

MESSAGE TO SHAREHOLDERS

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, it is my privilege to present to you the Annual Report of MNRB Holdings Berhad (MNRB or the Group) for the financial year ended 31 March 2019 (FY2019).

A STEADFAST PERFORMANCE

I am pleased to report that amidst FY2019's challenging operating environment, MNRB turned in a steadfast performance, thereby underscoring the Group's resilience and our commitment to delivering sustainable results. For the financial year under review, MNRB's revenue held steady although our overall profitability declined. While the Group turned in revenue of RM2.3 billion in FY2019 against revenue of RM2.5 billion in FY2018, our profit after tax, however, dropped some 25.9% to RM104.4 million from RM140.8 million previously. The year's profitability was impacted by lower gross premiums and contributions from the Group's main subsidiaries, namely, Malaysian Reinsurance Berhad (Malaysian Re), and our takaful arms, Takaful Ikhlas Family Berhad and Takaful Ikhlas General Berhad. Losses incurred by the Group's associate Labuan Reinsurance (L) Ltd. (Labuan Re), too had an adverse impact on the Group's profitability.

On a more positive note, the Group's total assets stood at RM8.7 billion as at 31 March 2019 in comparison to some RM7.9 billion as at 31 March 2018. Investment income for FY2019 came in at RM266.9 million, 8.5% higher against the RM245.9 million generated in FY2018. The Group continued a prudent asset management strategy, with 44.2% of the Group's investments in low-risk assets, mainly Malaysian Government Securities and Government Investment Issues. As at the end of FY2019, the Group's earnings

per share stood at 20.3 sen compared to 42.2 sen previously, after accounting for the dilution from the recent capital injection.

SHAREHOLDER VALUE CREATION

To strengthen MNRB's financial position and cater for the needs of our businesses in a sustainable manner, the Board continues to weigh the need to preserve the Group'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 shareholders' expectations and the need to reward shareholders for their unswerving confidence in MNRB.

The Board acknowledges that over the years, as the Group delivers profit, value has been created and accumulated in the Group. As such, the Board continues to look for ways to reward shareholders for their patience. In the meantime, we seek shareholders' continued support for the Group as we continue to deliver sustained value creation on their behalf.

FY2019'S KEY INITIATIVES

Over the course of the financial year under review, the Group continued to implement specific initiatives to maintain its position of strength. This included a rights issue exercise in October 2018 which saw MNRB Holdings Berhad raising RM400 million from shareholders in November 2018.

The proceeds from this exercise saw the injection of RM100 million into Malaysian Re, RM130 million into Takaful IKHLAS' general business, and RM170 million into Takaful IKHLAS' family business. The capital injections from the rights issue served to increase the capital strength of these operating entities and facilitate expansion of the MNRB Group's businesses by way of new product development, the strengthening of distribution channels, talent acquisition, and infrastructure development.

In line with the requirements of the Islamic Financial Services Act, 2013, the family and general takaful businesses under Takaful IKHLAS were successfully transferred to Takaful Ikhlas Family Berhad and Takaful Ikhlas General Berhad respectively in November 2018. In addition to his current role as President & Group Chief Executive Officer, Mohd Din Merican was appointed as the President & Chief Executive Officer (CEO) of Takaful Ikhlas Family Berhad and Eddy Azly Abidin was appointed the President & Chief Executive Officer of Takaful Ikhlas General Berhad. Today, both these operating units are well-capitalised as a result of the above-mentioned rights issue exercise. The conversion of Takaful IKHLAS' composite licence into two separate licences for the family and general takaful business units would enable them to focus on strengthening their respective operations.

March 2019 saw the rollout of MNRB's Sukuk Murabahah Programme of RM320 million in



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nominal value for a period of 10 years (but non-callable for the first five years). Proceeds from the programme, considered as Tier-2 capital, was utilised to refinance the existing RM320 million revolving credit facility and help strengthen the Group's capital position as a Financial Holding Company.

