ETIQA GENERAL INSURANCE BERHAD

197001000276 (9557-T)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2020

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

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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 2020.

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	124,192

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 2019 was as follows:

	RM'000
In respect of financial year ended 31 December 2019, final dividends of:	
- 14.14 sen per share, single-tier tax exempt dividend on 212,151,399 ordinary shares	29,998

The final dividend was declared on 4 June 2020 and paid on 17 June 2020.

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 fullfill 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.

The ESGP Shares is 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.

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

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 Malayan Banking Berhad ("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 (appointed w.e.f 1 April 2020)

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 29 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 Company maintains on a Maybank 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	**2020 Gross Premium (RM'000)**
RM 250 Million	999

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 2020	**Disposed**	**As at 31 December 2020**
Ultimate Holding Company			
Direct interest:			
Datuk Mohd Najib bin Abdullah	3,964	(3,964)	-
Datuk Normala binti Abdul Manaf	198	-	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
		312,000	

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. 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 there were no known bad debts 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) it necessary to write off any bad debts or the amount of the allowance 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 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 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 22 February 2021.

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, the immediate holding company ("MAHB") [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 2020, 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	9/9	100
Mr. Frank Johan Gerard Van Kempen *(Vice Chairman)*	NINED	9/9	100
Datuk Normala binti Abdul Manaf	ED	9/9	100
Mr. Koh Heng Kong	INED	9/9	100
Cik Serina binti Abdul Samad	INED	9/9	100
Ms. Daniela Adaggi	NINED[1]	5/5	100
Encik Mohamad Shukor bin Ibrahim	INED[2]	8/8	100
Mr. Philippe Pol Arthur Latour	NINED[3]	N/A	

1 Appointed as Director w.e.f. 2 January 2020 and on maternity leave from 22 June – 30 October 2020
2 Appointed as Director w.e.f 1 April 2020
3 Ceased as Director w.e.f 31 January 2020

Profile of Directors

Name/Designation/Age/ Nationality	Background/ Experience	Other directorship within the Group
Datuk Mohd Najib bin Abdullah Independent Non-Executive Director Chairman 60 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 53 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)* • Director of Etiqa Life Insurance (L) Ltd *(Incorporated in F.T. Labuan)* *(Ceased as Director w.e.f 25 June 2020)*

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 directorship within the Group
Datuk Normala binti Abdul Manaf Executive Director 56 years of age Malaysian	Corporate Management	• Director of Etiqa Life Insurance Berhad *(Ceased as Director w.e.f 31 January 2020)*
Mr. Koh Heng Kong Independent Non-Executive Director 68 years of age Malaysian	Insurance	• Director of Etiqa General Takaful Berhad
Cik Serina binti Abdul Samad Independent Non-Executive Director 51 years of age Malaysian	Legal Practice	NIL
Ms. Daniela Adaggi Non-Independent Non-Executive Director 40 years of age Italian	Human Resources	NIL
Encik Mohamad Shukor bin Ibrahim Independent Non-Executive Director 56 years of age Malaysian	Sales & Marketing	NIL
Mr. Philippe Pol Arthur Latour Non-Independent Non-Executive Director 61 years of age Belgian	Banking & Insurance	• Director of Etiqa Life Insurance Berhad • Director of Etiqa General Takaful Berhad • Director of Etiqa Family Takaful Berhad *(Ceased as Director w.e.f 7 February 2020)*

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 ("MBB" or "Maybank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the financial year ended 31 December 2020 ("FYE 2020").

(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 which is available on the Group's corporate website (www.etiqa.com.my).

(c) Board Committees Composition and Roles & Responsibilities

The Company leveraged on 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 the Company's Board Charter 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]	11/11	100
Datuk Mohd Najib bin Abdullah	INED	11/11	100
Mr. Gary Lee Crist	NINED[2]	11/11	100
Dato' Majid bin Mohamad	INED[3]	11/11	100

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

[2] *NINED of MAHB*

[3] *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 (L) Ltd (incorporated in F.T Labuan), wholly-owned subsidiaries 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, access 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 Group's assets and stakeholders' interests.

The roles and responsibilities of the ACB are set out in in the Company's Board Charter 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]	8/8	100
Mr. Gary Lee Crist	NINED[2]	8/8	100
Mr. Koh Heng Kong	INED	8/8	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[3]	8/8	100

[1] INED of Etiqa Life Insurance Berhad, a wholly-owned subsidiary MAHB.

[2] NINED of MAHB.

[3] INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte. Ltd. (incorporated in Singapore), wholly-owned subsidiaries 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 in the Company's Board Charter 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	6/6	100
Mr. Gary Lee Crist	NINED[1]	6/6	100
Mr. Wong Pakshong Kat Jeong Colin Stewart	INED[2]	6/6	100

[1] *NINED of MAHB*

[2] *INED of Etiqa Life Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa Insurance Pte Ltd. (incorporated in Singapore), wholly-owned subsidiaries 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 EDs 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 the Company's Board Charter 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' Amirul Feisal bin Wan Zahir *(Chairman)*	ED[1]	4/4	100
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	ED[2]	4/4	100
Mr. Philippe Pol Arthur Latour	NINED[3]	3/4	75

[1] ED of MAHB

[2] ED of Etiqa General Takaful Berhad, wholly-owned subsidiaries of MAHB

[3] NINED of Etiqa Life Insurance Berhad and Etiqa General Takaful Berhad, wholly owned susidiaries of the company.

(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").

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

(i) Induction Programme

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) Training Attended

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	DMN[1]	FVK[2]	NAM[3]	KHK[4]	SAS[5]	DA[6]	MSI[7]
A. In-house Training							
1. Etiqa Risk Landscape Workshop 2020	√		√	√	√	√	
2. Etiqa Compliance Workshop	√	√	√	√	√	√	√
3. Etiqa: Malaysia Anti-Corruption Commission Act ("MACC") 2009 (Amendments) Section 17A Briefing	√	√	√	√	√	√	√
4. Etiqa: On Boarding Program						√	√
5. Etiqa: New Director Training					√		√
6. Etiqa Cambodia: AML/CFT Training	√			√			
7. Etiqa Singapore: Cybersecurity Training		√					
8. Maybank: Board Risk Workshop 2020	√		√	√	√		
9. Maybank Zone to Win Workshop			√				√
10. Ageas Partnership Day	√						
11. Ageas: Virtual Agency Leaders Forum		√					
12. Ageas: Design Thinking as A Human-Centered Approach		√					
13. Ageas: How to Become A Data-Driven Company		√					
14. Ageas: Artificial Intelligence on Big Data		√					
15. Ageas Compliance Learning						√	
16. Ageas: Human Resources Knowledge Sharing – Learning and Development						√	

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	DMN[1]	FVK[2]	NAM[3]	KHK[4]	SAS[5]	DA[6]	MSI[7]
B. External Training							
1. BNM: Dialogue with BNM Governor	√			√			
2. BNM: FIDE Forum: A Fresh Look from the Board's Perspective		√		√			
3. BNM: FIDE Forum: Green Fintech – Ping An Journey to Becoming A Top Environmental, Social, and Corporate Governance Performing Financial Institution		√		√			
4. BNM: FIDE Forum: Challenging Times – What Role Must the Board Play		√					
5. BNM: FIDE Forum: Covid-19 and Current Economic Reality – Implication in Financial Stability		√		√			
6. BNM: FIDE Forum - Digital Financial Services: Managing Virtual Banking and Insurance Services				√			
7. BNM: FIDE Forum – Outthink the Competition, Excelling in A Post Covid-19 World				√			
8. The ICLIF Leadership and Governance Centre: FIDE Core Module A					√		
9. The ICLIF Leadership and Governance Centre: FIDE Core Module B					√		
10. The ICLIF Leadership and Governance Centre: FIDE Core Module B (Board Simulation)					√		
11. Ernst &Young: IFRS 17 for Directors – What You Need to Know	√	√		√			
12. The Actuarial Society of Hong Kong ("ASHK"): COVID-19 – Catalyst for Digital Transformation in Insurance?		√					
13. ASHK: Enabling the Collaborative Power of Actuaries and Data Scientists in Life Insurance		√					
14. ASHK: Founding the Hong Kong's First Virtual Insurer		√					
15. The Digital Insurer Webinar: Customers for Life in A Digital World		√					
16. TDI Academy's Associate Digital Insurer: Value Chain Innovations - Underwriting Property & Casualty		√					
17. TDI Academy's Associate Digital Insurer: Future of Digital in Bancassurance		√					
18. TDI Academy's Associate Digital Insurer: TDI Academy Accelerator – Changing Consumer Behaviours		√					
19. TDI Academy's Associate Digital Insurer: Artificial Intelligence & Machine Learning – Case Studies & Implementation Approaches		√					
20. Cryptocurrency and Digital Assets Law in Malaysia, and Licensing Requirements					√		
21. Banking on Governance, Insuring Sustainability					√		

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

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

(d) Directors' Training (contd.)

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

Training attended by Directors	DMN[1]	FVK[2]	NAM[3]	KHK[4]	SAS[5]	DA[6]	MSI[7]
22. Milliman: Tapping into Micro-Insurance		√					
23. Dacadoo: What Comes After Covid-19 for the Life & Health Insurance Industry		√					
24. Dutch Chamber Hong Kong: From Covid-19 to Global Disruption		√					
25. Dutch Chamber Hong Kong: Covid-19 – From Response to Recovery		√					
26. Belgium-Luxembourg Chamber of Commerce in Hong Kong: China's Economy under Covid-19		√					
27. Asian School of Business ("ASB"): Staying Ahead with Data Analytics	√						
28. ASB: Banking on Governance, Insuring Sustainability	√						
29. IMD Business School: Agile Decision Making	√						
30. Permodalan Nasional Berhad: Malaysia and ASEAN – Navigating US-China Relations in the 21st Century				√			
31. Gartner: Cross-Functional on Balancing Cost and Growth – 7 Mistakes to Avoid in 2021						√	
32. Raising Defences: Section 17A, MACC Act					√		
33. Malaysian Current Law Journal: Webinar on Tax Law Specialist Series – Stamp Duty					√		
34. Malaysian Current Law Journal: Webinar on Tax Law Specialist Series – Income Tax					√		
35. Malaysian Current Law Journal: Webinar on Tax Law Specialist Series – Sales Tax & Service Tax					√		
36. Malaysian Current Law Journal: Webinar on Tax Law Specialist Series – Customs Law					√		

1 DMN - Datuk Mohd Najib bin Abdullah
2 FVK - Mr. Frank Johan Gerard Van Kempen
3 NAM - Puan Normala binti Abdul Manaf
4 KHK - Mr. Koh Heng Kong
5 SAS – Cik Serina binti Abdul Samad
6 DA – Ms. Daniela Adaggi
7 MSI - Encik Mohamad Shukor bin Ibrahim

(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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(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 NED consists of the following:

Fees and meeting allowances – Directors' fees and meetings allowances for NED 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

The 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.

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

The 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 2020 are disclosed in the 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 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.

