

CHAIRMAN'S STATEMENT

DATO SHARKAWI ALIS

Chairman



Dear Valued Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of MNRB Holdings Berhad (MNRB or the Group) for the financial year ended 31 March 2018 (FY2018).

A COMMENDABLE PERFORMANCE

I am delighted to report that MNRB turned in a commendable performance in FY2018, reflecting the Group's resilience and strong commitment to delivering sustainable growth. For the financial year under review, the Group registered a stellar 94.6% improvement in profit before tax to RM192.5 million from RM98.9 million previously, while profit after tax soared 97.9% to RM140.9 million from RM71.2 million previously. The Group also managed to steadily maintain its revenue base at RM2.5 billion for FY2018, at almost the same level recorded in the previous financial year.

The year's improved results were primarily attributable to the sound performances of the Group's main subsidiaries, namely, Malaysian Reinsurance Berhad (Malaysian Re), and our Takaful arm, Takaful Ikhlas Berhad (Takaful IKHLAS). Our subsidiaries' strong performance is due to the business strategies and transformation plans that Malaysian Re and Takaful IKHLAS have been executing.

As at the end of FY2018, the Group's total assets increased 5.0% to RM7.9 billion from RM7.6 billion in FY2017. We also recorded higher net investment income of RM247.9 million, an 8.5% increase over the RM228.5 million registered in the preceding year. More than 40% of the Group's investments were in low risk assets, including Malaysian Government Securities and Government Investment Issues. As at the end of FY2018, the Group's earnings per share stood at 44.1 sen in comparison to 27.6 sen previously.



For the year in review, Takaful IKHLAS was accorded the **"Best Takaful Company 2017"** award at the 7th Asian Islamic Banking and Takaful Conference attesting to its reputable standing in the marketplace.

CHAIRMAN'S STATEMENT

CONTINUING CAPITAL PRESERVATION

It has always been the priority of the Group to preserve capital needs when determining any dividend pay-out. The fundamental principle is that a dividend pay-out must not have a detrimental impact on the capital ratio of the Group. The Board views capital preservation as an integral element to the growth and sustainability of our business and as such has decided not to recommend any dividend pay-out in respect of FY2018 at this point in time.

Nevertheless, the Board is mindful of shareholders' expectations and will continue to look for ways and means to reward shareholders in a fitting manner at the opportune time. In the meanwhile, we seek shareholders' continued support for the Group as we work to strengthen our financial position and cater to the needs of our businesses.

THE YEAR'S KEY INITIATIVES

The Group continues to undertake specific initiatives to reinforce its position of strength. Takaful IKHLAS and Agrobank Berhad, which entered into a Memorandum of Understanding (MoU) in March 2017, commenced their strategic collaboration in various takaful areas during the year. Among the key activities was the November 2017 launch of Agro Mabrur-i, a family takaful product recognised by Bank Negara Malaysia (BNM) as a product under the "Perlindungan Tenang" initiative. This initiative stems from a partnership between BNM and the Insurance and Takaful industries to provide accessible and affordable insurance as well as takaful protection products to a wider base of Malaysians. All in all, the Takaful IKHLAS-Agrobank collaboration will enable Takaful IKHLAS to strengthen its penetration into Agrobank's customer base while enabling Agrobank to enlarge its fee-based income.

I am also delighted to report that in August 2017, Takaful IKHLAS was accorded the "Best Takaful Company 2017" award at the 7th Asian Islamic Banking and Takaful Conference which took place in Kuala Lumpur, attesting to its reputable standing in the marketplace.

As highlighted in my Statement two years ago, MNRB's subsidiary, MNRB Retakaful Berhad (MRT), ceased writing any new business and that moving forward, the retakaful business of the Group will be offered via the Retakaful Division of Malaysian Re. In this regard, I am pleased to inform that in December 2017, MRT had successfully



REVENUE
RM2.5
BILLION



GROUP'S TOTAL ASSET
RM7.9
BILLION



PROFIT AFTER TAX
RM140.9
MILLION



NET INVESTMENT INCOME
RM247.9
MILLION

completed the transfer of its family and general retakaful businesses to Malaysian Re. At the same time, MRT surrendered its Retakaful licence to BNM and changed its name to Sinar Seroja Berhad (SSB).

The year also saw Malaysian Re in collaboration with a Zurich-based research agency, doing its part to strengthen the region's insurance industry by sponsoring the inaugural research publication for the ASEAN region, *ASEAN Insurance Pulse 2017*. Launched at the Malaysian Insurance Summit 2017 event in October, the publication is based on in-depth interviews with executives from 35 companies and organisations from eight ASEAN countries. It provides an authoritative overview of the current state and future prospects of the ASEAN region's USD23.0 billion non-life insurance market. In addition, it takes executives' pulse on the ASEAN Economic Community (AEC) initiatives and the implications of these for the region's insurance markets.

In May 2018, Malaysian Re signed a MoU with one of the Managing Agents of Lloyd's of London for the provision of underwriting and technical support. Additionally, both parties agreed to work together on the development and distribution of specialty products for the Malaysian and regional markets. This strategic partnership is a key component of Malaysian Re's Business Transformation 2020 (T20) initiative in asserting its regional market leadership and fulfilling the Company's long-term vision to become the leading regional reinsurer.