The year also saw Malaysian Re continuing to play a part in bolstering its leading position in the region's insurance industry via its collaboration with a Zurich-based research agency to sponsor the second edition of the ASEAN Insurance Pulse. This latest edition of the research publication for the ASEAN region was launched at the 3rd ASEAN Insurance Summit in Kuala Lumpur in November 2018. The publication, which provides an authoritative overview of the current state and future prospects of the ASEAN region's USD23.0 billion non-life insurance market, as well as capturing executives' perspectives on ASEAN Economic Community (AEC) initiatives and the implications of these for the region's insurance markets, continues to be well received by readers.

I am also delighted to report that Malaysian Re was awarded the title "P&C Reinsurer of the Year (Malaysia)" at Insurance Asia News' Awards for Excellence 2018 event – apt testament to the company's good standing in the marketplace. Designed to identify the best insurance firms operating through Asia Pacific, this annual event provides an opportunity for insurers, reinsurers and brokers to benchmark themselves against their peers in 13 countries across the region.

At the recent Takaful Starnite Awards organized by the Malaysian Takaful Association (MTA) and held in June 2019, one of our agency firms, BUSS Consulting (M) Sdn. Bhd. won the Top Recruiter award for 2018. As we venture forth, the Group and its subsidiaries will continue to set high benchmarks and uphold excellence in all our endeavours.

DATO SHARKAWI ALIS

Chairman

MESSAGE TO SHAREHOLDERS



RESPONSIBLE CORPORATE PRACTICES

MNRB's Board is cognisant of the fact that good governance translates into good business and as such remains fully committed to upholding and implementing strong standards of corporate governance as well as robust risk management and internal control measures across the Group. As fundamental components of our business, these elements are going a long way in securing the sustainable, long-term growth of the Group's businesses, strengthening investors' confidence, safeguarding our corporate reputation, and ensuring continued shareholder value creation.

Your Board is also dedicated to strengthening the effective application of the principles and best practices that have been laid down by the regulators, namely Bank Negara Malaysia, 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. 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.

To support the achievement of the Group's business objectives and to ensure strict compliance with governance requirements, MNRB continues to implement proactive risk management activities. We recognise that risk management is a continuous process and that the success of risk management depends on the effectiveness of adequate frameworks and structures that will help embed an adequate risk culture within the Group.

The FY2019 period saw us continuing to roll out various initiatives to strengthen our risk management and internal control systems. Among these initiatives were the establishment and adoption of four new sub-frameworks that served as enhancements to the existing risk management process and as important pillars supporting the Group Enterprise Risk Management (ERM) Framework. These sub-frameworks encompassed the Group Operational Risk Management Framework (approved in May 2018); as well as the Group Shariah Risk Management Framework, Group Actuarial Risk Management Framework and Group Business Continuity Management Framework (all of which were approved in August 2018).

The Group also embarked on a series of risk awareness initiatives throughout the year to inculcate a stronger risk culture at all staff levels. These included knowledge-sharing

of the Group's ERM Framework structure, its components and risk methodologies; a Risk Engagement Quiz to gauge the risk management knowledge amongst staff; and various other risk awareness activities.

Being a conscientious corporate citizen, we are well aware of the need to balance out our economic performance with responsible environmental and social considerations in a manner that reflects dependable management and sustainable development practices across our organisation. To secure MNRB's future and ensure sustainable value creation for all our stakeholders, we continue to make conscious decisions about how our sustainability agenda should play out.

Our Sustainability Statement (the Statement) on pages 86 to 106 of this Annual Report is our second to date. It serves to highlight our sustainability practices and spells out the good progress that we have made on the Economic, Environmental and Social (EES) fronts in FY2019. In preparing the Statement, we engaged with key internal and external stakeholders to solicit their input and perspectives which led to the development of a materiality assessment. This in turn will serve as a guide for how we approach matters that are of paramount importance (or most material) and which will ensure the sustainable growth of the Group's primary businesses.