CORPORATE GOVERNANCE DISCLOSURES (CONTD.)

(5) REMUNERATION - QUANTITATIVE DISCLOSURES (CONTD.)

(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 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:

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

(b) among the most highly remunerated officers in the Group and the Company.

Summary of financial year ended 2020 compensation outcome for those identified as Senior Officers and OMRTs:

Remuneration	Unrestricted		Deferred	
Fixed Remuneration	**No. of pax**	**RM'000**	**No. of pax**	**RM**
Material Risk Taker ("Senior Officers")				
Cash-based	11	3,357	Nil	Nil
Shares and share-linked instruments (ESOS etc)				
Other	Nil			
Other Material Risk Taker ("OMRT")				
Cash-based	Nil	Nil	Nil	Nil
Shares and share-linked instruments (ESOS etc)				
Other	Nil			

Notes: The figures above exclude the Long-Term Incentive Award (combination of cash and shares) awarded in 2020 as the amount, conditional upon fulfillment of payment/vesting criteria have not taken effect.

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 154 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 2020 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 22 February 2021.

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 154 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 22 February 2021

NOR FAZIHAH BINTI AHMAD
(MIA 15973)
Head, Insurance Accounting

PESURUHJAYA SUMPAH
W632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jan 2021 - 13 Dis 2021
MALAYSIA

Before me,

Commissioner for Oaths

No. 10-1 , Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

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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 2020 and the income statement, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2020, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 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 *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report 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.

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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.

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

Brandon Bruce Sta Maria
No. 02937/09/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2021

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Property, plant and equipment	3	13,576	15,914
Investment properties	4	287,860	283,920
Right-of-use assets	5	6,036	6,428
Intangible assets	6	32,702	36,703
Investment in subsidiary	7	* -	* -
Investment in associate	8	152	152
Investments	9	1,560,438	1,398,755
Financing receivables	10	27,830	26,552
Reinsurance assets	11	3,930,463	2,953,227
Insurance receivables	12	257,723	320,600
Other assets	13	75,205	70,204
Derivative assets	14	6,099	-
Current tax assets	15	41,275	90,019
Cash and bank balances		31,962	9,443
Total Assets		6,271,321	5,211,917
Equity			
Share capital	16	229,879	229,879
Reserves	17	931,470	833,699
Total Equity		1,161,349	1,063,578
Liabilities			
Insurance contract liabilities	18	4,595,728	3,596,928
Deferred tax liabilities, net	19	46,516	42,742
Insurance payables	20	379,265	424,248
Other liabilities	21	78,870	81,682
Current tax liabilities		9,593	2,739
Total Liabilities		5,109,972	4,148,339
Total Equity and Liabilities		6,271,321	5,211,917

* Representing RM 1

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Operating revenue	22	1,358,977	1,365,603
Gross earned premiums	23(a)	1,345,000	1,264,264
Earned premiums ceded to reinsurers	23(b)	(849,519)	(764,324)
Net earned premiums	23	495,481	499,940
Fee and commission income	24	60,893	71,508
Investment income	25	59,885	60,378
Realised gains	26	1,982	1,340
Fair value gains	27	21,948	16,201
Other operating (expenses)/income, net	28	(6,321)	2,074
Other revenue		138,387	151,501
Gross benefits and claims paid		(407,680)	(647,853)
Claims ceded to reinsurers		181,954	407,486
Gross change in contract liabilities		(1,044,707)	(312,755)
Change in contract liabilities ceded to reinsurers		1,012,648	256,371
Net benefits and claims		(257,785)	(296,751)
Management expenses	29	(128,312)	(154,117)
Fee and commission expenses	31	(80,466)	(95,688)
Other expenses		(208,778)	(249,805)
Profit before tax		167,305	104,885
Taxation	32	(43,113)	(28,114)
Net profit for the financial year		124,192	76,771
Basic and diluted earnings per share (sen)	33	58.54	36.19

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Net profit for the financial year		124,192	76,771
Other comprehensive income:			
Item 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		26,424	43,024
- Transfer to profit or loss upon disposal	26	(21,552)	(6,822)
Tax effect relating to financial assets at FVOCI	32	(1,169)	(8,689)
		3,703	27,513
Currency translation differences		(126)	93
Other comprehensive income for the financial year, net of tax		3,577	27,606
Total comprehensive income for the financial year		127,769	104,377

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 2020

	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
			<-------------- Non-distributable	-------------	------------>		
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) for the financial year		-	3,703	-	(126)	-	3,577
Total comprehensive income/(loss) for the financial year		-	3,703	-	(126)	124,192	127,769
Dividend on ordinary shares	34	-	-	-	-	(29,998)	(29,998)
At 31 December 2020		229,879	32,413	76,391	13,843	808,823	1,161,349
At 1 January 2019		229,879	1,197	76,391	13,876	637,858	959,201
Net profit for the financial year		-	-	-	-	76,771	76,771
Other comprehensive income for the financial year		-	27,513	-	93	-	27,606
Total comprehensive income for the financial year		-	27,513	-	93	76,771	104,377
At 31 December 2019		229,879	28,710	76,391	13,969	714,629	1,063,578

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		167,305	104,885
Adjustments for:			
Depreciation of property, plant and equipment	29	3,027	2,600
Amortisation of intangible assets	29	6,163	6,032
Depreciation of right-of-use assets	29	2,259	2,271
Interest on lease liabilities	29	178	246
Fair value gains on financial assets at fair value through profit or loss ("FVTPL")	27	(18,008)	(3,038)
Fair value gains on investment properties	27	(3,940)	(13,163)
Accretion of discount on investments	25	(405)	(353)
Gain on disposal of property, plant and equipment	26	(9)	-
Net loss/(gain) on foreign exchange	28	9,932	(2)
Allowance for impairment losses on reinsurance assets	28	1,712	9,192
Allowance for impairment losses on insurance receivables	28	567	3,125
Reversal of impairment losses on other assets	28	-	(2)
Allowance for/(reversal of) impairment losses on financing receivables	28	196	(362)
Gain on disposal of investments	26	(1,973)	(1,340)
Interest income	25	(47,044)	(47,623)
Allowance for impairment losses on investments	28	8	30
Dividend income	25	(2,123)	(1,737)
Rental income	25	(13,383)	(13,123)
Operating cash flows before working capital changes		104,462	47,638
Changes in working capital:			
Increase in reinsurance assets		(978,947)	(259,072)
Decrease in insurance receivables		62,309	23,005
(Increase)/decrease in other assets		(2,268)	20,957
(Increase)/decrease in financing receivables		(1,474)	2,513
Increase in amounts due from related parties		(3,559)	(6,061)
Decrease in other liabilities		(8,427)	(16,017)
Increase in insurance contract liabilities		998,800	353,716
(Decrease)/increase in insurance payables		(44,983)	20,402
Carried forward		125,913	187,081

STATEMENT OF CASH FLOWS (CONTD.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)			
Brought forward		125,913	187,081
Decrease in placement of deposits with financial institutions		(196,234)	(78,921)
Interest income received		49,345	46,237
Dividend received		2,013	1,714
Rental income received		13,368	13,174
Currency translation reserve		(126)	93
Cash (used in)/generated from operations		(5,721)	169,378
Tax paid		(42,925)	(41,741)
Tax refund		58,016	-
Net cash flows generated from operating activities		9,370	127,637
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments and derivatives		1,402,485	960,797
Purchase of investments		(1,354,499)	(1,130,955)
Proceeds from disposal of property, plant and equipment		4,475	1
Purchase of property, plant and equipment	3	(5,155)	(9,327)
Purchase of intangible assets	6	(2,162)	(1,366)
Net cash generated from/(used in) investing activities		45,144	(180,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	34	(29,998)	-
Payment of lease liabilities	5	(1,997)	(1,996)
Net cash used in financing activities		(31,995)	(1,996)
Net increase/(decrease) in cash and cash equivalents		22,519	(55,209)
Cash and cash equivalents at beginning of financial year		9,443	64,652
Cash and cash equivalents at end of financial year		31,962	9,443
Cash and cash equivalents comprise:			
Cash and bank balances of:			
General insurance fund		3,566	49
Shareholder's fund		28,396	9,394
		31,962	9,443

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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 22 February 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(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 MFRSs, amendments to MFRSs and Interpretation effective for the annual periods beginning on or after 1 January 2020 as disclosed in Note 2.3.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Insurers ("the 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 (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 the 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).

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 separate 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.

After application of the equity method, the Company applies MFRS 136 *Impairment of Assets* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 life 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.

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 life 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to self-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from self-occupied properties to investment properties, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 re-measurement 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.

(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 leases 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 are reasonably certain to exercise that option. Unless the Company are 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. 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 does 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 is 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. That is, it considers all relevant factors that create an economic incentive for it 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.)

(v) Intangible assets

Intangible assets include software development costs and computer software. 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 life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite life are amortised on a straight-line basis over the estimated economic useful life 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 a finite useful life are reviewed at least at each reporting date.

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.

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

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

(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 of which the asset is not yet in use, it is tested for impairment annually.

(b) Computer software and licenses

The useful life of computer software and licenses is amortised using the straight line method over their estimated useful life of 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets

(a) Date of recognition

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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Transaction costs for financial assets carried at fair value through profit or loss are recognised as expenses in the profit or loss.

(b) Initial recognition and subsequent measurement

The Company determines the classification of financial assets at initial recognition depends on their business model for managing the financial assets and the contractual cash flows characteristic 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 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's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors and is determined by the key management personnel on the basis of both:

- the way that assets are managed and their performance is reported to them; and

- the contractual cash flow characteristics of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vi) Financial assets (contd.)

(b) Initial recognition and subsequent measurement (contd.)

(i) Business model assessment (contd.)

The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment. The Company should assess its business models at each reporting period in order to determine whether the models have changed since the preceding period.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress 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. Change in the objective of the business model must be effected before the reclassification date.

(c) 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.)

(d) Classification of financial assets

The categories include financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost ("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.

(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.)

(d) 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.

(e) Derecognition

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.

(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 quoted 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(vii) Fair value of financial assets (contd.)

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, 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.

(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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(a) Financial assets (contd.)

(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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(a) Financial assets (contd.)

Financing receivables

The ECL on the loan 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.

Insurance receivables

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 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.

Financial assets at FVOCI and AC

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.

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 governments and local central banks issued bonds, Treasury Bills and Notes are considered low credit risk that both the federal government and Central Bank will have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical loss experiences arising from these securities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(viii) Impairment (contd.)

(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 its 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 are 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 its 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, 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(ix) Reinsurance assets (contd.)

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)(e), have been met.

(xi) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances.

(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 comprises 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 are 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 businesses or the best estimate value of the reinsurers' unexpired risk reserves ("URR") with PRAD at the end of the financial year as prescribed by BNM.

- **Unearned premium reserves ("UPR")**

  The UPR represents the portion of the premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. 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 cargo 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.)

- **Unearned premium reserves ("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 contributions, not exceeding limits specified by BNM.

