MNRB

MNRB HOLDINGS BERHAD
(13487-A)

MAKING STEADY PROGRESS

Annual Report
2018

INSIDE **THIS REPORT**

FACTS AT A **GLANCE**

Established in
1972

Listed on Bursa Malaysia on
20 Nov 1996

RM2.5billion
Group Total Revenue

RM192.5million
Group Profit Before Tax

MNRB Scholarship Fund more than
RM13.17million
Scholarship Disbursed

RM140.9million
Group Profit After Tax

RM7.9billion
Group Total Assets

RM760.67million
Market Capitalisation *(22 June 2018)*

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 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).

REVENUE
RM2.5
BILLION

GROUP'S TOTAL ASSET
RM7.9
BILLION

PROFIT AFTER TAX
RM140.9
MILLION

NET INVESTMENT INCOME
RM247.9
MILLION

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

GROUP CORPORATE PROFILE **& PRESENCE**

Malaysian National Reinsurance Berhad, the country's national reinsurer was set up in 1972 to reduce the outflow of reinsurance premiums overseas.

The Company commenced operations on 19 February 1973. In 2005, as a result of a restructuring exercise within the MNRB Group, the Company's reinsurance licence, business and assets were transferred to its subsidiary company, Malaysian Reinsurance Berhad. Pursuant to the restructuring, Malaysian National Reinsurance Berhad became an investment holding company and changed its name to MNRB Holdings Berhad (MNRB). Today, MNRB is listed on the Bursa Malaysia Securities Berhad (Bursa Malaysia).

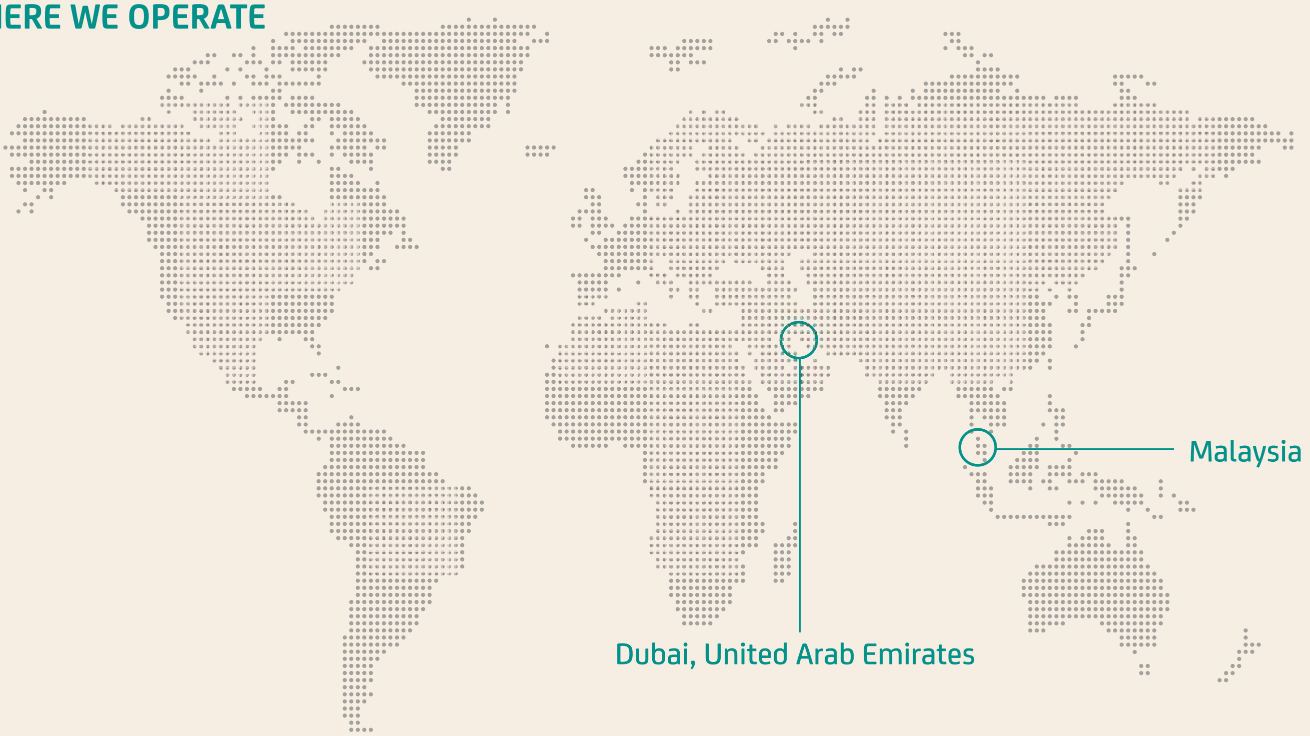
CAPITAL STRUCTURE

The Company has a share capital of RM320 million.

WHAT WE DO

The MNRB Group comprises leading wholesale providers of reinsurance and retakaful as well as a takaful operator. Its reinsurance subsidiary stands tall among the top reinsurers in the region, writing lines of general businesses locally and abroad. In Malaysia, its takaful operator vies with the leaders in the provision of financial protection services based on the takaful system.

WHERE WE OPERATE



CORPORATE **MILESTONES**

1973-1975

Malaysian National Reinsurance Berhad commenced operations on 19 February 1973.

Voluntary Cessions (VC) to Malaysian National Reinsurance Berhad commenced four (4) months later.

Began to offer Excess of Loss Treaties to local insurance companies.

Began to write Local Facultative business and non-reciprocal inwards overseas business.

1976-1978

Retrocede part of the VC cessions to the local insurance companies for their net account.

Sponsored the 1st Kuala Lumpur Insurance Seminar, attended by over four hundred (400) delegates.

Commenced writing ten percent (10%) Quota Share of the Miscellaneous Accidents and Motor businesses.

Increased level of retrocessions from twenty- five percent (25%) to thirty percent (30%) for Fire and Personal Accident businesses.

1979-1981

Increased share capital from RM5,200,002 to RM6,240,003.

Commenced reciprocal exchange with overseas companies.

Perbadanan Nasional Berhad's (PERNAS) fifty percent (50%) share in Malaysian National Reinsurance Berhad was transferred to Permodalan Nasional Berhad (PNB).

1982-1984

Share capital increased to RM8,216,004.

Published the 1st edition of the Malaysian Insurance Directory.

Introduced Common Account Excess of Loss for retrocessionaires.

1985-1987

Formation of the following:-

Technical Services Department
To conduct fire surveys including advisory services on risk management with the cost mostly borne by Malaysian National Reinsurance Berhad.

Inspection Department
To ensure companies' adherence to the various Inter-Company Agreements.

Rating Committee
To determine special rate under the Fire Tariff for Fire and Industrial All Risks Insurances.

1988-1990

Increased level of retrocession from fifty percent (50%) to fifty-five percent (55%) to shareholding companies of Malaysian National Reinsurance Berhad.

Implementation of Stage I – new levels of VC, Retrocessions and other market reinsurance arrangements.

Began to organise Annual Golf Tournaments and Outward Bound School for the insurance industry.

Implementation of automatic cessions on Facultative and Treaty business.

1991-1993

Appointed as the Administration Manager of Malaysian Motor Insurance Pool (MMIP).

Malaysian-Re International Insurance (L) Ltd. (MIIL) was set up as a wholly owned subsidiary.

Implementation of Stage II – new levels of VC, Retrocessions and other market reinsurance arrangements.

1994-1996

Malaysian National Reinsurance Berhad and Malaysia National Insurance Berhad (MNI) jointly hosted and organised the 13th General Meeting of the Federation of Afro – Asian Insurers and Reinsurers (F.A.I.R.) attended by over three hundred fifty (350) international and local participants.

Bank Negara Malaysia (BNM) appointed Malaysian National Reinsurance Berhad to manage the Scheme for Insurance of Large and Specialised Risks.

Appointed as Manager for the Malaysian Energy Risks Consortium.

Launching of the Central Administration Bureau.

Malaysian National Reinsurance Berhad was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia).

Implementation of Stage III – new levels of VC, Retrocessions and other market reinsurance arrangements.

1997-1999

Appointed as Manager of the Malaysian Aviation Pool.

MIIL, now known as Labuan Reinsurance (L) Ltd (Labuan Re), ceased to be a wholly owned subsidiary of Malaysian National Reinsurance Berhad with the equity interest being diluted to twenty percent (20%).

Commencement of Overseas Facultative business.

Launching of Malaysian National Reinsurance Berhad Homepage (http:// www.malaysian-re.com.my).

Launching of MNRB Scholarship Fund of RM1 million.

Malaysian National Reinsurance Berhad moved to its own building, Bangunan Malaysian Re.

Implementation of new levels of VC, Retrocessions and other market reinsurance arrangements.

2000-2001

Awarded the MS ISO 9002:1994 certification.

Appointed as Account Manager for the Sihat Malaysia Scheme.

Injected additional RM1 million to the MNRB Scholarship Fund.

2002

Arrangement of terrorism insurance via the Malaysian Terrorism Facility.

Received approval in principle from BNM to set up a takaful operation.

2003

BNM approved the registration of Takaful IKHLAS on 21 April 2003 and it commenced operations on 2 July 2003.

MNRB was granted the approval on certification to the new ISO Standard, MS ISO 9001:2000.

Implementation of new levels of VC, Retrocession to the industry ceased with effect from 1 January 2003.

2004

Commenced the restructuring exercise of the Group.

2005

The Group's restructuring exercise was completed on 1 April 2005 and hereon Malaysian National Reinsurance Berhad became MNRB Holdings Berhad (MNRB). The new holding company is an investment holding company that focuses on business expansion to broaden the Group's income base and further strengthen its financial position. The reinsurance business was then transferred to a newly incorporated one hundred percent (100%) subsidiary of MNRB, Malaysian Reinsurance Berhad (Malaysian Re). The takaful business continues to be undertaken by Takaful IKHLAS, a wholly owned subsidiary of MNRB. Labuan Re became an associate company of Malaysian Re.

2006

MMIP Services Sdn Bhd (MSSB) was formed to oversee the administration of Malaysian Motor Insurance Pool (MMIP), a pool established by the insurance industry to provide insurance coverage for vehicle owners who find difficulty in obtaining coverage.

MNRB obtained BNM's approval to establish a retakaful operation under the then Takaful Act, 1984 to conduct both General and Family Retakaful businesses. The wholly owned subsidiary company of MNRB was known as MNRB Retakaful Berhad (MRT).

Malaysian Re (Dubai) Ltd (MRDL), a wholly owned subsidiary of Malaysian Re was incorporated.

Malaysian Re won the prestigious Reinsurance Industry Contribution Award given by the Asia Insurance Review and the Review Magazine.

Malaysian Re was assigned a Financial Strength Rating (FSR) of 'A-' (Excellent) and an Issuer Credit Rating (ICR) of 'a-' by A.M. Best.

Malaysian Re was assigned an 'A-' Insurer Financial Strength (IFS) rating with Stable outlook by Fitch Ratings.

2007

Malaysian Re's FSR of 'A-' (Excellent) and ICR of 'a-' was reaffirmed by A.M. Best.

Malaysian Re's IFS rating of 'A-' with Stable outlook was reaffirmed by Fitch Ratings.

MRT commenced operations in August 2007 as the first retakaful operator in Malaysia.

CORPORATE **MILESTONES**

2008

MRDL was officially launched on 18 March 2008.

MRDL was wholly transferred from Malaysian Re to MNRB.

MRT was officially launched on 11 August 2008.

MRT was assigned an IFS rating of 'BBB+' with Stable outlook by Fitch Ratings.

Takaful IKHLAS won The BrandLaureate – SMEs Chapter Award 2008, "Best Brands in Product Branding – Consumer Healthcare Insurance".

Malaysian Re's MS ISO 9001:2000 Quality Management Systems certification which was issued in 2003, was reaffirmed.

Takaful IKHLAS was awarded "Best Takaful/ Retakaful Provider 2008" by Islamic Finance News (IFN).

IKHLAS Medic Assist Takaful (IMAT) won the "Most Innovative Product Award" by KLIFF 2008.

2009

Malaysian Re's FSR of 'A-' (Excellent) and ICR of 'a-' was reaffirmed by A.M. Best.

Malaysian Re's IFS rating of 'A-' with Stable outlook was reaffirmed by Fitch Ratings.

Following the certification audit conducted by SIRIM, Malaysian Re's MS ISO 9001:2000 Quality Management Systems certification was reaffirmed.

MRT's IFS rating of 'BBB+' with Stable outlook was reaffirmed by Fitch Ratings.

Malaysian Re and Labuan Re jointly hosted and organised the 21st F.A.I.R. Conference, attended by over six hundred (600) delegates including leaders and experts in the insurance industry.

Takaful IKHLAS won "Best Takaful/Retakaful Provider" for the second time at the Islamic Finance News Polls Awards 2009.

Takaful IKHLAS won The BrandLaureate – SMEs Chapter Award 2009, "Best Brands in Product Branding"
Consumer Healthcare Insurance & The BrandLaureate – SMEs Chapter Award 2009, Corporate Branding – Best Brands in Services – Islamic Protection Services.

2010

Takaful IKHLAS was named the "Best Takaful Provider" at the Euromoney Islamic Finance Awards 2010 organised by financial magazine, Euromoney.

IKHLAS Medical Assistance Takaful won "Best Takaful Product" by International Takaful Awards 2010.

Takaful IKHLAS moved to its new corporate office, IKHLAS Point, in Bangsar South, Kuala Lumpur.

2011

Takaful IKHLAS was named Best Takaful/Retakaful Provider by Islamic Finance News Polls Awards 2010 (third consecutive year).

Takaful IKHLAS was awarded for its excellence in Branding by "The BrandLaureate – SMEs Chapter Awards 2010" in the categories of The Best Brands in Corporate Branding – Islamic Financial Protection Services and The Best Brands in Product Branding – Health Insurance Services.

Fitch Ratings upgraded Malaysian Re's IFS rating from 'A-' to 'A' with Stable outlook.

2012

Malaysian Re's FSR of 'A-' (Excellent) and ICR of 'a-' was reaffirmed by A.M. Best, with Stable outlook for both ratings.

Malaysian Re's IFS rating of 'A' was reaffirmed by Fitch Ratings, with Stable outlook.

MRT's IFS rating of 'BBB+' was reaffirmed by Fitch Ratings, with Stable outlook.

Takaful IKHLAS and MRT won the Best Islamic Takaful Provider and Best Re-Takaful Provider awards, respectively, at the Islamic Finance News (IFN) Service Providers Poll 2011 Awards.

Takaful IKHLAS won the Best Islamic Takaful Provider at the Euromoney Islamic Finance Awards 2012.

