,893
Investment income, net	25	62,908	59,885
Realised gains, net	26	14,462	1,982
Fair value gains, net	27	5,554	21,948
Other operating income/(expenses), net	28	19,628	(6,321)
Other revenue		151,159	138,387
Gross benefits and claims paid		(1,090,304)	(407,680)
Claims ceded to reinsurers		886,368	181,954
Gross change in contract liabilities		7,182	(1,044,707)
Change in contract liabilities ceded to reinsurers		(43,039)	1,012,648
Net benefits and claims		(239,793)	(257,785)
Management expenses	29	(120,479)	(128,312)
Fee and commission expenses	31	(73,471)	(80,466)
Other expenses		(193,950)	(208,778)
Profit before taxation		169,119	167,305
Taxation	32	(44,145)	(43,113)
Net profit for the financial year		124,974	124,192
Basic and diluted earnings per share (sen)	33	58.91	58.54

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Net profit for the financial year		124,974	124,192
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to income statement			
Change in fair value of financial assets at Fair Value through Other Comprehensive Income ("FVOCI")			
- Fair value changes		(45,286)	26,424
- Transfer to profit or loss upon disposal	26	(4,449)	(21,552)
Tax effect relating to financial assets at FVOCI	32	12,220	(1,169)
		(37,515)	3,703
Currency translation differences		567	(126)
Other comprehensive (loss)/income for the financial year, net of tax		(36,948)	3,577
Total comprehensive income for the financial year		88,026	127,769

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

ETIQA GENERAL INSURANCE BERHAD
197001000276 (9557-T)
(Incorporated in Malaysia)

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

			<-------------- Non-distributable		------------->		
	Note	Share Capital RM'000	FVOCI Reserves RM'000	Revaluation Reserves RM'000	Currency Translation Reserves RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 January 2021		229,879	32,413	76,391	13,843	808,823	1,161,349
Net profit for the financial year		-	-	-	-	124,974	124,974
Other comprehensive (loss)/income for the financial year		-	(37,515)	-	567	-	(36,948)
Total comprehensive (loss)/income for the financial year		-	(37,515)	-	567	124,974	88,026
Dividend on ordinary shares	34	-	-	-	-	(59,996)	(59,996)
At 31 December 2021		229,879	(5,102)	76,391	14,410	873,801	1,189,379
At 1 January 2020		229,879	28,710	76,391	13,969	714,629	1,063,578
Net profit for the financial year		-	-	-	-	124,192	124,192
Other comprehensive income/(loss) financial year		-	3,703	-	(126)	-	3,577
Total comprehensive income/(loss) financial year		-	3,703	-	(126)	124,192	127,769
Dividend on ordinary shares		-	-	-	-	(29,998)	(29,998)
At 31 December 2020		229,879	32,413	76,391	13,843	808,823	1,161,349

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		169,119	167,305
Adjustments for:			
Depreciation of property, plant and equipment	29	3,237	3,027
Amortisation of intangible assets	29	6,450	6,163
Depreciation of right-of-use assets	29	2,161	2,259
Interest on lease liabilities	29	127	178
Fair value losses/(gains) on financial assets at fair value through profit or loss ("FVTPL")	27	15,470	(18,008)
Fair value gains on investment properties	27	(21,024)	(3,940)
Amortisation on premium/(accretion of discount) on investments	25	1,080	(405)
Gain on disposal of property, plant and equipment	26	(10)	(9)
Net (gain)/loss on foreign exchange	28	(7,356)	9,932
(Reversal of)/allowance for impairment losses on reinsurance assets	28	(2,348)	1,712
(Reversal of)/allowance for impairment losses on insurance receivables	28	(3,654)	567
Bad debts written off	28	414	-
(Reversal of)/allowance for impairment losses on financing receivables	28	(870)	196
Gain on disposal of investments	26	(14,452)	(1,973)
Interest income	25	(50,868)	(47,044)
Allowance for impairment losses on investments	28	83	8
Dividend income	25	(2,672)	(2,123)
Rental income	25	(13,762)	(13,383)
Operating cash flows before working capital changes		81,125	104,462
Changes in working capital:			
Decrease/(increase) in reinsurance assets		61,721	(978,947)
Decrease in insurance receivables		14,980	62,309
Decrease/(increase) in other assets		5,195	(2,268)
Decrease/(increase) in financing receivables		2,550	(1,474)
Increase in amounts due from related parties		(4,733)	(3,559)
Increase/(decrease) in other liabilities		9,275	(8,427)
(Decrease)/increase in insurance contract liabilities		(279)	998,800
Decrease in insurance payables		(18,395)	(44,983)
Carried forward		151,439	125,913

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		151,439	125,913
Decrease/(increase) in placement of deposits with financial institutions		107,653	(196,234)
Interest income received		48,336	49,345
Dividend received		2,731	2,013
Rental income received		13,656	13,368
Currency translation reserve		568	(126)
Cash generated from/(used in) operations		324,383	(5,721)
Tax paid		(29,778)	(42,925)
Tax refund		-	58,016
Net cash flows generated from operating activities		294,605	9,370
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		618,946	1,402,031
Proceeds from disposal of derivatives		1,796	454
Purchase of investments		(868,169)	(1,354,499)
Proceeds from disposal of property, plant and equipment		272	4,475
Proceeds from disposal of intangible assets		19	-
Purchase of property, plant and equipment	3	(2,344)	(5,155)
Purchase of intangible assets	6	(4,341)	(2,162)
Net cash (used in)/generated from investing activities		(253,821)	45,144
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	34	(59,996)	(29,998)
Payment of lease liabilities	5	(2,026)	(1,997)
Net cash used in financing activities		(62,022)	(31,995)
Net (decrease)/increase in cash and cash equivalents		(21,238)	22,519
Cash and cash equivalents at beginning of financial year		31,962	9,443
Cash and cash equivalents at end of financial year		10,724	31,962
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		5	3,566
General insurance fund		10,719	28,396
		10,724	31,962

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No.1, Jalan Maarof, 59000 Kuala Lumpur, Malaysia.

The immediate, penultimate and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB"), Etiqa International Holdings Sdn. Bhd. ("EIHSB") and Malayan Banking Berhad ("Maybank") respectively, all of which are incorporated in Malaysia. Maybank is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is the underwriting of general insurance business.

There were no significant changes in the nature of the principal activity during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 February 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statement

(a) Statement of compliance

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

The Company has adopted those amendments to MFRSs effective for the annual periods beginning on or after 1 January 2021 as disclosed in Note 2.3.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM as at the reporting date.

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant acccounting policies.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000) unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of preparation and presentation of the financial statement (contd.)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRS and IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

(a) Insurance contract liabilities

These are provided in Note 2.2(xiv). The note presents a description of the measurement and recognition of the liabilities including a general explanation on the estimation methods used. Details on the sensitivity of the carrying amounts of the general insurance liabilities to the methods, assumptions and estimates underlying their calculation are disclosed in Note 40 of the financial statements.

(b) Valuation of investment properties as referred in Note 2.2(iii).

(c) Impairment losses on financial assets as referred in Note 2.2(viii)(a).

2.2 Summary of significant accounting policies

(i) Investment in associates

An associate is an entity which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Company's financial statements, investments in associates are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(viii). On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(i) Investment in associates (contd.)

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(ii) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, 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.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an indefinite useful life and, therefore is not depreciated.

Work-in-progress is also not depreciated as this asset is not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins.

Buildings on leasehold land are depreciated over 50 years or the remaining period of the respective leases, whichever is shorter.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ii) Property, plant and equipment and depreciation (contd.)

Depreciation on property, plant and equipment is computed on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	20% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	10%
Motor vehicles	25%

The residual values, useful lives and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

(iii) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered professional independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and/or periodic intervening valuations by internal professionals, as appropriate. The Board determines the policies and procedures for recurring and non-recurring fair value measurement and takes responsibility in the selection of independent valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the financial year in which they arise, including the corresponding tax effect.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iii) Investment properties (contd.)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to self-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.2(ii) up to the date of change in use. Where the fair value of the property exceeds its carrying amount, the difference or revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable). IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC are determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations are performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

(iv) Leases

(a) Classification

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent remeasurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Leases (contd.)

(b) Recognition and initial measurement

(1) The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right of use of the underlying assets.

(i) Right-of-use ("ROU") assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

Premises	2 to 5 years
Office equipment	2 to 3 years

Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2 (viii)(b).

2.2 Summary of significant accounting policies (contd.)

(iv) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(1) The Company as lessee (contd.)

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance, fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(2) Short-term leases, leases of low-value assets and variable payments

(i) <u>Leases with a lease term of 12 months or shorter;</u>

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date that do not have renewable clause options and purchase options.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(iv) Leases (contd.)

(b) Recognition and initial measurement (contd.)

(2) Short-term leases, leases of low-value assets and variable payments (contd.)

(ii) Leases for low-value assets which are less than RM10,000; and

The Company also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value and are recognised as expense in profit and loss on a straight-line basis over the lease term.

(iii) Leases with variable lease payments

Variable lease payments of the Company do not contain any component of fixed rent in the clauses of the contract.

The Company is to recognise the lease payments, when incurred, in profit or loss for the leases that do not meet the ROU assessment and for which it has applied the exemptions as permitted by the standard.

(3) Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Company considers all relevant factors that create an economic incentive to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(c) Lease modifications

The Company shall account for a lease modification as a separate lease if both:

i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

(v) Intangible assets

Intangible assets include software development costs, computer software and licences. Intangible assets acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful lives are reviewed at least at each reporting date.

Amortisation is charged to profit or loss. Work-in-progress are not depreciated as these assets are not available for use.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful lives of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(v) Intangible assets (contd.)

(a) Software development costs

Software development costs are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. During the period in which the asset is not yet in use, it is tested for impairment annually.

(b) Computer software and licences

Computer software and licences are initially stated at cost. Following initial recognition, the assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Subsequence expenditure in relation to computer software and licences are capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is recognised in profit or loss as incurred.

Impairment is assessed whenever there is indication of impairment. The amortisation period and method are also reviewed at least at each reporting date.

These assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

(c) Amortisation period

The Company's intangible assets are amortised on a straight-line basis over their estimated useful lives.

	Useful lives
Computer software and licences	10 years

(vi) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(a) Initial and subsequent measurement

Financial assets are classified at intital recognition at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The Company determines the classification of financial assets at initial recognition depending on the business model for managing the financial assets and the contractual cash flows characteristics as below:

(i) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance contract liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(a) Initial and subsequent measurement (contd.)

(i) Business model assessment (contd.)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stressed case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Change in business model is not expected to be frequent; but should such event take place, it must be:

i) Determined by the Company's senior management as a result of external or internal changes;
ii) Significant to the Company's operations; and
iii) Demonstrable to external parties.

A change in the Company's business model will occur only when the Company begins or ceases to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

(ii) The Solely Payments of Principal and Interest ("SPPI") test

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(iii) Classification of financial assets

The categories include financial assets at FVTPL, FVOCI and AC.

(i) Financial assets at FVTPL

Financial assets in this category are those financial assets that are held for trading or financial assets that qualify for neither held at AC nor at FVOCI. This category includes debt instruments whose cash flow characteristic fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both collect contractual cash flows and sell. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

(ii) Financial assets at FVOCI

Financial assets in this category are those financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI i.e. without recycling profit or loss upon derecognition.

Subsequent to initial recognition, financial assets at FVOCI are measured at fair value. Exchange differences, interest and dividend income on financial assets at FVOCI are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Other net gains and losses are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. On derecognition, gains or lossess accumulated in other comprehensive income are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(iii) Classification of financial assets (contd.)

(iii) Financial assets at AC

Financial assets in this category are those financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.

Subsequent to initial recognition, financial assets at AC are measured at amortised cost using effective interest method. Exchange differences, interest and dividend income on financial assets at AC are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. On derecognition, any gains or losses is recognised in profit or loss.

(b) Derecognition of financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company has transferred substantially all the risks and rewards of the financial asset.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

(c) Write off of financial assets

An estimate is made for doubtful debts based on a review of all outstanding balances as at reporting date. Any financial assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business will be written down to an amount which they might be expected so to realise.

The amount written off for bad debts in the financial statements of the Company are expensed to profit or loss as disclosed in Note 28.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Fair value of financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets in both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instrument that do not have quoted market prices in an active market, the fair value are measured based on the net asset method by referencing to the annual financial statement of the entity that the Company invested in.

For non-exchange traded financial assets such as unquoted fixed income securities, i.e. unquoted bonds, Malaysian Government Securities ("MGS"), Government Investment Issues ("GII"), government guaranteed bonds and Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb and Malaysia Retail Bond Portal provided by the Bond Pricing Agency Malaysia ("BPAM"). In the case of any downgraded or defaulted bond, internal valuations will be performed to determine the fair value of the bond. The fair values of structured deposits are based on market prices obtained from the respective issuers. The market value of Negotiable Certificates of Deposit ("NCD") is determined by reference to BNM's Interest Rate Swap.

Over-the-counter derivatives comprise foreign exchange forward contracts, currency swap contracts and options. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counterparties in accordance with market conventions.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

If the fair value cannot be measured reliably, financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instruments or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment, except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment

(a) Financial assets

The Company assesses the impairment of financial assets based on an Expected Credit Loss ("ECL") model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments, financial guarantee contracts, which will include loans, advances, financing, insurance receivables, debts instruments and deposits held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

ECL would be recognised from the point at which financial assets are originated or purchased. A 12-month ECL must be recognised initially for all assets subject to impairment.

The measurement of expected loss will involve increased complexity and judgement that include:

(i) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Company will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

3 Stage approach	**Stage 1 Performing**	**Stage 2 Under-performing**	**Stage 3 Non-performing**
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest/profit income	Gross carrying amount	Gross carrying amount	Net carrying amount

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(a) Financial assets (contd.)

(ii) Forward-looking information and ECL measurement

The amount of credit loss recognised is based on forward-looking estimates that reflect current and forecast economic conditions. The forward-looking adjustment is interpreted as an adjustment for the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement. A forward-looking ECL calculation should be based on an accurate estimation of current and future probability of default ("PD"), exposure at default ("EAD"), loss given default ("LGD") and discount factors.

<u>Financing receivables</u>

The ECL on the financing portfolio of the Company is computed using a risk sensitive model, leveraging the ECL coverage ratio calculated for comparable portfolios from Maybank for Stage 1 and Stage 2 and individual assessment is applied for Stage 3.

<u>Insurance receivables</u>

The impairment on insurance receivables are measured at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the insurance and reinsurance receivables are grouped based on different sales channel and different reinsurance premium type's arrangement respectively. The impairment is calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates are to be applied on the outstanding balance of the aging bucket which forms the base of the roll rate. Forward-looking information has been included in the calculation of ECL.

<u>Financial assets at FVOCI and AC</u>

In accordance to the three-stage approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. Financial assets which have experienced a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(a) Financial assets (contd.)

<u>Financial assets at FVOCI and AC (contd.)</u>

Financial assets which have not experienced a SICR since initial recognition are classified as Stage 1, and assigned a 12-month ECL. All financial assets are assessed for objective evidence of impairment except for:

- Financial assets measured at FVTPL;
- Equity instruments; and
- Local federal government and local central bank issued bonds, Treasury Bills and Notes. Low credit risk on the basis that both federal government and central bank have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities in all jurisdiction.

(b) Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company estimates the asset’s recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor does it exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Reinsurance assets

The Company cedes insurance risk in the normal course of its business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. For both ceded and assumed reinsurance, premiums, claims and benefits paid or payable are presented on a gross basis.

Reinsurance arrangements, entered into by the Company, that meet the classification requirements of insurance contracts as described in Note 2.2(xiii) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangement.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that reinsurance assets are impaired. The impairment loss is recognised in profit or loss.

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

(x) Insurance receivables

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

The impairment of insurance receivables is described in Note 2.2(viii)(a).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(vi)(b), have been met.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xi) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand.

For the purpose of the cash flow statements, cash and cash equivalents comprise cash and bank balances, as defined above.

The Company presents the cash flows from operating, investing and financing activities in a manner which is most appropriate to its business using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

The Company reports separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities.

(xii) Equity instruments

Ordinary shares are classified as equity. Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

(xiii) Product classification

The Company issues contracts that contain insurance risk.

An insurance contract is a contract under which an entity has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines whether significant insurance risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) General Insurance contract liabilities

The General Insurance contract liabilities of the Company comprise claim liabilities and premium liabilities.

(a) Claim liabilities

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities comprise the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate and include a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

Provision for claims reported are recognised upon notification by policyholders or claimants.

Claim liabilities are determined based upon valuations performed by the Appointed Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilites are not discounted.

(b) Premium liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums written for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the insurer's unexpired risk reserves ("URR") with PRAD at the end of the financial year as prescribed by BNM.

