

## CHAIRMAN'S STATEMENT

### DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure and privilege to present the Annual Report of MNRB Holdings Berhad (MNRB or the Group) for the financial year ended 31 March 2020 (FY2020).



**Datuk Johar Che Mat**  
Chairman

## CHAIRMAN'S STATEMENT

This is my first statement to you as the Group's new Chairman following my appointment on 1 July 2019. Prior to this, I had the privilege of serving on the Boards of MNRB and both the Group's takaful businesses. In my tenure with the Group, I am pleased to say that I have gained an in-depth understanding of the workings of the Group as well as seen it steadfastly weather internal and external headwinds. Today, MNRB remains resilient and is retaining its position of strength as a key player in the reinsurance, retakaful and takaful segments. Together with my colleagues on the Board and our Senior Management, rest assured that we will continue to accord stakeholders a responsible and transparent leadership while continuing to deliver sustainable value to all.

**A COMMENDABLE PERFORMANCE**

I am pleased to report that MNRB once again successfully navigated the demands of a highly challenging operating environment to deliver a commendable performance. A special mention goes to our teams within the respective business segments who worked hard to pursue their key objectives, align with the Group's strategic direction, and ensure MNRB remained relevant to its markets. As a result of their worthy efforts, the Group's revenue grew 12.3% to RM2.55 billion in FY2020 from RM2.27 billion previously, while our profit after tax (PAT) grew 27.3% to RM132.9 million from RM104.4 million in FY2019.

In comparison to the preceding year, the Group's main subsidiaries, namely, Malaysian Reinsurance Berhad (Malaysian Re), and our takaful arms, Takaful Ikhlas Family Berhad (Takaful IKHLAS Family) and Takaful Ikhlas General Berhad (Takaful IKHLAS General), all posted higher gross premiums and contributions. Our Reinsurance/Retakaful arm registered revenue growth of 14.5% to touch RM1.42 billion while posting a 15.0% increase in PAT to RM96.4 million. Meanwhile, both our takaful businesses collectively grew their revenue by 10.8% to RM1.13 billion while posting a stellar 83.3% hike in PAT to RM64.9 million. These good results underscore the Group's ability to remain steadfast and deliver sustainable results in the face of an increasingly competitive operating environment.

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As at 31 March 2020, the Group's total assets stood at RM9.21 billion, a 5.7% increase in comparison to total assets of some RM8.71 billion as at 31 March 2019. Net investment income for FY2020 grew 3.5% to RM359.7 million against the RM347.5 million garnered in FY2019. The Group continued to pursue a prudent asset management strategy over the course of the financial year with 26.0% of the Group's investments in low-risk assets, including Malaysian Government Securities and Government Investment Issues. At the end of FY2020, the Group's earnings per share stood at 17.2 sen per share compared to 20.3 sen per share in FY2019.

**SHAREHOLDER VALUE CREATION**

To bolster the Group's financial position and cater to the requirements of our businesses in a sustainable manner, the Board is committed to weighing the need to preserve MNRB's capital against our ability to reward shareholders. While the Board is committed to prioritising and upholding the capital preservation requirements of the Group, we are also mindful of our shareholders' expectations and the need to reward them for their kind patience and resolute support of the Group all these years.

As such, on 12 December 2019, an interim dividend of 2.50 sen per ordinary share amounting to approximately RM19.176 million based on the issued share capital of 767,050,063 MNRB shares as at 15 October 2019 was paid out to shareholders in respect of the financial year ended 31 March 2020. Under the Dividend Reinvestment Plan (DRP) which was approved by the shareholders at our Extraordinary General Meeting held on 25 September 2019, the entire portion of the interim dividend was paid under the DRP which accords shareholders the option to receive the interim dividend in cash or to reinvest the interim dividend into new MNRB shares at a discount from the issue price of RM1.01 per new share.