- **Unexpired risk reserves ("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. Other payables are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xv) Financial liabilities (contd.)

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) 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.

(xvii) 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 liability simultaneously. Income and expenses are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(xviii) Premium income

Premiums represent consideration paid for an Insurance contract 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.)

(xviii) 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 operators; and

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

(xix) Claims expenses

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

(xx) 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.

(xxi) Other revenue recognition

Revenue from contracts with customers

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 of 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.)

(xxi) 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 of 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.

(d) Fee and commission income

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 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 the 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) Other long term employee benefits

Other 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 benefit 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) <u>Cash-settled Performance-based Employees' Share Grant Plan ("CESGP") (contd.)</u>

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 ESGP 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 ESGP shares vested as compared to 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 RM, which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates 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 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 equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(xxiii) Foreign currencies (contd.)

(b) Foreign currency transactions (contd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the 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 RM of the Company's financial statements are translated into RM as follows:

- assets and liabilities of foreign operations presented 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 currencies ruling at the reporting date used for translation of foreign operations are as follows:

	31 December 2020	31 December 2019
Brunei Dollar	3.04	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 tax. 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.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and included in profit or loss, except when it arises from a transaction which is recognised directly in equity/insurance contract liabilities.

(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 insurance contract, the reimbusement is recognised as a separate asset, but only when the reimburesement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of significant accounting policies (contd.)

(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 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 being 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.

2.3 New and amended standards and interpretations

On 1 January 2020, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2020.

Revised Conceptual Framework for Financial Reporting:
(i) Amendment to MFRS 3 - *Definition of a Business*
(ii) Amendment to MFRS 101 and MFRS 108 - *Definition of Material*
(iii) Amendment to MFRS 9, MFRS 139 and MFRS 7 - *Interest Rate Benchmark Reform*
(iv) MFRS 16 *Leases* (Amendment to MFRS 16): *Covid-19- Related Rent Concessions*

The adoption of the above amendments to MFRSs did not have any financial impacts to the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Standards and amendments 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, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Interest Rate Benchmark Reform-Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
MFRS 116 *Property, Plant and Equipment* (Amendments to MFRS 116): *Property, Plant and Equipment - Proceed before Intended Use*	1 January 2022
MFRS 137 *Provision, Contingent Liabilities and Contingent Assets* (Amendments to MFRS 137): *Onerous Contracts - Cost of Furfilling a Contract*	1 January 2022
Reference to the Conceptual Framework: Amendment to MFRS 3 *Business Combination*	1 January 2022
Annual Improvements to MFRSs 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
MFRS 101 *Presentation of Financial Statements* (Amendment to MFRS 101) *Classification of Liabilities as Current or Non-current*	1 January 2023
MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): *Sale or Contribution of Assets between an investor and its Associate or Joint venture* (Amendments to MFRS128)	To be announced by MASB

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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 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 the 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 amendments to standards issued but not yet effective (contd.)

MFRS 17 *Insurance Contracts* (contd.)

The standard is 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 MFRS 17 retrospectively for estimating the CSM on the transition date. However, if full retrospective approach for estimating the CSM, as defined by MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

(i) <u>Modified retrospective approach</u>

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) <u>Fair value approach</u>

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

2020	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 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							
As 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.)

2019	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 2019	777	23,305	10,131	5,774	378	-	40,365
Additions	-	1,648	941	32	-	6,706	9,327
Disposal	-	-	(113)	-	-	-	(113)
At 31 December 2019	777	24,953	10,959	5,806	378	6,706	49,579
Accumulated Depreciation							
At 1 January 2019	347	21,351	6,409	2,711	359	-	31,177
Depreciation charge for the financial year (Note 29)	-	804	1,216	562	18	-	2,600
Disposal	-	-	(112)	-	-	-	(112)
At 31 December 2019	347	22,155	7,513	3,273	377	-	33,665
Net Book Value							
at 31 December 2019	430	2,798	3,446	2,533	1	6,706	15,914

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Properties consist of:

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
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
2019				
Cost				
At 1 January 2019 / 31 December 2019	367	410	-	777
Accumulated Depreciation				
At 1 January 2019 / 31 December 2019	-	347	-	347
Net Book Value				
at 31 December 2019	367	63	-	430

4. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Total
	<------- At valuation	-------->	
	RM'000	RM'000	RM'000
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
2019			
At 1 January 2019	129,897	140,860	270,757
Fair value adjustment (Note 27)	8,993	4,170	13,163
At 31 December 2019	138,890	145,030	283,920

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

	2020	2019
	RM'000	RM'000
Rental income	11,922	11,663
Rental related expenses	(2,613)	(2,258)
	9,309	9,405

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 the profit or loss.

5. RIGHT-OF-USE ASSETS / LEASE LIABILITIES

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

	Premises RM'000	Office equipment RM'000	Total RM'000
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 and Impairment Losses			
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
2019			
Cost			
At 1 January 2019	8,158	52	8,210
Additions	246	-	246
Contract Modifications	425	-	425
Terminations	(136)	-	(136)
Adjustments	(104)	-	(104)
At 31 December 2019	8,589	52	8,641
Accumulated Depreciation and Impairment Losses			
At 1 January 2019	-	-	-
Depreciation charge for the financial year (Note 29)	2,248	23	2,271
Terminations	(58)	-	(58)
At 31 December 2019	2,190	23	2,213
Net Book Value at 31 December 2019	6,399	29	6,428

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

The movement of lease liabilities is disclosed as follows:

2020	**Premises RM'000**	**Office equipment RM'000**	**Total RM'000**
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
2019			
Lease liabilities			
At 1 January 2019	6,908	52	6,960
Additions	238	-	238
Interest on lease liabilities (Note 29)	244	2	246
Contract modifications	425	-	425
Terminations	(111)	-	(111)
Payment of lease liabilities	(1,972)	(24)	(1,996)
Adjustments	(100)	-	(100)
At 31 December 2019 (Note 21)	5,632	30	5,662
Lease liabilities by remaining maturity:			
Less than 12 months	2,223	22	2,245
More than 12 months	3,409	8	3,417
Total	5,632	30	5,662

6. INTANGIBLE ASSETS

	Computer Software and Licenses RM'000	Total RM'000
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

	Computer Software and Licenses RM'000	Total RM'000
2019		
Cost		
At 1 January 2019	64,390	64,390
Additions	1,366	1,366
At 31 December 2019	65,756	65,756
Accumulated Amortisation		
At 1 January 2019	23,021	23,021
Amortisation charge for the financial year (Note 29)	6,032	6,032
At 31 December 2019	29,053	29,053
Net book value at 31 December 2019	36,703	36,703

7. INVESTMENT IN SUBSIDIARY

	2020	2019
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 (%) 2020	Effective interest (%) 2019	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

	2020 RM'000	2019 RM'000
Unquoted shares, at cost	152	152

Details of the associate are as follows:

Name of company	Country of incorporation	Effective interest (%) 2020	Effective interest (%) 2019	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 MFRS128 *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

	2020 RM'000	2019 RM'000
Malaysian government papers	94,373	232,097
Equity securities	177,691	133,296
Debt securities	765,918	708,667
Unit and property trust fund	1,527	-
Deposits with financial institutions	520,929	324,695
	1,560,438	1,398,755

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

	2020 RM'000	2019 RM'000
Fair value through profit and loss ("FVTPL"):		
- Designated upon initial recognition	17,014	10,141
- Held for trading ("HFT")	179,218	133,296
Fair value through other comprehensive income ("FVOCI")	843,277	930,623
Amortised cost ("AC")	520,929	324,695
	1,560,438	1,398,755

The following investments mature after 12 months:

	2020 RM'000	2019 RM'000
FVTPL		
- Designated upon initial recognition	17,014	10,141
FVOCI	773,227	839,345
	790,241	849,486

(a) FVTPL

(i) Designated upon initial recognition

	2020 RM'000	2019 RM'000
<u>At fair value</u>		
Debt securities:		
Unquoted in Malaysia	5,060	10,141
Unquoted outside Malaysia	11,954	-
Total financial assets designated as FVTPL upon initial recognition	17,014	10,141

9. INVESTMENTS (CONTD.)

	2020 RM'000	2019 RM'000
(a) FVTPL (contd.)		
(ii) HFT		
<u>At fair value</u>		
Equity securities:		
Quoted in Malaysia	80,795	49,343
Quoted outside Malaysia	14,883	438
Unquoted in Malaysia	82,013	83,515
Unit and property trust fund:		
Quoted in Malaysia	1,527	-
Total HFT financial assets	179,218	133,296

	2020 RM'000	2019 RM'000
(b) FVOCI		
<u>At fair value</u>		
Malaysian government papers	94,373	232,097
Debt securities:		
Unquoted in Malaysia	708,708	698,526
Unquoted outside Malaysia	40,196	-
Total FVOCI financial assets	843,277	930,623
(c) AC		
Deposits and placements with:		
Licensed financial institutions	510,929	309,695
Others	10,000	15,000
Total AC financial assets	520,929	324,695
Total financial assets	1,560,438	1,398,755

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

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

	2020 RM'000	2019 RM'000
Staff loans - secured	26,685	25,203
Non staff loans - secured	6,486	6,494
	33,171	31,697
Allowance for impairment losses (Note 41(i))	(5,341)	(5,145)
	27,830	26,552
Receivable after 12 months	24,413	22,533

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:

	2020 Per annum	2019 Per annum
Staff loans	1.76%	1.82%
Non-staff loans	4.07%	4.85%

11. REINSURANCE ASSETS

	2020 RM'000	2019 RM'000
Reinsurers' share of insurance contract liabilities (Note 18)		
Claims liabilities	3,717,694	2,705,046
Premium liabilities	226,315	260,015
	3,944,009	2,965,061
Allowance for impairment losses	(13,546)	(11,834)
	3,930,463	2,953,227

11. REINSURANCE ASSETS (CONTD.)

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

	2020 RM'000	2019 RM'000
Lifetime ECL		
At 1 January	11,834	2,642
Net adjustment of loss allowance (Note 28)	1,712	9,192
At 31 December	13,546	11,834

12. INSURANCE RECEIVABLES

	2020 RM'000	2019 RM'000
Due premiums including agents/ brokers and co-insurers balances	238,317	292,022
Due from reinsurers and cedants	24,691	33,296
	263,008	325,318
Allowance for impairment losses (Note 41(i))	(5,285)	(4,718)
	257,723	320,600

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
2020			
Due premiums including agents/brokers and co-insurers balances	256,438	(18,121)	238,317
Due from reinsurers and cedants	31,255	(6,564)	24,691
	287,693	(24,685)	263,008

12. INSURANCE RECEIVABLES (CONTD.)

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
2019			
Due premiums including agents/brokers and co-insurers balances	300,421	(8,399)	292,022
Due from reinsurers and cedants	39,434	(6,138)	33,296
	339,855	(14,537)	325,318

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

	2020 RM'000	2019 RM'000
Amount due from stockbrokers	2,855	-
Share of net assets in Malaysian Motor Insurance Pool ("MMIP")	50,502	48,889
Goods and Service Tax recoverable	-	2,074
Sundry receivables, deposits and prepayments	2,453	2,579
Income due and accrued	11,375	13,551
Amount due from related companies* (Note 38 (b)):		
- Ultimate holding company	656	-
- Immediate holding company	621	-
- Penultimate holding company	-	1,083
- Other related companies	6,743	2,028
	8,020	3,111
Total other assets	75,205	70,204

* 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 at the reporting date 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.

