

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 2021 ("FY2021").

A COMMENDABLE PERFORMANCE

I am pleased to report that an agile and resilient MNRB successfully weathered the many challenges brought on by the ongoing COVID-19 pandemic to turn in a commendable performance in FY2021. Amidst a highly challenging business landscape, we posted a record profit after tax ("PAT") of RM189.5 million for the year under review – some 42.6% above FY2020's PAT of RM132.9 million. The Group also recorded an 11.4% increase in revenue to RM2.8 billion in FY2021 from RM2.6 billion in the preceding year. Our success is owing to the commendable efforts of the dedicated and diligent teams within the respective business segments who stepped up to the plate and proved their mettle amidst tough operational conditions. By relentlessly pursuing and fulfilling the key objectives of their respective business segments in line with the Group's overall strategic direction, they once again ensured that we remained relevant to our customers and the markets that we operate in.

The year's good results were evident in the strong revenue contributions from all operating subsidiaries and associates. All 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"), recorded higher gross premiums and



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contributions in FY2021. Our Reinsurance/Retakaful arm posted revenue growth of 7.0% to RM1.5 billion, while PAT grew 38.1% to RM133.1 million. Our takaful businesses collectively posted a 16.6% increase in revenue to RM1.3 billion, albeit a decline in their PAT by 27.7% to RM46.9 million.

As at 31 March 2021, the Group's total assets stood at RM9.9 billion, a 7.5% increase in comparison to total assets of RM9.2 billion as at 31 March 2020. In contrast, net investment income for FY2021 declined by 21.2% to RM283.5 million against the RM359.7 million garnered in FY2020. We continued to implement a prudent asset management strategy during the financial year in review with 20.8% of the Group's investments in low-risk assets which included Malaysian Government Securities and Government Investment Issues. As at end FY2021, the Group's earnings per share stood at 24.2 sen as compared to 17.2 sen for FY2020.

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SHAREHOLDER VALUE CREATION

As part of efforts to strengthen MNRB's financial position and satisfy the requirements of our businesses in a sustainable manner, the Board remains committed to weighing the need to conserve the Group's capital against our desire to reward shareholders. While we are mindful of the need to prioritise and uphold the capital preservation of the Group, we also acknowledge our shareholders' expectations for a corresponding reward for your unyielding support and confidence in MNRB all these years. At the same time, the Group is governed by the Financial Services Act, 2013 ("FSA") and regulated by Bank Negara Malaysia ("BNM"), whereby Section 51 of the FSA requires that any declaration or payment of dividend be approved in writing by BNM.

After careful consideration of the Group's financial strength and in accordance with FSA requirements, the Board declared (via an announcement on Bursa Malaysia on 17 September 2020), an interim single-tier cash dividend payment of 3.0 sen per share in respect of the financial year ended 31 March 2021. The interim dividend payment amounting to approximately RM23.5 million was made to shareholders on 23 October 2020.

The Board is also recommending the payment of a final single-tier dividend of 4.0 sen per share in respect of the financial year ended 31 March 2021. Amounting to approximately RM31.3 million, this is subject to shareholders approval at the forthcoming Annual General Meeting.

KEY INITIATIVES FOR FY2021

To reinforce our position as Malaysia's national reinsurer with prominent takaful subsidiaries, and to continue creating sustainable value for our stakeholders, the Group implemented several strategic initiatives during the financial year under review.

In June 2020, Takaful IKHLAS Family launched two new protection products, namely IKHLAS Bersama and IKHLAS Dariku. Both these products provide comprehensive protection for individuals and families, with flexible coverage periods. Designed according to customer feedback and market insights, both products also feature a special Accelerated Death Expense ("ADE") benefit. With ADE, beneficiaries are eligible to immediately receive up to RM20,000 of the basic coverage upon the demise of the participant. Both these products underscore the Group's effort to ensure a sustainable proposition by providing and promoting premium products to various market segments.

In line with the goal to expand the Group's market reach, Takaful IKHLAS Family and Takaful IKHLAS General signed a five-year strategic partnership agreement with Bank Muamalat Malaysia Berhad to distribute diverse family and general takaful products to the bank's customers across the nation.