- **UPR**

  The UPR represents the portion of the premiums of insurance policies written, net of the related reinsurance ceded to qualified insurers that relate to the unexpired periods of policies at the reporting date. In determining the UPR as at the reporting date, the method that most accurately reflects the actual unearned premium is used as follows:

  - 25% method for marine and aviation cargo, and transit business;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xiv) General Insurance contract liabilities (contd.)

(b) Premium liabilities (contd.)

- **UPR (contd.)**

  - all other classes of general business, using time-apportionment basis over the period of the risks, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM.

  - 1/365 method for all other classes of treaty business with a deduction of commission.

- **URR**

  The URR is prospective estimate of the expected future payments arising from future events insured under policies in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds. URR is estimated via an actuarial valuation performed by the Appointed Actuary. URR is not discounted.

(xv) Financial liabilities

Financial liabilities are recognised in the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. During the financial year and as at the reporting date, the Company did not classify any of its financial liabilities at FVTPL.

The Company's other financial liabilities include insurance payables and other payables.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xv) Financial liabilities (contd.)

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

Other payables

Other payables are subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(xvi) Offsetting of financial assets and financial liabilities

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

(xvii) Premium income

Premiums represent consideration paid for insurance contracts and is accounted for as follows:

- Premium income is recognised in the financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the reporting date are accrued at that date;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xvii) Premium income (contd.)

- Inward facultative reinsurance premiums are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies, following the individual risks' inception dates;

- Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers; and

- Outward reinsurance premiums are recognised in the same financial year as the original policies to which the reinsurance relates.

(xviii) Claims expenses

Claim expenses represent compensation paid or payable on behalf of the insured holder in relation to a specific loss event that has occurred. They include claims, handling costs and settlement costs that arise from events that have occurred up to the end of the reporting year even if they had not been reported to the Company.

(xix) Commission expenses and acquisition costs

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

(xx) Other revenue recognition

<u>Revenue from contracts with customers</u>

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer. Generally, satisfaction of a performance obligation occurs when/as the Company's control of the goods or services is transferred to the customer. Control can be defined as the ability to direct the use of an asset and to obtain substantially all of the remaining benefits from the asset. Control also includes the ability to prevent another entity from directing the use of and obtaining the benefits from an asset.

For each separate performance obligation, the Company will need to determine whether the performance obligation is satisfied by transferring the control of goods or services over time. If the performance obligation is not satisfied over time, then it is satisfied at a point in time.

When/as a performance obligation is satisfied, the Company shall recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained, that is allocated to that performance obligation).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xx) Other revenue recognition (contd.)

Other revenue

(a) Interest income

Interest income is recognised using the effective interest yield method over the term of the underlying investments.

(b) Dividend income

Dividend income is recognised at a point in time when the Company's right to receive payment is established.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(xxi) Fee and commission income

Policyholders are charged for policy administration services and other contract fees. These fees are recognised over time as revenue in which the related services are performed. If the fees are for services to be provided in future periods, the fees are deferred and recognised over those future periods.

Commission income is derived from reinsurers in the course of ceding premiums to reinsurers.

(xxii) Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSO") are recognised as an expense in profit or loss in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as an expenses in profit or loss when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in profit or loss when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits (contd.)

(b) Long-term employee benefits

Long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed in Note 2.2(xxii)(c), except that the remeasurements of the net defined contribution liability or asset are recognised immediately in the profit or loss.

(c) Defined contribution plans

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss when incurred.

(d) Share-based compensation

(1) Employees' Share Grant Plan ("ESGP shares")

The ESGP shares is awarded to eligible Executive Directors and employees of participating companies within the Maybank Group (excluding dormant subsidiaries). The ESGP shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the ESGP Committee.

The total fair value of ESGP shares granted to eligible employees is recognised as an employee cost with a corresponding increase in amount due to Maybank. The fair value of ESGP shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP shares were granted. Upon vesting of ESGP shares, Maybank will recognise the impact of the actual numbers of ESGP shares vested as compared to original estimates.

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to the eligible Executive Directors and employees of participating companies within the Maybank Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the Maybank Reference Shares will be transferred to the eligible employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxii) Employee benefits (contd.)

(d) Share-based compensation (contd.)

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP") (contd.)

The total fair value of CESGP shares granted to eligible employees is recognised as an employee cost, with a corresponding increase in Maybank's liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP shares were granted. Upon vesting of CESGP shares, Maybank will recognise the impact of the actual numbers of CESGP shares vested as compared to the original estimates.

(xxiii) Foreign currencies

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under the foreign currency translation reserve in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Foreign currencies (contd.)

(b) Foreign currency transactions and balances (contd.)

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

(c) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of RM of the Company's financial statements are translated into RM as follows:

- assets and liabilities of foreign operation are translated at the closing rate prevailing as at the reporting date;

- income and expenses are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- all resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to the profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

The principal exchange rate for every unit of foreign exchange currency ruling at the reporting date used for translation of foreign operations is as follows:

	31.12.2021	31.12.2020
Brunei Dollar	3.09	3.04

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiv) Income tax

Income tax on profit or loss for the financial year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the financial year and is measured using the tax rates that have been enacted as at the reporting date.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(xxv) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxv) Provisions (contd.)

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increases in the provision due to the passage of time is recognised in profit or loss.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in profit or loss.

(xxvi) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Company. The Company does not recognise contingent assets but disclose its existence when inflows of economic benefits are probable but not virtually certain.

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Company does not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

(xxvii) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or a group of people that is responsible to allocate resources and assess the performances of the operating segments of an entity. The Company has determined the Chief Executive Officer as its chief operating decision-maker.

All transactions between business segments (Intra-segment revenue and costs) are eliminated at Company level. Income and expenses directly associated with each business segment are included in determining business segment performance.

The Company disclosed its segment information by funds in Note 48.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 New and amended standards and interpretations

On 1 January 2021, the Company adopted the following Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2021:

	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform- Phase 2 (Amendment to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 *Leases*)	1 April 2021

MFRS 16 has been amended to:

(i) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and

(ii) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient 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:

(i) 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;
(ii) The reduction in lease payments affects only payments due on or before 30 June 2022; and
(iii) There is no substantive change to other terms and conditions of the lease.

The Company accounts for such COVID-19-related rent concession as a variable lease payment in the year in which the event or condition that triggers the reduced payment occurs and accordingly recognised in profit or loss.

Other than above, the adoption of the above amendments to standards did not have any significant financial impact to the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective

The following are Standards, Amendments to Standards and annual improvements to standards issued by the Malaysian Accounting Standards Board ("MASB"), but which are not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards and amendment to standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
MFRS 116 *Property, Plant and Equipment*	
(Amendments to MFRS 116): *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
MFRS 137 *Provision, Contingent Liabilities and Contingent Assets*	
(Amendments to MFRS 137): *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
MFRS 3 Business Combination	
(Amendments to MFRS 3) *Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020:	
MFRS 1 *First-time Adoption of MFRSs*	1 January 2022
MFRS 9 *Financial Instruments*	1 January 2022
MFRS 141 *Agriculture*	1 January 2022
MFRS 17 *Insurance Contracts*	1 January 2023
Amendment to MFRS 17 *Insurance Contracts*	1 January 2023
Initial Application of MFRS 17 *and* MFRS 9 - *Comparative Information*	1 January 2023
MFRS 101 *Presentation of Financial Statements*	
(Amendment to MFRS 101) *Classification of Liabilities as Current or Non-current*	1 January 2023
(Amendments to MFRS 101) *Disclosure of Accounting Policies*	1 January 2023
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	
(Amendments to MFRS 108) *Definition of Accounting Estimates*	1 January 2023
MFRS 112 *Income Taxes*	
(Amendments to MFRS 112) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

The adoption of the above pronouncements are not expected to have a significant impact on the Company except for the following:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts*

MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);

- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period);

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income will be based on the concept of services provided during the period;

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognised directly on the statement of financial position;

- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and annual improvements to standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts (contd.)*

Based on the Amendments to MFRS 17, MFRS 17 and the amendments introduced in the Amendments to MFRS 17 are effective for annual periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17. An entity shall apply the retrospective approach for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM, as defined by MFRS 108 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

(i) Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

(ii) Fair value approach

The CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

The Company as part of the MAHB Group, has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business units to study the implications and to evaluate the potential impact of adopting this standard on the required effective date. The Company believes that it is achieving the relevant milestones in adopting this new standard.

3. PROPERTY, PLANT AND EQUIPMENT

2021	Properties # RM'000	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2021	777	26,469	12,372	5,806	378	3,633	49,435
Additions	-	331	63	-	-	1,950	2,344
Disposal	-	(4)	(398)	-	-	-	(402)
Transfer to intangible assets (Note 6)	-	-	-	-	-	(258)	(258)
At 31 December 2021	777	26,796	12,037	5,806	378	5,325	51,119
Accumulated Depreciation							
At 1 January 2021	351	23,100	8,193	3,838	377	-	35,859
Depreciation charge for the financial year (Note 29)	9	1,077	1,587	564	-	-	3,237
Disposal	-	(1)	(397)	-	-	-	(398)
At 31 December 2021	360	24,176	9,383	4,402	377	-	38,698
Net Book Value							
At 31 December 2021	417	2,620	2,654	1,404	1	5,325	12,421

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197001000276 (9557-T)
(Incorporated in Malaysia)

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

2020	Properties #	Furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Electrical and security equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2020	777	24,953	10,959	5,806	378	6,706	49,579
Additions	-	1,516	2,246	-	-	1,393	5,155
Disposal	-	-	(833)	-	-	-	(833)
Retirement	-	-	-	-	-	(4,466)	(4,466)
At 31 December 2020	777	26,469	12,372	5,806	378	3,633	49,435
Accumulated Depreciation							
At 1 January 2020	347	22,155	7,513	3,273	377	-	33,665
Depreciation charge for the financial year (Note 29)	4	945	1,513	565	-	-	3,027
Disposal	-	-	(833)	-	-	-	(833)
At 31 December 2020	351	23,100	8,193	3,838	377	-	35,859
Net Book Value							
At 31 December 2020	426	3,369	4,179	1,968	1	3,633	13,576

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
2021			
Cost			
At 1 January 2021 / 31 December 2021	367	410	777
Accumulated Depreciation			
At 1 January 2021	-	351	351
Depreciation charge for the financial year	-	9	9
At 31 December 2021	-	360	360
Net Book Value			
At 31 December 2021	367	50	417
2020			
Cost			
At 1 January 2020 / 31 December 2020	367	410	777
Accumulated Depreciation			
At 1 January 2020	-	347	347
Depreciation charge for the financial year	-	4	4
At 31 December 2020	-	351	351
Net Book Value			
At 31 December 2020	367	59	426

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Total
	<------- At valuation -------->		
	RM'000	RM'000	RM'000
2021			
At 1 January 2021	141,990	145,870	287,860
Addition	2,982	-	2,982
Fair value adjustment (Note 27)	19,982	1,042	21,024
At 31 December 2021	164,954	146,912	311,866
2020			
At 1 January 2020	138,890	145,030	283,920
Fair value adjustment (Note 27)	3,100	840	3,940
At 31 December 2020	141,990	145,870	287,860

The rental income and rental-related expenses in relation to the investment properties are as disclosed below:

	2021	2020
	RM'000	RM'000
Rental income (Note 25)	12,292	11,922
Rental-related expenses (Note 25)	(2,947)	(2,613)
	9,345	9,309

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value in accordance with the policies as described in Note 2.2(iii) which had been determined based on valuations that reflect market conditions at the end of the reporting period.

The fair value of investment properties is classified under Level 3 of the fair value hierarchy as disclosed in Note 44(c). The fair value gains are recognised in profit or loss.

5. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

The movement of right-of-use assets is disclosed as follows:

	Premises	Office equipment	Total
2021	**RM'000**	**RM'000**	**RM'000**
Cost			
At 1 January 2021	10,207	52	10,259
Contract renewal	1,116	-	1,116
Terminations	-	(52)	(52)
At 31 December 2021	11,323	-	11,323
Accumulated Depreciation			
At 1 January 2021	4,177	46	4,223
Depreciation charge for the financial year (Note 29)	2,155	6	2,161
Terminations	-	(52)	(52)
At 31 December 2021	6,332	-	6,332
Net Book Value			
At 31 December 2021	4,991	-	4,991
2020			
Cost			
At 1 January 2020	8,589	52	8,641
Additions	941	-	941
Contract renewal	1,632	-	1,632
Terminations	(955)	-	(955)
At 31 December 2020	10,207	52	10,259
Accumulated Depreciation			
At 1 January 2020	2,190	23	2,213
Depreciation charge for the financial year (Note 29)	2,236	23	2,259
Terminations	(249)	-	(249)
At 31 December 2020	4,177	46	4,223
Net Book Value			
At 31 December 2020	6,030	6	6,036

5. RIGHT-OF-USE ASSETS / LEASE LIABILITIES (CONTD.)

The movement of lease liabilities is disclosed as follows:

2021	**Premises RM'000**	**Office equipment RM'000**	**Total RM'000**
Lease liabilities			
At 1 January 2021	5,627	7	5,634
Additions	1,112	-	1,112
Interest on lease liabilities (Note 29)	127	-	127
Payment of lease liabilities	(2,019)	(7)	(2,026)
Adjustments	(40)	-	(40)
At 31 December 2021 (Note 21)	4,807	-	4,807
Lease liabilities by remaining maturity:			
Less than 12 months	1,969	-	1,969
More than 12 months	2,838	-	2,838
Total	4,807	-	4,807
2020			
Lease liabilities			
At 1 January 2020	5,632	30	5,662
Additions	2,565	-	2,565
Interest on lease liabilities (Note 29)	177	1	178
Terminations	(763)	-	(763)
Payment of lease liabilities	(1,973)	(24)	(1,997)
Adjustments	(11)	-	(11)
At 31 December 2020 (Note 21)	5,627	7	5,634
Lease liabilities by remaining maturity:			
Less than 12 months	3,465	7	3,472
More than 12 months	2,162	-	2,162
Total	5,627	7	5,634

6. INTANGIBLE ASSETS

	Computer software and licenses RM'000	Total RM'000
2021		
Cost		
At 1 January 2021	67,294	67,294
Additions	4,083	4,083
Disposal	(59)	(59)
Transfer from property plant and equipment (Note 3)	258	258
At 31 December 2021	71,576	71,576
Accumulated Amortisation		
At 1 January 2021	34,592	34,592
Amortisation charge for the financial year (Note 29)	6,450	6,450
Disposal	(40)	(40)
At 31 December 2021	41,002	41,002
Net Book Value		
At 31 December 2021	30,574	30,574
2020		
Cost		
At 1 January 2020	65,756	65,756
Additions	2,162	2,162
Disposal	(624)	(624)
At 31 December 2020	67,294	67,294
Accumulated Amortisation		
At 1 January 2020	29,053	29,053
Amortisation charge for the financial year (Note 29)	6,163	6,163
Disposal	(624)	(624)
At 31 December 2020	34,592	34,592
Net Book Value		
At 31 December 2020	32,702	32,702

7. INVESTMENT IN SUBSIDIARY

	2021	2020
Unquoted shares, at cost	RM1	RM1
No. of shares (unit)	1	1

Details of the subsidiary of the Company are as follows:

Name of company	Country of incorporation	Effective interest (%) 2021	2020	Principal activities
Double Care Sdn. Bhd. ("DCSB")	Malaysia	100.00	100.00	In liquidation

On 26 October 2009, the Company passed a Special Resolution to commence winding up of DCSB. A tax clearance letter has been obtained from Inland Revenue Board of Malaysia on 23 April 2012. As soon as the affairs of DCSB are totally wound-up, DCSB would call for a final meeting to complete the member's voluntary winding-up process.

8. INVESTMENT IN ASSOCIATE

	2021 RM'000	2020 RM'000
Unquoted shares, at cost	152	152

Details of the associate are as follows:

Name of company	Country of incorporation	Effective interest (%) 2021	2020	Principal activities
Asian Forum Inc.	Malaysia	33.33	33.33	In liquidation

The financial year end of the associate is 31 December.

As permitted under MFRS 128 *Investments in Associates and Joint Ventures*, the investment in associate has not been accounted for by applying the equity method as the immediate holding company, MAHB produces consolidated financial statements available for public use that comply with MFRSs.