	2020			2019		
	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000	Principal/ Notional Amount RM'000	Asset RM'000	Liability RM'000
Hedging derivatives:						
Forward foreign exchange contracts	101,344	6,099	-	-	-	-
		6,099	-		-	-
Total derivatives		6,099	-		-	-

The Company has an outstanding forward foreign exchange with its ultimate holding company for the year ended 31 December 2020 with an asset position amounting to RM2,695,000 (2019 : NIL).

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:

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 equities securities.

15. CURRENT TAX ASSETS

	2020 RM'000	2019 RM'000
Current tax assets	41,275	90,019

(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 2015, totalling RM12,883,000, YA2015 additional assessments amounting to RM7,214,000 was raised on 26 November 2020. IRBM had raised the additional assessments 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, disallowing the deduction of expenses directly attributable to rental income of its investment properties, and disallowing the deduction of an under accrual fee.

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 case mention date on 10 March 2021 for the submission of cause papers and fixing of the hearing dates.

Based on legal advice, the Company is of the view that it has strong justifications for the appeals and have treated the additional assessments as tax recoverable in the financial statements.

(b) The Company has overpayment of taxes for YA2018 and YA2019 amounted to RM28,392,000, upon the finalisation of its tax returns. Applications of refund and set-off of the overpayment against current year of assessment has been made.

The overpayment of tax for YA2016 amounted to RM58,016,000 was refunded on 5 February 2020.

16. SHARE CAPITAL

	<-- Number of shares--> 2020 Units '000	2019 Units '000	<-------- Amount --------> 2020 RM'000	2019 RM'000
Issued and fully paid:				
Ordinary shares	212,151	212,151	229,879	229,879

17. RESERVES

	Note	2020 RM'000	2019 RM'000
Non-distributable:			
FVOCI reserve	(i)	32,413	28,710
Other reserves:			
Revaluation reserve	(ii)	76,391	76,391
Currency translation reserve	(iii)	13,843	13,969
		90,234	90,360
Retained profits:			
Distributable	(iv)	808,823	714,629
Total reserves		931,470	833,699

(i) The FVOCI reserve arose from the changes in the fair value 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 a foreign operation whose functional currency is 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

	2020 Gross RM'000	2020 Reinsurance RM'000 (Note 11)	2020 Net RM'000	2019 Gross RM'000	2019 Reinsurance RM'000 (Note 11)	2019 Net RM'000
Claims liabilities (i)	4,121,910	(3,717,694)	404,216	3,077,202	(2,705,046)	372,156
Premium liabilities (ii)	473,818	(226,315)	247,503	519,726	(260,015)	259,711
	4,595,728	(3,944,009)	651,719	3,596,928	(2,965,061)	631,867

(i) Claims liabilities

	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000
At 1 January 2020/ 1 January 2019	3,077,202	(2,705,046)	372,156	2,764,447	(2,448,675)	315,772
Claims incurred in the current accident year	1,145,769	(878,381)	267,388	998,156	(714,262)	283,894
Other movements in claims incurred in prior accident years	264,031	(269,564)	(5,533)	(39,170)	46,628	7,458
Claims paid during the financial year	(407,680)	181,954	(225,726)	(647,853)	407,486	(240,367)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	1,049	-	1,049	1,310	-	1,310
Movements in Provision of Risk margin for Adverse Deviation ("PRAD")	41,539	(46,657)	(5,118)	312	3,777	4,089
At 31 December 2020/ 31 December 2019	4,121,910	(3,717,694)	404,216	3,077,202	(2,705,046)	372,156

(ii) Premium liabilities

	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000
At 1 January 2020/ 1 January 2019	519,726	(260,015)	259,711	478,765	(257,315)	221,450
Premiums written in the year (Note 23)	1,299,092	(815,819)	483,273	1,305,225	(767,024)	538,201
Premiums earned during the financial year (Note 23)	(1,345,000)	849,519	(495,481)	(1,264,264)	764,324	(499,940)
At 31 December 2020/ 31 December 2019	473,818	(226,315)	247,503	519,726	(260,015)	259,711

19. DEFERRED TAX LIABILITIES, NET

	2020 RM'000	2019 RM'000
At 1 January 2020/ 1 January 2019	(42,742)	(34,349)
Recognised in:		
Income statement (Note 32)	(2,605)	296
Other comprehensive income (Note 32)	(1,169)	(8,689)
At 31 December 2020/ 31 December 2019	(46,516)	(42,742)

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:

	2020 RM'000	2019 RM'000
Deferred tax assets	6,469	4,589
Deferred tax liabilities	(52,985)	(47,331)
	(46,516)	(42,742)

19. DEFERRED TAX LIABILITIES, NET (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	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
2020						
At 1 January 2020	149	3,782	460	196	2	4,589
Recognised in:						
Income statement	397	580	30	2	871	1,880
At 31 December 2020	546	4,362	490	198	873	6,469
2019						
At 1 January 2019	-	795	538	189	283	1,805
Recognised in:						
Income statement	149	2,987	(78)	7	(281)	2,784
At 31 December 2019	149	3,782	460	196	2	4,589

19. DEFERRED TAX LIABILITIES, NET (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	General insurance liabilities RM'000	Total RM'000
2020					
At 1 January 2020	(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 2020	(3,450)	(39,298)	(10,237)	-	(52,985)
2019					
At 1 January 2019	(5,342)	(30,142)	(379)	(291)	(36,154)
Recognised in:					
Income statement	1,109	(3,888)	-	291	(2,488)
Other comprehensive income	-	-	(8,689)	-	(8,689)
At 31 December 2019	(4,233)	(34,030)	(9,068)	-	(47,331)

20. INSURANCE PAYABLES

	2020 RM'000	2019 RM'000
Due to agents and intermediaries	121,753	118,216
Due to reinsurers and cedants	257,512	306,032
	379,265	424,248

Amounts of insurance payables that have been offset against amounts due from the same counterparties 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
31.12.2020			
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
31.12.2019			
Due to agents and intermediaries	126,615	(8,399)	118,216
Due to reinsurers and cedants	312,170	(6,138)	306,032
	438,785	(14,537)	424,248

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

21. OTHER LIABILITIES

	2020 RM'000	2019 RM'000
Lease liabilities (Note 5)	5,634	5,662
Provision for restoration costs	1,261	1,250
Amount due to related companies* (Note 38 (b)):		
- Ultimate holding company	-	278
- Immediate holding company	-	574
- Other related companies	3,100	891
Amount due to subsidiary* (Note 38 (b)):	1,621	1,628
Amount due to stockbrokers	608	21
Provision for land development costs	711	840
Sundry payables and accrued liabilities	65,935	70,538
Total other liabilities	78,870	81,682

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

	2020 RM'000	2019 RM'000
At 1 January	840	7,200
Reversal of provision (Note 28)	(129)	(6,360)
At 31 December	711	840

*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.

	2020 RM'000	2019 RM'000
Gross premiums (Note 23)	1,299,092	1,305,225
Investment income (Note 25)	59,885	60,378
	1,358,977	1,365,603

23. NET EARNED PREMIUMS

	2020 RM'000	2019 RM'000
(a) Gross Earned Premiums		
Gross premiums (Note18, Note 22)	1,299,092	1,305,225
Change in premium liabilities	45,908	(40,961)
Gross earned premiums (Note 18)	1,345,000	1,264,264
(b) Earned Premiums ceded to reinsurers		
Premiums ceded to reinsurers (Note 18)	(815,819)	(767,024)
Change in premium liabilities	(33,700)	2,700
Earned premiums ceded to reinsurers (Note 18)	(849,519)	(764,324)
Net earned premiums	495,481	499,940

24. FEE AND COMMISSION INCOME

	2020 RM'000	2019 RM'000
Reinsurance commission income	60,893	71,508

25. INVESTMENT INCOME

	2020 RM'000	2019 RM'000
Financial assets at FVTPL		
(i) Designated upon initial recognition		
Interest income	567	876
(ii) HFT		
Interest income	-	11
Dividend income		
- Quoted in Malaysia	1,340	879
- Unquoted in Malaysia	716	858
- Quoted outside Malaysia	67	-

25. INVESTMENT INCOME (CONTD.)

	2020 RM'000	2019 RM'000
Financial assets at FVOCI		
Interest income	33,357	34,323
Financial assets at AC		
Interest income	12,660	11,137
Interest income from financing receivables and other loans	460	1,276
Accretion of discount	405	353
Investment related expenses	(457)	(200)
Rental income		
- Investment properties	11,922	11,663
- Others	1,461	1,460
Rental related expenses	(2,613)	(2,258)
Total investment income	59,885	60,378

26. REALISED GAINS

	2020 RM'000	2019 RM'000
Realised gains/(losses) on disposal of:		
Property, plant and equipment	9	-
Financial assets at FVTPL		
(i) Designated upon initial recognition		
- Debt securities	63	-
	63	-
(ii) HFT		
- Equity securities	(20,118)	(5,482)
- Unit and property trust funds	22	
- Derivatives	454	-
	(19,642)	(5,482)
Financial assets at FVOCI		
- Malaysian government papers	12,759	(583)
- Debt securities	8,793	7,405
	21,552	6,822
Total realised gains	1,982	1,340

27. FAIR VALUE GAINS

	2020 RM'000	2019 RM'000
Fair value gains:		
Investment properties (Note 4)	3,940	13,163
Financial assets at FVTPL		
- Designated upon initial recognition	80	127
- HFT	17,928	2,911
Total fair value gains on financial assets at FVTPL	18,008	3,038
Total fair value gains	21,948	16,201

28. OTHER OPERATING (EXPENSES)/INCOME, NET

	2020 RM'000	2019 RM'000
Other income		
Gain on foreign exchange:		
- Unrealised	-	1,031
Reversal of impairment losses on:		
- Financing receivables	-	362
- Other assets	-	2
Insurance receivables recoveries	3	1,667
Reversal of provision for land replacement costs (Note 21)	129	6,360
Sundry income	6,079	6,477
	6,211	15,899
Other expenses		
Bad debts written off	(3)	-
Allowance for impairment losses on:		
- Financing receivables	(196)	-
- Insurance receivables	(567)	(3,125)
- Reinsurance assets	(1,712)	(9,192)
- Investment	(8)	(30)
Losses on foreign exchange		
- Realised	(4,775)	(1,029)
- Unrealised	(5,157)	-
Sundry expenditure	(114)	(449)
	(12,532)	(13,825)
Total other operating (expenses)/income, net	(6,321)	2,074

