



## Chairman's Statement

by **SHARKAWI ALIS**  
Chairman, MNRB Holdings Berhad

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### Dear Valued Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of the MNRB Group for the financial year ended 31 March 2017 (FY2017).



I am pleased to report that despite the slowdown in the global and domestic economic growths, the MNRB Group registered a turnaround in profitability on the back of RM2.5 billion revenue. The Group's Profit After Tax improved to RM71.2 million from a Loss After Tax of RM38.8 million recorded in the previous year. While there are still signs of uncertainty during the financial year, particularly on the sustainability of the economic improvements, the stability in the level of Ringgit and performance

of Bursa Malaysia, it was somewhat below the level seen in the previous year. These, together with the improved underwriting and investment results, are the key in the Group's ability to return to profit within just a year. The well-being of the Group was further manifested by affirmations of Malaysian Re's Insurer Financial Strength (IFS) ratings by both A.M. Best and Fitch Ratings, reflecting the Company's robust balance sheet management and good business profile.



ISSUANCE OF  
BONUS SHARES  
**106,534,750**



SHARE  
CAPITAL  
**RM320 MILLION**

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## ENHANCING SHAREHOLDERS VALUE

MNRB had in the previous financial year launched a corporate exercise via the issuance of bonus shares amounting to 106,534,750 shares. Post bonus share issuance MNRB's share capital had increased from RM213 million to RM320 million. As mentioned in our Circular to Shareholders dated 30 September 2016, the rationale of this exercise were to reward existing shareholders for their loyalty and continuing support, as well as to enhance the liquidity and marketability of MNRB Shares on Bursa Securities.

In addition to that, there was a need to balance between rewarding the shareholders and retaining cash to meet regulatory requirements on adequate capitalisation to ensure our sustainability and our core thrust of maximising shareholders' value. The Group realised that rewarding shareholders via bonus issuance had led us to achieve both objectives. For the FY2017, MNRB's share price rose by 27.9% vis-à-vis FBM KLCI's gain of 1.7% during the period. This shows that the step taken then to preserve our capital in meeting this regulatory dynamic and uncertain macroeconomic backdrop is indeed the right and balanced corporate strategy.

## UPHOLDING PUBLIC TRUST

The Board of Directors remains fully committed to upholding the highest standards of corporate governance throughout the Group. We shall strive to continuously improve on the effective application of the principles and best practices that have been laid down by regulators, including Bank Negara Malaysia (BNM), Securities Commission Malaysia (SC), and Bursa Malaysia Securities Berhad (Bursa) as well as applicable statute, including but not limited to the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and the Companies Act, 2016.

MNRB's policy is to implement these principles and best practices as well as to uphold high standards of business integrity in all activities undertaken by the Group. This includes a commitment to emulate good examples in the industry and to comply with the respective guidelines and recommendations in the conduct of business activities of the Group.

As a public listed and Financial Holding Company licensed under the Financial Services Act 2013, we are cognisant of 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. We have instituted effective risk management framework and internal control systems that are periodically reviewed to ensure their appropriateness, adequacy and integrity.

## CAPITAL MANAGEMENT

The need to preserve capital to meet the Risk Based Capital (RBC) requirements of BNM continues to be a priority during the financial year under review, particularly due to the impact of the growth in the business of Takaful IKHLAS and higher claims reserving by Malaysian Re. This trend is expected as Takaful IKHLAS continues to expand its business and Malaysian Re's involvement in international markets to mitigate the impact of reduction of its Voluntary Cessions business. These required more capital that would need to be set aside to support the said businesses, hence, had resulted in the inability of both Takaful IKHLAS and Malaysian Re to stream-up dividends to MNRB and affected MNRB's ability to declare dividends for FY2017. Nonetheless, we are confident that your continued support to the Group will enable us to strengthen our financial position as we adapt to these challenges and future business requirements.

## OUR RESPONSIBILITY TO THE COMMUNITY

Corporate responsibility (CR) at MNRB is integral to the way we operate and a crucial component in ensuring our sustainability. Guided by the three pillars of sustainability that influence our economic, environmental, and social (EES) impact, the Group's corporate practices involve delivering value not only to our shareholders, but also to create positive EES outcomes in the communities we serve. Towards this end, we actively engage in various CR initiatives which, ultimately, aim to balance our business performance with our EES considerations.

For FY2017, we invested in various sustainable activities that focused on education, knowledge, and human capital development. These initiatives are forward-looking and they were carried out to help ensure a continuous pool of talent in the Group as well as the cultivation of dynamic insurance and takaful professionals. Through these efforts, we are not only fortifying the local insurance and takaful industries but are also contributing towards the nation's growth.

Further details on our corporate responsibility practices are available in our Sustainability Report, which can be found on pages 68 to 75 of this Annual Report.

## APPRECIATION

On behalf of the Board of Directors, I wish to thank our valued shareholders for their continued faith and confidence in us all these years. I am also grateful to our customers, business partners, ceding companies, and intermediaries as well as our regulators and industry associations for their steadfast support and cooperation.

The increasing regulatory stringency requires continuous step-ups to our corporate governance standards. To this end, the Group is pleased to welcome a newly appointed Board Member, Puan Noor Rida Hamzah, who assumed her role effective 1 January 2017. Encik Arul Sothy Mylvaganam, who sits on the Board of Malaysian Reinsurance Berhad, and Puan Rosinah Mohd Salleh, who sits on the Board of Takaful IKHLAS, have also been appointed to the Board of MNRB Holdings Berhad with effect from the same date.

I would like to place on record our gratitude to Encik Yusoff bin Yaacob, who retired from the Boards of MNRB and Malaysian Re on 1 January 2017. I wish to also thank Encik Paisol Ahmad, who will not be seeking re-election at the forthcoming Annual General Meeting, for his contribution and wise counsel during his tenure as Directors of MNRB and Takaful IKHLAS. They, together with my other colleagues on the Board, have been instrumental to the Group's growth, and I am thankful for their guidance, dedication and invaluable support over the years.

I also extend my sincere appreciation and gratitude to our management team and staff for their continued dedication, commitment, and tireless contributions. I look forward to your unstinting support as we leverage on opportunities to overcome challenges and ensure another successful year ahead.

On behalf of the Board,

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**Sharkawi Alis**  
Chairman

22 June 2017