## CHAIRMAN'S STATEMENT

**GROUP'S  
REVENUE**  
in FY2020

GROWTH 12.3%

**RM2.55**  
billion**PROFIT  
AFTER TAX**  
in FY2020

GROWTH 27.3%

**RM132.9**  
million**FY2020'S KEY INITIATIVES**

The financial year in review saw the Group continuing to implement specific initiatives, including several strategic partnerships, to maintain its position of strength and create sustainable value.

In August 2019, Takaful IKHLAS General signed a five-year strategic partnership with CIMB Islamic Bank Berhad (CIMB Islamic) to distribute general takaful products to CIMB Islamic's customers across the retail, SME and commercial segments. Under the partnership, the parties have jointly targeted RM168 million in gross contributions over the next five years. As the preferred general takaful provider to all CIMB Islamic customers, Takaful IKHLAS General will tap CIMB Islamic's extensive distribution channels comprising 250 branches nationwide, online platforms and call centres. CIMB Islamic in turn will leverage on Takaful IKHLAS' wide range of offerings including motor and home protection as well as coverage for commercial subscribers such as fire, construction, workmen, equipment, marine and liability, to cater to its customers' growing demand for shariah-compliant takaful products.

December 2019 saw Malaysian Re signing a memorandum of understanding (MOU) with Pacific Life Re Singapore to provide sustainable retakaful solutions to its family takaful operators clients in Malaysia. Under the MOU, Malaysian Re's Retakaful Division (MRRD) will provide family retakaful solutions, while Pacific Life Re in return will provide support for MRRD's family retakaful business through its technical pricing, underwriting, product development, experience analysis and global insights. This initiative will help expand Malaysian Re's access to superior data insights on a global level and enable it to harness leading underwriting technology provided by Pacific Life Re's fully-owned subsidiary, UnderwriteMe.

In January 2020, Takaful IKHLAS Family signed a five-year strategic partnership with Manulife Insurance Berhad (Manulife) to sell family takaful products to the underpenetrated takaful market in Malaysia through Manulife's agency network. Under the partnership, Manulife's agency members will market and sell four of Takaful IKHLAS's family takaful products to the growing segment of Malaysians seeking Shariah-compliant life insurance products. Meanwhile, Takaful IKHLAS will focus on expanding its market share while leveraging on Manulife's high-yielding agents through the partnership. With the high potential growth and increasing demand for takaful, this strategic partnership is expected to contribute to the growth of Takaful IKHLAS Family's business.

For the year under review, Malaysian Re strengthened its leading position in the region's insurance industry via its sponsorship of the third edition of the ASEAN Insurance Pulse. This latest edition of the research publication for the ASEAN region was launched in November 2019 during the 12<sup>th</sup> ASEAN Insurance Congress in Bali, Indonesia. Published in collaboration with a Zurich-based research agency, the third *ASEAN Insurance Pulse* focuses on the state of digitisation of the region's insurance players. The issue also analyses the impact of digitisation on the region's US\$31 billion non-life insurance markets and their growth and profitability prospects.

In December 2019, Malaysian Re went on to launch the inaugural issue of *Malaysian Insurance Highlights (MIH)*. This annual publication contains vital statistics and key trends relating to the domestic insurance and takaful industry, along with the insights from industry executives and senior professionals. This was followed by the launch of Malaysian Re's inaugural newsletter, *Malaysian Re Foresights* in January 2020 which gives readers a taste of the vital findings from the *ASEAN Insurance Pulse* and *MIH* publications.

## CHAIRMAN'S STATEMENT

**RESPONSIBLE CORPORATE PRACTICES**

Your Board remains focused on reinforcing the effective application of the principles and best practices that have been laid down by the regulators, namely Bank Negara Malaysia (BNM), the Securities Commission Malaysia, Bursa Malaysia Securities Berhad as well as all applicable statutes, including but not limited to the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and the Companies Act, 2016. The Group's policy decrees that we employ these principles and best practices as well as uphold high standards of business integrity in all activities undertaken by the Group. The year also saw us adopting a new Group Anti-Corruption and Bribery Policy to ensure strong business ethics and compliance in line with the latest amendments to the MACC Act 2009. The finer details of our Corporate Governance initiatives are covered in the Corporate Governance Overview Statement in this Annual Report.