29. MANAGEMENT EXPENSES

	2020 RM'000	2019 RM'000
Employee benefits expense (Note 29(a))	74,268	83,439
Directors' remuneration (Note 30)	1,006	935
Auditors' remuneration:		
- Statutory audit	381	450
- Regulatory related services	18	19
- Other services	22	-
Amortisation of intangible assets (Note 6)	6,163	6,032
Bank charges	3,963	4,755
Depreciation of property, plant and equipment (Note 3)	3,027	2,600
Right-of-use expenses (Note 5):		
- Depreciation of ROU assets	2,259	2,271
- Interest on lease liabilities	178	246
Other management fees	3,325	10,388
Professional fees	1,792	1,550
Auto assist services	2,124	2,176
Rental of offices/premises	4,071	3,992
Information technology outsourcing	3,079	5,098
Postage and stamp duties	680	563
Printing and stationery	262	397
Promotional and marketing cost	14,924	18,776
Training expenses	398	1,032
Utilities, assessment and maintenance	1,596	1,683
Entertainment	144	446
Travelling expenses	362	1,283
Office facilities expenses	906	727
Legal fees	134	258
Other expenses	3,230	5,001
Total Management Expenses	128,312	154,117

(a) Employee benefits expense:

Wages and salaries	56,677	63,339
EPF	9,111	10,271
SOCSO	433	449
Share-based compensation	1,343	731
Other benefits	6,704	8,649
	74,268	83,439

29. MANAGEMENT EXPENSES (CONTD.)

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

	2020 RM'000	2019 RM'000
Salary	600	600
Bonus	250	326
EPF	155	164
Share-based compensation	10	126
Other emoluments	163	141
	1,178	1,357

30. DIRECTORS' REMUNERATION

	2020 RM'000	2019 RM'000
Directors of the Company		
Executive director:		
Fees	120	120
Allowance	16	16
	136	136
Non-executive directors:		
Fees	750	687
Allowance	98	86
Other emoluments	22	26
	870	799
Total Directors' Remuneration	1,006	935

30. DIRECTORS' REMUNERATION (CONTD.)

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

	Fees RM'000	Allowance & other emoluments RM'000	Total RM'000
2020			
Directors of the Company:			
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
Mr. Mohamad Shukor bin Ibrahim (Appointed w.e.f 1 April 2020)	90	18	108
	750	120	870
	870	136	1,006
2019			
Directors of the Company:			
Executive director			
Datuk Normala binti Abdul Manaf	120	16	136
	120	16	136
Non-executive directors:			
Datuk Mohd Najib bin Abdullah	180	21	201
Mr. Philippe Pol Arthur Latour	120	12	132
Mr. Frank Johan Gerard Van Kempen	120	16	136
Mr. Loh Lee Soon	117	21	138
Mr. Koh Heng Kong	120	36	156
Cik Serina binti Abdul Samad	10	4	14
Dato' Johan bin Ariffin	20	2	22
	687	112	799
	807	128	935

31. FEE AND COMMISSION EXPENSES

	2020 RM'000	2019 RM'000
Costs incurred for the acquisition of insurance contracts	80,466	95,688

32. TAXATION

The major components of income tax expense for the financial years ended 31 December 2020 and 31 December 2019 are:

	2020 RM'000	2019 RM'000
Income Statement		
Income tax:		
Current financial year		
- Malaysia	39,398	24,893
Under provision of taxation in prior financial year	1,110	3,517
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 19)	2,605	(296)
Income tax expense recognised in income statement	43,113	28,114
Statement of Comprehensive Income		
Deferred income tax related to other comprehensive income:		
- Fair value changes on financial asset at FVOCI (Note 19)	1,169	8,689
	1,169	8,689

32. TAXATION

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:

	2020 RM'000	2019 RM'000
Profit before taxation	167,305	104,885
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	40,154	25,172
Differential tax rate	-	(1,063)
Income not subject to tax	(1,189)	(2,707)
Expenses not deductible for tax purposes	3,038	3,195
Under provision of taxation in prior financial year	1,110	3,517
Tax expenses for the financial year	43,113	28,114

The income tax for Shareholders' fund and General fund in relation to the Malaysian operations are calculated at the statutory tax rate of 24% (2019: 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.

	2020 RM'000	2019 RM'000
Profit attributable to ordinary equity holders	124,192	76,771

	2020 Unit '000	2019 Unit '000
Weighted average number of ordinary shares in issue at 31 December	212,151	212,151

	2020 sen	2019 sen
Basic and diluted earnings per share	58.54	36.19

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

34. DIVIDENDS

	2020 RM'000	2019 RM'000
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 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 3 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:

	2020 RM'000	2019 RM'000
Not later than one year	11,284	11,039
Between one and five years	42,674	41,044
	53,958	52,083

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

36. OTHER COMMITMENTS AND CONTINGENCIES

	2020 RM'000	2019 RM'000
Approved and contracted for:		
Property, plant and equipment	438	42
Intangible assets	1,121	635
	1,559	677
Approved but not contracted for:		
Property, plant and equipment	14,748	4,723
Intangible assets	405	119
	15,153	4,842

	2020 Full commitment RM'000	2019 Full commitment RM'000
Derivative financial assets:		
Foreign exchange related contracts (Note 14):		
Less than a year	101,344	-
	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 plan was awarded to the participating companies within the Maybank Group who fulfill 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 is 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 TRANSACTIONS AND BALANCES 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 shareholder, 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. The significant related party transactions and balances of the Company are as follows:

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

	2020 RM'000	2019 RM'000
Income/(expenses):		
Ultimate holding company:		
Gross premium income	24,813	26,605
Commissions and fees expenses	(23,790)	(24,852)
Claims paid	(314)	(1,873)
Interest income	912	3,222
Rental income	499	541
Other expenses	(535)	(326)
ESGP	(1,421)	(570)
Immediate holding company:		
Gross premium income	12	14
Final dividend	(29,998)	-
Rental income	131	92
Claims paid	(69)	-
Shared service cost	(10,675)	(7,054)
Remuneration of a seconded employee	(135)	(110)

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.):

	2020 RM'000	2019 RM'000
Income/(expenses) (contd.):		
Penultimate holding company:		
Other income	58	-
Fellow subsidiaries within the MAHB Group:		
Gross premium income	455	25,513
Premium ceded to reinsurers	(2,209)	(26,870)
Commissions and fee expenses	(3,891)	(13,001)
Reinsurance commission income	3,567	14,021
Claims paid	(2,815)	(2,498)
Claims recovery from reinsurers	3,116	3,162
Other income	656	795
Other expenses	(247)	-
Rental income	9,704	9,238
Rental expense	(1,820)	(1,828)
Shared service cost	20,200	(4,415)
Reinsurance portfolio administration fee	(65)	(58)
Other related companies within the Maybank Group:		
Gross premium income	1,713	1,480
Interest income	4,035	2,072
Consultation fee	(1,145)	-
Management expenses	(269)	(124)
Infromation Technology outsourcing	(4,690)	(5,098)
Companies with significant influence over the Maybank Group:		
Gross insurance income	2,854	1,128
Claims paid	(4,365)	(298)

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	**2020 RM'000**	**2019 RM'000**
Ultimate holding company:			
Fixed and call deposits		82,021	158,748
Derivatives		2,695	-
Bank balances*		22,295	(1,560)
Income due and accrued		48	199
Outstanding premiums		7,521	8,178
Claim liabilities		(58,861)	(58,377)
Provision for custodian fee		(35)	(16)
Amount due from ultimate holding company	13	656	-
Amount due to ultimate holding company	21	-	(278)
Immediate holding company:			
Outstanding premiums		7	-
Claim liabilities		-	(56)
Amount due from holding company	13	621	-
Amount due to holding company	21	-	(574)
Penultimate holding company:			
Amount due from penultimate holding company	13	-	1,083
Fellow subsidiaries within the MAHB group:			
Amount due from reinsurers and cedants		(9,264)	14,818
Claims liabilities		(6,007)	(4,222)
Reinsurance assets		17,051	4,231
Amount due from other related companies	13	6,742	2,025
Amount due to other related companies	21	(3,019)	(808)
Other related companies within the Maybank Group:			
Fixed and call deposits		222,306	16,598
Income due and accrued		462	186
Claims liabilities		(50)	(50)
Amount due from other related companies	13	1	3
Amount due to other related companies	21	(81)	(83)

* The Company has no overdraft facility. The credit balance above arose due to the short tenure overnight placement under Maybank's Liquidity Concentration Services to minimise idle cash balances.

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 (contd.):

	Note	2020 RM'000	2019 RM'000
Companies with significant influence over the Maybank Group:			
Claims liabilities		(6,711)	(503)
Subsidiary:			
Amount due to subsidiary	21	(1,621)	(1,628)

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:

	2020 RM'000	2019 RM'000
Short-term employee benefits		
- Salaries, allowances and bonuses	964	1,028
- Fees	870	807
- Contribution to EPF	155	164
- Share based compensation	10	126
- Other emoluments	185	167
	2,184	2,292

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

	2020 '000	2019 '000
At 1 January	264	132
Awarded	132	132
At 31 December	396	264

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.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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:

- Maintains 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 EffectsTthrough 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 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.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

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 ICAAP that all Insurers / Takaful Operators must operate at capital levels above the 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

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.

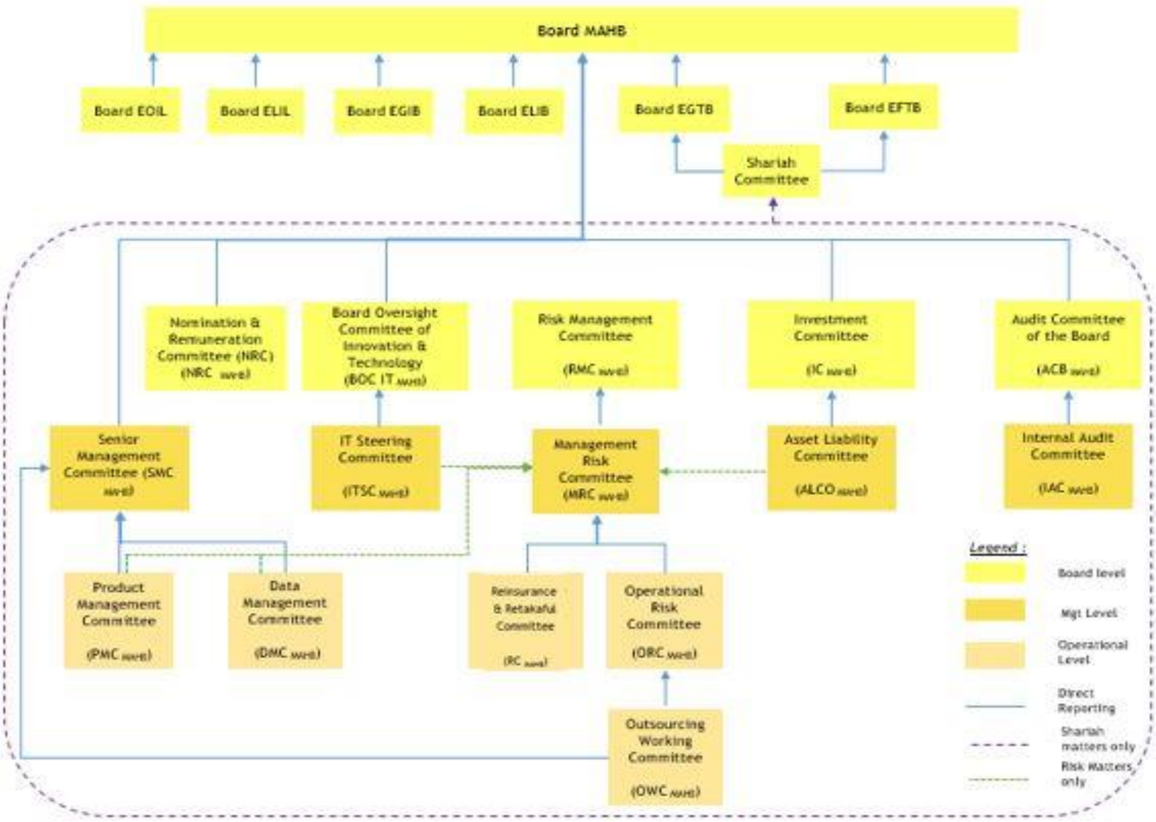
39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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 the risk focus supervision shall be escalated to the risk governance bodies for deliberations as captured above.