RESPONSIBLE CORPORATE PRACTICES

Acknowledging that good governance translates into good business, MNRB's Board remains fully committed to upholding and implementing strong standards of corporate governance as well as robust risk management and internal control measures throughout the Group. As fundamental components of our business, these elements are helping to ensure the sustainable, long-term growth of the Group's businesses, bolstering investors' confidence, protecting our corporate reputation and ensuring continued shareholders' value creation.

Your Board of Directors remains fully committed to strengthening the effective application of the principles and best practices that have been laid down by the regulators, namely, BNM, the Securities Commission Malaysia, and 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. Our policy mandates that we implement these principles and best practices as well as uphold high standards of business integrity in all activities undertaken by the Group.

Being a public listed and Financial Holding Company licensed under the Financial Services Act, 2013, we recognise the fact that risk management is a continuous process that is designed to manage downside risks in order to achieve our business objectives in a timely manner. For the year under review, we continued to undertake various initiatives to strengthen our risk management and internal control systems.

Among the Group's distinct achievements was the adoption of a new integrated Group Enterprise Risk Management Framework which brings into play an enhanced Group-wide risk management and governance structure; an improved risk assessment approach and overall risk management process; an enhanced risk management system; and a strengthening of the Embedded Risk Managers' roles and responsibilities. The finer details of these initiatives are spelt out in our Statement on Risk Management and Internal Control on pages 101 to 104 of this Annual Report.

The Board is also cognisant of the fact that we have a responsibility to secure MNRB's future and to ensure sustainable value creation for all our stakeholders. As a conscientious corporate citizen, we remain genuinely committed to balancing out our strong economic performance with responsible environmental and social considerations as well as to upholding responsible management and sustainable development across the Group. The Sustainability Statement on pages 56 to 77 of this Annual Report serves to highlight our practices and achievements on the Economic, Environmental, and Social or EES fronts. The Group's ultimate aim on its sustainability journey is to deliver a sustainable performance and good stakeholder value, whilst ensuring MNRB's long-term success.

MOVING FORWARD

Economic growth for 2018 is reportedly on track with the International Monetary Fund forecasting global Gross Domestic Product (GDP) growth of 3.9%. Driving this output acceleration is faster growth in the Eurozone, Japan, China, and the United States, along with some economic recovery among commodity exporters such as Brazil, Nigeria and Russia. Meanwhile, the Malaysian economy is expected to grow at a firm pace of between 5.5% to 6.0% in 2018 versus 5.9% in 2017. The strong growth momentum is being supported by private consumption, continued growth in employment and income, as well as lower inflation and improving sentiment.

In the insurance industry, however, general insurance premiums as well as takaful contributions are predicted to stay flat. This is due to intense competition as well as the progressive impact of tariff liberalisation and moderate vehicle demand. On the other hand, the combined life insurance and family takaful sectors are expected to depict healthy new business growth of between 5.0% and 6.0% in 2018.

As the MNRB Group moves forward into FY2019, we will continue to remain cautiously optimistic, enforce strict underwriting discipline, as well as drive value through integration and a strong customer focus. Guided by its T20 transformation programme, Malaysian Re will enhance its value proposition to clients through innovative products and services developed by in-house talent and strategic partnerships. Meanwhile, Takaful IKHLAS is set to further expand its business through the strengthening of its Agency Transformation Programme (ATP) and other distribution channels. All in all, the Board is confident that MNRB will deliver another sound performance in the new financial year.

IN APPRECIATION

We owe our success to date to several parties. On behalf of the Board of Directors, I wish to convey my deep gratitude to our valued shareholders for their continuing support and confidence in us. I also wish to express my sincere appreciation to our customers, business partners, ceding companies,

and intermediaries, as well as the regulators and industry associations for their unstinting support, cooperation and faith in us.

I would also like to express my sincere thanks to my esteemed colleagues on the Board for their astute insights and counsel which certainly helped the Group bolster its performance last year. MNRB remains committed to strengthening its leadership bench strength, particularly the members of our Board who play a pivotal role in ensuring that the Group achieves its overall strategic direction. In this context, I warmly welcome our newly appointed Independent Non-Executive Directors, namely, Datuk Johar Che Mat and Encik George Oommen, who assumed their roles on 1 October 2017 and 1 January 2018 respectively. We look forward to their contributions.

I would also like to place on record our deepest gratitude to our Senior Independent Non-Executive Director, namely, Encik Megat Dziauddin Megat Mahmud, who resigned from the Board on 30 June 2017. Encik Megat Dziauddin, together with my other colleagues on the Board, had played a strong role in the Group's growth and I am grateful for his worthy contributions and wise counsel.

Last but not least, I also wish to convey my sincere thanks to the Management team and all the staff within the MNRB Group for their continuing dedication, diligence and commitment to excellence. It is their worthy efforts that have enabled us to grow from strength to strength.

As MNRB ventures forth to explore new opportunities and overcome the challenges of a fast-evolving insurance and takaful landscape, we call upon all our stakeholders to continue lending us their firm support. Together, we can attain new heights of success. Thank you.

On behalf of the Board,

Dato Sharkawi Alis
Chairman
29 June 2018