2013

Malaysian Re's FSR of 'A-' (Excellent) and ICR of 'a-' was reaffirmed by A.M. Best, with Stable outlook for both ratings.

Malaysian Re's IFS rating of 'A' was reaffirmed by Fitch Ratings, with Stable outlook.

MRT's IFS rating of 'BBB+' was reaffirmed by Fitch Ratings, with Stable outlook.

Takaful IKHLAS won the Best Takaful Provider – Euromoney Islamic Finance Awards 2013.

A.M. Best revised Malaysian Re's outlook to Positive from Stable and reaffirmed the FSR of 'A-' (Excellent) and ICR of 'a-'.

2014

Fitch Ratings reaffirmed Malaysian Re's IFS rating of 'A' with Stable outlook.

MRT's IFS rating of 'BBB+' was reaffirmed by Fitch Ratings, with Stable outlook.

Takaful IKHLAS was named "Best Takaful House" in the 2014 Islamic Finance Awards by Euromoney.

Takaful IKHLAS won Malaysian Best Takaful Operator 2013 – Global Banking & Finance Review.

Implementation of new levels of VC for phase 2014/2019.

2015

Malaysian Re's Insurer Financial Strength rating of 'A' was reaffirmed by Fitch Ratings, with Stable outlook.

Malaysian Re was granted an approval from BNM to conduct General and Family Retakaful businesses under Section 10 of the Islamic Financial Services Act, 2013 (IFSA) via the establishment of a Retakaful Division.

Malaysian Re's Financial Strength Rating of 'A-' (Excellent) and Issuer Credit Rating of 'a-' was reaffirmed by A.M. Best, with Positive outlook for both ratings.

Launch of I-SMART for Takaful IKHLAS family agency force. I-SMART is a new technology to manage Takaful IKHLAS customers' records and documents in a paperless manner.

Takaful IKHLAS was named Malaysian Best Takaful Operator 2015 at the Global Banking & Finance Review Awards.

Takaful IKHLAS won Best Takaful Operator at the Global Islamic Finance Awards 2015.

2016

Malaysian Re's Insurer Financial Strength rating of 'A' was reaffirmed by Fitch Ratings, with Stable Outlook.

Malaysian Re received the licence granted by the Minister of Finance to carry on General and Family Retakaful businesses effective from 13 April 2016.

Malaysian Re's Financial Strength Rating of 'A-' (Excellent) and Issuer Credit Rating of 'a-' was reaffirmed by A.M. Best, with Positive outlook for both ratings.

Takaful IKHLAS was named Takaful Company of the Year (Malaysia) at the European Global Banking & Finance Awards 2016 by The European Magazine.

Malaysian Re's RM250 million Subordinated Medium - Term Note Programme (2015/2030) won the "Market Pioneer Award 2015" at the 13th Annual RAM League Awards for being the 1st Malaysian Reinsurer to issue RM-Sukuk.

2017

Malaysian Re's Insurer Financial Strength rating of 'A-' was reaffirmed by Fitch Ratings, with Stable outlook.

Upgrade of Takaful IKHLAS's I-SMART new features such as payment gateway and credit card transactions were added to benefit customers and facilitate the agency workforce affairs.

Malaysian Re's Financial Strength Rating of 'A-' (Excellent) and the Long-Term Issuer Credit Rating of 'a-' was reaffirmed by A.M. Best with Positive Outlook for both ratings.

Launch of Malaysian Re's Business Transformation Programme, Business Transformation 2020 (T20).

Takaful IKHLAS won the Best Takaful Company 2017 award at the 7th Asian Islamic Banking and Takaful Conference.

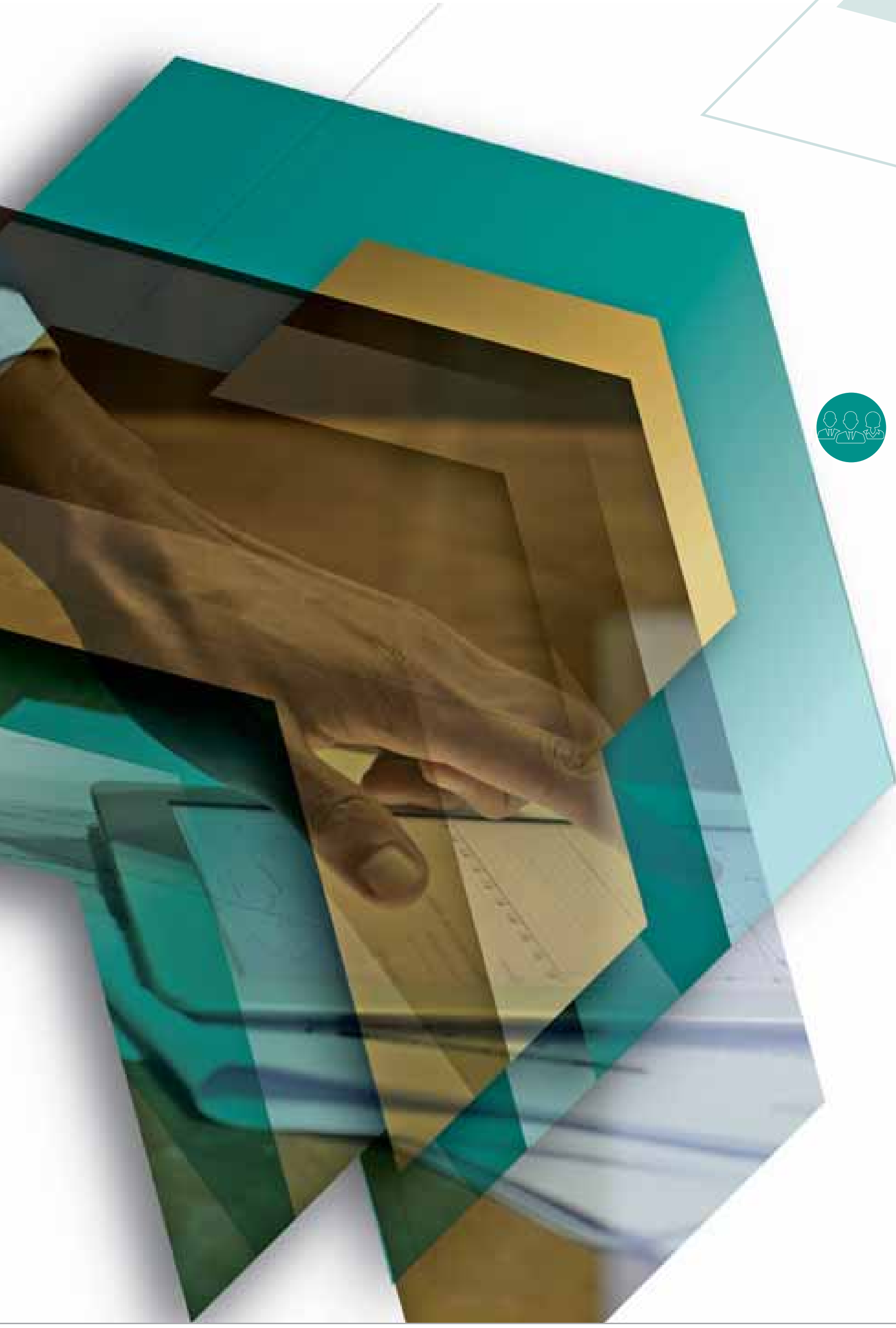
Malaysian Re's Financial Strength Rating of 'A-' (Excellent) and the Long-Term Issuer Credit Rating of 'a-' was reaffirmed by A.M. Best, and the outlooks were revised from Positive to Stable outlook for both ratings.

On 1 December 2017, the Group completed its restructuring process involving the transfer of the General and Family Retakaful businesses from MRT to Malaysian Re. From then onwards, the Retakaful business of the Group is carried out by Malaysian Re through its Retakaful Division.

2018

Malaysian Re's Insurer Financial Strength rating of 'A-' (Strong) was reaffirmed by Fitch Ratings, with Stable Outlook.

CORPORATE **INFORMATION**



BOARD OF DIRECTORS

DATO SHARKAWI ALIS
Non-Independent Non-Executive Chairman

MOHD DIN MERICAN
President & Group Chief Executive Officer
Non-Independent Executive Director

MUSTAFFA AHMAD
Senior Independent Non-Executive Director

HIJAH ARIFAKH OTHMAN
Non-Independent Non-Executive Director

ROSINAH MOHD SALLEH
Independent Non-Executive Director

ARUL SOTHY MYLVAGANAM
Independent Non-Executive Director

NOOR RIDA HAMZAH
Independent Non-Executive Director

DATUK JOHAR CHE MAT
Independent Non-Executive Director

GEORGE OOMMEN
Independent Non-Executive Director

COMPANY SECRETARIES

Norazman Hashim (MIA 5817)
Lena Abd Latif (LS 8766)

AUDIT COMMITTEE

Arul Sothy Mylvaganam (Chairman)
Noor Rida Hamzah
Datuk Johar Che Mat
George Oommen

NOMINATION COMMITTEE

Rosinah Mohd Salleh (Chairman)
Dato Sharkawi Alis
Mustaffa Ahmad
Noor Rida Hamzah

REMUNERATION COMMITTEE

Noor Rida Hamzah (Chairman)
Arul Sothy Mylvaganam
Rosinah Mohd Salleh
George Oommen

RISK MANAGEMENT COMMITTEE

Mustaffa Ahmad (Chairman)
Hijah Arifakh Othman
Datuk Johar Che Mat
George Oommen

INVESTMENT COMMITTEE

Hijah Arifakh Othman (Chairman)
Mohd Din Merican
Datuk Johar Che Mat

AUDITORS

Ernst & Young (AF:0039)
Chartered Accountants
Level 23A, Menara Millenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : +603-7495 8000
Fax : +603-2095 5332

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
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Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7841 8000
Fax : +603-7841 8008

PRINCIPAL BANKER

AmBank (M) Berhad
Standard Chartered Bank Malaysia Berhad

REGISTERED OFFICE

12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel : +603-2096 8000
Fax : +603-2096 7000
E-mail : enquiry@mnrb.com.my
Website : www.mnrb.com.my

STOCK EXCHANGE LISTING

Bursa Malaysia
– Main Market

KEY BUSINESS **ENTITIES**

MNRB

Malaysian National Reinsurance Berhad, the country's national reinsurer was set up in 1972 to reduce the outflow of reinsurance premiums overseas. The Company commenced operations on 19 February 1973.

In 2005, as a result of a restructuring exercise within the MNRB Group, the Company's reinsurance licence, business and assets were transferred to its subsidiary company, Malaysian Reinsurance Berhad. Pursuant to the restructuring, Malaysian National Reinsurance Berhad became an investment holding company and changed its name to MNRB Holdings Berhad (MNRB). Today, MNRB is listed on the Bursa Malaysia.

The MNRB Group comprises leading wholesale providers of reinsurance and retakaful as well as a takaful operator. Its reinsurance subsidiary stands tall among the top reinsurers in the region, writing lines of general businesses locally and abroad. In Malaysia, its takaful operator vies among the leaders in the provision of financial protection services based on the takaful system.

The Company has a Share Capital of RM320 million.

MALAYSIAN RE

Malaysian Reinsurance Berhad (Malaysian Re) is a wholly owned subsidiary of MNRB. As the national reinsurer, Malaysian Re continues to enhance the competitiveness and efficiency of the local insurance companies in an increasingly globalised marketplace through its active involvement in leading and underwriting their reinsurance needs.

Malaysian Re underwrites all classes of general reinsurance business as well as general retakaful business through its retakaful division, Malaysian Re Retakaful Division.

Leveraging on its breadth and depth of experience and expertise, strong fundamentals and proven record of accomplishment, Malaysian Re has grown in stature as an international player having established a strong market presence in Asia and the Middle East.

Malaysian Re is the largest national reinsurer (by asset) in the Southeast Asia region.

The Company has a Share Capital of RM563 million.

Takaful
IKHLAS®

Takaful Ikhlas Sdn Bhd (Takaful IKHLAS), a wholly owned subsidiary of MNRB was incorporated on 18 September 2002 and converted its status to Berhad on 5 May 2014. The Company is principally involved in the provision of Financial protection services, based on principles and rulings of Shariah.

More than two (2) million individuals and corporations have placed their trust in the Company and became its certificate holders (participants). Takaful IKHLAS' commitment and adherence to Shariah values, coupled with the application of cutting-edge technology in conducting its business, have reinforced the Company's reputation for its ethical approach and service delivery.

The Company offers individuals and commercial enterprises a comprehensive range of Individual Family, Group Family, General Retail and Commercial Takaful products. Its distribution channels comprise highly knowledgeable and well-trained people that number more than five thousand (5,000) agents, brokers, financial institutions, motor franchise holders and co-operatives.

Takaful IKHLAS has thirteen (13) regional offices in Kuala Lumpur, Kedah, Perak, Selangor, Putrajaya, Negeri Sembilan, Melaka, Johor, Pahang, Terengganu, Kelantan, Sabah and Sarawak.

Takaful IKHLAS has a Share Capital of RM335 million.

MALAYSIAN RE
DUBAI

Malaysian Re (Dubai) Ltd (MRDL), a wholly owned subsidiary of MNRB, was incorporated on 7 December 2006 in Dubai, the United Arab Emirates. Its office is situated within the strategic Dubai International Financial Centre (DIFC) and regulated by the Dubai Financial Services Authority (DFSA).

MRDL is engaged in developing business for its sister company, Malaysian Re in the Middle East. Its primary functions are to develop relationships with clients around this region as well as provide services and underwriting support to them. Its close proximity to this target market gives MRDL an edge when servicing its clients.

All businesses of MRDL are fully underwritten by Malaysian Re. MRDL will continue to expand its market presence and is committed to being at the forefront of the reinsurance and retakaful segments within the region.

MRDL has an Authorised Capital of USD5 million and a Paid-up Capital of USD2 million.

GROUP **CORPORATE STRUCTURE**

MNRB

MALAYSIAN REINSURANCE BERHAD
100%

LABUAN REINSURANCE (L) LTD.*
20%

TAKAFUL IKHLAS BERHAD
100%

MALAYSIAN RE (DUBAI) LTD.
100%

MMIP SERVICES SDN. BHD.
100%

SINAR SEROJA BERHAD (Formerly known as MNRB Retakaful Berhad)
100%

MOTORDATA RESEARCH CONSORTIUM SDN. BHD.*
40%

* Associate Company

EVENT **HIGHLIGHTS**

16 April 2017

Takaful IKHLAS and Bank Rakyat launched their second ‘Purchase a House, Get a Car” Campaign

Takaful IKHLAS and Bank Rakyat launched their second "Purchase a House, Get a Car” Campaign. This campaign was opened to those who obtained Bank Rakyat’s Islamic Banking home financing together with Takaful IKHLAS’ *IKHLAS Takaful Gadaijanji* (MRTT).