2) As for Shariah risk matters, the oversights responsibility resides with the Shariah Committee and report to the Entity 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 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") 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.

Infromation Technology Steering Committee ("ITSC")

ITSC is to establish, review and aprrove 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 theirs 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 monitor 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 & 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 Maybank Ageas Holdings Berhad for the Insurance & 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 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")

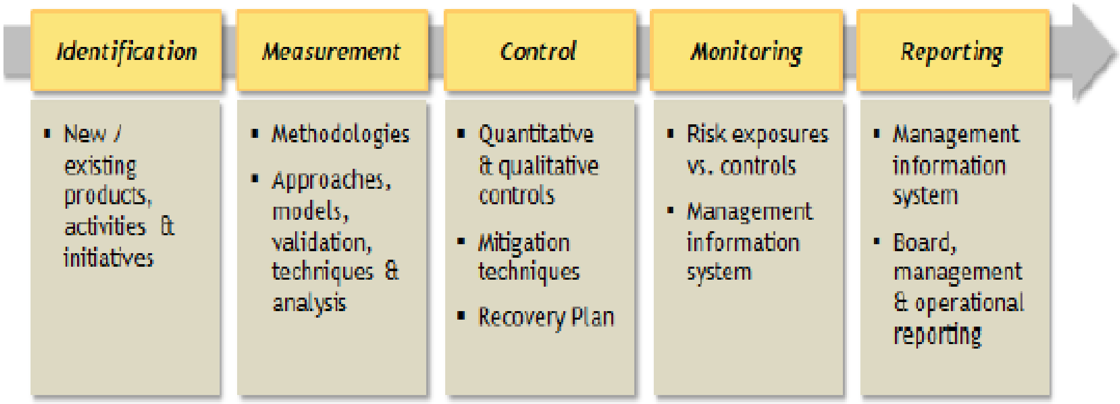
MC is responsible to verify the premium/contribution rate level is adequate and complies with BNM guidelines (aligned with Pricing Policy document); Approve Motor Underwriting Guidelines in line with Company's business strategy and risk appetite; Approve pricing and re-pricing within MC's authority.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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.

Resource and System Insfrastructure

Appropriate system infrastructure and resources are the foundation and enabler to effective risk management practices and processes. As a result, the Group should equip itself with necessary resources, infrastructures and support to perform its roles efficiently.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

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 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 function 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 Group. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

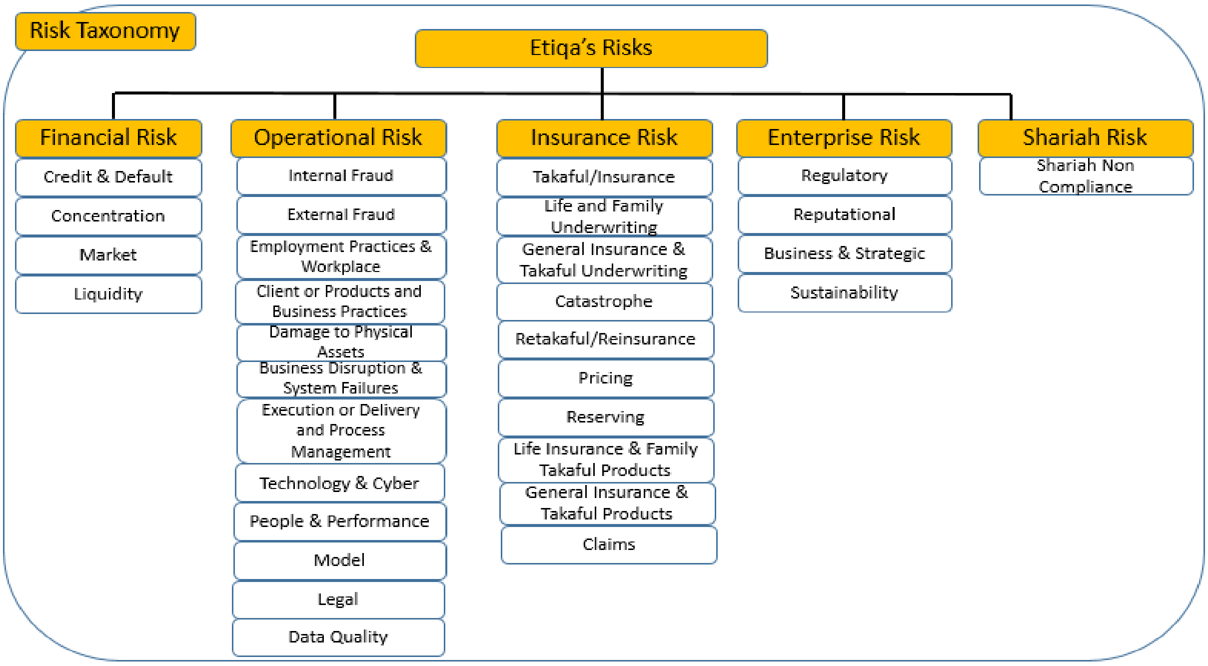
Risk Taxonomy

The following are the risk types that are applicable to the businesses and operations, which consists 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.

39. ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTD.)

Risk Taxonomy (contd.)



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/ expectation on which product, pricing, underwriting, claims, reserving and reinsurance have been made. Analyses are performed to ensure that Insurance risks remain within the group'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 honor 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 the reinsurance. The scope of this risk category includes reinsurer 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

Risk of loss or adverse impact arising from the development of new products and management of product. All product related risk including investment risk, pricing risk, business risk, reinsurance risk, financial risk, underwriting risk, operational risk, fraud risk, misselling risk and an assessment on system readiness.

(v) Reserving Risk

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.

General Insurance

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

	<---- 2020 ----		---->	<---- 2019 ----		---->
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Malaysia						
Motor	265,519	(9,003)	256,516	286,423	(7,252)	279,171
Fire	232,469	(127,517)	104,952	222,189	(130,132)	92,057
Marine, Aviation, Cargo and Transit	588,648	(567,629)	21,019	570,879	(553,831)	17,048
Miscellaneous	212,395	(111,670)	100,725	200,498	(75,810)	124,688
	1,299,031	(815,819)	483,212	1,279,989	(767,025)	512,964

40. INSURANCE RISK (CONTD.)

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

	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000
Singapore						
Fire	60	-	60	25,227	-	25,227
Miscellaneous	1	-	1	9	-	9
	61	-	61	25,236	-	25,236
Total	1,299,092	(815,819)	483,273	1,305,225	(767,025)	538,200

(ii) Key assumptions and methods

The estimation of claims liabilities based on Bank Negara Malaysia's 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 provision of risk margin for adverse deviation ("PRAD") for the best estimate of the cost of future claim payments.

The methodology used in deriving the unallocated loss adjustment expenses ("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	**2020**	**2019**
Malaysia - Unallocated loss adjustment expense ratio	4%	4%

(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)			------------------>
2020					
Net incurred claims ratio	+ 5%	67,250	24,774	(24,774)	(18,828)
	- 5%	(67,250)	(24,774)	24,774	18,828
2019					
Net incurred claims ratio	+ 5%	63,213	25,009	(25,009)	(19,007)
	- 5%	(63,213)	(25,009)	25,009	19,007

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

* 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 incurred but not reported ("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

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

	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

40. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - gross insurance contract liabilities

	Before	<------ As at 31 December						------>	
	2013	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**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		687,574	3,368,421	472,373	500,223	650,926	623,423	998,184	
1 year later		507,493	3,324,465	644,826	427,229	653,550	628,613		
2 years later		600,092	3,870,607	677,394	408,481	636,539			
3 years later		552,955	3,318,450	655,504	394,858				
4 years later		559,641	3,297,763	646,590					
5 years later		555,275	3,296,421						
6 years later		549,360							
Estimate of gross cumulative claims (A)		549,360	3,296,421	646,590	394,858	636,539	628,613	998,184	
Estimate of gross cumulative payments to date:									
At the end of accident year		167,692	1,120,319	117,553	115,349	228,448	114,737	254,960	
1 year later		307,101	1,383,292	382,244	249,580	417,498	316,439		
2 years later		408,804	1,774,084	441,823	315,396	492,679			
3 years later		483,555	1,923,898	482,763	334,206				
4 years later		494,548	2,003,707	514,891					
5 years later		509,307	2,020,524						
6 years later		521,846							
Gross cumulative payments (B)		521,846	2,020,524	514,891	334,206	492,679	316,439	254,960	
Gross outstanding claim liabilities (A) - (B)	118,500	27,514	1,275,897	131,699	60,652	143,860	312,174	743,224	2,813,520
Gross outstanding claim liabilities for Brunei and Treaty Inward									59,223
Unallocated loss adjustment expenses									7,160
Best estimate of gross claim liabilities									2,879,903
PRAD									197,299
Gross Insurance Claim Liabilities as at 31 December 2019									3,077,202

40. INSURANCE RISK (CONTD.)

(iv) Claims development table (contd.)