9. INVESTMENTS

	2021 RM'000	2020 RM'000
Malaysian government papers	223,572	94,373
Equity securities	141,819	177,691
Debt securities	877,975	765,918
Unit and property trust funds	930	1,527
Deposits with financial institutions	413,276	520,929
	1,657,572	1,560,438

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

	2021 RM'000	2020 RM'000
Fair value through profit or loss ("FVTPL") (Note a)		
- Designated upon initial recognition	56,325	17,014
- Held for trading ("HFT")	138,259	179,218
	194,584	196,232
Fair value through other comprehensive income ("FVOCI") (Note b)	1,049,712	843,277
Amortised cost ("AC") (Note c)	413,276	520,929
	1,657,572	1,560,438

The following investments mature after 12 months:

	2021 RM'000	2020 RM'000
FVTPL		
- Designated upon initial recognition	24,486	17,014
FVOCI	1,010,299	773,227
	1,034,785	790,241

(a) FVTPL

(i) Designated upon initial recognition

	2021 RM'000	2020 RM'000
At fair value		
Debt securities:		
Unquoted in Malaysia	36,041	5,060
Unquoted outside Malaysia	20,284	11,954
Total financial assets designated as FVTPL upon initial recognition	56,325	17,014

9. INVESTMENTS (CONTD.)

	2021 RM'000	2020 RM'000
(a) FVTPL (contd.)		
(ii) HFT		
At fair value		
Equity securities:		
Quoted in Malaysia	55,168	80,795
Quoted outside Malaysia	-	14,883
Unquoted in Malaysia	82,161	82,013
Unit and property trust funds:		
Quoted in Malaysia	930	1,527
Total HFT financial assets	138,259	179,218
Total FVTPL financial assets	194,584	196,232
(b) FVOCI		
At fair value		
Malaysian government papers	223,572	94,373
Equity securities:		
Quoted in Malaysia	4,490	-
Debt securities:		
Unquoted in Malaysia	821,650	708,708
Unquoted outside Malaysia	-	40,196
Total FVOCI financial assets	1,049,712	843,277
(c) AC		
Deposits and placements with:		
Licensed financial institutions	393,276	510,929
Others	20,000	10,000
Total AC financial assets	413,276	520,929

The carrying amounts of financial assets at AC are reasonable approximations of fair values due to the short term maturity of these financial assets.

Total investments	1,657,572	1,560,438

Fair Value of Investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 44(c).

10. FINANCING RECEIVABLES

	2021 RM'000	2020 RM'000
Staff loans - secured	26,181	26,685
Non-staff loans - secured	4,440	6,486
	30,621	33,171
Allowance for impairment losses (Note 41(i))	(4,471)	(5,341)
	26,150	27,830
Receivable after 12 months	23,698	24,413

The carrying amount of loans approximates fair value as these loans are issued at interest rates that are comparable to instruments in the market with similar characteristics and risk profiles and, accordingly, the impact of discounting thereon is not material.

The weighted average effective interest rates during the financial year were as follows:

	2021 Per annum	2020 Per annum
Staff loans	1.87%	1.76%
Non-staff loans	4.08%	4.07%

11. REINSURANCE ASSETS

	2021 RM'000	2020 RM'000
Reinsurers' share of insurance contract liabilities (Note 18)		
Claims liabilities	3,674,655	3,717,694
Premium liabilities	207,633	226,315
	3,882,288	3,944,009
Allowance for impairment losses	(11,198)	(13,546)
	3,871,090	3,930,463

11. REINSURANCE ASSETS (CONTD.)

Movement in allowance for impairment losses for reinsurance assets is as follows:

	2021 RM'000	2020 RM'000
Lifetime ECL		
At 1 January	13,546	11,834
Net adjustment of loss allowance (Note 28)	(2,348)	1,712
At 31 December	11,198	13,546

12. INSURANCE RECEIVABLES

	2021 RM'000	2020 RM'000
Due from agents and intermediaries	205,288	238,317
Due from reinsurers and cedants	42,740	24,691
	248,028	263,008
Allowance for impairment losses (Note 41(i))	(1,631)	(5,285)
	246,397	257,723

Amounts of insurance receivables that have been offset against amounts due to the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 20)	Net amount in the Statement of Financial Position RM'000
2021			
Due from agents and intermediaries	227,434	(22,146)	205,288
Due from reinsurers and cedants	43,482	(742)	42,740
	270,916	(22,888)	248,028

12. INSURANCE RECEIVABLES (CONTD.)

Amounts of insurance receivables that have been offset against amounts due to the same counterparties are as follows (contd.):

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 20)	Net amount in the Statement of Financial Position RM'000
2020			
Due from agents and intermediaries	256,438	(18,121)	238,317
Due from reinsurers and cedants	31,255	(6,564)	24,691
	287,693	(24,685)	263,008

The carrying amounts are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

13. OTHER ASSETS

	2021 RM'000	2020 RM'000
Sundry receivables, deposits and prepayments	3,160	2,453
Income due and accrued	13,963	11,375
Amount due from related companies* (Note 38 (b)):		
- Ultimate holding company	-	656
- Immediate holding company	-	621
- Other related companies	16,048	6,743
Amount due from stockbrokers	-	2,855
Share of net assets in Malaysian Motor Insurance Pool ("MMIP")	44,867	50,502
Total other assets	78,038	75,205

* Amounts due from related companies are non-trade in nature, unsecured, interest-free and are repayable in the short-term.

The carrying amounts (other than prepayments) are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

14. DERIVATIVES

The table below shows the fair values of derivative financial instruments, recorded as assets (being derivatives which are in a net gain position) or liabilities (being derivatives which are in a net loss position), together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the financial year and are neither indicative of the market risk nor the credit risk.

	2021			2020		
	Principal/ Notional Amount RM'000	**Asset RM'000**	**Liability RM'000**	**Principal/ Notional Amount RM'000**	**Asset RM'000**	**Liability RM'000**
Hedging derivatives:						
Cross currency swap	12,138	-	361	-	-	-
Forward foreign exchange contracts	28,312	-	184	101,344	6,099	-
Total derivatives		-	545		6,099	-

The Company has an outstanding forward cross currency swap and foreign exchange contract with its ultimate holding company for the year ended 31 December 2021 with a liability position amounting to RM465,000 (2020: foreign exchange contracts with asset position amounting to RM2,695,000).

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 2.2(vii) and Note 44(c).

Hedging derivatives:

Swaps are contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate, foreign currency rate or equity indices. The Company uses swap contracts to hedge the principal amounts invested in foreign debt securities denominated in USD which will be settled at a specified contract rate on the maturity date of the contract.

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments. The Company enters into forward foreign exchange contracts for the purpose of hedging part of its investment portfolio in USD denominated debts securities.

15. CURRENT TAX ASSETS

	2021 RM'000	2020 RM'000
Current tax assets	28,239	41,275

(a) The current tax assets arise from the appeals made by the Company prior to its Conversion of Composite Licences to Single Licenses ("Licence Split") on 28 December 2017.

The Inland Revenue Board of Malaysia ("IRBM") had raised additional assessments to the Company for Years of Assessment ("YA") 2013 to 2016, totalling RM15,986,000. The IRBM had raised the additional assessments for YA2016 on 24 November 2021, amounting RM3,102,000 in respect to the profit commission earned on reinsurance ceded for life business as incidental income of the Company under Section 60(8) of the Income Tax Act, 1967 and disallowing the deduction of expenses directly attributable to rental income of its investment properties.

The Company has made full settlement on the additional assessments raised and submitted the notices of appeal by filing Form Q with the Special Commissioner of Income Tax ("SCIT").

The Company had decided to pursue these appeals after obtaining the relevant opinions from its legal counsel, which was premised on the fact that the bases used to raise the additional assessments are not equitable. The Court has fixed the hearing dates on 22 February 2023 and 23 February 2023 for the appeal for years of assessment 2013 and 2014 for the above-mentioned case.

(b) At reporting date, the Company has overpayment of tax for YA2019 amounting to RM12,253,000. Further, during the financial year, upon receiving approval by the IRBM, the Company has fully offset the overpayment of tax for YA2018 of RM16,138,000 with the YA2021 instalments.

16. SHARE CAPITAL

	<-- Number of shares-->		<-------- Amount -------->	
	2021	**2020**	**2021**	**2020**
	Units '000	**Units '000**	**RM'000**	**RM'000**
Ordinary shares:				
At 1 January / 31 December	212,151	212,151	229,879	229,879

17. RESERVES

	Note	2021 RM'000	2020 RM'000
Non-distributable:			
FVOCI reserve	(i)	(5,102)	32,413
Other reserves:			
Revaluation reserve	(ii)	76,391	76,391
Currency translation reserve	(iii)	14,410	13,843
		90,801	90,234
Retained profits:			
Distributable	(iv)	873,801	808,823
Total reserves		959,500	931,470

(i) The FVOCI reserve arose from changes in the fair values of the financial assets at FVOCI of the Company.

(ii) The revaluation reserve of the Company represents the difference between the carrying amount of properties previously classified as self occupied properties but subsequently transferred to investment properties upon the end of owner occupation and its fair value at the date of change in use.

(iii) The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operation whose functional currencies are different from the presentation currency of the Company.

(iv) The entire distributable retained earnings may be distributed to the shareholder under the single-tier system.

18. INSURANCE CONTRACT LIABILITIES

	2021 Gross RM'000	2021 Reinsurance RM'000 (Note 11)	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance RM'000 (Note 11)	2020 Net RM'000
Claims liabilities (i)	4,114,728	(3,674,655)	440,073	4,121,910	(3,717,694)	404,216
Premium liabilities (ii)	480,721	(207,633)	273,088	473,818	(226,315)	247,503
	4,595,449	(3,882,288)	713,161	4,595,728	(3,944,009)	651,719

(i) Claims liabilities

	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000
At 1 January	4,121,910	(3,717,694)	404,216	3,077,202	(2,705,046)	372,156
Claims incurred in the current accident year	1,548,817	(1,314,453)	234,364	1,145,769	(878,381)	267,388
Movements in claims incurred in prior accident years	(544,761)	549,578	4,817	264,031	(269,564)	(5,533)
Claims paid during the year	(1,090,304)	886,368	(203,936)	(407,680)	181,954	(225,726)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	(402)	-	(402)	1,049	-	1,049
Movements in Provision of Risk margin for Adverse Deviation ("PRAD")	79,468	(78,454)	1,014	41,539	(46,657)	(5,118)
At 31 December	4,114,728	(3,674,655)	440,073	4,121,910	(3,717,694)	404,216

(ii) Premium liabilities

	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000
At 1 January	473,818	(226,315)	247,503	519,726	(260,015)	259,711
Premiums written in the year (Note 23)	1,443,156	(965,868)	477,288	1,299,092	(815,819)	483,273
Premiums earned during the year (Note 23)	(1,436,253)	984,550	(451,703)	(1,345,000)	849,519	(495,481)
At 31 December	480,721	(207,633)	273,088	473,818	(226,315)	247,503

19. DEFERRED TAXATION

	2021 RM'000	2020 RM'000
At 1 January	(46,516)	(42,742)
Recognised in:		
Income statement (Note 32)	495	(2,605)
Other comprehensive income (Note 32)	12,220	(1,169)
At 31 December	(33,801)	(46,516)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The deferred tax disclosed in the statement of financial position is presented on a net basis after offsetting as follows:

	2021 RM'000	2020 RM'000
Deferred tax assets	9,750	6,469
Deferred tax liabilities	(43,551)	(52,985)
	(33,801)	(46,516)

In Budget 2022, the government has introduced a once-off corporate tax of 33% on chargeable income of companies above RM100 million for the Year of Assessment 2022. This tax is known as "Cukai Makmur" or Prosperity Tax. The corporate tax rate for the income below RM100 million remains unchanged at 24%.

Accordingly, the Company has applied a weighted average rate of 28% on the timing differences which are expected to realised within the next 12 months so as to derive the net deferred tax liabilities as at 31 December 2021.

19. DEFERRED TAXATION (CONTD.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets

	General insurance liabilities RM'000	Provision for bonus RM'000	Impairment of receivables RM'000	Amortisation of premiums on investments RM'000	Impairment of investments RM'000	Unrealised currency exchange RM'000	Total RM'000
2021							
At 1 January	546	-	4,362	490	198	873	6,469
Recognised in:							
Income statement	968	3,331	(684)	483	56	(873)	3,281
At 31 December	1,514	3,331	3,678	973	254	-	9,750
2020							
At 1 January	149	-	3,782	460	196	2	4,589
Recognised in:							
Income statement	397	-	580	30	2	871	1,880
At 31 December	546	-	4,362	490	198	873	6,469

19. DEFERRED TAXATION (CONTD.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (contd.):

Deferred Tax Liabilities

	Accelerated capital allowances RM'000	Fair value adjustment RM'000	FVOCI reserve RM'000	Unrealised currency exchange RM'000	Total RM'000
2021					
At 1 January	(3,450)	(39,298)	(10,237)	-	(52,985)
Recognised in:					
Income statement	816	(3,454)	-	(148)	(2,786)
Other comprehensive income	-	-	12,220	-	12,220
At 31 December	(2,634)	(42,752)	1,983	(148)	(43,551)
2020					
At 1 January	(4,233)	(34,030)	(9,068)	-	(47,331)
Recognised in:					
Income statement	783	(5,268)	-	-	(4,485)
Other comprehensive income	-	-	(1,169)	-	(1,169)
At 31 December	(3,450)	(39,298)	(10,237)	-	(52,985)

20. INSURANCE PAYABLES

	2021 RM'000	2020 RM'000
Due to agents and intermediaries	124,811	121,753
Due to reinsurers and cedants	236,059	257,512
	360,870	379,265

Amounts of insurance payables that have been offset against amounts due from the same counterparties are as follows:

	Gross carrying amount RM'000	Gross amount offset in the Statement of Financial Position RM'000 (Note 12)	Net amount in the Statement of Financial Position RM'000
2021			
Due to agents and intermediaries	146,957	(22,146)	124,811
Due to reinsurers and cedants	236,801	(742)	236,059
	383,758	(22,888)	360,870
2020			
Due to agents and intermediaries	139,874	(18,121)	121,753
Due to reinsurers and cedants	264,076	(6,564)	257,512
	403,950	(24,685)	379,265

The carrying amounts are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

21. OTHER LIABILITIES

	2021 RM'000	2020 RM'000
Lease liabilities (Note 5)	4,807	5,634
Provision for restoration costs	1,261	1,261
Amount due to related companies* (Note 38 (b)):		
- Ultimate holding company	3,023	-
- Immediate holding company	3,180	-
- Penultimate holding company	8	-
- Other related companies	189	3,100
Amount due to subsidiary* (Note 38 (b))	1,616	1,621
Amount due to stockbrokers	-	608
Provision for land development costs	163	711
Sundry payables and accrued liabilities	72,503	65,935
Total other liabilities	86,750	78,870

The movement of provision for land development costs is disclosed as follows:

	2021 RM'000	2020 RM'000
At 1 January	711	840
Payment for development	(548)	(129)
At 31 December	163	711

*Amounts due to related companies and subsidiary are non-trade in nature, unsecured, interest-free and are repayable in the short-term.

The carrying amounts of financial liabilities are reasonable approximations of fair values at the reporting date due to the relatively short-term maturity of these balances.

22. OPERATING REVENUE

Operating revenue of the Company comprises gross written premiums and income from investment activities.