20 - 25 April 2017

Minggu Saham Amanah Malaysia 2017

MNRB and Takaful IKHLAS once again reprised their roles as ‘Rakan Utama’ and ‘Rakan Program Keagamaan’ respectively during Permodalan National Berhad’s (PNB) Minggu Saham Amanah Malaysia (MSAM) 2017 held in Temerloh, Pahang.

20 April 2017

Takaful IKHLAS launched IKHLAS Preferred Term Takaful

Takaful IKHLAS launched IKHLAS Preferred Term Takaful plan during MSAM 2017. This Family Takaful plan covers Death, Total Permanent Disability (TPD), Critical Illness (CI) and Maturity/Takaful Certificate Surrender benefits.

21 April 2017

MNRB presented the first ever MNRB e-Learning Room to its adopted school, SK Kuala Krau

MNRB handed over the first ever MNRB e-Learning Room to SK Kuala Krau, Pahang in conjunction with the Closing Ceremony of the third edition of its adopt-a-school programme “Program Lestari Cemerlang MNRB”.

31 May 2017

MNRB Analysts’ Briefing

MNRB held an Analysts’ Briefing to brief analysts alongside fund managers and research analysts on the Unaudited Financial Results for the financial year ended 31 March 2017.

12 July 2017

Majlis Rumah Terbuka Hari Raya Aidilfitri Bersama Kumpulan MNRB

MNRB hosted a Hari Raya Open House for all its staff and business partners to get-together and celebrate the festive occasion.

EVENT **HIGHLIGHTS**

24 August 2017

MNRB's 44th Annual General Meeting

MNRB held its 44th Annual General Meeting for the financial year ended 31 March 2017.

25 August 2017

MNRB Analysts' Briefing

MNRB held an Analysts' Briefing to brief analysts alongside fund managers and research analysts on the Financial Results for Quarter 1 of financial year 2017/2018.

29 August 2017

Takaful IKHLAS won Best Takaful Company award at the 7th Asian Islamic Banking and Takaful Conference

Takaful IKHLAS received the Best Takaful Company 2017 award at the 7th Asian Islamic Banking and Takaful Conference which took place in Kuala Lumpur. This award is a recognition of Takaful IKHLAS' efforts, commitments, mission and vision in being the preferred Takaful provider in Malaysia.

21 September 2017

MNRB launched the 4th edition of "Program Lestari Cemerlang MNRB"

MNRB launched the 4th edition of "Program Lestari Cemerlang MNRB" at SMK Durian Tunggal, Alor Gajah, Melaka.

4 - 7 October 2017

PGM MNRB Championship

MNRB continued to support PGM's efforts in promoting and sustaining the development of the sport of golf through the PGM MNRB Championship which was held at Damai Golf & Country Club, Kuching, Sarawak.

24 November 2017

Takaful IKHLAS and Agrobank introduced AGRO MABRUR-i

Takaful IKHLAS in collaboration with Agrobank introduced Agro Mabrur-i, a family takaful product which was recognised by BNM as a product under the "Perlindungan Tenang" initiative.

28 November 2017

MNRB Analysts' Briefing

MNRB held an Analysts' Briefing to brief analysts alongside fund managers and research analysts on the Financial Results for Quarter 2 of financial year 2017/2018.

4 December 2017

A.M. Best affirmed the Financial Strength Rating of 'A-' (Excellent)

A.M. Best affirmed Malaysian Re's Financial Strength Rating of 'A-' (Excellent) and the Long-Term Issuer Credit Rating of 'a-'. A.M. Best also revised the outlook for both ratings from Positive to Stable.

19 January 2018

Takaful IKHLAS and Bank Rakyat launched Takaful Amani Plus

Takaful IKHLAS in collaboration with Bank Rakyat launched an accident protection plan, Takaful Amani Plus, for Bank Rakyat customers.

25 January 2018

UM Shariah Certification Program

Takaful IKHLAS collaborated with University of Malaya Continuing Education Center (UMCCed) to offer a Shariah Certification Program for Takaful IKHLAS staff. The program entitled UM Shariah Certification Program was participated by forty-seven (47) Takaful IKHLAS staff.

12 February 2018

Fitch Ratings Affirmed 'A-' Ratings of Malaysian Re

Fitch Ratings affirmed Malaysian Re's Insurer Financial Strength rating of 'A-' (Strong) with Stable Outlook.

22 March 2018

Malaysian Re's 28th Annual Golf Tournament

Malaysian Re organised its 28th Annual Golf Tournament for clients and business partners at Glenmarie Golf and Country Club, Selangor.

18 - 28 March 2018

MNRB Group Health Week

The MNRB Group Health Week was held to encourage staff of MNRB Group to improve their overall health and to adapt to a healthier lifestyle. Among the activities under MNRB Group Health Week include MNRB Fun Run, Health Screenings, Health Talk and Brisk Walk.

BOARD OF **DIRECTORS**

Sitting from left to right: Hijah Arifakh Othman, Dato Sharkawi Alis, Mohd Din Merican, Mustaffa Ahmad
Standing from left to right: Rosinah Mohd Salleh, Arul Sothy Mylvaganam, Noor Rida Hamzah, Datuk Johar Che Mat, George Oommen

DIRECTORS' PROFILE

DATO SHARKAWI ALIS

Non-Independent Non-Executive Chairman

Age: 71
Gender: Male
Nationality: Malaysian

Date of Appointment: 7 January 2005
Date Appointed as Chairman: 3 September 2007
Length of Service: 13 years
No. of Board Meetings Attended: 8/8

Board Committee Membership:
- Member of Nomination Committee

Other Directorship:
- Chairman of Malaysian Reinsurance Berhad
- Chairman of Takaful Ikhlas Berhad
- Chairman of Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad)
- Chairman of Malaysian Re (Dubai) Ltd
- Chairman of Labuan Reinsurance (L) Ltd
- Director of Development Bank of Sarawak Berhad
- Director of Permodalan Satok Berhad
- Director of Motordata Research Consortium Sdn Bhd
- Director of Perbadanan Kemajuan Ekonomi Sarawak (SEDC)
- Trustee for Yayasan Hartanah Bumiputera Sarawak

Qualification:
- Barrister-at-Law from Middle Temple, London

Skills and Experience:
He served in the Malaysian Judicial and Legal Service in various capacities for eleven (11) years before he was appointed as Group Legal Adviser of Malaysia Mining Corporation Berhad in August 1982. In January 1997, he joined the Securities Commission, Malaysia as Director of Market Supervision and subsequently as Director of Corporate Resources Division till March 2003.

Declaration:
- Not related to any Director and/or major shareholder of MNRB except by virtue of being a Nominee Director of PNB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

MOHD DIN MERICAN

Non-Independent Executive Director, President & Group Chief Executive Officer

Age: 56
Gender: Male
Nationality: Malaysian

Date of Appointment: 9 January 2012
Length of Service: 6 years
No. of Board Meetings Attended: 8/8

Board Committee Membership:
- Member of Investment Committee

Other Directorship:
- Director of Malaysian Reinsurance Berhad
- Director of Takaful Ikhlas Berhad
- Director of Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad)
- Director of Malaysian Re (Dubai) Ltd
- Director of Labuan Reinsurance (L) Ltd
- Director of Motordata Research Consortium Sdn Bhd

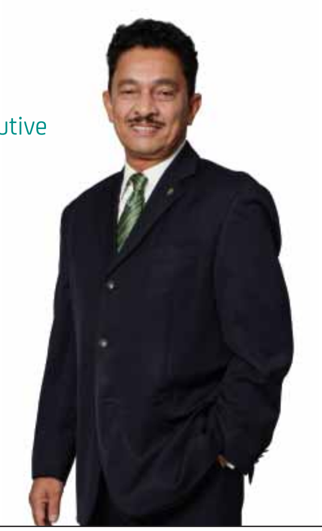
Qualification:
- Bachelor of Commerce (Honours) Degree, Carleton University, Ottawa, Canada
- Associate of the Malaysian Insurance Institute (AMII)

Skills and Experience:
He has more than thirty (30) years' experience in the insurance industry and has held key management positions in various insurance, insurance broking and reinsurance firms including being the Principal Officer & General Manager of SCOR Switzerland Ltd (Converium Ltd), Labuan Branch. Prior to joining MNRB, he was the Chief Operating Officer of Maybank Ageas Holdings Berhad and the Chief Executive Officer of Etiqa Insurance Berhad. Formerly a member of the Management Committee of Persatuan Insurans Am Malaysia, National Insurance Association of Malaysia and President of Life Insurance Association of Malaysia.

Declaration:
- Not related to any Director and/or major shareholder of MNRB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

MUSTAFFA AHMAD

Senior Independent Non-Executive Director



Age: 62
Gender: Male
Nationality: Malaysian

Date of Appointment: 1 April 2016
Date of Re-designation: 23 August 2017
Length of Service: 2 years
No. of Board Meetings Attended: 8/8

Board Committee Membership:
- Chairman of Risk Management Committee
- Member of Nomination Committee

Other Directorship:
- Director of Malaysian Reinsurance Berhad

Qualification:
- Bachelor of Science (Honours) Degree in Statistics, Heriot-Watt University, Edinburgh, Scotland

Skills and Experience:
He has worked for several insurance companies since 1978 and then joined Malaysian National Reinsurance Berhad as Senior Manager in 1989. He assumed various other roles whilst he was in Malaysian National Reinsurance Berhad. Following the MNRB Group restructuring exercise in 2005, he was transferred to Malaysian Re and was appointed as the Chief Operating Officer until 2010.

Declaration:
- Not related to any Director and/or major shareholder of MNRB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

HIJAH ARIFAKH OTHMAN

Non-Independent Non-Executive Director

Age: 58
Gender: Female
Nationality: Malaysian

Date of Appointment: 1 June 2015
Length of Service: 3 years
No. of Board Meetings Attended: 7/8

Board Committee Membership:
- Chairman of Investment Committee
- Member of Risk Management Committee

Other Directorship:
- Director of KAF Investment Bank Berhad
- Director of Export-Import Bank of Malaysia Berhad (EXIM Bank)
- Member of the Listing Committee of Bursa Malaysia Berhad

Qualification:
- Bachelor of Science Degree in Mathematics and Computer Science, City University of London, United Kingdom

Skills and Experience:
She began her career in BNM in 1984 where she served in various divisions including in senior positions as the Managers/Head of Fixed Income Portfolio Management of the External Reserves and Assistant General Manager/Head of Treasury of Danamodal from 1989 to 2000. She had also served as the Director/Head of Asian Fixed Income in Standard Chartered Bank Malaysia and subsequently as the Executive Vice President/Head of Group Treasury Business in Malayan Banking Berhad from 2006 to 2009. She was appointed as the Managing Director/Chief Executive Officer of Hong Leong Islamic Bank from 2009 to 2011.

Declaration:
- Not related to any Director and/or major shareholder of MNRB except by virtue of being a Nominee Director of PNB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

DIRECTORS' **PROFILE**

ROSINAH MOHD SALLEH

Independent Non-Executive Director

Age: 48
Gender: Female
Nationality: Malaysian

Date of Appointment: 1 January 2017
Length of Service: 1 year
No. of Board Meetings Attended: 8/8

Board Committee Membership:
- Chairman of Nomination Committee
- Member of Remuneration Committee

Other Directorship:
- Director of Takaful Ikhlas Berhad
- Director of Pelaburan Hartanah Nasional Berhad

Qualification:
- Bachelor of Laws (LLB) Degree, University of Kent, Canterbury, England
- Barrister-at-Law from Lincoln's Inn
- Master of Business Administration (International Industrial Management), University of Applied Sciences, Esslingen, Germany

Skills and Experience:
She began her career in 1994 when she joined Nik Saghir & Ismail, a corporate law firm as a Corporate Lawyer. In 2001, she joined RHB Banking Group as its Legal Manager. In 2004, she joined Ng & Shum, a law firm in Guangzhou, China as a Foreign Lawyer. In 2007, she joined Azmi & Associates, a corporate law firm in Kuala Lumpur as a Senior Counsel. In 2011, she joined TUV Rheinland Japan Ltd in Yokohama, Japan as a Coordinator at the Product Certification Department. From 2012 until to date, she is a Partner at Azmi & Associates in Kuala Lumpur.

Declaration:
- Not related to any Director and/or major shareholder of MNRB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

ARUL SOTHY MYLVAGANAM

Independent Non-Executive Director

Age: 61
Gender: Male
Nationality: Malaysian

Date of Appointment: 1 January 2017
Length of Service: 1 year
No. of Board Meetings Attended: 8/8

Board Committee Membership:
- Chairman of Audit Committee
- Member of Remuneration Committee

Other Directorship:
- Director of Malaysian Reinsurance Berhad
- Director of two (2) other private limited companies

Qualification:
- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Chartered Accountant with the Malaysian Institute of Accountants
- Fellow of the Institute of Certified Public Accountants, Australia
- Certified Financial Planner of the Financial Planning Association of Malaysia

Skills and Experience:
He completed his articleship in London and gained commercial experience in other United Kingdom companies. He had also served in Ernst & Young as Senior Manager of Audit before being appointed as the Chief Financial Officer of Syarikat Perumahan Pegawai Kerajaan Sdn Bhd. Thereafter, he was appointed as the Group Chief Operating Officer of PNB Commercial Sdn Bhd, a subsidiary of Permodalan Nasional Berhad before he commenced his own financial consultancy practice.

Declaration:
- Not related to any Director and/or major shareholder of MNRB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

NOOR RIDA HAMZAH

Independent Non-Executive Director

Age: 57
Gender: Female
Nationality: Malaysian

Date of Appointment: 1 January 2017
Length of Service: 1 year
No. of Board Meetings Attended: 8/8

Board Committee Membership:
- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee

Other Directorship:
- Director of two (2) other private limited companies

Qualification:
- Bachelor of Arts (Honours) Degree in Accounting and Finance, Liverpool Polytechnic (now known as Liverpool John Moores University), United Kingdom
- Associate Member of Chartered Tax Institute, Malaysia

Skills and Experience:
She began her career in taxation when she joined Arthur Andersen in 1985. In 1995, she joined BP Malaysia as National Tax Manager. She rejoined Arthur Andersen in 1997 and was made a tax partner in 2001. Subsequently, in 2002, she joined Ernst & Young as a tax partner until her early retirement in 2011.