Analysis of claims development - net of reinsurance

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
	<----------				As at 31 December			---------->	
Estimate of net cumulative claims:									
At the end of accident year		283,985	263,503	255,864	248,567	206,014	216,540	283,922	
1 year later		265,906	251,303	249,573	227,268	201,881	222,226		
2 years later		274,429	246,969	244,085	227,687	199,313			
3 years later		273,160	238,975	244,196	229,240				
4 years later		270,774	240,031	244,512					
5 years later		269,262	238,868						
6 years later		268,763							
Estimate of net cumulative claims (A)		268,763	238,868	244,512	229,240	199,313	222,226	283,922	
Estimate of net cumulative payments to date:									
At the end of accident year		131,720	113,052	105,240	109,745	95,787	105,268	131,115	
1 year later		224,674	195,128	197,502	183,464	161,937	171,037		
2 years later		244,820	215,245	220,400	207,112	181,876			
3 years later		255,638	225,251	229,927	216,410				
4 years later		259,964	231,551	233,849					
5 years later		261,876	231,761						
6 years later		263,590							
Net cumulative payments (B)		263,590	231,761	233,849	216,410	181,876	171,037	131,115	
Net outstanding claim liabilities (A) - (B)	3,128	5,173	7,107	10,663	12,830	17,437	51,189	152,807	260,334
Net outstanding claim liabilities for Brunei and Treaty Inward									58,741
Unallocated loss adjustment expenses									7,160
Best estimate of net claim liabilities									326,235
PRAD									45,921
Net Insurance Claim Liabilities as at 31 December 2019									372,156

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 assets 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 philosophy 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 which are subject to credit risks and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	2020 RM'000	2019 RM'000
Financial assets at FVTPL		
Designated upon initial recognition		
Debt securities	17,014	10,141
Financial assets at FVOCI		
Malaysian government paper	94,373	232,097
Debt securities	748,904	698,526
Financial assets at AC		
Deposits and placements with:		
Licensed financial institutions	510,929	309,695
Others	10,000	15,000
Financing receivables	27,830	26,552
Insurance receivables	257,723	320,600
Other assets*	24,669	19,006
Derivative assets	6,099	-
Cash and bank balances**	31,959	8,185
	1,729,500	1,639,802

* Excluding MMIP, GST recoverable and prepayments
** 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, 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 ratings
Very low	1 – 5	AAA to A-	AAA to AA1
Low	6 – 10	BBB+ to BB+	AA1 to A3
Medium	11 – 15	BB+ to B+	A3 to BB1
High	16 – 21	B+ to CCC	BB1 to C

Risk category is 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 quality of the financial and insurance assets of the Company according to the credit ratings of counterparties.

	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							
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	-	13,852	24,669
Derivatives assets	-	6,099	-	-	-	-	6,099
Cash and bank balances**	-	31,959	-	-	-	-	31,959
	254,473	773,245	325,201	87,041	-	289,540	1,729,500

* Excluding MMIP and prepayments
** 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
2019							
Financial assets at FVTPL							
Designated upon initial recognition							
Debt securities	-	-	10,141	-	-	-	10,141
Financial assets at FVOCI							
Malaysian government papers	232,097	-	-	-	-	-	232,097
Debt securities	134,141	176,405	306,540	81,440	-	-	698,526
Financial assets at AC							
Deposits and placements with:							
Licensed financial institutions	-	304,492	5,203	-	-	-	309,695
Others	-	15,000	-	-	-	-	15,000
Financing receivables	-	-	-	-	-	26,552	26,552
Insurance receivables^^	-	-	2	7,773	-	312,825	320,600
Other assets*	4,325	2,909	5,306	578	-	5,888	19,006
Cash and bank balances**	-	8,207	-	(22)	-	-	8,185
	370,563	507,013	327,192	89,769	-	345,265	1,639,802

* Excluding MMIP, GST recoverable and prepayments

** 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.)

<u>Financial assets - Reconciliation of allowance account</u>

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 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 assesses at the reporting date.

The determination of whether a financial asset is 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 risk, 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
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
Carrying amount - fair value	778,792	64,485	-	843,277
Expected Credit Loss	(385)	(285)	(154)	(824)
2019				
Financial assets at FVOCI				
Sovereign	366,238	-	-	366,238
Very low	176,405	-	-	176,405
Low	276,298	30,242	-	306,540
Medium	81,440	-	-	81,440
Carrying amount - fair value	900,381	30,242	-	930,623
Expected Credit Loss	(581)	(70)	(165)	(816)

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

<u>Financial assets - Reconciliation of allowance account (contd.)</u>

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
2020				
Financial assets at FVOCI				
At 1 January 2020	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 2020	385	285	154	824
2019				
Financial assets at FVOCI				
At 1 January 2019	514	72	200	786
Writeback	(133)	(18)	-	(151)
New financial asset originated or			-	
purchased	295	62	-	357
Financial assets that have been derecognised	(95)	(46)	(35)	(176)
Allowance for impairment loss (Note 28)	67	(2)	(35)	30
At 31 December 2019	581	70	165	816

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

<u>Financial assets - Reconciliation of allowance account (contd.)</u>

<u>Impact on movements in gross carrying amount on allowance for financial assets at FVOCI</u>

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 decreased by RM8,000 for the financial year ended 31 December 2020 due to the following:

a) 12-month ECL (Stage 1) - decrease of RM196,000 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.

b) Lifetime ECL Not Credit-Impaired (Stage 2) - increase of RM215,000 for the Company, mainly due to:
   - Additional ECL recognised due to deterioration in credit quality.

c) Lifetime ECL Credit-Impaired (Stage 3) - decrease of RM11,000 for the Company, mainly due to:
   - Repayments made on financial assets at FVOCI that were previously impaired.

Overall, the total allowance for impairment on financial asset at FVOCI for the Company increased by RM30,000 for the financial year ended 31 December 2019 due to the following:

a) 12-month ECL (Stage 1) - increase of RM67,000 for the Company, mainly due to:
   - Financial assets at FVOCI that were newly originated; and
   - Partially offset by financial assets at FVOCI that were derecognised.

b) Lifetime ECL Not Credit-Impaired (Stage 2) - decrease of RM2,000 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.

c) Lifetime ECL Credit-Impaired (Stage 3) - decrease of RM35,000 for the Company, mainly due to:
   - Repayments made on financial assets at FVOCI that were previously impaired.

41. FINANCIAL RISKS (CONTD.)

(i) Credit Risk (contd.)

Other financial assets - Reconciliation of allowance account

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

Movements in gross carrying value and allowances for impairment losses recognised for not credit impaired and credit impaired of 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)**
Gross carrying amount									
As at 1 January 2019	27,279	325,242	26,763	6,931	23,081	2	34,210	348,323	26,765
Increase/(Decrease)	(1,102)	(22,915)	(7,757)	(1,411)	(90)	(2)	(2,513)	(23,005)	(7,759)
As 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)	5,663	116	13,536	-	1,474	(62,310)	5,663
As at 31 December 2020	27,535	226,481	24,669	5,636	36,527	-	33,171	263,008	24,669
ECL									
As at 1 January 2019	15	225		5,492	1,368	2	5,507	1,593	2
Increase/(Decrease)	(7)	11	-	(355)	3,114	(2)	(362)	3,125	(2)
As at 1 January 2020	8	236		5,137	4,482	-	5,145	4,718	-
Increase/(Decrease)	3	1,242	-	193	(675)	-	196	567	-
As at 31 December 2020	11	1,478		5,330	3,807	-	5,341	5,285	-

* Excluding MMIP, GST recoverable and prepayments

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
2020				
ECL				
At 1 January 2020	5,145	4,718	-	9,863
Net adjustment of loss allowance (Note 28)	196	567	-	763
At 31 December 2020	5,341	5,285	-	10,626
2019				
ECL				
At 1 January 2019	5,507	1,593	2	7,102
Net adjustment of loss allowance (Note 28)	(362)	3,125	(2)	2,761
At 31 December 2019 -	5,145	4,718	-	9,863

Financial effects of collateral held

The main types of collateral obtained 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 2020 (2019: 100%). Financing receivables amounting to RM27,830,000 as at 31 December 2020 (2019: RM26,552,000) 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 the established investment limits allow for reasonable liquidity requirements 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 contracts 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
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	75,205	24,669	-	-	-	24,669
Derivatives assets	6,099	6,099	-	-	-	6,099
Cash and bank balances	31,962	-	-	-	31,962	31,962
Total assets	5,676,951	4,005,895	936,955	908,675	211,180	6,062,705
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

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
2019						
Financial assets:						
FVTPL	143,437	475	7,168	5,268	133,296	146,207
FVOCI	930,623	132,443	361,635	885,536	-	1,379,614
AC	324,695	325,714	-	-	-	325,714
Financing receivables	26,552	3,536	10,932	16,824	-	31,292
Reinsurance assets*	2,693,211	2,111,661	593,380	5	-	2,705,046
Insurance receivables	320,600	320,600	-	-	-	320,600
Other assets	69,969	19,006	-	-	-	19,006
Cash and bank balances	9,443	-	-	-	9,443	9,443
Total assets	4,518,530	2,913,435	973,115	907,633	142,739	4,936,922
Insurance contract liabilities*	3,077,246	2,410,496	666,516	234	-	3,077,246
Insurance payables	424,248	424,248	-	-	-	424,248
Other liabilities	81,682	78,560	3,854	215	-	82,629
Total liabilities	3,583,176	2,913,304	670,370	449	-	3,584,123

* Excluding premium liabilities

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 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:

(a) 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.

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

(c) 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.

	<----------2020----------->		<----------2019----------->	
Changes in variables	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
+100 basis points	(1,038)	(58,138)	(609)	(57,808)
-100 basis points	1,038	58,138	609	57,808

* Impact on equity is after tax of 24%.

(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.

41. FINANCIAL RISKS (CONTD.)

(iii) Market Risk (contd.)

(c) Equity Price Risk (contd.)

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.

		<----------2020----------->		<----------2019----------->	
	Changes in variables	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
Market Index	+10%	9,720	7,388	4,993	3,795
	-10%	(9,720)	(7,388)	(4,993)	(3,795)

* 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.

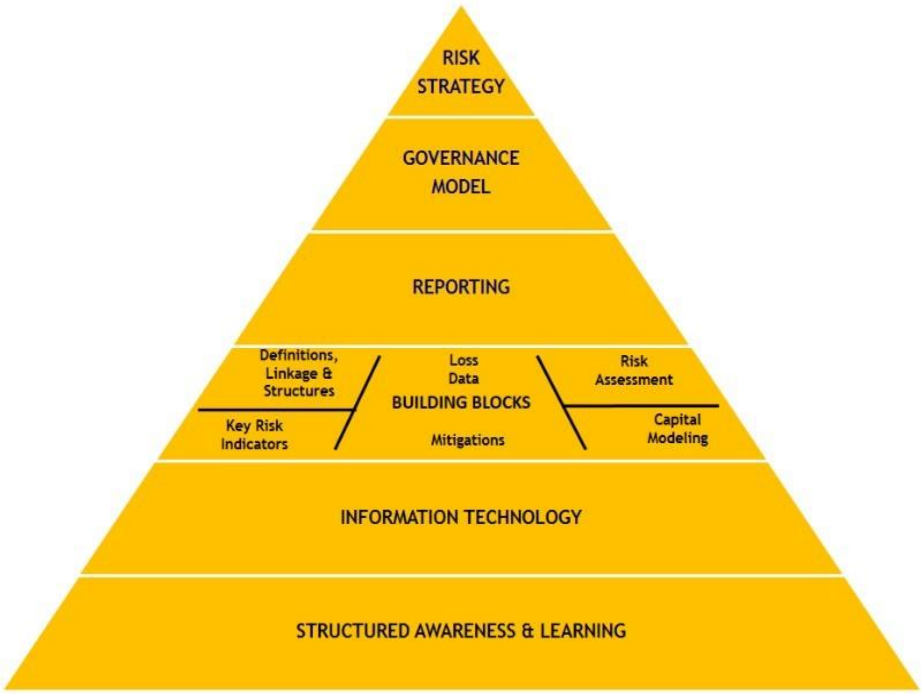
The Company complied with BNM stipulated limits during the financial year and had no significant concentration risk.