Furthermore, to bolster its leading position in the regional insurance industry, Malaysian Re continued to sponsor the fourth edition of *ASEAN Insurance Pulse*, a renowned research publication that caters specifically for the ASEAN region. This latest edition of the publication was launched in December 2020 during a virtual event that saw participation by over 200 industry

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leaders across the region. Published in collaboration with a Zurich-based research agency, the fourth issue, *ASEAN Insurance Pulse 2020*, investigates the impact of the COVID-19 crisis on the region's economies and its insurance markets. It also takes the pulse of the region's insurance executives on how the pandemic has shaped their markets, looks into the actions regulators took to provide oversight during the crisis, and examines how the virus will change the regions' insurance industry moving forward.

Following the successful launch of the inaugural issue of *Malaysian Insurance Highlights* ("MIH") in December 2019, Malaysian Re went on to publish the second edition of MIH in February 2021. The publication features insights from industry executives and senior professionals, supported by key statistics and information on the latest trends in the domestic insurance and takaful industry.

In view of the COVID-19 pandemic, the Group carried out several initiatives to ensure business continuity. These included the implementation of Work-from-Home ("WFH") arrangements for the majority of our employees to minimise risk to our staff. We also expanded our customer service channels to include various physical and virtual platforms for continuous customer engagement. The specific COVID-19 responses by our respective businesses are spelt out in the the Management Discussion and Analysis ("MD&A") section of this Annual Report.

The financial year in review also saw Malaysian Re taking up the role of administrator of the nation's insurance and takaful industry COVID-19 Test Fund ("CTF"). The CTF was established to

support Malaysia's Ministry of Health in its endeavours to conduct more COVID-19 testing for the benefit of medical insurance policyholders and takaful certificate holders. Towards this end, the insurance and takaful industry pledged RM10 million towards the CTF. Under the fund, medical insurance policyholders and takaful certificate holders can apply for maximum reimbursement of RM300 for COVID-19 testing. The cap on reimbursements will help to maximise the number of tests supported by the CTF.

RESPONSIBLE CORPORATE PRACTICES

The Board of MNRB is committed to upholding and reinforcing the effective application of principles and best practices that have been laid down by the regulators, namely Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Securities Commission Malaysia and BNM; as well as all applicable statutes, including but not limited to the Financial Services Act 2013, the Islamic Financial Services Act, 2013, the Companies Act, 2016 and the Malaysian Anti-Corruption Commission Act 2009. The Group's policy mandates that we employ these principles and best practices as well as uphold high standards of business integrity in all our activities. The finer details of our Corporate Governance initiatives can be viewed in the Corporate Governance Overview Statement in this Annual Report.

The Group continues to roll out a host of initiatives to strengthen our risk management and internal control systems. Operationally, FY2021 saw the Group adopting a robust risk management process with regard to managing the impact of the COVID-19 pandemic and the ensuing phases of the Malaysian Government's Movement Control Order ("MCO"). At the onset of MCO 1.0 in March 2020, the Board and Senior Management deliberated on the risks at hand arising from the pandemic, identified key areas that could be impacted, and took the necessary steps to establish risk mitigation measures for scenarios that could unfold and impact the Group.



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These measures included the following:

1. The establishment of a Recovery Task Force ("RTF") to coordinate and oversee the effective execution of the Group's business continuity plans;
2. The immediate implementation of precautionary measures at all premises to ensure minimal risk of infection to customers, employees and suppliers;
3. The rollout of structured WFH and Work-In-Office ("WIO") arrangements to ensure the safety of our workforce, supplemented by the necessary technology to ensure seamless communication whilst mitigating disruptions to business operations; and
4. Enhanced ease of accessibility to the Group's contact centres during the MCO while key branches remained open albeit with a reduced capacity in line with MCO restrictions.

For more information on the Group's Risk Management initiatives, please turn to the Statement on Risk Management and Internal Control within this Annual Report.

Being a conscientious corporate citizen, the MNRB Group acknowledges the need to balance out our healthy economic performance with responsible environmental and social considerations which emphasise the Group's dependable management practices as well as our sustainable development practices.