	2021 RM'000	2020 RM'000
Gross premiums (Note 23)	1,443,156	1,299,092
Investment income (Note 25)	62,908	59,885
	1,506,064	1,358,977

23. NET EARNED PREMIUMS

	2021 RM'000	2020 RM'000
(a) Gross earned premiums		
Gross premiums (Note 18, Note 22)	1,443,156	1,299,092
Change in premium liabilities	(6,903)	45,908
Gross earned premiums (Note 18)	1,436,253	1,345,000
(b) Earned premiums ceded to reinsurers		
Premiums ceded to reinsurers (Note 18)	(965,868)	(815,819)
Change in premium liabilities	(18,682)	(33,700)
Earned premiums ceded to reinsurers (Note 18)	(984,550)	(849,519)
Net earned premiums	451,703	495,481

24. FEE AND COMMISSION INCOME

	2021 RM'000	2020 RM'000
Reinsurance commission income	48,607	60,893

25. INVESTMENT INCOME, NET

	2021 RM'000	2020 RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	1,282	567
(ii) HFT		
Dividend income		
Equities securities		
- Quoted in Malaysia	1,695	1,340
- Unquoted in Malaysia	500	716
- Quoted outside Malaysia	57	67
- Unit and property trusts	19	-

25. INVESTMENT INCOME, NET (CONTD.)

	2021 RM'000	2020 RM'000
Financial assets at FVOCI		
Interest income	43,452	33,357
Dividend income - Quoted in Malaysia	401	-
Financial assets at AC		
Interest income	6,608	12,660
Interest (expenses)/income from financing receivables	(474)	460
(Amortisation of premium)/accretion of discount	(1,080)	405
Investment related expenses	(360)	(457)
Rental income, net		
- Investment properties (Note 4)	12,292	11,922
- Others	1,470	1,461
Rental related expenses		
- Investment properties (Note 4)	(2,947)	(2,613)
- Others	(7)	-
Total investment income, net	62,908	59,885

26. REALISED GAINS, NET

	2021 RM'000	2020 RM'000
Realised gains/(losses) on disposal of:		
Property, plant and equipment	10	9
Financial assets at FVTPL		
(i) Designated upon initial recognition		
- Debt securities	(2,937)	63
(ii) HFT		
- Equity securities	11,149	(20,118)
- Unit and property trust funds	(4)	22
- Derivatives	1,795	454
	12,940	(19,642)
Financial assets at FVOCI		
- Malaysian government papers	934	12,759
- Debt securities	3,515	8,793
	4,449	21,552
Total realised gains, net	14,462	1,982

27. FAIR VALUE GAINS, NET

	2021 RM'000	2020 RM'000
Fair value gains:		
Investment properties (Note 4)	21,024	3,940
Financial assets at FVTPL		
- Designated upon initial recognition	721	80
- HFT	(16,191)	17,928
Total fair value (losses)/gains on financial assets at FVTPL	(15,470)	18,008
Total fair value gains, net	5,554	21,948

28. OTHER OPERATING INCOME/(EXPENSES), NET

	2021 RM'000	2020 RM'000
Other income		
Gains on foreign exchange:		
- Realised	2,054	-
- Unrealised	5,302	-
Reversal of impairment losses on:		
- Financing receivables	870	-
- Insurance receivables	3,654	-
- Reinsurance assets	2,348	-
Recoveries of bad debts on insurance receivables	46	3
Sundry income	6,238	6,208
	20,512	6,211
Other expenses		
Bad debts written off	(460)	(3)
Allowance for impairment losses on:		
- Financing receivables	-	(196)
- Insurance receivables	-	(567)
- Reinsurance assets	-	(1,712)
- Investments	(83)	(8)
Losses on foreign exchange		
- Realised	-	(4,775)
- Unrealised	-	(5,157)
Sundry expenditure	(341)	(114)
	(884)	(12,532)
Total other operating income/(expenses), net	19,628	(6,321)

29. MANAGEMENT EXPENSES

	2021 RM'000	2020 RM'000
Employee benefits expense (a)	70,555	74,268
Directors' fees and remuneration (Note 30)	1,091	1,006
Auditors' remuneration:		
- Statutory audit	344	323
- Regulatory related services	14	18
- Other assurance services	175	80
Amortisation of intangible assets (Note 6)	6,450	6,163
Bank charges	3,949	3,963
Depreciation of property, plant and equipment (Note 3)	3,237	3,027
Right-of-use expenses:		
- Depreciation of ROU assets	2,161	2,259
- Interest on lease liabilities	127	178
Other management fees	420	3,325
Professional fees	3,266	1,792
Auto assist services	-	2,124
Rental of offices/premises	4,551	4,071
Expenses of low-value assets	21	-
Information technology outsourcing	3,606	3,079
Postage and stamp duties	710	680
Printing and stationery	300	262
Promotional and marketing cost	13,443	14,924
Training expenses	493	398
Utilities, assessment and maintenance	1,148	1,596
Entertainment	71	144
Travelling expenses	42	362
Office facilities expenses	355	906
Legal fees	92	134
Other expenses	3,858	3,230
Total management expenses	120,479	128,312

(a) Employee benefits expense:

	2021 RM'000	2020 RM'000
Wages, salaries and bonuses	51,511	56,677
EPF	8,368	9,111
SOCSO	406	433
Share-based compensation	2,054	1,343
Other benefits	8,216	6,704
	70,555	74,268

Included in employee benefits expense is CEO's remuneration of RM1,328,000 (2020: RM1,178,000) as further disclosed in Note (b).

29. MANAGEMENT EXPENSES (CONTD.)

(b) The details of CEO's remuneration during the year are as follows:

	2021 RM'000	2020 RM'000
Salary	600	600
Bonus	200	250
EPF	135	155
Share-based compensation	303	10
Other emoluments	90	163
	1,328	1,178

30. DIRECTORS' FEES AND REMUNERATION

	2021 RM'000	2020 RM'000
Directors of the Company		
Executive director:		
Fees	120	120
Other emoluments	24	16
	144	136
Non-executive directors:		
Fees	780	750
Other emoluments	167	120
	947	870
Total directors' fees and remuneration	1,091	1,006

30. DIRECTORS' FEES AND REMUNERATION (CONTD.)

The total remuneration of the directors of the Company are as follows:

	Fees RM'000	Other emoluments RM'000	Total RM'000
2021			
Executive director:			
Datuk Normala Binti Abdul Manaf	120	24	144
	120	24	144
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	180	24	204
Mr. Frank Johan Gerard Van Kempen	120	24	144
Mr. Koh Heng Kong	120	41	161
Cik Serina Binti Abdul Samad	120	26	146
Ms. Daniela Adaggi	120	24	144
Encik Mohamad Shukor Bin Ibrahim	120	28	148
	780	167	947
	900	191	1,091
2020			
Executive director:			
Datuk Normala Binti Abdul Manaf	120	16	136
	120	16	136
Non-executive directors:			
Datuk Mohd Najib Bin Abdullah	180	18	198
Mr. Frank Johan Gerard Van Kempen	120	16	136
Mr. Koh Heng Kong	120	35	155
Cik Serina Binti Abdul Samad	120	21	141
Ms. Daniela Adaggi	120	12	132
Encik Mohamad Shukor Bin Ibrahim	90	18	108
	750	120	870
	870	136	1,006

31. FEE AND COMMISSION EXPENSES

	2021 RM'000	2020 RM'000
Costs incurred for the acquisition of insurance contracts expensed in the current financial year	73,471	80,466

32. TAXATION

The major components of income tax expense for the financial years ended 31 December 2021 and 31 December 2020 are:

	2021 RM'000	2020 RM'000
Income Statement		
Income tax:		
Current financial year		
- Malaysia	44,537	39,398
Under provision of taxation in prior financial year	103	1,110
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 19)	(495)	2,605
Income tax expense recognised in income statement	44,145	43,113
Statement of Comprehensive Income		
Deferred income tax related to other comprehensive income:		
- Fair value changes on financial asset at FVOCI (Note 19)	(12,220)	1,169
	(12,220)	1,169

32. TAXATION (CONTD.)

Reconciliation between tax expense and accounting profit

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2021 RM'000	2020 RM'000
Profit before taxation	169,119	167,305
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	40,589	40,154
Income not subject to tax	(1,185)	(1,189)
Expenses not deductible for tax purposes	4,812	3,038
Effect of weighted average tax rate on deferred tax	(174)	-
Under provision of taxation in prior financial year	103	1,110
Tax expenses for the financial year	44,145	43,113

The income tax for Shareholder's fund and General fund in relation to the Malaysian operations are calculated at the statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

33. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2021 RM'000	2020 RM'000
Profit attributable to ordinary equity holders	124,974	124,192

	2021 Units '000	2020 Units '000
Weighted average number of ordinary shares in issue at 31 December (Note 16)	212,151	212,151

	2021 sen	2020 sen
Basic and diluted earnings per share	58.91	58.54

There have been no other transactions involving ordinary shares between the reporting date and the authorisation date of the financial statements.

34. DIVIDENDS

	2021 RM'000	2020 RM'000
Final dividend in respect of financial year ended 31 December 2020 - 28.28 sen per share, single-tier tax exempt dividend on 212,151,399 ordinary shares	59,996	-
Final dividend in respect of financial year ended 31 December 2019 - 14.14 sen per share, single-tier tax exempt dividend on 212,151,399 ordinary shares	-	29,998

35. OPERATING LEASE COMMITMENTS

The Company as a lessor

The Company has entered into operating lease agreements on its portfolio of investment properties. The leases have remaining lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2021 RM'000	2020 RM'000
Not later than one year	22,545	11,284
Between one and five years	88,658	42,674
	111,203	53,958

Rental income on investment properties recognised in the income statement during the financial year is disclosed in Note 4 and Note 25.

36. OTHER COMMITMENTS AND CONTINGENCIES

	2021 RM'000	2020 RM'000
Approved and contracted for:		
Property, plant and equipment	2	438
Intangible assets	1,210	1,121
	1,212	1,559
Approved but not contracted for:		
Property, plant and equipment	3,803	14,748
Intangible assets	398	405
	4,201	15,153

	2021 Full commitment RM'000	2020 Full commitment RM'000
Derivative financial assets:		
Cross currency swap (Note 14):		
Less than a year	12,138	-
Forward foreign exchange contracts (Note 14):		
Less than a year	28,312	101,344
	40,450	101,344

37. SHARE-BASED COMPENSATION

ESGP and CESGP

Maybank Group has implemented a new employees' share plan named as the Maybank Group ESGP and the scheme was awarded to the participating companies within the Maybank Group who fulfil the eligibility criteria. The ESGP is governed by the ESGP By-Laws approved by the shareholders of Maybank at an Extraordinary General Meeting held on 6 April 2017. The ESGP was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

The ESGP consists of two (2) types of performance-based awards, i.e. ESGP Shares and CESGP. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group ESGP Committee.

The ESGP Shares are a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executives, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Plan ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

Other principal features of the ESGP are as follows:

(i) The employees eligible to participate in the ESGP must be on the payroll of the Participating Maybank Group and has not served a notice of resignation or received a notice of termination. Participating Maybank Group includes Maybank and its overseas branches and subsidiaries, but excluding dormant subsidiaries.

(ii) The entitlement under the ESGP for the Executive Directors, including any persons connected to the Directors, is subject to the approval of the shareholders of Maybank in a general meeting.

(iii) The ESGP shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, Maybank may terminate the ESGP at any time during the duration of the plan subject to consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination.

38. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the Directors and the Chief Executive Officer of the Company.

The Company has related party relationships with its holding companies, fellow subsidiary companies, subsidiary, associate, key management personnel and the subsidiaries and associates of a company with significant influence over its shareholder.

Related party transactions have been entered into in the normal course of business under normal trade terms.

(a) Significant transactions of the Company with related parties during the financial year were as follows:

	2021 RM'000	2020 RM'000
<u>Income/(expenses):</u>		
Ultimate holding company:		
Gross premium income	25,464	24,813
Commissions and fees expenses	(23,060)	(23,790)
Claims paid	(519)	(314)
Interest income	226	912
Rental income	491	499
Other expenses	(258)	(535)
ESGP	(1,693)	(1,421)
Immediate holding company:		
Gross premium income	11	12
Dividend paid	(59,996)	(29,998)
Rental income	149	131
Claims paid	-	(69)
Shared services cost	(26,388)	(10,675)
Remuneration of a seconded employee	(65)	(135)

38. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(a) Significant transactions of the Company with related parties during the financial year were as follows (contd.):

	2021 RM'000	2020 RM'000
Income/(expenses) (contd.):		
Penultimate holding company:		
Other income	35	58
Fellow subsidiaries within the MAHB Group:		
Gross premium income	4,376	455
Premium ceded to reinsurers	(1,766)	(2,719)
Commissions and fee expenses	(509)	(3,891)
Reinsurance commission (expenses)/income	(433)	3,567
Claims paid	(7,798)	(2,815)
Claims recovery from reinsurers	5,786	3,584
Other income	3	656
Other expenses	(235)	(247)
Rental income	10,193	9,704
Rental expense	(1,976)	(1,820)
Shared services income	33,937	20,200
Reinsurance portfolio administration fee	(8)	(65)
Other related companies within the Maybank Group:		
Gross premium income	1,778	1,713
Interest income	3,992	4,035
Consultation fee	(1,960)	(1,145)
Other expenses	(136)	(269)
Shared services cost	(41)	-
Information technology outsourcing	(4,985)	(4,690)
Companies with significant influence over the Maybank Group:		
Gross premium income	5,285	2,854
Claims paid	(1,172)	(4,365)

38. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES (CONTD.)

(b) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented as follows:

	Note	2021 RM'000	2020 RM'000
Ultimate holding company:			
Fixed and call deposits		55,777	82,021
Derivatives		(465)	2,695
Bank balances		10,605	22,295
Income due and accrued		85	48
Outstanding premiums		26	7,521
Claim liabilities		(46,232)	(58,861)
Provision for custodian fee		(23)	(35)
Amount due from ultimate holding company	13	-	656
Amount due to ultimate holding company	21	(3,023)	-
Immediate holding company:			
Outstanding premiums		-	7
Amount due from holding company	13	-	621
Amount due to holding company	21	(3,180)	-
Penultimate holding company:			
Amount due to penultimate holding company	21	(8)	-
Fellow subsidiaries within the MAHB group:			
Amount due to reinsurers and cedants		(28,471)	(9,264)
Outstanding premiums ceded		(18)	(58)
Outstanding claim recoveries		125	16
Claims liabilities		(3,805)	(6,007)
Reinsurance assets		10	17,051
Amount due from other related companies	13	16,048	6,742
Amount due to other related companies	21	(6)	(3,019)
Other related companies within the Maybank Group:			
Fixed and call deposits		227,316	222,306
Income due and accrued		308	462
Claims liabilities		(50)	(50)
Amount due from other related companies	13	-	1
Amount due to other related companies	21	(183)	(81)

38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(b) Included in the statement of financial position of the Company are amounts due from/(to) related companies represented as follows (contd.):

	Note	2021 RM'000	2020 RM'000
Companies with significant influence over the Maybank Group:			
Claims liabilities		(5,825)	(6,711)
Subsidiary:			
Amount due to subsidiary	21	(1,616)	(1,621)

The balances with related companies are subject to normal trade terms and are as disclosed in Notes 13 and 21.

(c) Key management personnel compensation

(i) The remuneration of key management personnel during the years were as follows:

	2021 RM'000	2020 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	824	964
- Fees	900	870
- Contribution to EPF	135	155
- Share based compensation	303	10
- Other emoluments	257	185
	2,419	2,184

(ii) The numbers of shares awarded for ESGP to key management personnel are as follows:

	2021 RM'000	2020 RM'000
Award date		
At 1 January	396	264
Awarded	132	132
At 31 December	528	396

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework ("ERMF") is intended to institutionalise vigilance and awareness of the management of risk. It encapsulates the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the legal entities within Maybank Ageas Holdings Berhad ("MAHB"), being Etiqa General Insurance Berhad ("EGIB"), Etiqa Family Takaful Berhad ("EFTB"), Etiqa Life Insurance Berhad ("ELIB"), Etiqa General Takaful bhd ("EGTB"), Etiqa Life International (L) Ltd. ("ELIL"), Etiqa Offshore Insurance (L) Ltd. ("EOIL") and Etiqa Insurance Pte. Ltd. ("EIPL"), collectively known as "the MAHB Group".

The key building blocks have been set which serve as the foundation for effective risk management and executed in accordance with the standards and risk appetite set by the Board.

The overall risk management process is viewed in a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

Principles

Strong risk culture serves as the foundation upon which a robust enterprise wide risk management structure is built. The approach to risk management is premised on the following broad principles:

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Principles (contd.)

- Maintain a Risk Taxonomy for Assessing Risk
- Establish Risk Appetite and Strategy
- Assign Adequate Capital
- Select an Appropriate Risk Response Action
- Ensure Governance and Oversight Function
- Establish Risk Management Practices and Processes
- Identify & Quantify Unfavorable Effects Through Stress Testing
- Ensure Sufficient Resources and System Infrastructures

There are Risk Frameworks, Policies, Guidelines & Procedures documenting the key expectations for the proper coping with each risk type the organisation faces.

Risk Culture

Risk Culture is a vital component in strengthening the MAHB Group's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

It stems from the conduct of staff, businesses and the organisation as a whole in ensuring that customers, either internal or external, are treated fairly and their interest upheld at all times.

Risk Culture aligns the businesses objectives and attitude towards risk taking and risk management through risk appetite by establishing the way in which risks are identified, measured, controlled, monitored and reported.

The Risk Culture can be strengthened by a strong tone from the top that establishes the expected risk behaviour, and then operationalised by the tone from the middle. Both levels are responsible to articulate and exemplify the underlying values that support the desired Risk Culture. This is driven by a clear vision for an effective approach to risk, ingrained at all levels and built into the behaviour of each individual.

Embedding a strong Risk Culture goes beyond compliance to policies, core values, code of ethics and conduct, it is essentially about the belief, emotion and behaviour that ‘risk is everyone’s responsibility’ and should permeate in the attitude of each individual.

Risk Coverage

MAHB Group maintains a Risk Taxonomy for assessing risk, which is derived from several risk analysis exercises conducted each year. New risks if any, are added as they are identified through the annual Enterprise Risk Assessment (with methodology of Risk Landscape Survey), the New Business/Product Approval process as governed by the New Product Approval Policy, through forward looking stress testing as well as inputs from the Senior Management and Board of Directors.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Appetite and Strategy

The establishment of the MAHB Group's Risk Appetite is a critical component of a robust risk management framework and should be driven by both top-down Board leadership and bottom-up involvement of management at all levels. The Risk Appetite should enable the Board of Directors ("the Board") and Senior Management to communicate, understand and assess the types and levels of risks that they are willing to accept in pursuit of their business objectives.