In reporting on our sustainability endeavours, we are guided by the Sustainability Reporting Guidelines and Toolkits issued by Bursa Malaysia Securities Berhad (Bursa Malaysia). 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.

MESSAGE TO SHAREHOLDERS

MOVING FORWARD

As the MNRB Group embraces FY2020, we do so with a cautious optimism given the challenging global and domestic outlook. After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of 2018, reflecting a confluence of factors affecting major economies. Global growth is now projected to slow from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020. Ongoing factors such as escalating trade tensions between the United States and China, weakening financial market sentiment, ongoing volatility in crude oil prices, Brexit woes and concerns about China's outlook, are predicted to undermine global growth.

On the domestic front, despite the external headwinds, Malaysia's macroeconomic fundamentals continue to remain strong. The World Bank Group has maintained Malaysia's gross domestic product (GDP) growth forecast at 4.7% for 2019 – a rate comparable to GDP growth of 4.7% in 2018. Private consumption is expected to remain the main driver of growth, although expanding at a more measured pace.

Within the insurance industry, general insurance premiums stayed flat in 2018, supported mostly by growth in the motor and personal accident (PA) segments. Moving forward, RAM Ratings expects ongoing detariffication to weigh on growth over 2019.

On the reinsurance front, according to Aon Benfield, global reinsurance capital shrank by 3% in 2018 against the preceding year, while competition from alternative capital increased, with total alternative capital capacity growing by 9% in 2018. At the same time, global property and casualty (P&C) net combined ratios improved to 99.2% in 2018 from

106.6% previously. Against this backdrop, Malaysian Re continues to see growth from its key markets in Asia based on renewals in January and April 2019.

On the takaful front, the general takaful segment showed strong growth of 8.9% in 2018, although at a smaller base compared to general insurance. Life insurance new business premiums are expected to chart a modest rise of 1% to 2% in 2019 on the back of weaker consumer sentiment and the rising cost of living. New regulatory requirements for investment-linked products too are expected to have an impact on business. The family takaful segment on the other hand continues to gain acceptance, charting a 13.1% growth in new business contributions for the 2018 period.

As the MNRB Group moves forward into FY2020, we do so with cautious optimism. We will focus our efforts on enforcing a strict underwriting discipline while driving value through integration and a strong customer focus. Leveraging on its ongoing T20 transformation programme, Malaysian Re will strengthen its value proposition to clients through innovative products and services developed by its in-house talent and via several strategic partnerships. Meanwhile, Takaful IKHLAS will look to bolster business expansion through leveraging on its distribution channels and product offerings. All in all, your Board is confident that MNRB will deliver another steadfast performance in the new financial year.

IN APPRECIATION

We owe a debt of gratitude to the many parties who continue to lend us their worthy support. On behalf of the Board of Directors, I wish to express my heartfelt appreciation to our

valued shareholders for their unrelenting faith in the Group. I also wish to convey my sincere gratitude to our customers, business partners, ceding companies, and intermediaries, as well as the regulators and industry associations for their tireless support, cooperation and confidence in MNRB.

30 June 2019 marks my last day as Chairman and Board Member of MNRB Group. I would like to extend a warm welcome to my fellow director Datuk Johar Che Mat who will succeed me in my position as Chairman of the Company including the two takaful operators. I hope that you will continue to provide him the same support that had been extended to me in my 12 years as Chairman. My sincere thanks also go to my esteemed colleagues on the Board for their wise counsel which certainly helped the Group navigate safely and confidently through the challenges during my tenure.

Last but not least, my heartfelt gratitude goes out to the loyal Management team and staff of the MNRB Group for all their hard work and steadfast commitment to excellence.

During my tenure, I have witnessed how the Group has continued to grow into an organisation that has consistently strived to deliver value to all its stakeholders. As the Group moves forward to make the most of the opportunities before us while steadily overcoming the many challenges faced by the insurance and takaful arena, I call upon all our stakeholders to continue lending us their unremitting support.

On behalf of the Board,

Dato Sharkawi Alis
Chairman
30 June 2019