Declaration:
- Not related to any Director and/or major shareholder of MNRB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

DATUK JOHAR CHE MAT

Independent Non-Executive Director

Age: 65
Gender: Male
Nationality: Malaysian

Date of Appointment: 1 October 2017
Length of Service: Less than 1 year
No. of Board Meetings Attended: 5/5

Board Committee Membership:
- Member of Audit Committee
- Member of Investment Committee
- Member of Risk Management Committee

Other Directorship:
- Director of Konsortium Bas Express Semenanjung Berhad
- Director of Asian Finance Bank Berhad
- Director of one (1) other private limited company

Qualification:
- Bachelor of Economics Degree, University of Malaya, Malaysia

Skills and Experience:
He has thirty-four (34) years' of experience in the banking industry. He began his career in 1975 as an Officer at the Prime Minister's Department. In 1976, he joined Malayan Banking Berhad (Maybank) where he served in various divisions including in senior positions as the Manager/Senior Manager covering the transactional banking (operations), retail finance, retail marketing and private banking. From 1993 to 1995, he was appointed as the Regional Manager for Maybank branches in Selangor and Negeri Sembilan. In 1996, he was promoted as the General Manager, Commercial Banking Division and subsequently served as the Senior General Manager, Corporate Banking and Enterprise Banking Division in 2000. In 2002, he was promoted as the Senior Executive Vice President, Retail Financial Services and was thereafter appointed as the Chief Operating Officer of the Maybank Group from 2006 till 2010. In 2012, he was designated as the Board representative of Amanah Raya Berhad.

Declaration:
- Not related to any Director and/or major shareholder of MNRB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

DIRECTORS' **PROFILE**

GEORGE OOMMEN

Independent Non-Executive Director

Age: 64

Gender: Male

Nationality: Malaysian

Date of Appointment: 1 January 2018
Length of Service: Less than 1 year
No. of Board Meetings Attended: 3/3

Board Committee Membership:
- Member of Audit Committee
- Member of Risk Management Committee
- Member of Remuneration Committee

Other Directorship:
- Director of Takaful Ikhlas Berhad

Qualification:
- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

Skills and Experience:
He has more than thirty-five (35) years' working experience in the local and international Insurance industry starting his insurance career in Malaysia and thereafter working overseas in Indonesia, India, Egypt, and the United Arab Emirates. He began his career in 1981 as an Accountant with American International Assurance in Malaysia and in 1999, he was appointed as Vice President/Director of AIG Lippo Life Insurance, Indonesia before being appointed Managing Director of Tata AIG Life Insurance Limited, India in 2000. He later joined ACE INA Holdings Inc, India Representative Office as the Country Head/CEO in 2002 and thereafter in 2003 he was appointed as Chairman/Managing Director of ACE Life, Egypt concurrently. In 2007, he joined Dubai International Financial Center, UAE as the Executive Director, Business Development (Insurance & Reinsurance). In 2010, he joined as CEO & General Representative, Assicurazioni Generali S.p.A Dubai, UAE for the Middle East and North African region.

Declaration:
- Not related to any Director and/or major shareholder of MNRB
- No conflict of interest with MNRB
- No conviction for any offences, public sanction or penalty imposed by the relevant regulatory bodies within the past five (5) years

GROUP SHARIAH COMMITTEE MEMBERS' **PROFILE**

PROF. DATO' DR. AHMAD HIDAYAT BUANG

Chairman, Group Shariah Committee

Age: 56
Gender: Male
Nationality: Malaysian
Date of Appointment: 2 November 2015

Other Shariah Committee Membership / Directorship:
- Chairman of Shariah Supervisory Council at Bank Islam Malaysia Berhad

Qualification:
- Bachelor in Shariah, University of Malaya, Malaysia
- Masters in Law and Doctorate (specialising in Islamic Contracts), University of London, United Kingdom

Skills and Experience:
He was a Shariah Committee member for Takaful IKHLAS since 2002, and was subsequently appointed as the Shariah Committee Chairman in 2013 until the dissolution of the Shariah Committee on 2 November 2015.

He was also a Professor of the Academy of Islamic Studies at University of Malaya. Previously, he was a Director for the Academy of Islamic Studies from October 2006 until February 2011. Former member of OCBC Al-Amin Bank Berhad and CIMB Islamic Bank Berhad's Shariah Council.

ASSOC. PROF. DR. SAID BOUHERAOUA

Member, Group Shariah Committee

Age: 51
Gender: Male
Nationality: Algerian
Date of Appointment: 2 November 2015

Other Shariah Committee Membership / Directorship:
- Director of Affin Islamic Bank Berhad
- Chairman of Shariah Committee at Affin Islamic Bank Berhad
- Member of Higher Shariah Committee at the Central Bank of the Oman Sultanate

Qualification:
- Ph.D. in Islamic Law (Shariah), International Islamic University Malaysia (IIUM), Malaysia

Skills and Experience:
He was a Shariah Committee member for MRT since 1 April 2011 until the dissolution of the Shariah Committee on 2 November 2015.

He was also an Associate Professor at Department of Islamic Law, Ahmad Ibrahim Kulliyyah of Laws, IIUM. He is currently a Director of Research Affairs Department at the International Shariah Research Academy for Islamic Finance (ISRA) and the editor-in-chief of ISRA International Journal of Islamic Finance. He has published several books and articles in international referred journals throughout his career as Lecturer/Researcher. He has also presented papers in international conferences and conducted training sessions in Islamic Finance in Malaysia and abroad.

GROUP SHARIAH COMMITTEE MEMBERS' **PROFILE**

ASSOC. PROF. DR. SYED MUSA SYED JAAFAR ALHABSHI

Member, Group Shariah Committee

Age: 58
Gender: Male
Nationality: Malaysian
Date of Appointment: 2 November 2015

Other Shariah Committee Membership / Directorship:

- Member of Shariah Committee at Bank of Tokyo — Mitsubishi UFJ (Malaysia) Berhad
- Member of Shariah Supervisory Council at Labuan International Business and Financial Centre
- Member of Shariah Advisory Council at Securities Commission Malaysia

Qualification:

- Diploma in Business Studies, Ngee Ann Polytechnic, Singapore
- Bachelor of Business Administration (Honours) Degree, International Islamic University Malaysia (IIUM), Malaysia
- Ph.D. in Business Administration majoring in Accounting and Finance, University of Strathclyde, United Kingdom

Skills and Experience:

He was a Shariah Committee member for MRT since 1 June 2011 until 2 November 2015. He was also a Shariah Committee member for Takaful IKHLAS since September 2012 until August 2015.

He began his career with Coopers & Lybrand, Singapore as an Audit Assistant in 1984. From 1989 until 1994, he joined IIUM as an Assistant Lecturer and upon completion of his doctorate he became an Assistant Professor and held various academic administrative positions in IIUM till 2000. He joined Universiti Tun Abdul Razak in 2000 as an Associate Professor and became Head of Centre for Graduate Studies. He later served as Dean of Faculty of Business in 2004. In 2006, he joined Amanie Business Solutions Sdn Bhd as a Principal Consultant until 2009 and as a Fellow Consultant from 2010 to 2012. In 2009, he resumed his academic career as Associate Professor with Universiti Tun Abdul Razak and appointed Dean of Graduate School of Business in 2010. Since October 2012, he is the Associate Professor of Institute of Islamic Banking and Finance (IIiBF). Currently, he is Dean of IIiBF and IIUM.

DATUK NIK MOUSTPHA HAJI NIK HASSAN

Member, Group Shariah Committee

Age: 65
Gender: Male
Nationality: Malaysian
Date of Appointment: 2 November 2015

Other Shariah Committee Membership / Directorship:

- Director of Takaful IKHLAS
- Director of CCM Duopharma Biotech Berhad
- Director of Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad)

Qualification:

- Business and Economics, Ohio University, United States of America

Skills and Experience:

He was a Shariah Committee member for Takaful IKHLAS since December 2002 and also a Shariah Committee member for MRT since April 2012 until its dissolution on 2 November 2015.

He was the Director General of IKIM from August 2009 until August 2015. Prior to joining IKIM, he was the Dean of Kulliyyah Economics at the International Islamic University of Malaysia. In 1989, he served as visiting Scholar at Oxford Centre for Islamic Studies, United Kingdom for one (1) academic year.

ASSOC. PROF. DR. MOHAMED FAIROOZ ABDUL KHIR

Member, Group Shariah Committee

Age: 42
Gender: Male
Nationality: Malaysian
Date of Appointment: 2 November 2015

Other Shariah Committee Membership / Directorship:
- Member of Shariah Advisory Council at Securities Commission Malaysia
- Member of Shariah Committee at Maybank Islamic Berhad
- Member of Shariah Committee at AGRO Bank
- Shariah Advisor to Farmers Organisation Authority Malaysia

Qualification:
- Bachelor of Arts in Islamic Revealed Knowledge and Human Sciences (Fiqh & Usul Fiqh), International Islamic University Malaysia (IIUM), Malaysia
- Masters in Shariah, University of Malaya, Malaysia
- Ph.D. in Islamic Finance, University of Malaya, Malaysia

Skills and Experience:
He was a Shariah Committee member for MRT since April 2013 and also a Shariah Committee member of Takaful IKHLAS since April 2014 until the dissolution of the Shariah Committee on 2 November 2015.

He started his career with IIUM Centre for Foundation Studies in 2002 as a lecturer in the department of Islamic Revealed Knowledge and Human Sciences. After eight (8) years in services, he resumed his career as a Researcher at the International Shariah Research Academy for Islamic Finance (ISRA). He is currently an Associate Professor at Islamic University of Malaysia, Cyberjaya.

He is actively involved in research works, writing books, and presentation of research papers at various local and international conferences and forums. He had been conferred an Excellence Award by University of Malaya for early completion of his Ph.D. study.

ASSISTANT PROF. DR. MUHAMMAD NAIM OMAR

Member, Group Shariah Committee

Age: 50
Gender: Male
Nationality: Malaysian
Date of Appointment: 2 November 2015

Other Shariah Committee Membership / Directorship:
- Chairman of Shariah Committee at OCBC Al-Amin Bank Berhad
- Member of Shariah Committee at Lembaga Zakat Selangor

Qualification:
- Bachelors Degree in Shariah Law, Al-Azhar University, Egypt
- Masters Degree in Shariah Law, Cairo University, Egypt
- Ph.D. specialising in Islamic Law, University of Wales, Lampeter

Skills and Experience:
He was a Shariah Committee member for Takaful IKHLAS since April 2009 until the dissolution of the Shariah Committee on 2 November 2015.

He is an Assistant Professor of Islamic Law at Ahmad Ibrahim Kulliyyah of Laws, International Islamic University of Malaysia. His areas of interest among others are Islamic Law of Transaction, Islamic Legal System and Islamic Jurisprudence. He had presented and published numerous articles and papers on many subjects especially in his areas of interest.

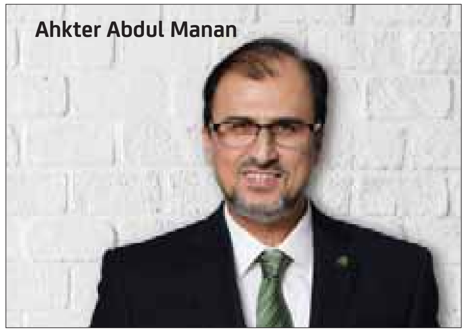
KEY MANAGEMENT **TEAM**

Mohd Din Merican

Zainudin Ishak

Datuk Ab Latiff Abu Bakar


Norazman Hashim


Ahkter Abdul Manan


Ahmad Ruhaizad Hashim


Nazzahatol Azura Aziz


Tung Chee Lim


Lena Abd Latif


Iszatul Mashani Ishak


Raja Zalman Tuah Raja Izzaham


Ekmarrudy Othman


Muhamad Rizal Bahari


Ahmad Refaei Saibon

KEY MANAGEMENT TEAM'S **PROFILE**

MOHD DIN MERICAN

Age: 56
Gender: Male
Nationality: Malaysian

Position:
President & Group Chief Executive Officer, Non-Independent Executive Director of MNRB

Other information on Mohd Din Merican is disclosed in the Directors' profile section on page 24 of this Annual Report.

ZAINUDIN ISHAK

Age: 51
Gender: Male
Nationality: Malaysian

Position:
President & Chief Executive Officer of Malaysian Reinsurance Berhad

Qualification:
- Associate of the Malaysian Insurance Institute (AMII)

Skills and Experience:
He started his career as Executive at Trust International Insurance Sdn Bhd in 1989. He joined Commerce Assurance Berhad (now CIMB Aviva Takaful Berhad) in 1994 and appointed as a CEO in 2006. In 2009, he then joined HSBC Amanah Takaful Berhad as Executive Director & Chief Executive Officer. He served as Chairman of Malaysian Takaful Association until early 2015. A Director of Malaysian Re (Dubai) Ltd., Financial Park (Labuan) Sdn Bhd and MMIP Services Sdn Bhd. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

DATUK AB LATIFF ABU BAKAR

Age: 58
Gender: Male
Nationality: Malaysian

Position:
President & Chief Executive Officer of Takaful Ikhlas Berhad

Qualification:
- Bachelor of Business Administration, University of Portland, Oregon, United States of America

Skills and Experience:
He has more than twenty-four (24) years' experience in Insurance and Takaful industry. He began his career in 1989 as Executive at Malaysian Assurance Alliance Bhd. Since then he has held senior and key management positions in various Insurance and Takaful companies including being an Acting Chief Operating Officer of Takaful Nasional Sdn. Bhd. until June 2006. He was appointed as Executive Vice President/Head of Agency at Etiqa Insurance & Takaful until September 2008. In October 2008, he was appointed as Chief Executive Officer of Hong Leong Tokio Marine Takaful (now known as Hong Leong MSIG Takaful) until April 2011. Prior to joining Takaful Ikhlas Berhad, he was the Head of Takaful of Tokio Marine Asia Pte. Ltd. until 6 January 2013. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

NORAZMAN HASHIM

Age: 56
Gender: Male
Nationality: Malaysian

Position:
Executive Vice President & Group Chief Financial Officer/Company Secretary of MNRB

Qualification:
- Masters Degree in Business Administration, Cranfield School of Management, United Kingdom
- Fellow Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom
- Member of the Malaysian Institute of Accountants (MIA)

Skills and Experience:
He joined the then Malaysian National Reinsurance Berhad in 1985 and was appointed as its Financial Controller and Company Secretary in 1994. He was subsequently transferred to Malaysian Re in April 2005 and promoted to General Manager of the Corporate Services Division in June 2005 where he oversaw the Administration, Legal & Secretarial, Corporate Communications, Human Capital Management and Finance Departments. On 1 April 2008, he was transferred to MNRB where he assumed his current position. Norazman Hashim is also a Director of MSSB and the Company Secretary of Malaysian Re, Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad), MRDL and Takaful IKHLAS. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