Over the course of the financial year in review, we strengthened our sustainability efforts by conducting a materiality assessment in accordance with Bursa Malaysia's Sustainability Reporting Guidelines. Through engagement with our diverse stakeholders, we have assessed and updated the list of sustainability matters that are material to MNRB and our stakeholders. To this end, the previous 11 material matters have been revised to 10 material matters under three themes: Embracing a Sustainable Future; Empowering Our People; and Embracing Corporate Responsibility. We will look to these updated material matters to guide us when planning our strategic direction and responses. The finer details of these sustainability matters can be found in our fourth Sustainability Statement to date on pages 29 to 66 of this Annual Report.

FY2021 saw us making good strides forward in our sustainability journey as we contributed positively to the Economic, Environmental and Social ("EES") pillars of our business. As expected, much of our time and effort was spent on mitigating the impact of the pandemic.

In line with efforts to help alleviate the plight of those affected by the pandemic and related lockdowns, the Group, on behalf of Takaful IKHLAS participants, contributed RM1 million to Tabung CERDIK, a collaborative effort with the Ministry of Education ("MOE") and Yayasan Hasanah (a foundation of Khazanah Nasional). The CERDIK initiative

aims to quickly ramp up digital learning for some 150,000 underprivileged students across Malaysia amid school closures due to the pandemic. The MOE decides which students and schools are eligible to take part in the CERDIK programme. Our RM1 million contribution is being utilised for the purchase of digital devices including Chromebooks and dongles for the participating schools.

Over the course of FY2021, our takaful subsidiaries also went on to implement several COVID-19 relief measures for our diverse stakeholders. These measures are spelt out in the MD&A section.

Today, sustainability initiatives are deeply embedded within our corporate strategies and business operations. We have adopted multiple measures to preserve our surrounding environment and to mitigate any environmental impact from our business operations. The finer details of our sustainability endeavours can be found in our Sustainability Statement which provides an overview of the Group's sustainability practices and highlights our progress on the EES fronts. As we continue our sustainability journey, our ultimate aim is to deliver a sustainable performance whilst ensuring long-term value creation for all our stakeholders.

I am pleased to highlight that the Group's subsidiaries continue to receive accolades for their commitment to excellence. Malaysian Re was awarded the "Best Re-Takaful Company" in the Islamic Financial News ("IFN") Non-Banking Financial Institutions Poll 2020 on 10 November 2020.

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MOVING FORWARD INTO THE NEW NORMAL

As we move forward into another financial year, the Board is cautiously optimistic that the outlook will improve on the back of the anticipated rollout of the national COVID-19 vaccination programme. However, we also expect the challenges posed by the COVID-19 pandemic and different phases of the MCO to continue in FY2022, so we will continue to tread cautiously.

We have to date learnt important lessons about operating during a pandemic and this unprecedented environment we have all come to know as the "new normal". Aside from taking the necessary precautions and adhering to stringent standard operating procedures at all our premises to ensure minimal risk of infection to our customers, staff and suppliers, we have also embraced other aspects of the new normal including flexible working arrangements and best practices revolving around collaboration, flexibility and accountability.

Today, the majority of our workforce operate in WFH mode with technology enabling us to operate smoothly and with minimal disruption. Adapting quickly to this new way of working, our employees have been experimenting with the flexibility to see what works best for them as individuals and as a team. For the longer term, the Group is seriously contemplating whether it would make sense to shift out of our physical office space while weighing up how this would impact the Group's corporate culture, workforce morale and productivity. All this remains to be seen, as ultimately, we want to ensure our greatest asset – our human capital – remains agile, resilient and innovative in the new normal.

We have increased our focus on digital transformation while strengthening the ability of our businesses to operate in a more technologically-oriented manner.

The many disruptions to business during the pandemic especially due to the various phases of the MCO and global movement restrictions have underscored the importance of embracing digitalisation more expeditiously. As such, we have increased our focus on digital transformation while strengthening the ability of our businesses to operate in a more technologically-oriented manner. For instance, we have made it easier for customers to transact online, be it for participation in certificates or filing claims. Our intermediaries too remain an important component of the distribution process and we are ensuring enhancements are made to digitally enable our agents and bancatakaful partners so that they have more digital touchpoints with customers.