Developing and setting the Risk Appetite must be integrated into the strategic planning process and should be dynamic and responsive to changing business and market conditions. Over and above this, the budgeting process should be aligned to the Risk Appetite to ensure that the projected revenues arising from business transactions are consistent with the risk profile and Risk Appetite established.

Adequate Capital

Capital Management is the key element for ensuring that MAHB and its subsidiaries has adequate capital to meet its capital requirements on an on-going basis, fulfilling the regulatory requirements on Internal Capital Adequacy Assessment Processes ("ICAAP") that all Insurers / Takaful Operators must operate at capital levels above the Individual Target Capital Level ("ITCL") at all times, which means that in the event that the ITCL is breached, MAHB and its subsidiaries must have an actionable plan to restore the capital level within a reasonable timeframe.

Risk Response

Risk response is the process of monitoring inherent risk and potential risk events from MAHB Group’s product offerings, investment decisions, operating processes as well as business strategies. There are generally four (4) possible responses to risk that have been identified and evaluated:-

a) Avoidance – exiting the activities that are giving rise to risk;
b) Reduction – taking action to reduce the likelihood or impact related to the risk;
c) Share – transferring or sharing a portion of the risk; and
d) Acceptance – accepting inherent risk and willingness to absorb plausible implications due to a cost and benefit decision.

When strategising the response action, the overarching principle that needs to be thoroughly considered is whether or not the risk that we are willing to assume is feasible to MAHB Group. In general, if we are unable to manage and mitigate the risk then we should avoid the risk, unless the trade-off cost and benefit of assuming such risks brings greater value to MAHB Group. In a nutshell, the Risk Response chosen must be realistic, taking into account the costs of the responses as well as the impact to MAHB Group.

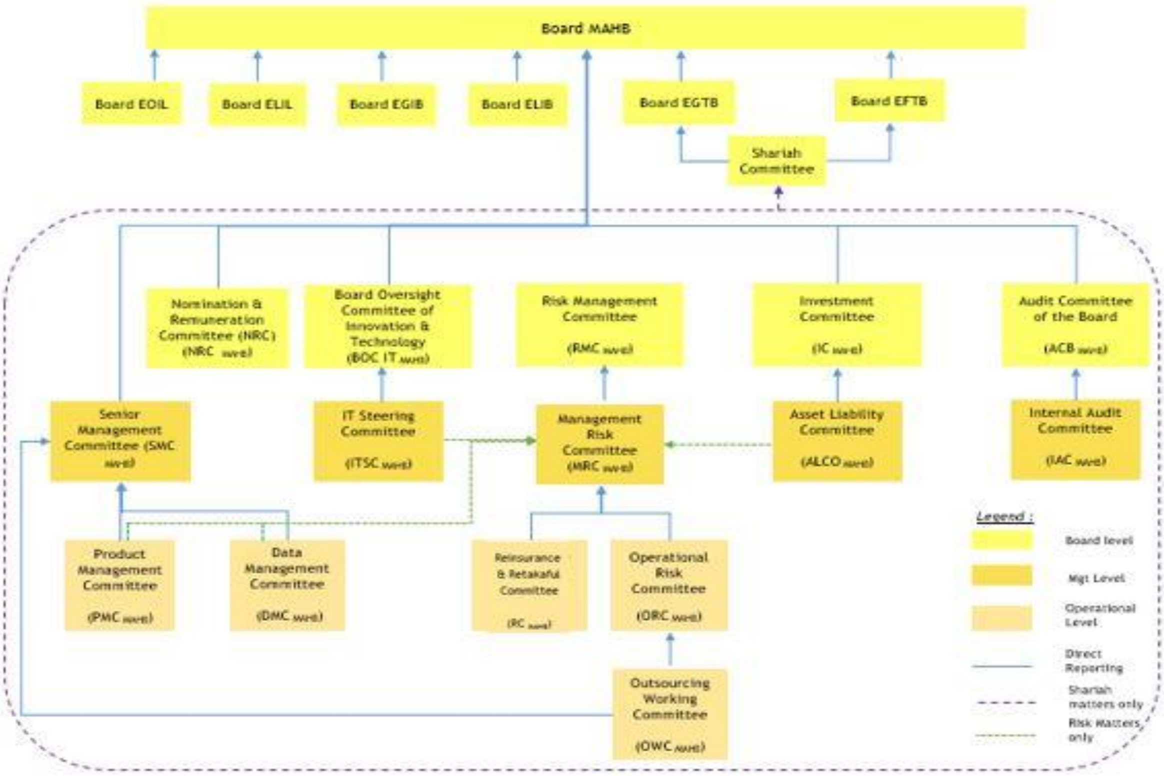
39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight

A governance structure should be clear, effective as well as robust and includes the role of the Board, Risk Committees and Senior Management with well defined, transparent and consistent lines of responsibility.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group. It also places accountability and ownership while facilitating an appropriate level of independence and segregation of duties between the lines of defence.

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function. The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Boards, the Risk Management Committee ("RMC") and the Management Risk Committee ("MRC").



39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Governance and Risk Oversight (contd.)

Note:
1) This is a representation of overall risk governance bodies within MAHB, there exist other committees not captured in this diagram as any risk matters that require risk focused supervision shall be escalated to the risk governance bodies for deliberations as captured above.

2) As for Shariah risk matters, the oversight responsibility resides with the Shariah Committee which reports to the Entities' Boards respectively.

The risk governance structure in place aims to ensure appropriate accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) lines of defence which include the risk taking units, risk control units and internal audit.

Board

The MAHB Board, together with the ELIB, EFTB, EGIB, EGTB, ELIL, EOIL and EIPL Boards, have the final responsibility for all business activities, including risk management. The Boards have delegated specific matters to sub-Boards Committees, such as Shariah matters to Shariah Committee ("SC"), risk matters to the Risk Management Committee ("RMC"), audit matters to the Audit Committee of the Board ("ACB"), remuneration matters to Nomination and Remuneration Committee ("NRC") and investment matters to the Investment Committee ("IC").

Board Oversight Committee of Innovation and Technology ("BOC IT") to oversee the innovations enabled by technology; Financial and Operational Excellence ("FOX") opportunities enabled by technology; critical innovation and technology projects including regulatory changes; and ensure the relevant initiatives are adquately funded and resourced.

The following management level committees are established to support the Board in terms of risk governance on the business activities:

Senior Management Committee ("SMC")

The SMC is responsible to assure the Board that the Etiqa entities take adequate decisions regarding risks and return and to make sure adequate controls exist and are fully operational; and, ensure that the management of risk is in line with the approved risk appetite, strategy, risk frameworks, policies, procedures and risk management practices and processes established.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Management Risk Committee ("MRC")

The MRC is the advisor to the RMC concerning all risk related topics, including limits, exposures and methodologies.

Asset Liability Committee ("ALCO")

The ALCO is responsible for the investment strategy and operations. It will carry out its responsibilities within the limits set by the MRC taking into consideration the Risk Appetite and Asset Liability Management ("ALM") constraints.

Information Technology Steering Committee ("ITSC")

ITSC is to establish, review and approve IT initiatives as well as long term IT strategies and plans; identify potential IT strategies for the improvement of business operating model; ensure the alignment of IT initiatives and business strategies; ensure adequacy of IT infrastructure to support business-as-usual and new projects, and addressing risks of technology obsolescence.

Internal Audit Committee ("IAC")

The IAC is responsible to deliberate the audit findings highlighted in the internal and external auditors' reports as well as internal investigation reports; to deliberate and ensure adequacy and timeliness of the remedial actions; and, to support ACB in all audit-related matters.

The following Operational Level Committees are established to support the Management level committees at MAHB level in the discharge of their duties.

Operational Risk Committee ("ORC")

ORC serves as the advisor to MRC concerning group wide operational risk related topics in day-to-day activities and practices, ensuring sound risk governance standards through effective implementation of Operational Risk Policy and other risk governing documents.

Product Management Committee ("PMC")

The PMC's prime objective is to oversee, coordinate and manage the whole process of product development and product management for specific product lines. PMC monitors the implementation, and post implementation performance of the Insurance & Takaful Products.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Data Management Committee ("DMC")

DMC is to ensure effective group wide implementation of related Data Management policies and procedures, with proper execution of the actions and activities stipulated for every operating entity / subsidiary.

Reinsurance & Retakaful Committee ("RC")

The primary objective of the RC is to function as the governance body to provide decision and guidance in relation to the reinsurance management of the Insurance & Takaful policies. The scope of the RC covers General Reinsurance & Retakaful, Inward / Outward Reinsurance and Life / Family Catastrophe protection areas / issues under MAHB for the Insurance and Takaful Group.

Outsourcing Working Committee ("OWC")

OWC is responsible to deliberate and make recommendations on outsourcing related topics and also to ensure sound governance through effective implementation of outsourcing governing policies and procedures for all the operating entities in Malaysia (ELIB, EGIB, EFTB, and EGTB and Labuan entities EOIL and ELIL) including oversight function on EIPL outsourcing related matters (e.g. outsourcing consolidated group reporting).

Fire Committee ("FC")

FC is responsible to verify the premium / contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); approve Fire Underwriting Guidelines in line with Company's business strategy and risk appetite; approve pricing within FC's authority; to monitor the monthly performance indicators and propose corrective actions; on the advice of Pricing Department, report deviation from Fire Pricing Policy to MRC.

Motor Committee ("MC")

MC is responsible to verify the premium / contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); approve Motor Underwriting Guidelines in line with Company's business strategy and risk appetite; approve pricing and re-pricing within MC's authority.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

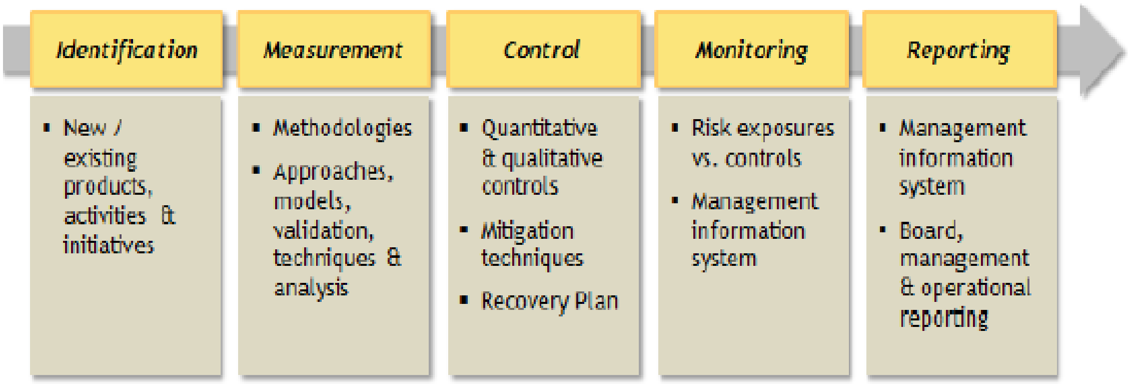
Business Continuity Management Committee ("BCMC")

The BCMC is responsible to ensure that the Business Continuity Management ("BCM") framework is embedded, promoted and implemented in each service area within the MAHB group. It also provides centralized co-ordination of the response to, and recovery from, any incident, or situation that causes potential or significant disruption to the Company in delivering its services to customers/policyholders.

Risk Management Practices and Processes

A robust process should be in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the business. The practices and processes are to be reflective of the nature, size and complexity of the various business activities.

There are five (5) main stages of the risk management process which form a continuous cycle as follows:



Stress Testing

Stress testing should be used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on MAHB Group's exposure. This involves an assessment of MAHB Group's capability to withstand such changes in relation to the capital and earnings to absorb potentially significant losses.

Stress testing is to be conducted on a periodic basis or when required to better understand the risk profile, evaluate business risk and thus, taking appropriate measures to address these risks accordingly.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Resources and System Infrastructure

Appropriate system infrastructure and resources are the foundation and enabler to effective risk management practices and processes. As a result, the MAHB Group should equip itself with necessary resources, infrastructures and support so as to ensure that risk management functions can be performed efficiently.

Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

The personnel within Risk Management Department should possess the requisite skills, qualifications, experience and competencies compatible with the nature, scale and complexity of the MAHB Group's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these in all facets of risk taking activities. The risk management functions should be given full access to internal systems and information for the purpose of performing its roles.

System Infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated System Infrastructure to support an enterprise-wide or consolidated view of risks. The System Infrastructure should be able to provide adequate and effective data aggregation capabilities at all times, with accurate, complete, timely and adaptable data to facilitate effective risk management practices and processes.

Through the established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately.

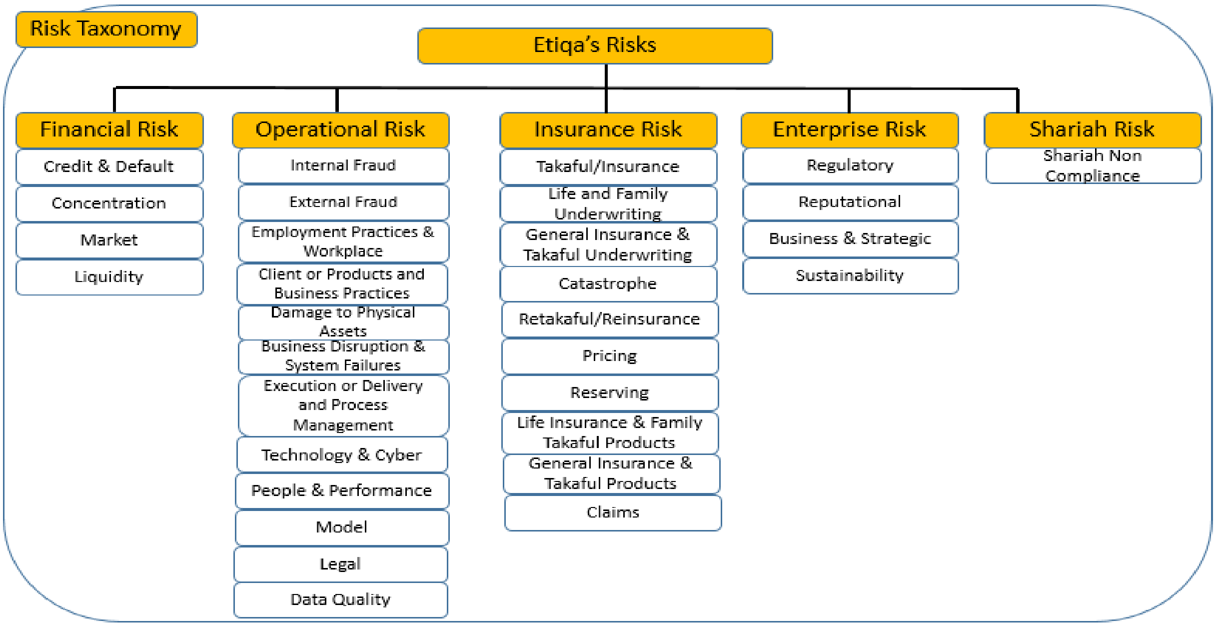
In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within the MAHB Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy

The following are the risk types that are applicable to the businesses and operations, which consist of Financial, Insurance, Operational, Enterprise and Shariah Risk.

Risk Management Department works hand-in-hand with Compliance Department, Legal Department and Shariah Division on risk related matters.



40. INSURANCE RISK

Insurance risk is risk of loss or of adverse change arising from the underwritten insurance businesses. This can be due to adverse deviation in portfolio experience as well as underlying assumptions / expectations on which product, pricing, underwriting, claims, reserving and reinsurance have been made. Analyses are performed to ensure that insurance risks remain within the Company’s risk appetite. Recommendations are provided to relevant stakeholders after identifying and evaluating significant trends.

Reinsurance offers financial protection to insurers against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honour their obligations. The Company monitors the reinsurers creditworthiness on a monthly basis.

The Company has established appropriate policies and monitoring metrics combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(i) Underwriting Risk

Underwriting Risk reflects the risk of loss or adverse impact arising from adverse changes in the actual outcome from the initial underwriting assessment / evaluation, selection, expectations and terms set. Underwriting Risk also considers other factors such as Environmental, Social and Governance ("ESG") and Value-Based Intermediation ("VBI") based on any available or established internal standard.

(ii) Pricing Risk

Pricing Risk is the risk of loss or adverse impact arising from the inadequate premium charged resulting in higher than expected losses and expenses.

(iii) Reinsurance Risk

The Reinsurance Risk reflects possible loss or adverse impact arising from reinsurance. The scope of this risk category includes reinsurers and risk mitigating contracts, such as reinsurance arrangements. It does not include the defaults for financial instruments, which are covered under Credit & Default Risk.