AHKTER ABDUL MANAN

Age: 55
Gender: Male
Nationality: Malaysian

Position:
Senior Vice President & Group Chief Investment Officer of MNRB

Qualification:
- Bachelor of Social Science (Honours) Degree majoring in Management with a minor in Economics, University of Science, Malaysia

Skills and Experience:
He started his career in the Investment and Securities Department (IVS) of Malaysian International Merchant Bankers Berhad (MIMB) in 1987 as an Investment Analyst. In 1991, he was promoted to Manager, Head of IVS and in 1995 to Assistant General Manager. He was subsequently promoted to General Manager of IVS in 1997. He was then seconded to MIDF Aberdeen Asset Management Sdn. Bhd. (MIDF Aberdeen), which he set up in 1998. In January 2001, he was appointed the Chief Executive Officer and Executive Director of MIDF Aberdeen. He joined Asia Unit Trust Berhad (AUTB) in September 2004 as Chief Executive Officer following the transfer of business of MIDF Aberdeen to Amanah SSCM Asset Management Berhad. He left AUTB in July 2007 to join MNRB on 17 July 2007. In total, he brings to the Company thirty (30) years of experience in the Asset Management industry. He is currently responsible for the overall investment, property and administrative functions of the MNRB Group. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

AHMAD RUHAIZAD HASHIM

Age: 50
Gender: Male
Nationality: Malaysian

Position:
Senior Vice President & Group Chief Strategy Officer of MNRB

Qualification:
- Bachelor of Economics and Accounting, University of Leeds, England
- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Malaysian Institute of Accountants (MIA)

Skills and Experience:
His began his career in 1991 when he joined Arthur Andersen as an auditor. He served Arthur Andersen for more than five (5) years until 1996 when he left to join KUB Malaysia Berhad. He then re-joined Arthur Andersen in 1999 to head its Kuala Terengganu branch operation. In 2002, he joined Putrajaya Holdings Sdn. Bhd. as the Head of the Corporate Planning Department. After six (6) years with the property development company, he then joined MNRB on 2 January 2008. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

KEY MANAGEMENT TEAM'S **PROFILE**

NAZZAHATOL AZURA AZIZ

Age: 46
Gender: Female
Nationality: Malaysian

Position:
Senior Vice President & Group Chief Risk Officer of MNRB

Qualification:
- Bachelor of Science (Honours) in Management with a minor in Statistics, Case Western Reserve University, Cleveland, Ohio, United States of America

Skills and Experience:
She began her career as an auditor with Arthur Andersen in 1995, where she served in the Services Group of Audit Division. She joined the then Malaysian National Reinsurance Berhad in 2000 as an Executive in the Compliance Department. During her seventeen (17) years at the Company, she held various roles of increasing responsibility, including Assistant Vice President at Finance Department, Head of Corporate Finance and Vice President at Corporate Services Division. In 2013, she was appointed as the Head of Business Process Improvement prior to assuming her current position on 15 June 2016. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

TUNG CHEE LIM

Age: 35
Gender: Male
Nationality: Malaysian

Position:
Senior Vice President & Head of Group General Actuary of MNRB

Qualification:
- Bachelor of Science (Honours) in Actuarial Science, National University of Malaysia
- Fellow of the Casualty Actuarial Society of the United States
- Fellow of the Actuarial Society of Malaysia

Skills and Experience:
He was the Signing Actuary/ Appointed Actuary for HSBC Amanah Takaful (Malaysia) Berhad General takaful business. He joined MNRB in 2015. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

LENA ABD LATIF

Age: 51
Gender: Female
Nationality: Malaysian

Position:
Senior Vice President, Head of Legal & Secretarial and Company Secretary of MNRB

Qualification:
- Bachelor of Laws (Honours) Degree, International Islamic University Malaysia
- Admitted as an Advocate and Solicitor of the High Court of Malaya

Skills and Experience:
She has over twenty-five (25) years of working experience in both legal practice and corporate firms. She was employed by Utusan Melayu (Malaysia) Berhad as its legal advisor in 1991 and thereafter, as the General Manager, Corporate Affairs/ Group Company Secretary at Land & General Berhad between 1993 and 2000. She joined the then Malaysian National Reinsurance Berhad in 2003 as Manager, Legal & Secretarial and was appointed as its Company Secretary in February 2004. She was promoted to her current position as Senior Vice President & Head of Legal & Secretarial in 2011. She is also the Company Secretary of Malaysian Re, Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad), Takaful IKHLAS and MSSB. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

ISZATUL MASHANI ISHAK

Age: 43
Gender: Female
Nationality: Malaysian

Position:
Senior Vice President & Head of Group Human Capital Management of MNRB

Qualification:
- Bachelor of Information Technology, University of Queensland, Australia

Skills and Experience:
She began her career as an Analyst Programmer with Mayban Life Assurance Berhad (now known as Etiqa Insurance Berhad). In 2006, she decided on a career change and embarked on her Human Resource journey as a Recruitment Specialist with Scicom (MSC) Berhad. As a self-learner, she obtained more experience as a Human Resource Generalist and a manager over the next few years with Accenture and Labuan Financial Services Authority. Prior to joining MNRB, she was the Section Head, Talent Management & Staff Engagement with RHB Banking Group specialising predominantly in Performance Management, Talent Development, Succession Planning and Employee Engagement. She joined MNRB on 2 September 2014 as Vice President, Learning & Development and was promoted to her current position on 1 January 2015. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

RAJA ZALMAN TUAH RAJA IZZAHAM

Age: 45
Gender: Male
Nationality: Malaysian

Position:
Senior Vice President & Group Chief Internal Auditor of MNRB

Qualification:
- Fellow Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom
- Member of the Malaysian Institute of Accountants (MIA)

Skills and Experience:
He joined MNRB in 2006 as an Executive in the Internal Audit Department. He held positions of increasing responsibility in the ensuing years at the Company before being promoted as the Deputy Group Chief Internal Auditor in 2011. He was then transferred to the Risk Management & Compliance Division in 2014 to take up the role as the Group Chief Risk Management and Compliance Officer. He assumed his present position in June 2016. He has over eighteen (18) years of working experience. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

EKMARRUDY OTHMAN

Age: 41
Gender: Male
Nationality: Malaysian

Position:
Senior Vice President & Head of Finance of MNRB

Qualification:
- Bachelor of Science (Honours) in Finance and Accounting, University of Salford, Manchester, United Kingdom
- Associate Member of the ACCA, United Kingdom

Skills and Experience:
His foundational years were spent in two (2) of the big four (4) audit firms with experiences ranging from financial audits, corporate finance and transaction advisory services. He then joined the commercial industry and was exposed in corporate strategy and transformation management in a listed Islamic banking group. He joined MNRB in 2011 as the Head of Corporate Finance before assuming his current role in August 2017. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

MUHAMAD RIZAL BAHARI

Age: 44
Gender: Male
Nationality: Malaysian

Position:
Vice President & Head of Group Compliance Management of MNRB

Qualification:
- Bachelor of Accountancy (Honours), Universiti Teknologi MARA (UiTM)

Skills and Experience:
He began his career in 2001 when he joined SEA Insurance Berhad as an Internal Auditor. He has eleven (11) years of internal auditing, specifically in insurance-related companies such as Uni Asia General Insurance, Allianz General Insurance Malaysia Berhad, Anika Insurance Brokers and Maybank Berhad prior to joining the MNRB Group in Takaful IKHLAS as the Assistant Vice President of Compliance Management Department in 2012. Due to his vast experience in oversight functions, he was appointed as Head of Group Compliance Management for MNRB effective 1 October 2017. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

AHMAD REFAEI SAIBON

Age: 55
Gender: Male
Nationality: Malaysian

Position:
Vice President & Head of Information Communication Technology Department of MNRB

Qualification:
- Master of Business Administration in Information Technology and Management, Maastricht School of Management, the Netherlands

Skills and Experience:
He commenced his career in 1991 as an IT Executive at the then Malaysian National Reinsurance Berhad and was promoted to his current position in 2008. Not a Director in any public companies or listed issuer. Not related to any Director and/or major shareholders of MNRB. Does not have any conflict of interest with MNRB and has never been convicted for any offences within the past five (5) years.

ECONOMIC AND INDUSTRY **REVIEW AND PROSPECTS**

The Economy

2017 in Review

The global economy continued to strengthen in 2017 following a notable rebound in global trade with the International Monetary Fund (IMF) reporting real Gross Domestic Product (GDP) growth at 3.8% (3.6% in 2016). This marked the fastest pace of global growth since 2011.The recovery in advanced economies together with the continued strong growth in emerging Asia became drivers of growth of the global economy. A modest upswing in commodity exporters after three years of weak performance was also important contributors to the pickup in global growth.

The Malaysian economy, accordingly entered a strong pace in 2017 with a robust growth of 5.9% (2016: 4.2%). This was driven by faster expansion in both private and public sector spending. A key highlight for the year was the rebound in gross exports growth as global demand strengthened due mainly to higher demand from major trading partners following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices. In addition, the strong growth momentum was also supported by a steady positive spillover from the external sector to the domestic economic activities.

The year 2017 was indeed a recovery year for the ringgit, whereby the ringgit had strengthened against the US dollar. The ringgit appreciated by 10.4% at end of the year at RM4.0620 against the US dollar after experiencing four consecutive years of depreciation. The stability of the ringgit was a manifestation of the effectiveness of the financial market development measures introduced by Bank Negara Malaysia in late 2016 and 2017.

2017

GLOBAL NON-LIFE PREMIUM
3.0%
GROWTH

NON-LIFE PREMIUM IN EMERGING MARKETS
6.0%
GROWTH

Prospects

Global economic growth in 2018 is expected to be on track with the IMF forecasting GDP growth of 3.9%. Helping to drive this output acceleration is faster growth in the Eurozone, Japan, China, and the United States, along with some recovery in commodity exporters. In addition, the Eurozone economies are set to narrow excess capacity with support from accommodative monetary policy while expansionary fiscal policy will drive the US economy above full employment. Aggregate growth in emerging markets and developing economies are projected to firm further, with continued strong growth in emerging Asia and Europe.

Amid the stronger global economic conditions, the Malaysian economy, meanwhile, is expected to grow at a firm pace of 5.5% to 6.0% in 2018 versus 5.9% in 2017. The strong growth momentum is expected to be supported by Private consumption, continued growth in employment and income, lower inflation and improving sentiments. Private investment growth is also expected to be sustained, underpinned by ongoing and new capital spending in both the manufacturing and services sectors supported by positive business sentiments. Since the historic 14th General Election on May 9, 2018, the Malaysian financial market has been volatile. However, we opined that the market would gradually stabilise once the government policies are firmly in place. The government has also announced the abolishment of the Good and Service Tax (GST) effective June 1, 2018 and the country will revert to the Sales and Services Tax (SST) later in the year. We are of the view that the abolishment will boost domestic demand and consumption spending in the country.

The Insurance Industry

2017 in Review

Global non-life premium growth had improved moderately by 3.0% in real terms in 2017 (2.3% in 2016) due to stronger economic growth. The underwriting conditions have continued to remain soft, particularly in commercial insurance. A string of large natural catastrophic events in the second half of 2017 had resulted in significant losses in the Property and Causalities reinsurance sector. The large losses are expected to lead to notable rate hardening in affected portfolios. In the advanced markets, there has been positive premium momentum in 2017 whereby the real premiums have grown by about 2.0% in 2017, up slightly from 1.5% in 2016. Meanwhile, non-life premiums in the emerging markets steadily grew by 6.0% over the same period (5.3% in 2016), driven by double-digit growth in the largest markets, China and India.

The reinsurance industry continued to face excess capacity as supply of both traditional and alternative capital increased during the year. Global reinsurance capital rose to an estimated USD605 billion in 2017. In terms of profit, the overall profitability in 2017 was down sharply from prior years due to soft underwriting conditions, low investment yields and high natural catastrophic losses in the US.

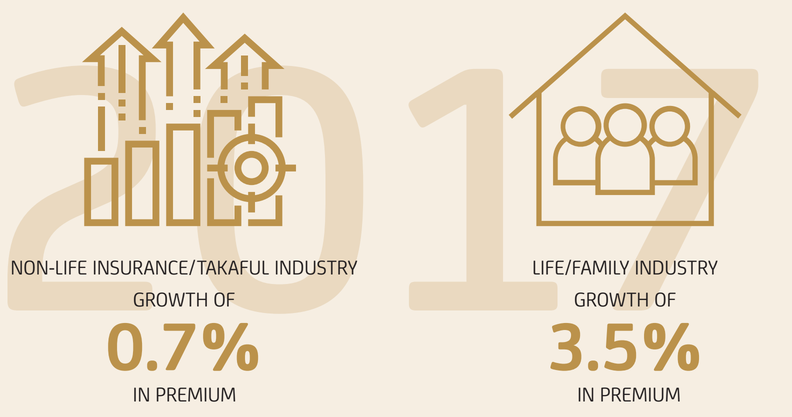
In Malaysia, the non-life insurance/takaful industry recorded gross written premiums totaling RM20.2 billion in 2017 with growth of 0.7% compared to 0.9% in 2016. The two largest classes of Motor and Fire insurance both registered positive growth but overall industry was weighed down by drops in Marine Aviation and Transit (MAT) as well as Personal Accident insurance. On the other hand, the life/family insurance industry registered an increase in premiums, led by a combination of traditional and investment linked products. New business, as measured by Annual Premium Equivalent, rose by 3.5% to RM7.4 billion.

Prospects

The general insurance and takaful premiums and contributions are predicted to stay flat due to competition and progressive impact of tariff liberalisation and moderate car demand. Following the announcement made by new government on the GST abolishment, we envisage the total industry volume vehicle sales could climb high this year amid improving consumer sentiment. However, with the reversion to SST, the prices of vehicles are expected to increase. This will impact the growth in the non-life insurance industry's gross written premium as the motor portfolio's contribution to the industry is around 47.1%. In the meantime, we also see the construction sector gripped by uncertainty following the review and cancellation of various projects which we foresee might give an impact to the Contractor's All Risks & Engineering portfolio.

On the other hand, the combined life insurance and family takaful sector is expected to depict healthy new business growth of 5%–6% this year. This will be supported by improving consumer awareness, a favorable demographic composition and measures to narrow the protection gap. The steady pace of economic expansion is also supportive of the sector's development amid an environment of wide-ranging reforms.