In FY2020, we continued to roll out various initiatives to strengthen our risk management and internal control systems. These measures included updating the Group Enterprise Risk Management (Group ERM) Framework and sub-frameworks to ensure their relevance as well as our compliance with all applicable laws and regulations issued by the authorities. To date, we are in compliance with the BNM Policy Documents (PDs) on Risk Management in Technology (RMiT), Outsourcing, Corporate Governance and Shariah Governance as well as the new Section 17A(5) of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. We have also embarked on a series of risk-related activities throughout the year to increase awareness and understanding of risk at all staff levels. The results of these have been quite reassuring given the overall pass rate of 89% on the successive risk quiz. Detailed information on the Group's Risk Management measures are covered in the Statement on Risk Management and Internal Control within this report.

## CHAIRMAN'S STATEMENT

As a conscientious corporate citizen, we understand the need to balance out our good economic performance with responsible environmental and social considerations in a way that underscores dependable management and sustainable development practices throughout the MNRB Group.

Our ultimate aim on our sustainability journey is to deliver a sustainable performance and good stakeholder value, whilst ensuring the long-term success of the MNRB Group. For the year in review, we continued to make good progress on our sustainability journey and demonstrated results in key sustainability matters. To future-proof our businesses, we elevated technological innovation across our operations by entering into strategic partnerships with Insurtech providers, implemented new back-office systems for our human resources and family takaful operations, as well as adopted new Robotic Process Automation or RPA technologies. We also introduced new corporate responsibility programmes in support of communities, such as the Asnaf Entrepreneur Development Programme, BUDI programme in collaboration with MARA, and the Ikhlas Waqf and Endowment initiatives.

Our Sustainability Statement (the Statement) on pages 27 to 57 of this Annual Report is our third to date. The Statement serves to highlight the Group's sustainability practices and spells out the good progress that we made on the Economic, Environmental and Social (EES) fronts in FY2020.

## MOVING FORWARD

As the MNRB Group ventures forth into the "new normal", we do so with a cautious optimism given the challenges posed by the impact of the COVID-19 global pandemic and the ongoing Movement Control Order (MCO) in Malaysia and elsewhere.

At the start of the MCO, the Board and Senior Management began engaging in discussions on the risks at hand and potential future scenarios that might impact the Group. These robust discussions enabled the Board and Senior Management to highlight the areas of importance that could be impacted and take the necessary steps to establish mitigation measures for scenarios that could unfold.

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Operationally, the Group has adopted a robust risk management process with regards to the pandemic and MCO. At the onset of the MCO, a Recovery Task Force was set up to coordinate and oversee the effective execution of the Group's business continuity plans. We immediately implemented precautionary measures at all our premises to ensure minimal risk of infection to customers, staff and suppliers. Today, we continue to leverage technology in an efficient manner to operate smoothly and with minimum disruption even as the majority of our staff work from home.

In terms of our financial assets, the MNRB Group maintains a conservative investment portfolio with the vast majority of our assets in government securities and highly-rated corporate bonds and sukuk. While deposits will undoubtedly be affected by the current low interest rate regime, we will continue to maintain this to meet liquidity requirements. We will also continue to be selective and opportunistic in terms of equities and will focus on industries that continue to benefit from the MCO and those that are expected to recover quickly once the MCO is lifted.

Looking beyond the MCO, we have set our sights on key strategic areas to improve our Group's performance and deliver value to stakeholders. The MCO has demonstrated the opportunity for insurance and takaful operators with strong digital capabilities, and we continue to pursue (if not accelerate) our plans for further digitalization of our takaful business. We are on track to implement a new core system for the general takaful business and are supplementing our agents with digital lead management capabilities.