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

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

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

(iii) Diversity and discrimination - failure to provide equalities in the employment practice.

(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. It 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, less liquid equities 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(xvi). The carrying amounts approximate fair values due to the 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

The fair values of investment properties 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

	Valuation techniques used:			
	Level 1 Using quoted market prices RM'000	**Level 2 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
(i) 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

44. FAIR VALUE MEASUREMENTS (CONTD.)

(c) Fair value measurements and classification within the fair value hierarchy (contd.)

	Valuation techniques used:			
	Level 1 Using quoted market prices RM'000	**Level 2 Using observable inputs RM'000**	**Level 3 Using significant unobservable inputs RM'000**	**Total RM'000**
2019				
<u>Assets</u>				
Investment properties	-	-	283,920	283,920
Financial assets at FVTPL				
(i) Designated upon initial recognition				
Debt securities	-	10,141	-	10,141
(ii) HFT				
Equity securities	49,781	-	83,515	133,296
Financial assets at FVOCI				
Malaysian government papers	-	232,097	-	232,097
Debt securities	-	698,526	-	698,526
Total assets	49,781	940,764	367,435	1,357,980

(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 2020.

44. FAIR VALUE MEASUREMENTS (CONTD.)

(e) Movements of Level 3 financial instruments and non financial asset

2020	Investment Properties RM'000	Financial instrument measured at fair value: Designated at FVTPL RM'000
At 1 January 2020	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 2020	287,860	82,013
Total gains recognised in income statement for financial instruments measured at fair value at the end of the reporting year	3,940	238

2019	Investment Properties RM'000	Financial instruments measured at fair value: Designated at FVTPL RM'000
At 1 January 2019	270,757	83,690
Recognised in the income statement:		
Fair value gain (Note 27)	13,163	(175)
At 31 December 2019	283,920	83,515
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of reporting year	13,163	(175)

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
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
2019			
Building	Income capitalisation	Rental per square foot	RM1.68 to RM7.50
Land	Comparison	Sales price per square foot for similar properties	RM3,226.98
Shoplots	Comparison	Sales price per square foot for similar properties	RM50.00 to RM974.66

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 hierachy.

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 Increase/ (decrease)	Impact on profit before tax RM'000 Increase/ (decrease)	Impact on equity* RM'000 Increase/ (decrease)
2020	+5%	4,108	4,108	3,122
	-5%	(4,108)	(4,108)	(3,122)
2019	+5%	4,175	4,175	3,174
	-5%	(4,175)	(4,175)	(3,174)

* 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 2020 and 31 December 2019, as prescribed under the RBC Framework, are provided below:

	2020 RM'000	2019 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	229,879	229,879
Reserves, including retained earnings	808,823	714,629
	1,038,702	944,508
Tier 2 Capital		
Revaluation reserve	76,391	76,391
Available-for-sale reserves	32,413	28,710
Currency translation reserve	13,843	13,969
	122,647	119,070
Amount deducted from Capital	(32,702)	(36,703)
Total Capital Available	1,128,647	1,026,875

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.

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 imposed pending the decision of the CAT on 27 October 2020. The stay application is now fixed for online hearing on 25 February 2021 before the CAT, following which, there is also a case management session scheduled for 26 February 2021 in respect of the appeal proper.

47. SIGNIFICANT EVENT

Covid-19 Impact

The Covid-19 Pandemic and the related economic uncertainty has undoubtedly impacted the Company, which dampened its business operations as well as investments. The Management and the Board have closely monitored the situation and positioning the Company to preserve and strengthen our business operations, and responded to business uncertainty as well as to support our communities. This is further explained below:-

A) Business Operations

The challenges to navigate resources due to limitation of movement restrictions and operations, coupled with the drop in business demand, have affected the the Company's performance in acquiring, maintaining and servicing customers. The Company has undertaken several initiatives to mitigate the Covid-19 impact, by shifting its resources towards digital platform channels in order to further reach and service its customers. The Company has leveraged business opportunities from its existing and improved digital platforms, which has enabled the Company to continue sustaining good business growth in certain business lines.

B) Investment Operations

Overall investment climate was dampened by the continued acceleration of Covid-19 cases globally which dimmed the prospect of fast economic recovery as governments around the world mull stricter measures to contain the pandemic. The volatility of Kuala Lumpur Composite Index (KLCI) has also dampened returns from equity investments, the uncertainty is expected to be challenging in 2021. The Company has preserved its capital by staying high in cash, ensure that Assets Liability Management remains intact, improved regular income stream and reduced volatility through lower equity portfolios.

C) Customers and Society

On the measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by Covid-19, the Company facilitated their policyholders request for payment deferment or restructuring of their respective insurance plans.

In combating the Covid-19 outbreak, the Company has sponsored RM500,000 to fund the preparedness and response plan in combating the virus and the purchase of ventilators to ease the impending shortage faced by designated hospitals.

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, the 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 is continued to be prepared on the going concern basis.

48. INSURANCE FUNDS

STATEMENT OF FINANCIAL POSITION BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets:						
Property, plant and equipment	13,576	15,914	426	430	13,150	15,484
Investment properties	287,860	283,920	151,530	148,590	136,330	135,330
Right-of-Use Assets	6,036	6,428	-	-	6,036	6,428
Intangible assets	32,702	36,703	-	-	32,702	36,703
Investment in subsidiary	* -	* -	* -	* -	-	-
Investment in associate	152	152	152	152	-	-
Investments	1,560,438	1,398,755	805,460	722,544	754,978	676,211
Financing receivables	27,830	26,552	27,015	25,619	815	933
Reinsurance assets	3,930,463	2,953,227	-	-	3,930,463	2,953,227
Insurance receivables	257,723	320,600	-	-	257,723	320,600
Other assets	75,205	70,204	8,815	8,164	66,390	62,040
Derivative assets	6,099	-	2,675	-	3,424	-
Current tax assets	41,275	90,019	27,601	32,116	13,674	57,903
Cash and bank balances	31,962	9,443	3,566	47	28,396	9,396
Total Assets	6,271,321	5,211,917	1,027,240	937,662	5,244,081	4,274,255

* Representing RM 1

48. INSURANCE FUNDS (CONTD.)

STATEMENT OF FINANCIAL POSITION BY FUNDS (CONTD.)

	Company		Shareholder's Fund		General Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Equity:						
Share capital	229,879	229,879	229,879	229,879	-	-
Reserves	931,470	833,699	931,470	833,699	-	-
Total Equity	1,161,349	1,063,578	1,161,349	1,063,578	-	-
Liabilities:						
Insurance contract liabilities	4,595,728	3,596,928	-	-	4,595,728	3,596,928
Deferred tax liabilities, net	46,516	42,742	24,026	20,932	22,490	21,810
Insurance payables	379,265	424,248	-	-	379,265	424,248
Other liabilities[1]	78,870	81,682	(161,369)	(149,587)	240,239	231,269
Current tax liabilities	9,593	2,739	3,234	2,739	6,359	
Total Liabilities	5,109,972	4,148,339	(134,109)	(125,916)	5,244,081	4,274,255
Total Equity and Liabilities	6,271,321	5,211,917	1,027,240	937,662	5,244,081	4,274,255
Inter fund balances	-	-	(166,383)	(159,025)	166,383	159,025

[1] Included in other liabilities is amount due to shareholder's fund which is unsecured, not subject to any interest elements and is repayable on demand.

48. INSURANCE FUNDS (CONTD.)

INCOME STATEMENT/REVENUE ACCOUNT BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Operating revenue	1,358,977	1,365,603	27,177	28,772	1,331,800	1,336,831
Gross earned premiums	1,345,000	1,264,264	-	-	1,345,000	1,264,264
Earned premiums ceded to reinsurers	(849,519)	(764,324)	-	-	(849,519)	(764,324)
Net earned premiums	495,481	499,940	-	-	495,481	499,940
Fee and commission income	60,893	71,508	-	-	60,893	71,508
Investment income	59,885	60,378	27,176	28,772	32,709	31,606
Realised gains/(losses)	1,982	1,340	3,438	2,537	(1,456)	(1,197)
Fair value gains	21,948	16,201	10,909	10,630	11,039	5,571
Other operating (expenses)/income, net	(6,321)	2,074	(4,003)	6,698	(2,318)	(4,624)
Other revenue	138,387	151,501	37,520	48,637	100,867	102,864
Gross benefits and claims paid	(407,680)	(647,853)	-	-	(407,680)	(647,853)
Claims ceded to reinsurers	181,954	407,486	-	-	181,954	407,486
Gross change in contract liabilities	(1,044,707)	(312,755)	-	-	(1,044,707)	(312,755)
Change in contract liabilities ceded to reinsurers	1,012,648	256,371	-	-	1,012,648	256,371
Net benefits and claims	(257,785)	(296,751)	-	-	(257,785)	(296,751)
Management expenses	(128,312)	(154,117)	(3,703)	(6,012)	(124,609)	(148,105)
Fee and commission expenses	(80,466)	(95,688)	-	-	(80,466)	(95,688)
Other expenses	(208,778)	(249,805)	(3,703)	(6,012)	(205,075)	(243,793)
Surplus for the year	167,305	104,885	33,817	42,625	133,488	62,260
Taxation	(43,113)	(28,114)	(8,127)	(13,270)	(34,986)	(14,844)
Net profit for the financial year	124,192	76,771	25,690	29,355	98,502	47,416
Surplus transfer (net of tax) from General Funds	-	-	98,502	47,416	(98,502)	(47,416)
Net profit for the year	124,192	76,771	124,192	76,771	-	-

48. INSURANCE FUNDS (CONTD.)

STATEMENT OF CASH FLOWS BY FUNDS

	Company		Shareholder's Fund		General Fund	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from:						
Operating activities	9,370	127,637	(20,644)	79,704	30,014	47,933
Investing activities	45,144	(180,850)	54,159	(84,042)	(9,015)	(96,808)
Financing activities	(31,995)	(1,996)	(29,998)	-	(1,997)	(1,996)
Net increase/(decrease) in cash and cash equivalents	22,519	(55,209)	3,517	(4,338)	19,002	(50,871)
Cash and cash equivalents:						
Cash and cash equivalents at beginning of financial year	9,443	64,652	49	4,387	9,394	60,265
Cash and cash equivalents at end of financial year	31,962	9,443	3,566	49	28,396	9,394