MALAYSIA



MANAGEMENT DISCUSSION **AND ANALYSIS**

MOHD DIN MERICAN
President & Group Chief Executive Officer

Dear Valued Shareholders,

The MNRB Group turned in an admirable performance for the financial year ended 31 March 2018 (FY2018) on the back of credible results by both our main subsidiaries, namely, Malaysian Reinsurance Berhad (Malaysian Re) and Takaful Ikhlas Berhad (Takaful IKHLAS). Leveraging on focused strategies and effective transformation plans, Malaysian Re and Takaful IKHLAS continued to deliver sound results that boosted the Group's overall performance. I am pleased to present to you an overview of the Group's businesses and growth strategies, the finer details of the year's financial and operational performance, as well as insights into our direction moving forward.

OUR BUSINESSES

The MNRB Group today encompasses Malaysian Re, the national reinsurer and Takaful IKHLAS, a leading takaful operator in the Malaysian market.

Malaysian Re currently sustains its dominance in the domestic market with 60% market share. It is also ASEAN's largest reinsurer by asset size and the second largest by gross premiums. During the financial year, Malaysian Re assimilated the family and general retakaful businesses of the Group's previous retakaful subsidiary, MNRB Retakaful Berhad (MRT) and now undertakes these under its Retakaful Division.

Serving more than two (2) million individuals and commercial enterprises, Takaful IKHLAS offers a comprehensive range of Family and General Takaful products. Leveraging on its wide distribution network comprising over five thousand (5,000) highly-trained agents as well as brokers, financial institutions, motor franchise holders and co-operatives, the Company continues to strengthen its ethical approach and reputation for excellent service delivery, whilst strictly adhering to Shariah principles.

Today, the MNRB Group operates its businesses from offices in Malaysia and in Dubai, the United Arab Emirates. The finer details of the Group and its key business entities can be found on pages 16 to 17 of this Annual Report within the "Corporate Disclosures" section.

MANAGEMENT DISCUSSION **AND ANALYSIS**

OUR VALUE-CREATING BUSINESS MODEL

BUSINESS PILLARS

The MNRB Group's business pillars today comprise the Reinsurance Pillar (made up of the Domestic and International Reinsurance businesses); the Takaful Pillar (consisting of the Family and General Takaful businesses); and the Retakaful Pillar (encompassing the Family and General Retakaful businesses).

The Group supports these pillars with our various business enablers that perform a variety of functions, such as information technology, human capital management, finance and risk management, amongst others.

OUR GROWTH DRIVERS

The Group has several growth drivers which are strategically blended and positioned to achieve the respective targets of our business pillars in Malaysia and overseas. These drivers include teams of talented and dedicated personnel, who are encouraged to think creatively and are empowered to act judiciously in their everyday dealings. On top of this, the strong brand equity of our main operating subsidiaries, coupled with our established operations, enable us to achieve top-of-mind recall for reinsurance and takaful products. In addition, by inculcating an enduring sense of community and environmental responsibility in all our operations, we endeavour to deliver tangible value to the communities in which we operate while actively seeking to minimise our impact on the environment.

OUR VALUE CREATION ACTIVITIES

The Group continues to create value in a variety of ways for its business and stakeholders. For FY2018, the Group turned in a net profit of RM140.9 million generated from a stable revenue of RM2.5 billion. We also ensured robust balance sheet management and built a solid business profile, the financial strength of which was reaffirmed by leading international rating agencies. Over the course of FY2018, Malaysian Re was accorded positive ratings by A.M. Best and Fitch Ratings, thereby reaffirming the Company's healthy financial standing. Today, the Company continues to exhibit robust risk-adjusted capitalisation which is complemented by low underwriting leverage and prudent investment portfolio.

For the Group's workforce, we continue to develop exciting career paths and implement systematic professional development, while according our people competitive remuneration and benefits. We continue to build enduring relationships with our customers by enabling convenient and easy access to innovative takaful and reinsurance products and services. We cooperate with regulators and support the financial markets by undertaking responsible development of the insurance and takaful industries. We continue to enrich communities by providing them support for economic growth, meeting their risk and insurance needs, as well as caring for societal and environmental wellbeing.

> Sustainable long-term business growth is a key strategic imperative at MNRB. To this end, the Group is committed to prudent business expansion domestically and in selected overseas markets. We work closely with clients to bolster economic growth and undertake diversification to weather headwinds, orchestrating smooth strategy implementation across subsidiaries and business units, whilst maintaining strict oversight to ensure effective progress. At the same time, we press towards achieving profitability levels that are consistent with our risk appetite, while taking into consideration regulatory and competitive challenges in the operating environment.

THE GROUP'S STRATEGIC PRIORITIES

As part of the Group's aim to achieve sustainable long-term growth, we have identified several strategic priorities to guide us in our day-to-day activities and help us maintain a steadfast growth momentum.

Sustainable long-term business growth is a key strategic imperative at MNRB. To this end, the Group is committed to prudent business expansion domestically and in selected overseas markets. We work closely with clients to bolster economic growth and undertake diversification to weather headwinds, orchestrating smooth strategy implementation across subsidiaries and business units, whilst maintaining strict oversight to ensure effective progress. At the same time, we press towards achieving profitability levels that are consistent with our risk appetite, while taking into consideration regulatory and competitive challenges in the operating environment.

Our clients are our main focus and we are committed to meeting their needs in a timely and consistent manner. To serve them more effectively, an in-depth understanding of client requirements, circumstances and desired outcomes is required. To this end, we tap into technological innovation to boost our ability to understand and respond to fast-changing client demands. We also continually promote a "customer first" culture throughout the Group which upholds market integrity as well as ethical and fair conduct. We also regularly assess the technical capabilities and skills of our customer-facing teams as well as promote learning and development to upgrade their competencies.

To be of value to our clients and to drive business growth, we must have talented people in place to skilfully implement the Group's strategies. As such, we are actively seeking competent and dedicated personnel who can embody our corporate values and maximise the delivery of value to our diverse stakeholders. To support this, we maintain an optimised talent pool with the appropriate skills and experience to translate strategies into actions on the ground. We engage and empower our staff with the right tools and processes to respond effectively and efficiently to evolving client demands and methods of operation. At the same time, we promote a Group-wide appreciation for ethics and effective risk management.

Responsible responses to regulatory requirements are crucial for our business and the Group works closely with industry regulators to ensure full compliance with increasingly stringent regulations. In support of this, we promote a Group-wide culture of compliance with regulatory requirements, as well as set our sights on enhancing process flows to encourage timely and effective responses to changes in the regulatory environment.

To ensure we maintain our competitive edge, we maximise the application of Information Technology (IT). This sees us investing in IT platforms that serve both as conduits for transactions with our clients and also as a critical competitive advantage as digitisation rapidly defines our industry. Our IT mandate sees us maintaining stringent oversight of our online transaction systems and presence to minimise the potential of cyberattacks and criminal exploitation. We devise critical response plans and solicit professional assistance if necessary to respond to criminal exploitation or cyberattacks should they take place. We also put in place top-notch IT infrastructure and systems, including security infrastructure to ensure that servers holding customer and client data are secured against unauthorised physical and digital access, whilst prioritising customer and client confidentiality.

To future-proof ourselves and remain at the forefront of our industry, we continue to embrace innovation and disruptive ideas. Acknowledging that we must continually embrace new ideas to gain a competitive advantage while improving value creation, we encourage our teams to assimilate change and adopt innovation throughout the Group. At the same time, we implement a Group-wide culture that promotes out-of-the-box thinking to discover new and more effective ways to deliver value to our stakeholders.

As we implement these strategic imperatives, build upon our successes and learn from any shortcomings, we are confident of attaining our goal of sustainable long-term growth and realising good shareholder value.

MANAGEMENT DISCUSSION **AND ANALYSIS**

GROUP AND SEGMENTAL PERFORMANCE FY2018

The Group turned in a robust performance for the financial year ended 31 March 2018, registering an impressive 94.6% jump in its Group profit before tax to RM192.5 million from RM98.9 million last year. Consequently, the Group's profit after tax increased 97.9% to RM140.9 million from RM71.2 million recorded previously. This came on the back of the sound performances of both our main operating subsidiaries, Malaysian Re and Takaful IKHLAS, following the effective implementation of their business strategies and transformation plans.

Despite the business rationalisation exercise undertaken by Malaysian Re, the Group managed to maintain its revenue base, turning in some RM2.5 billion in revenue for FY2018. Included in this revenue was investment income of RM247.9 million, which was higher by 8.5% in comparison to the RM228.5 million reported previously.

The Group's total assets increased 5.0% to RM7.9 billion from RM7.6 billion in FY2017. The Group's total net assets attributable to the Shareholders of the Company rose 8.3% to RM1,538.0 million from RM1,419.5 million previously, whilst the Group's earnings per share stood at 44.1 sen as at 31 March 2018, 59.8% higher as compared to 27.6 sen in the previous year.

Reinsurance Business

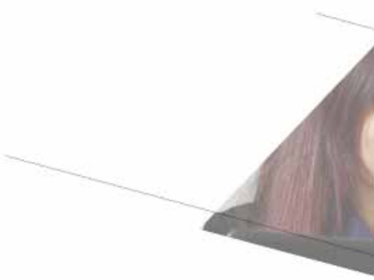
The year in review saw revenue for the reinsurance business under Malaysian Re remain almost flat at RM1,386.0 million from RM1,395.0 million previously. Almost parallel with the preceding year's Gross Written Premium (GWP), FY2018's GWP came on the back of an increase in domestic business and planned reduction in the international business. The reduction was brought about by a rationalisation exercise that saw a consolidation of businesses from selected territories after a stringent review of the profitability margins. Despite the slight reduction in revenue, Malaysian Re saw its net profit for FY2018 improve slightly by 4.6% to RM86.2 million from the RM82.4 million recorded previously. During the year, Malaysian Re registered improvements in its operating results, particularly its claims experience mainly due to the business consolidation activities carried out during the year.

Back in FY2016, Malaysian Re had suffered from an unprecedented number of large losses coupled with persistent soft pricing conditions. As such, the Company made some tough decisions and initiated a company-wide business transformation programme named Business Transformation 2020 (T20). Launched on 1 April 2017, T20 is today continuing to gain a steadfast momentum on the back of four strategic thrusts, namely portfolio optimisation; value-added services and strategic partnerships; product development and line specialisation; as well as operational excellence.

I am pleased to say that the effectiveness of the T20 initiatives were reflected in the Company's improved claims and combined ratios over FY2018, which ultimately translated into improved underwriting surplus and net profits. All in all, T20 enabled Malaysian Re to rationalise its overseas portfolio by terminating non-profitable businesses and increasing its participation in high-growth and profitable segments. In addition, Malaysian Re further refined its risk selection process using enhanced data analytics and strengthened the internal control measures for the businesses it underwrites.

Takaful Business

In FY2018, revenue for the takaful business decreased marginally by 4.4% to RM1,059.7 million from RM1,108.0 million in the preceding year. This was mainly due to the lower gross contributions received. Takaful IKHLAS saw its Gross Written Contribution (GWC) decline by 6.7% to RM926.2 million in comparison to a GWC of RM992.4 million in FY2017. By business segment, Takaful IKHLAS' Family business recorded a GWC of RM647.8 million, representing a 4.3% reduction as compared to FY2017's GWC of RM677.2 million, whilst its General business recorded a 11.7% GWC reduction of RM278.4 million in comparison to FY2017's RM315.2 million.



Takaful IKHLAS, however, saw its net profit rise by 539.5% to RM37.8 million in FY2018 as compared to a net loss of RM8.6 million for the same period last year. This was mainly due to higher wakalah fees received from both the Family and General Takaful businesses, partly due to the competitive repricing of its takaful products and improvement in claim ratios as well as lower management expenses as a result of effective cost containment initiatives that helped strengthen net profit.

Takaful IKHLAS' Agency Transformation Programme (ATP), introduced in 2013, continues to deliver encouraging results by way of a renewed Agency Force, higher Agency Productivity and improved Agency Activity Ratio. Through the ATP, Takaful IKHLAS had recorded an increase in the number of Leaders and recruited Agents which has led to sizeable growth in its new business portfolio. Today, Takaful IKHLAS continues to sustain its positive momentum and we envisage that the business will continue to flourish in FY2019.

Retakaful Business

On 1 December 2017, MNRB Retakaful Berhad (MRT) transferred its family retakaful and general retakaful businesses to Malaysian Re. As such, the retakaful business of the Group is now carried out by Malaysian Re's Retakaful Division which today complements its conventional reinsurance business operations by extending the shariah-compliant supply chain to both local and international takaful operators. The Retakaful Division operates on a leveraged model and is thus able to harness Malaysian Re's underwriting best practices which encompass, amongst others, sound pricing disciplines, accessibility to readily available actuarial assessments, robust data analytics as well as appropriate pricing models and tools.

Following this business transfer, MRT's Retakaful licence was surrendered to Bank Negara Malaysia (BNM) and as announced on 4 December 2017, MRT changed its name to Sinar Seroja Berhad. This transaction did not have any material effects on the earnings and net assets of MNRB for FY2018.

In FY2018, revenue for the Retakaful Division under Malaysian Re rose by 45.6% to touch RM42.1 million in comparison to RM28.9 million previously. This came on the back of several new businesses secured. As a result, gross contributions rose 51% to RM30.0 million from the RM8.0 million recorded in the previous year. Meanwhile, the retakaful business saw its net profit drop by 58.6% to RM4.6 million in FY2018, as compared to a net profit of RM11.0 million in FY2017. The higher profit in FY2017 was due to the partial writeback of a Qard impairment of RM12.0 million when the retakaful business was still under the ambit of MRT. Moreover, although contributions grew in FY2018, there would be a need to set aside contribution liaibilities for the unexpired portion of the risks following the Group's accounting policies.

MANAGEMENT DISCUSSION **AND ANALYSIS**

BUSINESS RISKS AND MITIGATION STRATEGIES

As the Group manages its existing businesses and explores new areas of opportunity, we acknowledge that we may be exposed to a multitude of risks that could have a material effect on our operations, performance, financial condition and liquidity. In line with Bursa Malaysia's disclosure requirements we spell out the key risks and the strategies to mitigate these risks on pages 182 to 215 of this Annual Report.

OUR STRATEGIES MOVING FORWARD

As the Group moves forward into a new financial year, our two main subsidiaries will work hard to implement strategies aimed at paving a pathway to tangible, sustainable growth.