Our reinsurance and retakaful business will continue to build on its current expansion in new market opportunities such as binders and agriculture segments. Strengthening underwriting will remain a key focus as we will be more selective when evaluating growth opportunities. We see more opportunities to significantly grow our family retakaful business further and capturing more business in the domestic market with the help of our partner Pacific Life Re.

## CHAIRMAN'S STATEMENT

Human capital remains our most important asset and to that end the Group is embarking on an exercise to enhance our human capital framework, especially with regards to talent attraction and retention. We recognise that businesses face a 'new normal' and the impact will be deeply felt on the workforce. New ways of working and best practices around collaboration, flexibility and accountability will emerge. The Group expects to continue strengthening the capabilities of its workforce and ensuring they become agile, resilient and innovative.

All in all, your Board is quietly confident that despite the expected challenges, MNRB will deliver a resilient performance in the new financial year.

**IN APPRECIATION**

Many parties have lent us their worthy support and we want to acknowledge them here. On behalf of the Board of Directors, I wish to express my sincere gratitude to our valued shareholders for their firm faith in MNRB. I also wish to express my heartfelt appreciation to our customers, business partners, ceding companies and intermediaries, as well as the regulators and industry associations for their unfaltering cooperation and confidence in the Group.

I am also deeply grateful to my esteemed colleagues on the Board for their wise insights and counsel which helped us navigate the challenges of the year. I would especially like to acknowledge the worthy contributions of my predecessor, Dato Sharkawi Alis, during his tenure with the MNRB Group. We owe him a debt of gratitude and wish him well in his endeavours.

We also want to acknowledge the invaluable contributions of our other outgoing Directors for their services to the holding company. Effective 1 October 2019, MNRB announced a new Board composition mainly to ensure compliance with BNM's requirement that limits the number of common directors allowed on the Board of the Company and its subsidiary companies. At the same, we also undertook a review to further strengthen the composition of the Board of MNRB's subsidiary companies. As a result, three existing Independent Non-Executive Directors (INEDs) who were common directors on

other Boards within the MNRB Group, namely Encik Mustaffa Ahmad, Encik Arul Sothy Mylvaganam and Puan Rosinah Mohd Salleh, as well as two other Directors, namely Puan Hijah Arifakh Othman (a Non-INED) and Puan Noor Rida Hamzah (an INED), all resigned on the date in question. These resigning Directors have either remained or have been appointed as members of the Boards of our subsidiary companies. Given their wealth of experience and expertise, the Board of MNRB is confident that these Directors will continue to provide good counsel and direction that will help steer our subsidiaries towards further growth and success.

At this time, please join me in welcoming onboard our four new INEDs, namely Encik Khalid Sufat, Puan Zaida Khalida Shaari and Puan Junaidah Mohd Said who were all appointed to the Board of MNRB on 1 October 2019, while Dato' Wan Roshdi Wan Musa was appointed on 1 April 2020. We are confident that the appointment of our new Directors will set the tone towards strengthening the MNRB Group's prospects moving forward.

Last but not least, my utmost gratitude to the dedicated Management team and staff of the MNRB Group for their diligence and untiring commitment to excellence. We simply could not have done this without you.

The MNRB Group has once again proven its mettle amidst a multitude of challenges and I am confident that we will continue to remain resilient moving forward. You have our assurance that we give our best and strengthen our position in the reinsurance and takaful arena by continuing to invest in the necessary people, infrastructure, systems and strategic partnerships to help us maintain sustainable growth. As we move forward, I humbly ask all our stakeholders to lend MNRB their continual support as we work hard to overcome any challenges and capitalise on any opportunities that come our way. Thank you.

On behalf of the Board,

**Datuk Johar Che Mat**  
Chairman

3 August 2020