Today, the Group is in a sound financial position with a healthy balance sheet. Our capitalisation remains robust and we continue to take a conservative approach to

investment given the volatility shown in capital markets. The vast majority of our assets remain in government securities and highly-rated corporate bonds and sukuk. We have ample headroom to pursue business growth and that is exactly the opportunity that we want to capitalise on for the coming year.

Our general and family takaful arms will continue to spearhead the Group's growth in the domestic takaful industry through an increased presence in all channels. We foresee continual growth of our active agency force and greater expansion of partnerships among both the bancatakaful and corporate channels. We remain focused on enhancing the customer experience with Takaful IKHLAS to ensure our customers encounter a smooth process when participating in protection plans for their families and properties, as well as get help when they most need it.

To strengthen the momentum of our achievements to date, our reinsurance and retakaful business will continue to capitalise on new market opportunities such as in the binders and agriculture segments. We will work on strengthening our underwriting capabilities and be more selective when evaluating growth opportunities. We also see more opportunities to significantly grow our family retakaful business and capture more business in the domestic market in collaboration with our partners.

All in all, despite the adverse economic impact brought on by the pandemic both domestically and globally, the Board is confident that given MNRB's strong capital position and growth in revenue, the Group will be able to sustain its momentum for the financial year ending 31 March 2022.

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My heartfelt appreciation also goes to the dedicated and hardworking Management team and staff of the MNRB Group for their resilience in the face of adversity and their tireless commitment to excellence. We owe our success to your worthy efforts.

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IN APPRECIATION

The year in review was an unprecedented year and we have many parties whom we want to thank for standing with us amidst very trying times. On behalf of the Board of Directors, I wish to convey my utmost appreciation to our valued shareholders for their unwavering faith and confidence in MNRB. I also wish to express my deep gratitude to all our customers, business partners, ceding companies and intermediaries, as well as the regulators and industry associations for their steadfast cooperation and trust in the Group.

I wish to say a big thank you to my esteemed colleagues on the Board for their astute insights and wise counsel which truly helped MNRB and its subsidiaries steer through the year's many challenges while paving the way for our further growth and success. My heartfelt appreciation also goes to the dedicated and hardworking Management team and staff of the MNRB Group for their resilience in the face of adversity and their tireless commitment to excellence. We owe our success to your worthy efforts.

Please join me in bidding farewell to our outgoing President & Group Chief Executive Officer ("President & GCEO"), Mohd Din Merican who retired effective 23 November 2020 after helming the Group for more than eight years. He also relinquishes his post as President & Chief Executive Officer ("President & CEO") of Takaful IKHLAS Family. We thank Mohd Din Merican for his worthy contributions to the MNRB Group, all of which have strengthened the Group's reputation and standing in the insurance industry, and we wish him every success in his future endeavours.

We also bid a warm welcome to our new President & GCEO Zaharudin Daud who came onboard MNRB on 1 September 2020. Zaharudin brings to the table over 30 years of experience in the general insurance industry. Last but not least, the Board is also pleased to announce the appointment of Nor Azman Zainal as the President & CEO of Takaful IKHLAS Family effective 1 September 2020. He brings with him over 23 years of experience in the insurance/takaful industry. We look forward to working with these two gentlemen to take the Group up to new levels of success.

I am pleased with the tenacity and resolve of our people to deliver another commendable performance despite very challenging times. I am confident that the MNRB Group will remain resilient as we venture forth. Rest assured that we will continue to give our best and reinforce our position in the reinsurance and takaful arenas by continuously investing in the necessary people, infrastructure, systems and strategic partnerships to maintain sustainable growth. I humbly call upon all our stakeholders to lend MNRB their unstinting support as we work together to overcome all challenges and make the most of any opportunities that come our way. Thank you and stay safe.

On behalf of the Board,
Datuk Johar Che Mat
 Chairman
 6 August 2021