We foresee that Malaysian Re's portfolio rebalancing will continue to provide positive results and a strong footing even as it navigates its way through an increasingly challenging business landscape. Guided by its T20 strategic imperatives, Malaysian Re will continue to bolster its value proposition to its clients through innovative products and services developed by its in-house talent and strategic partnerships. The Company will continue to explore various avenues for growth including focused expansion with preferred clients, whilst continuously maintaining underwriting discipline. It will also up its game as it explores distinct market segmentation, maintains domestic dominance and targets growth in primary markets abroad.

Malaysian Re will also look to sustain business optimisation by expanding its non-proportional portfolio, growing non-property lines and exiting non-performing programmes. It will continue to look for strategic partnerships for critical areas in the development and distribution of specialised and non-conventional products, as well as leverage on these partnerships for knowledge transfer and the development of Malaysian Re's talent. Finally, Malaysian Re will enhance its value-added offering to clients through delivering innovative products and solutions, undertaking risk engineering services, as well as conducting market seminars and training, among other things. On the operational front, the Company will work to improve operational excellence by strengthening its Enterprise Risk Management framework to make this more robust and relevant to its current needs.

Meanwhile, Takaful IKHLAS will continue to enhance its Agency force and explore opportunities for strategic partnerships beyond its traditional portfolio. On the General business front, the Company is set to venture into new market segments as well as undertake the selective segmentation of its business portfolio under the Motor and Fire De-tariffication (MFD) environment. Its aspiration to grow the Non-Motor segment will be driven by an enhanced team that is equipped with the right technical skills and capabilities. The Company is set to profitably grow its Motor Takaful business under the de-tariffed environment via partnerships with selected distributors. Apart from this, the Company will continue improving its renewal business for selected portfolios that generate profitable business.

On the Family business front, Takaful IKHLAS will focus on the initiatives under its ATP 2.0, namely a continued focus on developing a reinvigorated Agency Force as well as improving its Agency Productivity and Agency Activity Ratio. The Company will also focus on selectively growing its Employee Benefit (EB) Business, implementing a credit-related products re-pricing exercise, and introducing Banca advisory products to the market. Takaful IKHLAS is also set to expand its business and enhance operational excellence through the strengthening of its digital platforms.

In line with the requirements under the Islamic Financial Services Act, 2013 (IFSA), Takaful IKHLAS is at the final stages of splitting its composite license into separate Family and General takaful entities. The license splitting exercise will enable the Company to grow each line of business separately in a more focused and profitable manner.

As MNRB embraces FY2019, we remain cautiously optimistic about our performance. Barring any unforeseen circumstances, we anticipate that MNRB's businesses will turn in a sound performance in FY2019 through enforcing strict underwriting discipline as well as driving value through integration and a strong customer focus.

ACKNOWLEDGEMENTS

In closing, I wish to express my deep appreciation to our shareholders, customers, business partners, and the communities in which we operate for their continuing support and confidence in the MNRB Group.

My sincere gratitude goes to my fellow colleagues for their loyalty, diligence and resilience as reflected in the year's commendable performance. As we prepare to capitalise on opportunities and face the challenges of the coming year, let us remain laser-focused on executing our strategies and performing at an optimum level so that we achieve new heights of success.

I also wish to convey my heartfelt thanks to our Board of Directors for their worthy support and wise counsel which once again helped us navigate through the year's many challenges. We look forward to another profitable year.

MOHD DIN MERICAN
President & Group Chief Executive Officer
29 June 2018

CODE OF CONDUCT & BUSINESS ETHICS

The following Code of Conduct shall be strictly adhered to by all employees of MNRB Group. All employees are to ensure that their conduct complies with the spirit of this Code.

1. BASIC PRINCIPLE

An employee should conform strictly to the laws and regulations of Malaysia, as well as to accepted standards of business ethics, both locally and overseas, including those set out in this Code.

2. CONFLICT OF INTEREST

To avoid possible conflicts of interest and/or being imposed with a situation where an interest, benefit or right due to the Company has to be compromised, an employee may not either directly or indirectly become involved in any venture, business or dealing either on their own or in partnership or with some other person or persons, unless prior written approval has been obtained from the President & GCEO.

3. ILLEGAL GRATIFICATION AND CORRUPT PRACTICES

Solicitation and/or Acceptance of Corrupt Payments

An employee shall not solicit or accept gratification of any kind, be it in cash, gift or favour, either directly or indirectly or through another person or from any enterprise, in return for doing anything or refraining from doing anything relating to a business transaction between his principal and the enterprise.

Making Corrupt Payments

An employee shall not offer, give or promise any gratification of any kind, directly or indirectly, to any employee of an enterprise or agent thereof as a means of persuading that person to do or refrain from doing anything relating to a business transaction between his principal and the enterprise. In particular, this prohibition applies to dealings with Government Departments, Statutory Bodies and Agencies.

Commissions

An employee is not permitted to accept or pay commissions, or percentage of a commission as part of any payment arising from a commercial transaction other than to those legally entitled to such amounts.

4. GIFTS

It is appreciated that it is a common practice in Malaysia for firms having dealings with a company to send employees of that company gifts at festival times and at different occasions. This practice is not forbidden but such must be restricted to gifts of consumable goods (foods and drinks), flowers and other items of nominal value. The receipt of any other kind of gifts, directly or indirectly or the payment of bills incurred by an employee, by an enterprise having a business transaction, or any agent or any employee of such an enterprise, is strictly forbidden. If such gifts are offered, they must be refused on the grounds that they contravene Company regulations. It is the responsibility of an employee to obtain permission from his Head of Division if he is in doubt as to whether a gift can be accepted due to its value.

5. ENTERTAINMENT

The entertainment of an employee by a person or enterprise having a business transaction with the Company should be restricted to within reasonable bounds. Lavish entertainment which could influence an employee in the performance of his duties is strictly forbidden.

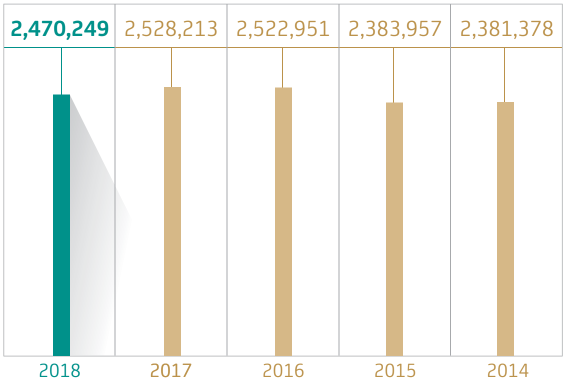
FIVE-YEAR **FINANCIAL HIGHLIGHTS**

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	**2,470,249**	2,528,213	2,522,951	2,383,957	2,381,378
Profit/(loss) before zakat and tax	**192,524**	98,928	(31,048)	190,705	214,728
Profit/(loss) after zakat and tax	**140,865**	71,170	(38,829)	139,148	155,986
Technical reserves	**4,841,692**	4,656,948	4,350,338	3,784,625	3,612,476
Total assets	**7,935,000**	7,556,580	7,107,720	6,477,236	6,136,512
Shareholders' fund	**1,538,001**	1,419,466	1,330,180	1,349,474	1,223,469
Share capital	**319,605**	319,605	213,070	213,070	213,070
Earnings/(loss) per share (sen)	**44.1***	27.6*	(18.2)	65.3	73.2
Net assets per share (RM)	**4.81***	4.44*	6.24	6.33	5.74
Profit/(loss) before zakat and tax to Shareholders' fund (%)	**12.52**	6.97	(2.30)	14.13	17.55
Profit/(loss) after zakat and tax to Shareholders' fund (%)	**9.16**	5.01	(2.92)	10.30	12.75

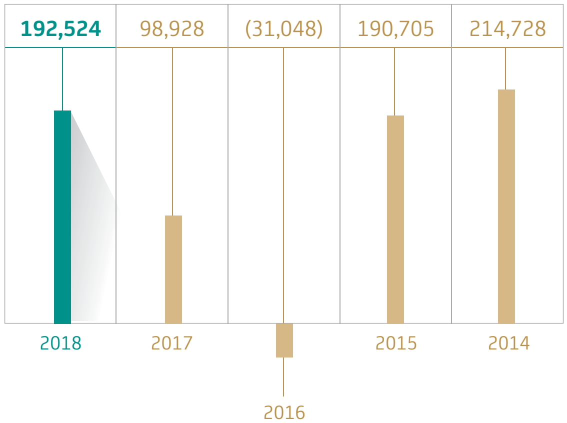
* on enlarged Share Capital persuant to a Bonus Issue exercise.

FIVE-YEAR **GROUP FINANCIAL SUMMARY**

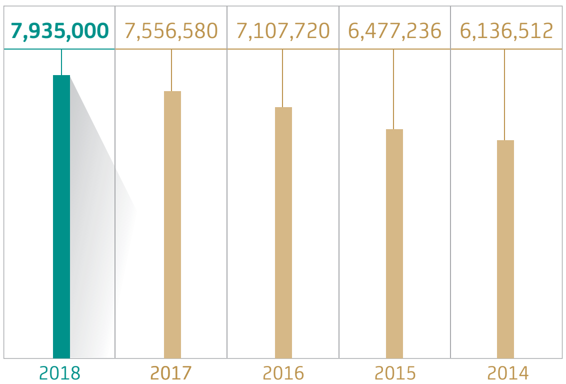
Revenue (RM'000)



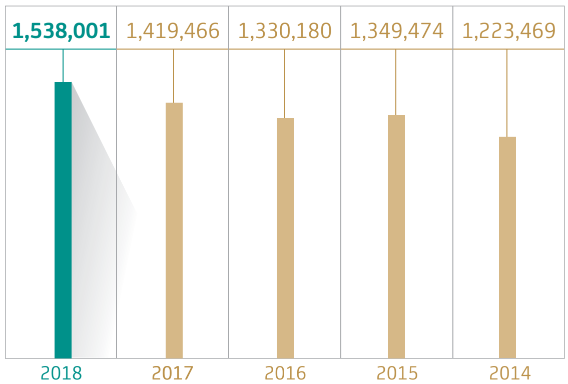
Profit/(loss) before zakat and tax (RM'000)



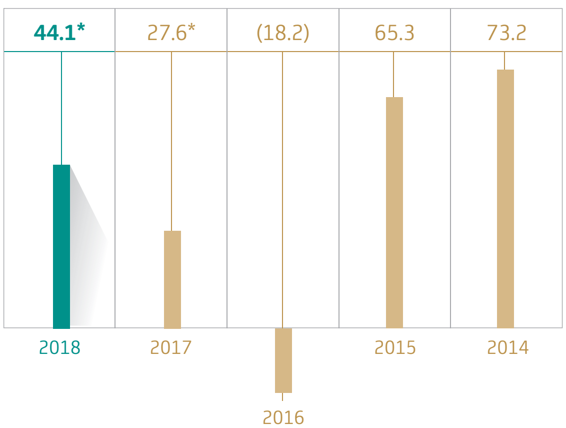
Total assets (RM'000)



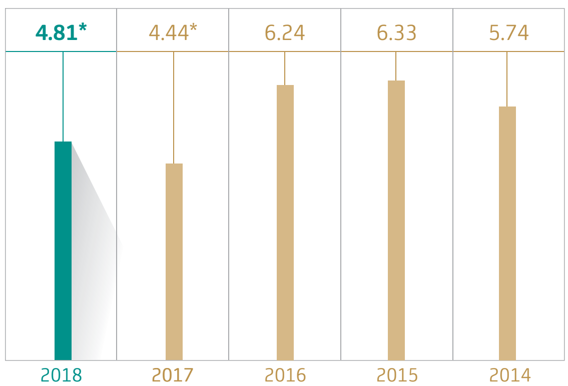
Shareholders' fund (RM'000)



Earnings/(loss) per share (sen)



Net assets per share (RM)

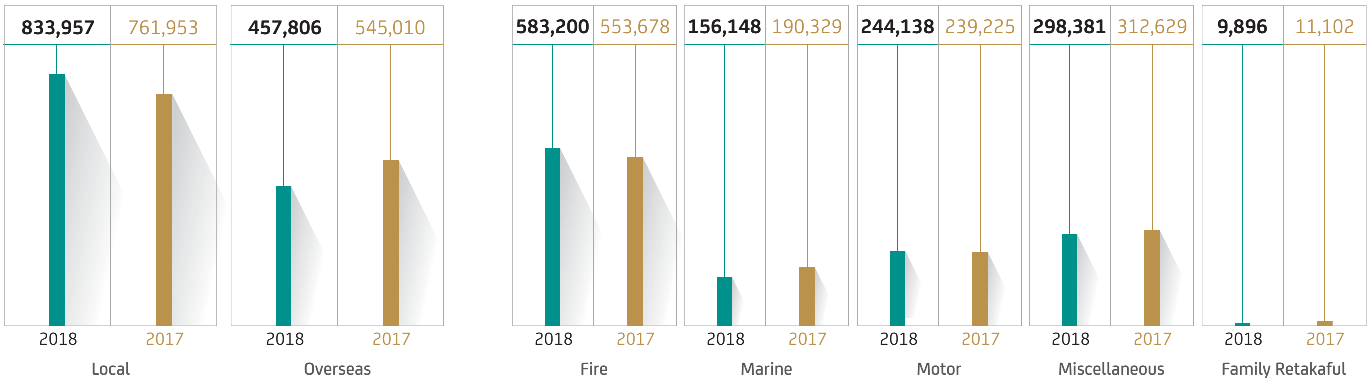


* on enlarged Share Capital persuant to a Bonus Issue exercise.