40. INSURANCE RISK (CONTD.)

(iv) Products Risk

This relates to the risk of loss or adverse impact arising from the development of new products and management of products. Product-related risks includes investment risk, pricing risk, business risk, reinsurance/retakaful risk, financial risk, underwriting risk, operational risk, fraud risk, misselling risk and Shariah non-compliance risk. To properly manage product risks, are assessment of system readiness to cater for specific product requirement is also necessary.

(v) Reserving Risk

Being the risk of loss or adverse impact arising from the inadequate reserves due to unanticipated loss developments.

(vi) Catastrophe Risk

Catastrophe Risk is the risk of loss or adverse changes in the underwritten insurance businesses due to over-exposures to extreme or exceptional events, which can cause an accumulated loss or single large loss.

Catastrophe Risks could arise from general insurance businesses. It is also includes catastrophe risks arising from climate change and any other ESG/VBI factors.

(vii) Claims Risk

Claims Risk is risk of loss or adverse impact arising from the claims management process which is expected to affect client satisfaction and the Company’s reputation. Claims management process can also impact claims cost resulting in higher claims experience, which will affect profitability.

(i) The table below discloses the premiums written by geography and type of business:

	<---- 2021 ----		---->	<---- 2020 ----		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Malaysia						
Motor	255,576	(9,892)	245,684	265,519	(9,003)	256,516
Fire	252,650	(147,013)	105,637	232,469	(127,517)	104,952
Marine, Aviation, Cargo and Transit	585,077	(565,903)	19,174	588,648	(567,629)	21,019
Miscellaneous	345,850	(241,729)	104,121	212,395	(111,670)	100,725
	1,439,153	(964,537)	474,616	1,299,031	(815,819)	483,212

40. INSURANCE RISK (CONTD.)

(i) The table below discloses the premiums written by geography and type of business: (contd.)

	<---- 2021 ---->			<---- 2020 ---->		
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Singapore						
Fire	4,003	(1,331)	2,672	60	-	60
Miscellaneous	-	-	-	1	-	1
	4,003	(1,331)	2,672	61	-	61
Total	1,443,156	(965,868)	477,288	1,299,092	(815,819)	483,273

(ii) Key assumptions and methods

The estimation of claims liabilities based on BNM RBC Framework for Insurers requires all general insurance businesses to calculate booked claim provisions at the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The insurance contract liabilities are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate costs of claims. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

40. INSURANCE RISK (CONTD.)

(ii) Key assumptions and methods (contd.)

The assumptions used in the projection methodologies, including future rates of claims inflation, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect any one-off occurrences, changes in external or market factors such as the public perspective towards claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience. The uncertainties involved in estimating liabilities are allowed for in the reserving process explicitly by adding in a ("PRAD") for the best estimate of the cost of future claim payments.

The methodology used in deriving the ULAE is the same as last year. A loading is applied directly to the best estimates for loss and allocated loss adjustment expense to provide for the ULAE.

Unallocated loss adjustment expense	**2021**	**2020**
Malaysia - Unallocated loss adjustment expense ratio	3.5%	4.0%

(iii) Sensitivity analysis

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development in earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the general insurance fund’s claim liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the insurance contract liabilities and consequently, the observed net claims ratio for the financial year. Accordingly, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, profit before tax and equity.

40. INSURANCE RISK (CONTD.)

(iii) Sensitivity analysis (contd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	*Impact on equity RM'000
		<------------------ Increase/(decrease)		------------------>	
2021					
Net incurred claims ratio	+ 5%	71,813	22,585	(22,585)	(17,165)
	- 5%	(71,813)	(22,585)	22,585	17,165
2020					
Net incurred claims ratio	+ 5%	67,250	24,774	(24,774)	(18,828)
	- 5%	(67,250)	(24,774)	24,774	18,828

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

* Impact on equity is stated after tax of 24%.

(iv) Claims development table

The following tables show estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting year, together with cumulative payments to date. The management believes the estimate of total claims outstanding as at the financial year end are adequate. 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.

40. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - gross insurance contract liabilities - 2021

	Before	<----------		As at 31 December			---------->	
	2015	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Estimate of gross cumulative claims:									
At the end of accident year		472,373	500,223	650,926	623,423	998,184	1,145,769	1,548,817	
1 year later		644,826	427,229	653,550	628,613	1,053,315	1,466,727		
2 years later		677,394	408,481	636,539	991,592	1,096,687			
3 years later		655,504	394,858	582,219	1,075,572				
4 years later		646,590	391,376	582,844					
5 years later		641,943	404,109						
6 years later		616,206							
Estimate of gross cumulative claims (A)		616,206	404,109	582,844	1,075,572	1,096,687	1,466,727	1,548,817	
Estimate of gross cumulative payments to date:									
At the end of accident year		117,553	115,349	228,448	114,737	254,960	162,538	662,915	
1 year later		382,244	249,580	417,498	316,439	474,617	250,530		
2 years later		441,823	315,396	492,679	385,996	663,409			
3 years later		482,763	334,206	500,353	472,460				
4 years later		514,891	350,088	503,553					
5 years later		517,432	357,521						
6 years later		519,489							
Gross cumulative payments (B)		519,489	357,521	503,553	472,460	663,409	250,530	662,915	
Gross outstanding claim liabilities (A) - (B)	383,563	96,717	46,588	79,291	603,112	433,278	1,216,197	885,902	3,744,648
Gross outstanding claim liabilities for Brunei and treaty inward									43,968
Unallocated loss adjustment expenses									7,805
Best estimate of gross claim liabilities									3,796,421
PRAD									318,307
Gross Insurance Claim Liabilities as at 31 December 2021									4,114,728

40. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - net of reinsurance - 2021

Accident year	Before 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
		<---- As at 31 December						---->	
Estimate of net cumulative claims:									
At the end of accident year		255,864	248,567	206,014	216,540	283,922	267,388	234,364	
1 year later		249,573	227,268	201,881	222,226	284,297	254,104		
2 years later		244,085	227,687	199,313	219,512	291,643			
3 years later		244,196	229,240	200,240	221,206				
4 years later		244,512	227,706	200,477					
5 years later		243,162	229,572						
6 years later		243,707							
Estimate of net cumulative claims (A)		243,707	229,572	200,477	221,206	291,643	254,104	234,364	
Estimate of net cumulative payments to date:									
At the end of accident year		105,240	109,745	95,787	105,268	131,115	114,009	67,496	
1 year later		197,502	183,464	161,937	171,037	208,718	180,292		
2 years later		220,400	207,112	181,876	188,484	239,700			
3 years later		229,927	216,410	187,529	200,533				
4 years later		233,849	218,264	189,966					
5 years later		235,578	220,655						
6 years later		237,194							
Net cumulative payments (B)		237,194	220,655	189,966	200,533	239,700	180,292	67,496	
Net outstanding claim liabilities (A) - (B)	7,493	6,513	8,917	10,511	20,673	51,943	73,812	166,868	346,730
Net outstanding claim liabilities for Brunei and treaty inward									43,720
Unallocated loss adjustment expenses									7,805
Best estimate of net claim liabilities									398,255
PRAD									41,818
Net Insurance Claim Liabilities as at 31 December 2021									440,073

40. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - gross insurance contract liabilities - 2020

Accident year	Before 2014 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
		<----- As at 31 December						----->	
Estimate of gross cumulative claims:									
At the end of accident year		3,368,421	472,373	500,223	650,926	623,423	998,184	1,145,769	
1 year later		3,324,465	644,826	427,229	653,550	628,613	1,053,315		
2 years later		3,870,607	677,394	408,481	636,539	991,592			
3 years later		3,318,450	655,504	394,858	582,219				
4 years later		3,297,763	646,590	391,376					
5 years later		3,296,421	641,943						
6 years later		3,229,245							
Estimate of gross cumulative claims (A)		3,229,245	641,943	391,376	582,219	991,592	1,053,315	1,145,769	
Estimate of gross cumulative payments to date:									
At the end of accident year		1,120,319	117,553	115,349	228,448	114,737	254,960	162,538	
1 year later		1,383,292	382,244	249,580	417,498	316,439	474,617		
2 years later		1,774,084	441,823	315,396	492,679	385,996			
3 years later		1,923,898	482,763	334,206	500,353				
4 years later		2,003,707	514,891	350,088					
5 years later		2,020,524	517,432						
6 years later		1,942,830							
Gross cumulative payments (B)		1,942,830	517,432	350,088	500,353	385,996	474,617	162,538	
Gross outstanding claim liabilities (A) - (B)	118,179	1,286,415	124,511	41,288	81,866	605,596	578,698	983,231	3,819,784
Gross outstanding claim liabilities for Brunei and treaty inward									55,079
Unallocated loss adjustment expenses									8,208
Best estimate of gross claim liabilities									3,883,071
PRAD									238,839
Gross Insurance Claim Liabilities as at 31 December 2020									4,121,910

40. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - net of reinsurance - 2020

	Before	<------	------	------	As at 31 December	------	------	------>	
	2014	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Accident year	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Estimate of net cumulative claims:									
At the end of accident year		263,503	255,864	248,567	206,014	216,540	283,922	267,388	
1 year later		251,303	249,573	227,268	201,881	222,226	284,297		
2 years later		246,969	244,085	227,687	199,313	219,512			
3 years later		238,975	244,196	229,240	200,240				
4 years later		240,031	244,512	227,706					
5 years later		238,868	243,162						
6 years later		237,547							
Estimate of net cumulative claims (A)		237,547	243,162	227,706	200,240	219,512	284,297	267,388	
Estimate of net cumulative payments to date:									
At the end of accident year		113,052	105,240	109,745	95,787	105,268	131,115	114,009	
1 year later		195,128	197,502	183,464	161,937	171,037	208,718		
2 years later		215,245	220,400	207,112	181,876	188,484			
3 years later		225,251	229,927	216,410	187,529				
4 years later		231,551	233,849	218,264					
5 years later		231,761	235,578						
6 years later		232,279							
Net cumulative payments (B)		232,279	235,578	218,264	187,529	188,484	208,718	114,009	
Net outstanding claim liabilities (A) - (B)	6,003	5,268	7,584	9,442	12,711	31,028	75,579	153,379	300,994
Net outstanding claim liabilities for Brunei and treaty inward									54,211
Unallocated loss adjustment expenses									8,207
Best estimate of net claim liabilities									363,412
PRAD									40,804
Net Insurance Claim Liabilities as at 31 December 2020									404,216

41. FINANCIAL RISKS

(i) Credit Risk

Credit Risk refers to the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms. It stems primarily from lending, underwriting, trading and investment activities from both on-balance sheet transactions and off-balance sheet transactions, if any.

Credit or spread risk and ultimately default risk result from the intrinsic quality of the issuer of debt securities and the impact it has on the value of these instruments. Changes in the level or in the volatility of both spreads as a result of changes in the underlying credit quality define the risk of investment default.

Credit Risk arises when a counterparty is no longer able to pay its contractual obligations. The Company's exposure to credit risk arises mainly from fixed income investment activities.

The Company measures and manages Credit Risk following the philosophies and principles below:

(a) The Risk Management and Investment Management Department actively monitor the counterparty exposure to prevent undue concentration by ensuring its credit portfolio is diversified and marketable;

(b) The asset management research team adopts a prudent position in the selection of fixed income investments;

(c) The Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and

(d) The Risk Management Department uses Key Risk Indicators (“KRI”) to alert the management of any impending problems in a timely manner.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments and contract asset. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	2021 RM'000	2020 RM'000
Financial assets at FVTPL		
Debt securities	56,325	17,014
Financial assets at FVOCI		
Malaysian government paper	223,572	94,373
Debt securities	821,650	748,904
Financial assets at AC		
Deposits and placements with:		
Licensed financial institutions	393,276	510,929
Others	20,000	10,000
Financing receivables	26,150	27,830
Insurance receivables	246,397	257,723
Other assets*	31,553	22,873
Derivative assets	-	6,099
Cash and bank balances**	10,722	31,959
	1,829,645	1,727,704

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.

** Excluding petty cash

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit quality of financial assets

The four (4) risk categories as set out and defined below, from very low to high apart from impaired, describe the credit quality of the Company's financial assets. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	A- to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk categories are as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.

Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(viii)(a).

Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of rating models.

Sovereign : Refer to obligors which are governments and/or government-related agencies.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating

The table below provides information regarding the credit exposure of the Company by classifying assets according to the risk categories:

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2021							
Financial assets at FVTPL							
Debt Securities	-	-	-	56,325	-	-	56,325
Financial assets at FVOCI							
Malaysian government papers	223,572	-	-	-	-	-	223,572
Debt securities	172,504	295,766	312,833	40,547	-	-	821,650
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	393,276	-	-	-	-	393,276
Others	-	-	20,000	-	-	-	20,000
Financing receivables	-	-	-	-	-	26,150	26,150
Insurance receivables^^	-	-	-	5,556	-	240,841	246,397
Other assets*	3,940	3,585	4,709	1,157	-	18,162	31,553
Cash and bank balances**	-	10,722	-	-	-	-	10,722
	400,016	703,349	337,542	103,585	-	285,153	1,829,645

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.

** Excluding petty cash

^^ Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "not rated" category.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Credit exposure by rating (contd.)

	Sovereign RM'000	Very low RM'000	Low RM'000	Medium RM'000	High RM'000	Unrated RM'000	Total RM'000
2020							
Financial assets at FVTPL							
(i) Designated upon initial recognition							
Debt Securities	-	-	17,014	-	-	-	17,014
Financial assets at FVOCI							
Malaysian government papers	94,373	-	-	-	-	-	94,373
Debt securities	157,703	220,985	293,430	76,786	-	-	748,904
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	510,929	-	-	-	-	510,929
Others	-	-	10,000	-	-	-	10,000
Financing receivables	-	-	-	-	-	27,830	27,830
Insurance receivables^^	-	-	-	9,865	-	247,858	257,723
Other assets*	2,397	3,273	4,757	390	-	12,056	22,873
Derivative assets	-	6,099	-	-	-	-	6,099
Cash and bank balances**	-	31,959	-	-	-	-	31,959
	254,473	773,245	325,201	87,041	-	287,744	1,727,704

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.
** Excluding petty cash
^^ Insurance receivables from agents/insurers/reinsurers licensed under the Financial Services Act 2013 are classified under the "not rated" category.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account

Significant increase in credit risk

The Company applies the General Approach or "three-stage" approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for invesment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate ("EIR") method with the forward looking element to compute the ECL.

The Company has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date. These include the establishment of staging criteria to each stage, debt rating deterioration threshold and a waterfall approach are to determine the credit rating as at origination date and as at reporting date in accordance to the Maybank Group's ECL model for debt securities portfolio.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12- month ECL in Stage 1. Given the impairment policy, the probability of default for new instruments acquired is generally determined to be minimal, in addition to the exception rule to apply zero loss given default ratio to specified financial assets which is applicable to the Company. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 months after the reporting date and in each subsequent year throughout the expected life of the financial instruments. The lifetime ECL allowance measured for the Company during the year are mostly due to the debt security is classified as Watchlist ("WL") or downgraded bond whichever it is assessed at the reporting date.

For a financial asset which is determined to be a credit-impaired debt security under Stage 3, the ECL calculation will be based on objective evidence of impairment.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

The table below shows the fair value of the Company's financial assets measured by credit quality, based on the Company's risk categories.

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired*	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at FVOCI				
Sovereign	396,076	-	-	396,076
Very low	295,766	-	-	295,766
Low	251,456	61,377	-	312,833
Medium	-	40,547	-	40,547
Total carrying amount	943,298	101,924	-	1,045,222
Total ECL	(54)	(699)	(154)	(907)
2020				
Financial assets at FVOCI				
Sovereign	252,076	-	-	252,076
Very low	220,985	-	-	220,985
Low	228,945	64,485	-	293,430
Medium	76,786	-	-	76,786
Total carrying amount	778,792	64,485	-	843,277
Total ECL	(385)	(285)	(154)	(824)

* RM154,000 refers to ECL balance of fully-impaired financial assets.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

Movements in allowances for impairment losses for financial assets at FVOCI are as follows

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at FVOCI				
At 1 January	385	285	154	824
Allowance made	129	321	-	450
New financial assets originated or purchased	25	-	-	25
Financial assets that have been derecognised	(182)	-	-	(182)
Allowance for impairment loss (Note 28)	(28)	321	-	293
Changes due to change in credit risk	(35)	35	-	-
Changes in risk parameters	(268)	58	-	(210)
At 31 December	54	699	154	907
2020				
Financial assets at FVOCI				
At 1 January	581	70	165	816
Writeback	(40)	-	-	(40)
New financial assets originated or purchased	86	-	-	86
Financial assets that have been derecognised	(269)	(8)	(11)	(288)
Net adjustment of loss allowance	-	250	-	250
Allowance for impairment loss (Note 28)	(223)	242	(11)	8
Changes due to change in credit risk	27	(27)	-	-
At 31 December	385	285	154	824

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Financial assets - Reconciliation of allowance account (contd.)

Impact on movements in gross carrying amount on allowance for financial assets at FVOCI

The following explains how significant changes in the gross carrying amount of financial assets at FVOCI during the financial year have contributed to the changes in the allowance for impairment on financial assets at FVOCI for the Company.

Overall, the total allowance for impairment on financial assets at FVOCI for the Company increased by RM83,000 for the financial year ended 31 December 2021 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM331,000 for the Company, mainly due to:
   - Financial assets at FVOCI that were derecognised; and
   - Partially offset by financial assets at FVOCI that were newly originated.
   - Remeasurement of ECL due to deterioration in credit quality (and subsequent transfer to Stage 2) and change in risk parameters.

b) Lifetime ECL Not Credit-Impaired (Stage 2) - increase of RM414,000 for the Company, mainly due to:
   - Remeasurement of ECL due to deterioration in credit quality (and subsequent transfer from Stage 1) and change in risk parameters.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - Reconciliation of allowance account

The Company applied the Simplified Approach where the ECL is measured at initial recognition of the financial assets using a provision matrix based on historical data or also known as the roll rate approach. Estimation of credit losses will use a provision matrix where insurance and reinsurance receivables are grouped based on different sales channels and different reinsurance arrangements respectively with forward looking elements being applied to it.

Movements in allowances for impairment losses for other financial assets are as follows:

	Not Credit Impaired			Credit-Impaired			Total		
	Financing receivables RM'000	Insurance receivables RM'000	Other assets* RM'000	Financing receivables RM'000	Insurance receivables RM'000	Other assets* RM'000	Financing receivables RM'000 (Note 10)	Insurance receivables RM'000 (Note 12)	Other assets* RM'000 (Note 13)
2021									
Gross carrying amount									
At 1 January 2020	26,177	302,327	19,006	5,520	22,991	-	31,697	325,318	19,006
Increase/(decrease)	1,358	(75,846)	3,867	116	13,536	-	1,474	(62,310)	3,867
At 31 December 2020	27,535	226,481	22,873	5,636	36,527	-	33,171	263,008	22,873
(Decrease)/increase	(1,373)	(7,449)	8,680	(1,177)	(7,531)	-	(2,550)	(14,980)	8,680
At 31 December 2021	26,162	219,032	31,553	4,459	28,996	-	30,621	248,028	31,553
ECL									
At 1 January 2020	8	236	-	5,137	4,482	-	5,145	4,718	-
Increase/(decrease)	3	1,242	-	193	(675)	-	196	567	-
At 31 December 2020	11	1,478	-	5,330	3,807	-	5,341	5,285	-
Increase/(decrease)	1	(286)	-	(871)	(3,368)	-	(870)	(3,654)	-
At 31 December 2021	12	1,192	-	4,459	439	-	4,471	1,631	-

* Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - Reconciliation of allowance account

Movements in allowances for impairment losses for other financial assets are as follows:

	Financing receivables RM'000 (Note 10)	Insurance receivables RM'000 (Note 12)	Other assets RM'000 (Note 13)	Total RM'000
2021				
ECL				
At 1 January	5,341	5,285	-	10,626
Net adjustment of loss allowance (Note 28)	(870)	(3,654)	-	(4,524)
At 31 December	4,471	1,631	-	6,102
2020				
ECL				
At 1 January	5,145	4,718	-	9,863
Net adjustment of loss allowance (Note 28)	196	567	-	763
At 31 December	5,341	5,285	-	10,626

Financial effects of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Secured staff/non-staff loans	Charges over residential properties and motor vehicles

The financial effect of collateral, which represents the quantification of the extent to which collateral and other credit enhancements mitigate credit risk, held for financing receivables is 100% as at 31 December 2021 (2020: 100%). Financing receivables amounting to RM26,150,000 as at 31 December 2021 (2020: RM27,830,000) are collateralised.

41. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk

Liquidity Risk is the risk of an adverse impact to the Company's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its financial obligations in a timely manner.

The objective of Liquidity Risk management is to have sufficient availability of cash to meet policyholders' liabilities, such as claims and financial obligations to other contract holders without endangering the business financials due to constraints on liquidating assets.

The Company measures and manages Liquidity Risk following the philosophies and principles below:

(a) The Risk Management and Investment Management Departments are actively monitoring the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform;

(b) The Investment Management Department ensures that reasonable liquidity is maintained for the assets held at all times; and

(c) The Risk Management Department uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner.

Maturity Profiles

The following table summarises the Maturity Profiles of the financial and insurance assets and liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance assets, Maturity Profiles are determined based on the estimated timing of net cash outflows of the recognised insurance liabilities.

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analyses as there are no contractual obligations to make or receive payments on these liabilities.

41. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2021						
Financial assets:						
FVTPL	194,584	33,668	25,947	-	138,259	197,874
FVOCI	1,049,712	81,674	403,024	1,157,137	4,490	1,646,325
AC	413,276	413,556	-	-	-	413,556
Financing receivables	26,150	2,910	10,258	16,171	-	29,339
Reinsurance assets*	3,674,655	3,176,056	498,591	8	-	3,674,655
Insurance receivables	246,397	246,397	-	-	-	246,397
Other assets**	31,553	31,553	-	-	-	31,553
Cash and bank balances	10,724	-	-	-	10,724	10,724
Total assets	5,647,051	3,985,814	937,820	1,173,316	153,473	6,250,423
Insurance contract liabilities*	4,114,728	3,548,469	566,139	120	-	4,114,728
Derivatives liabilities	545	545	-	-	-	545
Insurance payables	360,870	360,870	-	-	-	360,870
Other liabilities	86,750	82,734	3,880	180	-	86,794
Total liabilities	4,562,893	3,992,618	570,019	300	-	4,562,937

* Excluding premium liabilities
** Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.
Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

41. FINANCIAL RISKS (CONTD.)

(ii) Liquidity Risk (contd.)

Maturity Profiles (contd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
2020						
Financial assets:						
FVTPL	196,232	712	19,813	-	179,218	199,743
FVOCI	843,277	104,616	273,506	891,040	-	1,269,162
AC	520,929	521,298	-	-	-	521,298
Financing receivables	27,830	4,733	11,994	17,628	-	34,355
Reinsurance assets*	3,717,694	3,086,045	631,642	7	-	3,717,694
Insurance receivables	257,723	257,723	-	-	-	257,723
Other assets**	22,873	22,873	-	-	-	22,873
Derivative assets	6,099	6,099	-	-	-	6,099
Cash and bank balances	31,962	-	-	-	31,962	31,962
Total assets	5,624,619	4,004,099	936,955	908,675	211,180	6,060,909
Insurance contract liabilities*	4,121,910	3,415,640	705,983	287	-	4,121,910
Insurance payables	379,265	379,265	-	-	-	379,265
Other liabilities	78,870	74,372	4,549	214	-	79,135
Total liabilities	4,580,045	3,869,277	710,532	501	-	4,580,310

* Excluding premium liabilities

** Excluding non-financial assets such as prepayments, deposits, net share of MMIP assets and service tax recoverable.

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

41. FINANCIAL RISKS (CONTD.)

(iii) Market Risk

Market Risk is the risk of loss or of adverse change in the Company's financial situation resulting, directly or indirectly, from fluctuations or volatility of market prices of financial instruments.

Market Risk comprises mainly of these three (3) types of risk:

(a) Currency Risk;

(b) Interest Rates Risk; and

(c) Equity Price Risk

The Company has three main key features in respect of its Market Risk management practices and policies:

(i) The Company’s policies on asset allocation, portfolio limit structure and diversification benchmarks have been set in line with the Company’s risk management policies and risk appetite after taking cognisance of regulatory requirements in respect of the maintenance of assets and solvency.

(ii) Compliance with the policies is monitored and exposures and breaches are reported as soon as practical.

(iii) Strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

(a) Currency Risk

Currency Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company’s primary transactions are carried out in RM and its exposure to foreign exchange risk arises principally with respect to Singapore Dollar, Brunei Dollar and US Dollar.

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 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. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

41. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(b) Interest Rate Risk

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

Interest Rate Risks arise from exposures to interest rate related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages the interest Rate Risk mainly based on the following three philosophies and principles.

(a) Risk Management Department sets the limits for asset duration in line with the Company's risk appetite;

(b) Investment Management Department actively aim to match the asset duration with the liability duration, without compromising credit quality;

(c) The Risk Management uses Key Risk Indicators ("KRI") to alert the management of any impending problems in a timely manner; and

(d) Risk Management Department monitors the asset duration in accordance with the limits set, as well as the duration gap to the liability duration.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

	Changes in interest rates	2021 Impact on carrying value RM'000	2021 Impact on profit/ equity* RM'000	2020 Impact on carrying value RM'000	2020 Impact on profit/ equity* RM'000
		(Decrease)/increase			
Financial assets at FVTPL	+100 basis points	(845)	(642)	(618)	(470)
	-100 basis points	845	642	618	470
Financial assets at FVOCI	+100 basis points	(92,427)	(70,244)	(75,460)	(57,349)
	-100 basis points	92,427	70,244	75,460	57,349
Financial assets at AC	+100 basis points	(375)	(285)	(419)	(319)
	-100 basis points	375	285	419	319

* Impact on equity is after tax of 24%.

41. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk

Equity Price Risk is the risk that the fair value of an equity instrument would fluctuate because of changes in its market prices whether those changes are caused by factors specific to the individual equity instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's Equity Price Risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in equities' market prices.

The Company's risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market, having regard also to such limits stipulated by BNM. A cut loss mechanism is also put in place to minimise the loss that may occur over time.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant.

	Changes in Market Indices	Impact on carrying value RM'000	Impact on other comprehensive income RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		<------------------ Increase/(decrease)			------------------->
2021	+10%	6,059	449	5,610	4,605
	-10%	(6,059)	(449)	(5,610)	(4,605)
2020	+10%	9,720	-	9,720	7,388
	-10%	(9,720)	-	(9,720)	(7,388)

* Impact on equity is after tax of 24%.

(iv) Concentration Risk

Concentration Risk refers to the risk associated with the potential losses associated with a particular single or group of counterparties that are substantial enough to threaten the financial condition of the Company and its core operations (causing material adverse impact to the earnings, capital or total assets).

Concentration Risk relates to non-diversified portfolios and arises due to excessive exposure to single companies or an aggregate of exposures to a number of positively correlated companies for example within one sector or region.

The Company's risk policy requires it to manage such risks by setting and monitoring diversification plans and limits on investments in each country, sector, ratings, market and issuer, having regard also to such limits stipulated by BNM.

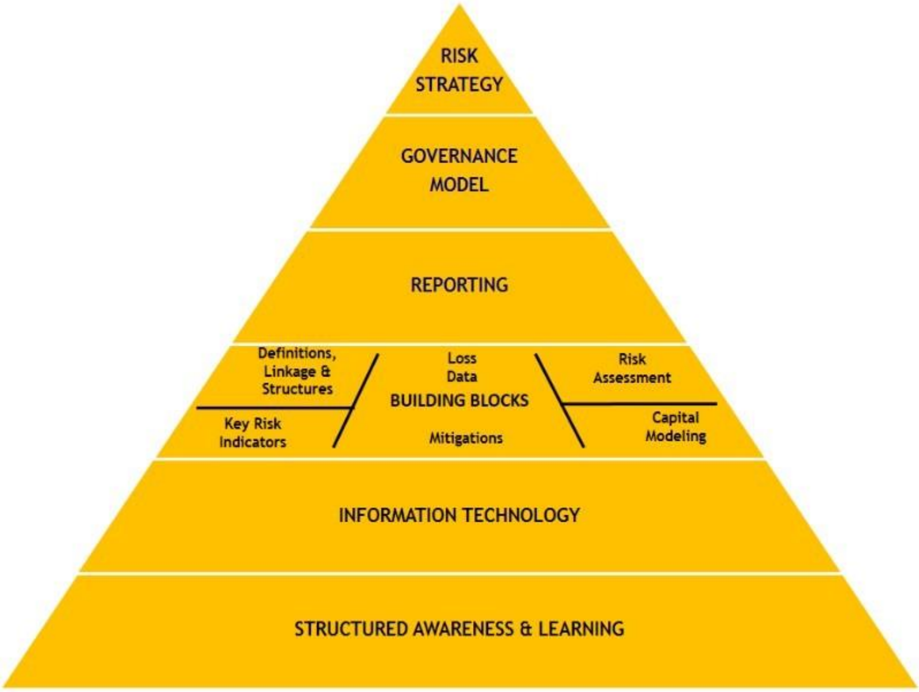
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

42. OPERATIONAL RISK

Operational Risk Management ("ORM") is the discipline of systematically identifying the causes of failures in the organisation's day-to-day operations, assessing the risk of loss and taking the appropriate action to minimise the impact of such loss.

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

The methodology and components adopted in Operational Risk are summarised in the diagram below:



The continuous review and monitoring of the risks and the control effectiveness are vital for an effective Operational Risk management. Hence, specific tools and methodologies to identify, assess, measure, control, monitor and report the Operational Risks that affect the Company are established. Those include among other things: Risk and Control Self-Assessment, Key Risk Indicators, Incident Management & Data Collection, Information Technology and Cyber Risk related assessment through awareness and learning programme.

Operational Risk Taxonomy

(i) Internal Fraud

Losses due to illegal acts (explicitly prohibited by the internal policies/guidelines or external regulations/law provisions) committed by employees. It also includes fraudulent activities/theft perpetrated by employees or in collusion with external party against the company/organisation.

42. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(ii) External Fraud

Losses due to fraudulent activities/theft perpetrated by third party against the company/organisation. External Fraud could arise from system security risk, i.e. failure to provide a secured system platform or an activity/incident that can and will threaten the integrity of a system, which will in turn affect the reliability and privacy of data.

(iii) Employment Practices and Workplace Safety

(a) Employee relations - failure to maintain positive employer-employee relationships that contributes to unsatisfactory productivity, demotivation and low morale;

(b) Safe environment - failure in the provision of a safe working environment from events that could endanger the safety of the employees; and

(c) Diversity and discrimination - failure to provide equality during employment.

(iv) Client or Products and Business Practices

This risk covers information risk as well as conduct risk, and it is sub-divided into five risk types, namely suitability disclosure and fiduciary, improper business or market practices, product flaws, selection sponsorship and exposure and advisory activities.

(v) Damage to Physical Assets

Damage to physical assets due to force of nature, or events which are not within due control of human. It also includes accidents and public safety that relates to failure in the provision of a safe environment from events that could endanger the safety of the general public from significant danger, injury/harm, or damage.

(vi) Business Disruption and System Failures

Failure in the provision of an effective information technology infrastructure (e.g. hardware, networks, software) to support the current and future needs of the business in an efficient, cost-effective and well controlled manner.

(vii) Execution or Delivery and Process Management

The risk relates to transaction capture or execution and maintenance, monitoring and reporting, customer intake and documentation, customer or client account management, vendors and suppliers.

42. OPERATIONAL RISK (CONTD.)

Operational Risk Taxonomy (contd.)

(viii) Information Technology Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology as well as cyber risk that can lead to losses due to cyber-crime and cyber terrorism.

(ix) People and Performance Risk

Inability to identify the suitable talent/personnel to deliver/manage and deliver/control business process/function/entity/business units, do not possess the necessary knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risk are reduced to an acceptable level.

(x) Model Risk

Risk of a model not performing the tasks or capturing the risks it was designed to capture.

(xi) Information Risk

Risk of loss of information from day-to-day operations could lead to financial risk, operational risk, reputational risk, legal risk and regulatory sanctions.

(xii) Legal Risk

Risk of incurring actual or potential loss that arises due to interalia, flawed documentation, change in regulations/laws, new judicial decisions, legal jurisdiction of our counterparties and choice of governing law that threatens the capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

(xiii) Data Quality Risk

Risk of poor quality data in terms of data integrity, compliance and timeliness, thus rendering the data unreliable and unfit for its intended usage in operations, analytics and reporting needs.

43. ENTERPRISE RISK

Risk of loss or adverse impact arising from business / strategic, industry, corporate governance and systemic risk. Enterprise Risk covers external and internal factors that can impact the Company's ability to meet its current business plan for achieving ongoing growth and value creation. It includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave. It can also be due to poor internal decision making and management or due to loss of reputation. Enterprise Risk will be exacerbated when there is a disruption to financial services that is caused by an impairment of all or parts of the financial system, with the potential to have serious negative consequences to the real / entire economy.

(i) Regulatory Risk

Losses with regard to regulatory changes impacting, for example allowable product features, underwriting practices, profit sharing and solvency, which may affect the volume or quality of new sales or the profitability of in force business. Regulatory changes include all external compliance aspects such as tax environment and legislation.

(ii) Reputational Risk

Risk damaged by one or more than one reputation event, as reflected from negative publicity about the business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence, resulting in costly litigation, or lead to a decline in its customer base, business or revenue.

(iii) Business & Strategic Risk

Risk of current or prospective impact on earnings, capital, reputation or standing arising from changes in the environment the MAHB Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes.

Risk of failure in directing and managing the business and affairs towards enhancing business prosperity and corporate accountability with ultimate objective of realising long-term shareholder value while taking into account the interests of other stakeholders.

(iv) Sustainability Risk

The risk of failure in conducting analysis and decision making on environment (the threat of climate change and depletion of resources), social (concerns on diversity, human rights, consumer protection and animal welfare) and corporate governance (concerns on the rights and responsibilities of the management of the company, management structure, documentation) when measuring the sustainability and ethical impact of business exposures.

44. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;

(b) Valuation techniques;

(c) Fair value measurements and classification within the fair value hierarchy;

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;

(e) Movements of Level 3 financial instruments and non financial asset; and

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Company determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Company has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Company continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective and periodic reviews are performed to ensure the model remains suitable for its intended use.

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – Quoted price

  Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm’s length basis. Such financial instruments include listed derivatives, quoted equities and unit and property trust funds traded on an exchange.

44. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Valuation principles (contd.)

- Level 2 : No Active Market – Valuation techniques using observable input

  Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

  Examples of Level 2 financial instruments include corporate and government bonds, structured products, NCDs/NICDs and over-the-counter ("OTC") derivatives.

- Level 3 : No Active Market – Valuation techniques using unobservable input

  Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with Level 2. The chosen valuation technique incorporates management's assumptions and data.

  Examples of Level 3 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

(b) Valuation techniques

(i) Cash and cash equivalents and other assets/liabilities

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest rates which are comparable with the rates offered on similar instruments in the market and to counter parties with similar credit profiles. Accordingly, the carrying amounts of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Insurance receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(x) and 2.2(xv). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(vi) and 2.2(viii)(a). The carrying amounts and fair values of investments are disclosed in Note 9 to the financial statements. Investments in unquoted equity instruments that do not have quoted market price in an active market, the fair values are measured based on the adjusted net asset method by referencing to the annual financial statements of the entity that the Company invested in.

44. FAIR VALUE MEASUREMENTS (CONTD.)

(b) Valuation techniques (contd.)

(v) Investment properties and IPUC

The fair values of investment properties and IPUC are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

(c) Fair value measurements and classification within the fair value hierarchy

	Fair value measurement using Valuation techniques:			
	Level 1 Using quoted market prices RM'000	**Level 2 Significant using observable inputs RM'000**	**Level 3 Using significant unobservable inputs RM'000**	**Total RM'000**
2021				
Assets				
Investment properties	-	-	311,866	311,866
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	56,325	-	56,325
(i) HFT				
Equity securities	55,168	-	82,161	137,329
Unit and property trust fund	930	-	-	930
Financial assets at FVOCI				
Malaysian government papers	-	223,572	-	223,572
Equity securities	4,490	-	-	4,490
Debt securities	-	821,650	-	821,650
Total assets	60,588	1,101,547	394,027	1,556,162
Liabilities				
Derivative liabilities	-	545	-	545
	-	545	-	545

44. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (contd.)

	Fair value measurement using Valuation techniques:			
	Level 1 Using quoted market prices RM'000	Level 2 Significant using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	Total RM'000
2020				
Assets				
Investment properties	-	-	287,860	287,860
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	17,014	-	17,014
(ii) HFT				
Equity securities	95,678	-	82,013	177,691
Unit and property trust fund	1,527	-	-	1,527
Financial assets at FVOCI				
Malaysian government papers	-	94,373	-	94,373
Debt securities	-	748,904	-	748,904
Derivative assets	-	6,099	-	6,099
Total assets	97,205	866,390	369,873	1,333,468

(d) Transfer between Level 1 and Level 2 in the fair value hierarchy

Assets and liabilities of the Company are recognised in the financial statements on a recurring basis. The Company determines whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. There were no transfers between Level 1 and Level 2 for the Company during the financial year ended 31 December 2021 and 2020.

44. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 financial instruments and assets

2021	Investment Properties RM'000	Financial instrument and assets measured at fair value Designated at FVTPL RM'000
At 1 January	287,860	82,013
Recognised in the income statement:		
Fair value gain (Note 27)	21,024	148
Addition	2,982	-
At 31 December	311,866	82,161
Total gains recognised in income statement for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year	21,024	148

2020	Investment Properties RM'000	Financial instruments measured at fair value Designated at FVTPL RM'000
At 1 January	283,920	83,515
Recognised in the income statement:		
Realised gain	-	1,450
Fair value gain (Note 27)	3,940	(1,212)
Disposal	-	(1,740)
At 31 December	287,860	82,013
Total gains recognised in income statement for assets and financial instruments measured at Level 3 of the fair value hierarchy at the end of the reporting year	3,940	238

44. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

(i) Investment properties

All investment properties of the Company carried at fair values were classified under Level 3. The valuation of investment properties were performed by an accredited independent valuer using a variety of approaches such as the comparison method and the income capitalisation approach.

	Valuation Method	Significant unobservable inputs	Range
2021			
Building	Income capitalisation	Rental per square foot	RM1.98 to RM7.50
Land	Comparison	Sales price per square foot for similar properties	RM3,833.56
Shoplots	Comparison	Sales price per square foot for similar properties	RM1.00 to RM1,221.57
2020			
Building	Income capitalisation	Rental per square foot	RM1.98 to RM7.50
Land	Comparison	Sales price per square foot for similar properties	RM3,292.49
Shoplots	Comparison	Sales price per square foot for similar properties	RM50.00 to RM1,104.61

44. FAIR VALUE MEASUREMENTS (CONTD.)

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions (contd.)

(i) Investment properties (contd.)

Under the comparison method, fair value is estimated by considering the selling price per square foot ("psf") of comparable investment properties sold, adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. The income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process also considers the relationships including yield and discount rates. Recent transactions transacted in the market resulting in an increase in these inputs, would result in a significant increase in the estimated fair values of the investment properties.

A significant increase or decrease in the unobservable input used in the valuation would result in a correspondingly higher or lower fair value of the investment properties.

(ii) Unquoted equity instruments

Unquoted equity instruments of the Company carried at fair value were classified under Level 3 of the fair value hierarchy.

The analysis below is performed for reasonably possible movements in the net asset value:

Net asset value	Changes in variables	Impact to Investments RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		<-------- Increase/(decrease)		--------->
2021	+5%	4,116	4,116	3,128
	-5%	(4,116)	(4,116)	(3,128)
2020	+5%	4,108	4,108	3,122
	-5%	(4,108)	(4,108)	(3,122)

* Impact on equity is computed after tax at the statutory tax rate.

45. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2021 and 31 December 2020, as prescribed under the RBC Framework, are provided below:

	2021 RM'000	2020 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	229,879	229,879
Reserves, including retained earnings	873,801	808,823
	1,103,680	1,038,702
Tier 2 Capital		
Revaluation reserve	76,391	76,391
Available-for-sale reserves	(5,102)	32,413
Currency translation reserve	14,410	13,843
	85,699	122,647
Amount deducted from Capital	(30,574)	(32,702)
Total Capital Available	1,158,805	1,128,647

46. UPDATE ON THE MALAYSIA COMPETITION COMMISSION ("MYCC") AGAINST THE GENERAL INSURANCE ASSOCIATION OF MALAYSIA ("PIAM") AND ITS 22 GENERAL INSURERS

On 22 February 2017, the Malaysia Competition Commission ("MyCC") has issued a Proposed Decision against the General Insurance Association of Malaysia ("PIAM") and its 22 general insurers, including the Company for an alleged infringement of the Competition Act 2010 ("CA 2010"). The MyCC alleged that PIAM and all 22 general insurers were parties to an anti-competitive agreement to fix the parts trade discount for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops.

PIAM and all the 22 general insurers have filed their respective written representations with the MyCC. The Company, represented by its legal counsel, Messrs Raja Darryl & Loh ("RDL") has filed its written representations with the MyCC on 25 April 2017 and has further made oral representations on 14 December 2017 and 17 June 2019 to defend its position, in line with PIAM and other general insurers.

46. UPDATE ON THE MALAYSIA COMPETITION COMMISSION ("MYCC") AGAINST THE GENERAL INSURANCE ASSOCIATION OF MALAYSIA ("PIAM") AND ITS 22 GENERAL INSURERS (CONTD.)

The MyCC has on 25 September 2020 issued their final decision (which is dated 14 September 2020) under Section 40 of the CA 2010 ("Final Decision") and the financial penalty for the Company has been determined. The Company has since filed an appeal against the Final Decision with the Competition Appeal Tribunal ("CAT") on 14 October 2020 and a stay of the financial penalty was imposed. The Final Decision also sets out a financial penalty levied against the Company in the sum of RM3,810,328.

The CAT unanimously allowed the stay applications on 23 March 2021 that the cease and desist order as well as the financial penalty imposed be stayed pending the disposal of the appeal.

Subsequent to the Case Management fixed on 30 August 2021, the CAT has read and heard the opening written and oral submissions by the Company in respect of the appeal against Final Decision on 16 November 2021.

The next scheduled hearing dates for reply submissions from counsel for MyCC are 17 March 2022 and 21 March 2022. The hearing of rebuttal submissions from respective counsels for the Insurers are scheduled on 24 March 2022, 6 April 2022, 7 April 2022 and 21 April 2022.

47. SIGNIFICANT EVENT

Covid-19 Impact

The prolonged Covid-19 pandemic has continued to impact the Company's business operations and investments. With the progress of the vaccination rollout, and the gradual opening up of the economy, the Company has seen an increase in sales of insurance policies, and achieved growth in 2021. The Management and the Board have continued to closely monitor the situation, positioning the Company to preserve and strengthen our business operations, capital management and provide the necessary support to staff and local communities where needed. These are further explained below:-

47. SIGNIFICANT EVENT (CONTD.)

Covid-19 Impact (contd.)

A) Business Operations

The challenges to deploy resources due to limitation arising from movement restrictions have been eased since the rollout of the National Covid-19 Immunisation Plan. The Company has undertaken several initiatives to enhance its digital presence to seize business opportunities and to further reach and service its customers. Among the initiatives undertaken are the Agent On-The-Go ("AOTG") rollout and campaigns, introduction of Virtual Appointment, and expanding the functionalities and usage of the SMILE App.

Since the start of the pandemic, the Company has moved to a blend of Work from Home ("WFH") and Work on Site ("WOS") arrangement for its employees, and has deployed health, safety and security measures.

B) Investment Operations

Overall the investment climate continued to be dampened by the increased Covid-19 cases globally which dimmed the prospects of fast economic recovery. The downward trend of KLCI has dampened returns from equity investments. The Management has preserved the Company’s capital by ensuring that Assets Liability Management remains intact, improving regular income streams and reducing volatility by maintaining a lower proportion of equities in the Company's investment portfolio.

C) Capital Management

The Management has continuously assessed the Company’s long term solvency position under stressed scenarios to ensure sustainability of its capital. The Company is able to support the capital needs in achieving its planned growth, buffering for increased volatility of tactical strategies as well as weathering the COVID-19 pandemic implications in the Malaysian economy for the next 5 years.

D) Customers and Society

The Company has continued to assist the government, communities and customers impacted by the Covid-19 pandemic. The Company has distributed Safety Kits to all our walk-in customers nationwide as a gesture of appreciation for their support towards the 2021 e-Payment campaign. The e-Payment campaign was a Bank Negara initiative under the e-Payment fund framework to encourage customers to use cashless platforms in the Insurance and Takaful industry.

The management has made assessments of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continued to be prepared on the basis of a going concern.

48. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets:						
Property, plant and equipment	12,421	13,576	418	426	12,003	13,150
Investment properties	311,866	287,860	174,552	151,530	137,314	136,330
Right-of-use assets	4,991	6,036	-	-	4,991	6,036
Intangible assets	30,574	32,702	-	-	30,574	32,702
Investment in subsidiary	* -	* -	* -	* -	-	-
Investment in associate	152	152	152	152	-	-
Investments	1,657,572	1,560,438	777,585	805,460	879,987	754,978
Financing receivables	26,150	27,830	25,553	27,015	597	815
Reinsurance assets	3,871,090	3,930,463	-	-	3,871,090	3,930,463
Insurance receivables	246,397	257,723	-	-	246,397	257,723
Other assets	78,038	75,205	7,941	8,815	70,097	66,390
Derivative assets	-	6,099	-	2,675	-	3,424
Current tax assets	28,239	41,275	-	27,601	28,239	13,674
Cash and bank balances	10,724	31,962	5	3,566	10,719	28,396
Total Assets	6,278,214	6,271,321	986,206	1,027,240	5,292,008	5,244,081

* Representing RM 1

48. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Company		Shareholder's Fund		General Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Equity:						
Share capital	229,879	229,879	229,879	229,879	-	-
Reserves	959,500	931,470	959,500	931,470	-	-
Total Equity	1,189,379	1,161,349	1,189,379	1,161,349	-	-
Liabilities:						
Insurance contract liabilities	4,595,449	4,595,728	-	-	4,595,449	4,595,728
Derivative liabilities	545	-	190	-	355	-
Deferred tax liabilities, net	33,801	46,516	22,674	24,026	11,127	22,490
Insurance payables	360,870	379,265	-	-	360,870	379,265
Other liabilities[1]	86,750	78,870	(232,219)	(161,369)	318,969	240,239
Current tax liabilities	11,420	9,593	6,182	3,234	5,238	6,359
Total Liabilities	5,088,835	5,109,972	(203,173)	(134,109)	5,292,008	5,244,081
Total Equity and Liabilities	6,278,214	6,271,321	986,206	1,027,240	5,292,008	5,244,081
Inter fund balances	-	-	(236,928)	(166,383)	236,928	166,383

[1] Included in other liabilities are the interfund balances elimination, amount due from General fund to Shareholder's fund of RM236,928,000 (2020: RM166,383,000) which is unsecured, not subject to any interest elements and is repayable in the short-term.

48. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Operating revenue	1,506,064	1,358,977	27,471	27,177	1,478,593	1,331,800
Gross earned premiums	1,436,253	1,345,000	-	-	1,436,253	1,345,000
Earned premiums ceded to reinsurers	(984,550)	(849,519)	-	-	(984,550)	(849,519)
Net earned premiums	451,703	495,481	-	-	451,703	495,481
Fee and commission income	48,607	60,893	-	-	48,607	60,893
Investment income	62,908	59,885	27,471	27,176	35,437	32,709
Realised gains/(losses)	14,462	1,982	6,801	3,438	7,661	(1,456)
Fair value gains/(losses)	5,554	21,948	12,979	10,909	(7,425)	11,039
Other operating income/(expenses), net	19,628	(6,321)	3,814	(4,003)	15,814	(2,318)
Other revenue	151,159	138,387	51,065	37,520	100,094	100,867
Gross benefits and claims paid	(1,090,304)	(407,680)	-	-	(1,090,304)	(407,680)
Claims ceded to reinsurers	886,368	181,954	-	-	886,368	181,954
Gross change in contract liabilities	7,182	(1,044,707)	-	-	7,182	(1,044,707)
Change in contract liabilities ceded to reinsurers	(43,039)	1,012,648	-	-	(43,039)	1,012,648
Net benefits and claims	(239,793)	(257,785)	-	-	(239,793)	(257,785)
Management expenses	(120,479)	(128,312)	(3,009)	(3,703)	(117,470)	(124,609)
Fee and commission expenses	(73,471)	(80,466)	-	-	(73,471)	(80,466)
Other expenses	(193,950)	(208,778)	(3,009)	(3,703)	(190,941)	(205,075)
Profit before tax	169,119	167,305	48,056	33,817	121,063	133,488
Taxation	(44,145)	(43,113)	(13,681)	(8,127)	(30,464)	(34,986)
Net profit for the financial year	124,974	124,192	34,375	25,690	90,599	98,502
Profit transferred (net of tax) from General Fund	-	-	90,599	98,502	(90,599)	(98,502)
Net profit for the year	124,974	124,192	124,974	124,192	-	-

48. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from:						
Operating activities	294,605	9,370	206,802	(20,644)	87,803	30,014
Investing activities	(253,821)	45,144	(150,367)	54,159	(103,454)	(9,015)
Financing activities	(62,022)	(31,995)	(59,996)	(29,998)	(2,026)	(1,997)
Net (decrease)/increase in cash and cash equivalents	(21,238)	22,519	(3,561)	3,517	(17,677)	19,002
Cash and cash equivalents:						
Cash and cash equivalents at beginning of financial year	31,962	9,443	3,566	49	28,396	9,394
Cash and cash equivalents at end of financial year	10,724	31,962	5	3,566	10,719	28,396