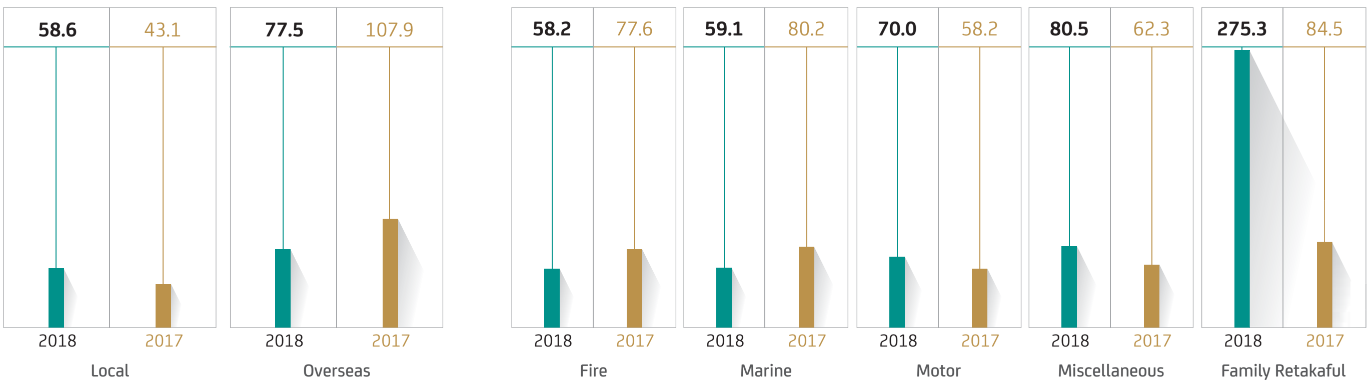
SEGMENTAL **ANALYSIS**

REINSURANCE/RETAKAFUL BUSINESS SEGMENTS

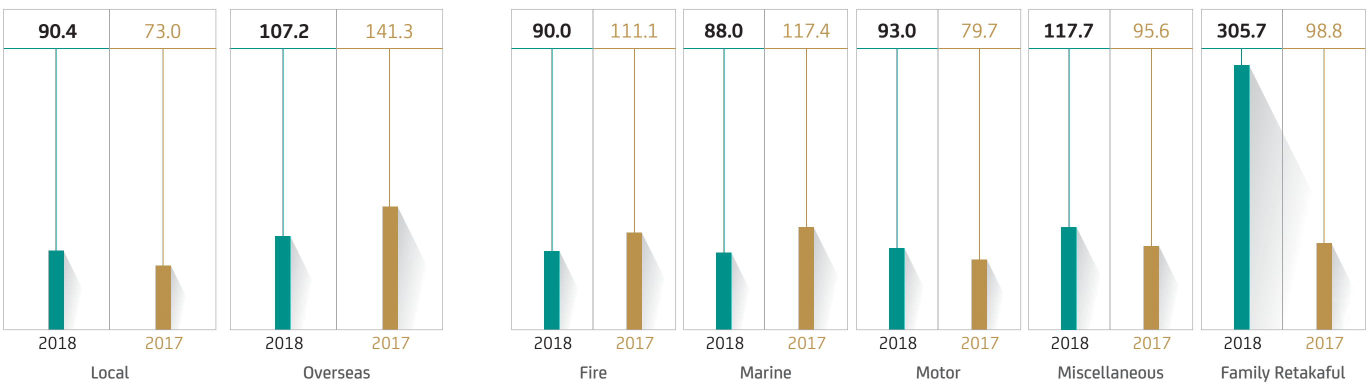
Gross Premiums/Contributions (RM'000)



Claims Ratio (%)

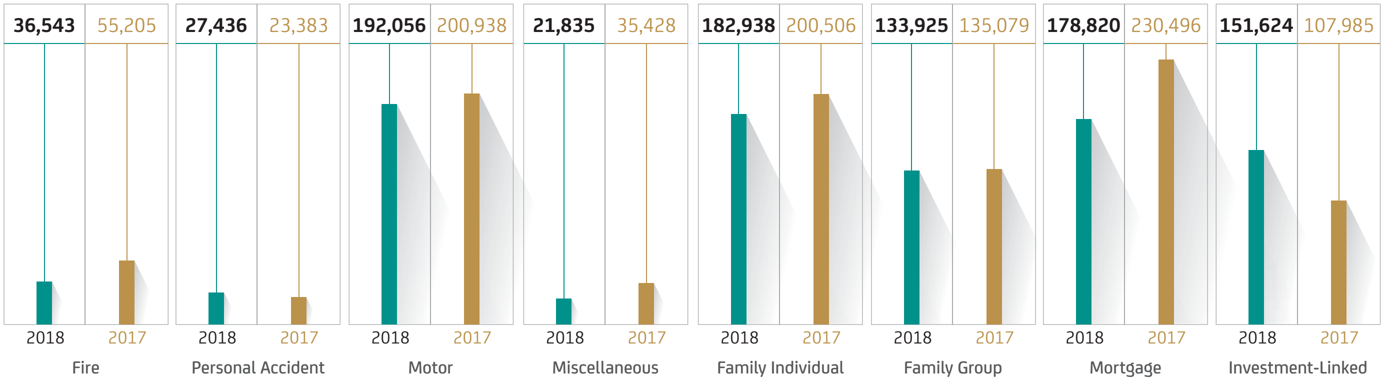


Combined Ratio (%)

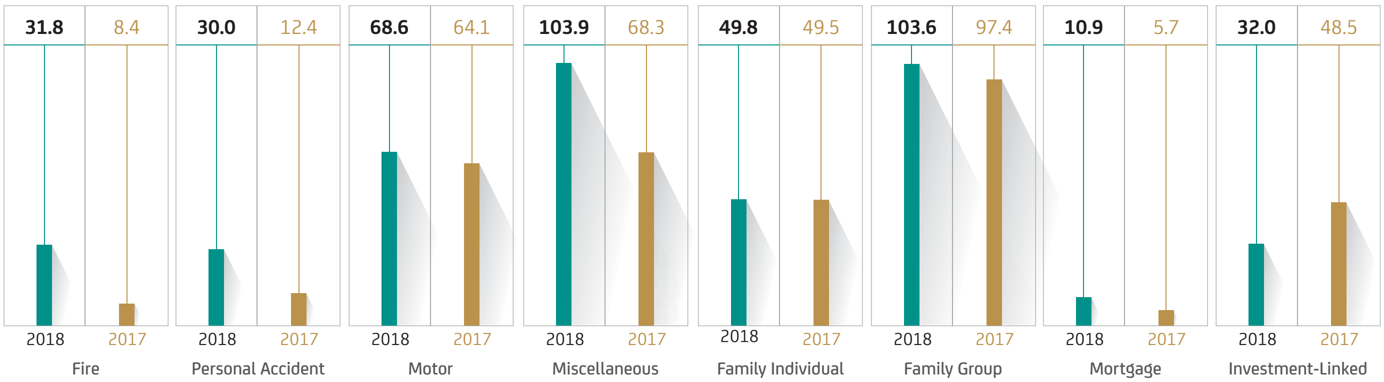


TAKAFUL BUSINESS SEGMENTS

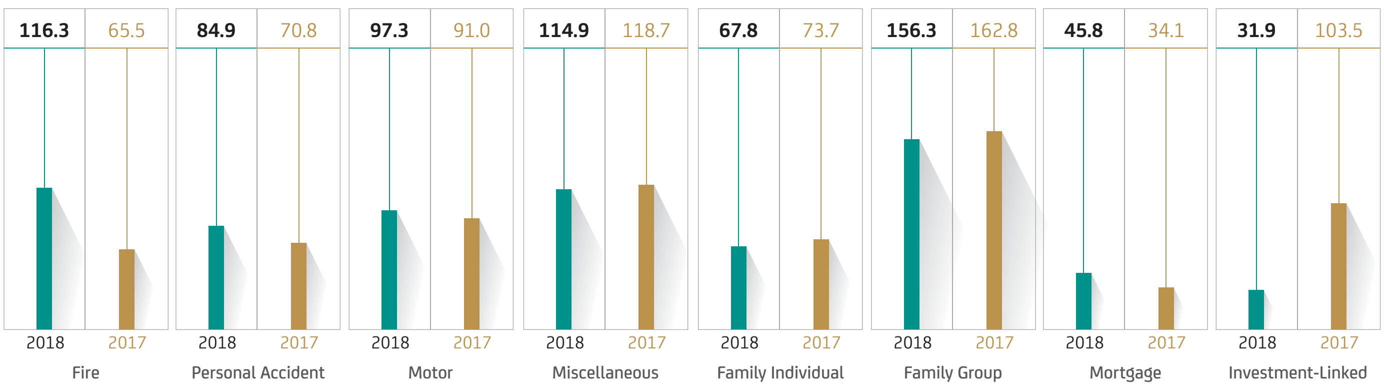
Gross Contributions (RM'000)



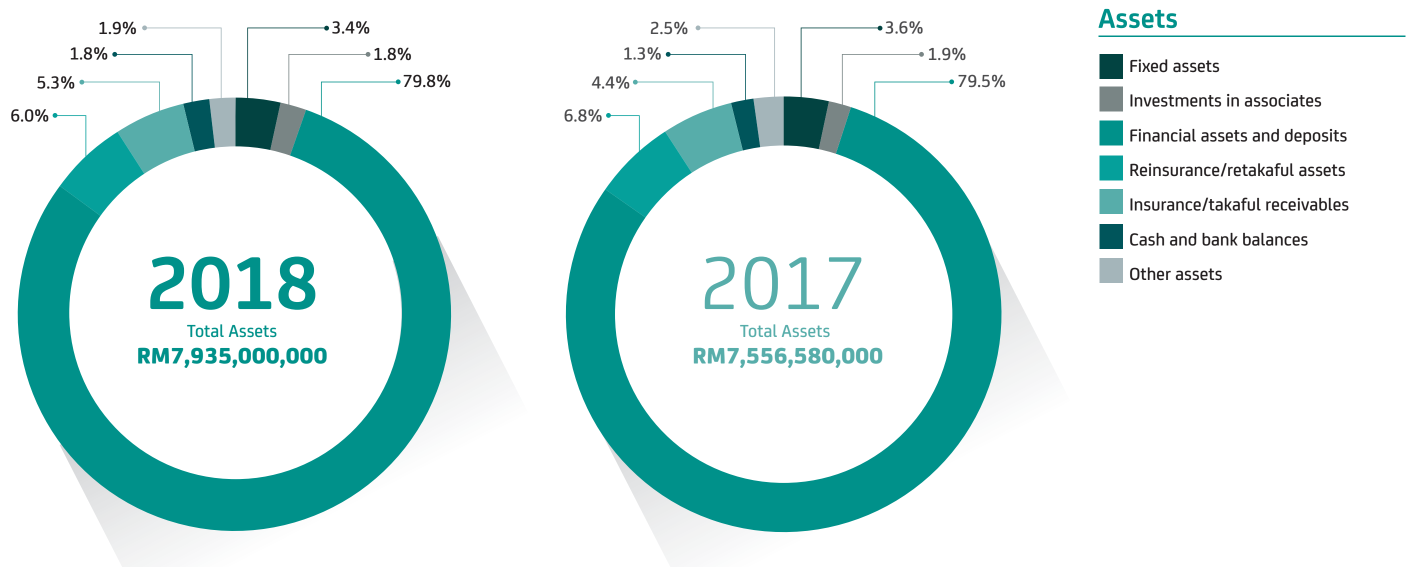
Claims Ratio (%)

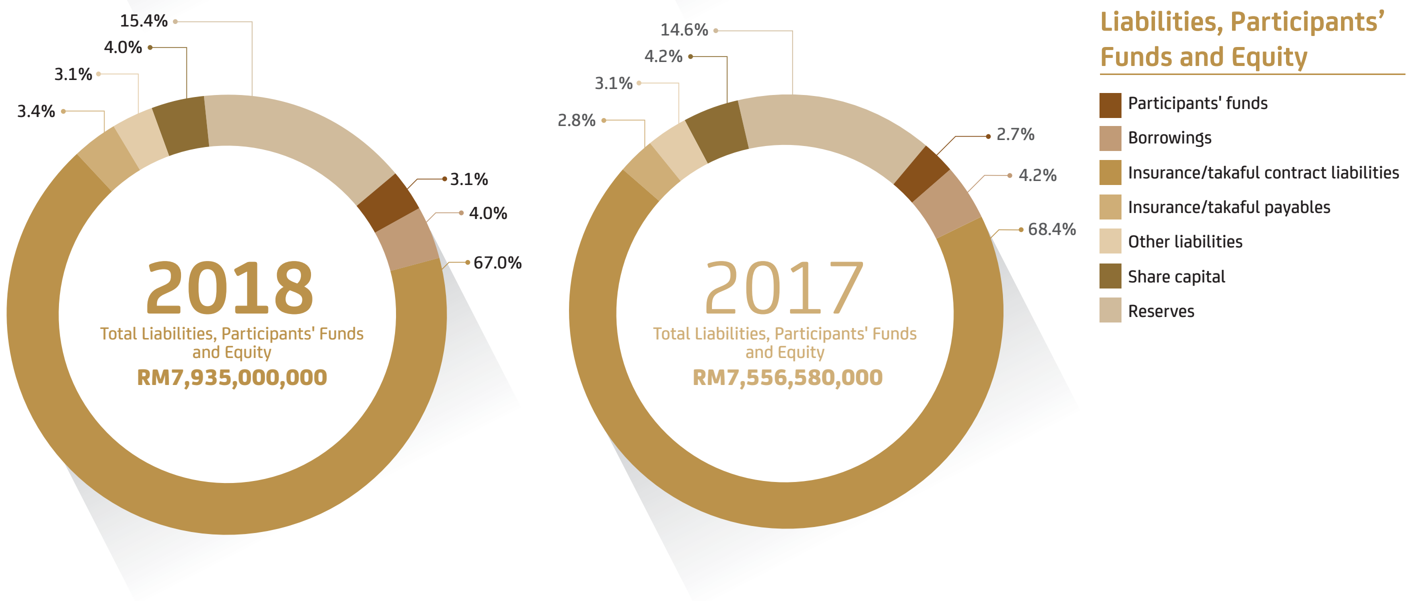


Combined Ratio (%)

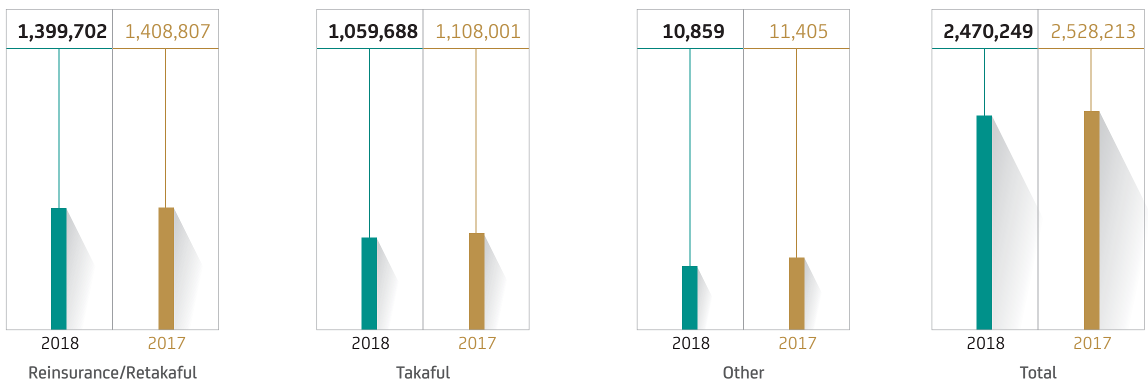


SIMPLIFIED GROUP STATEMENTS OF **FINANCIAL POSITION**



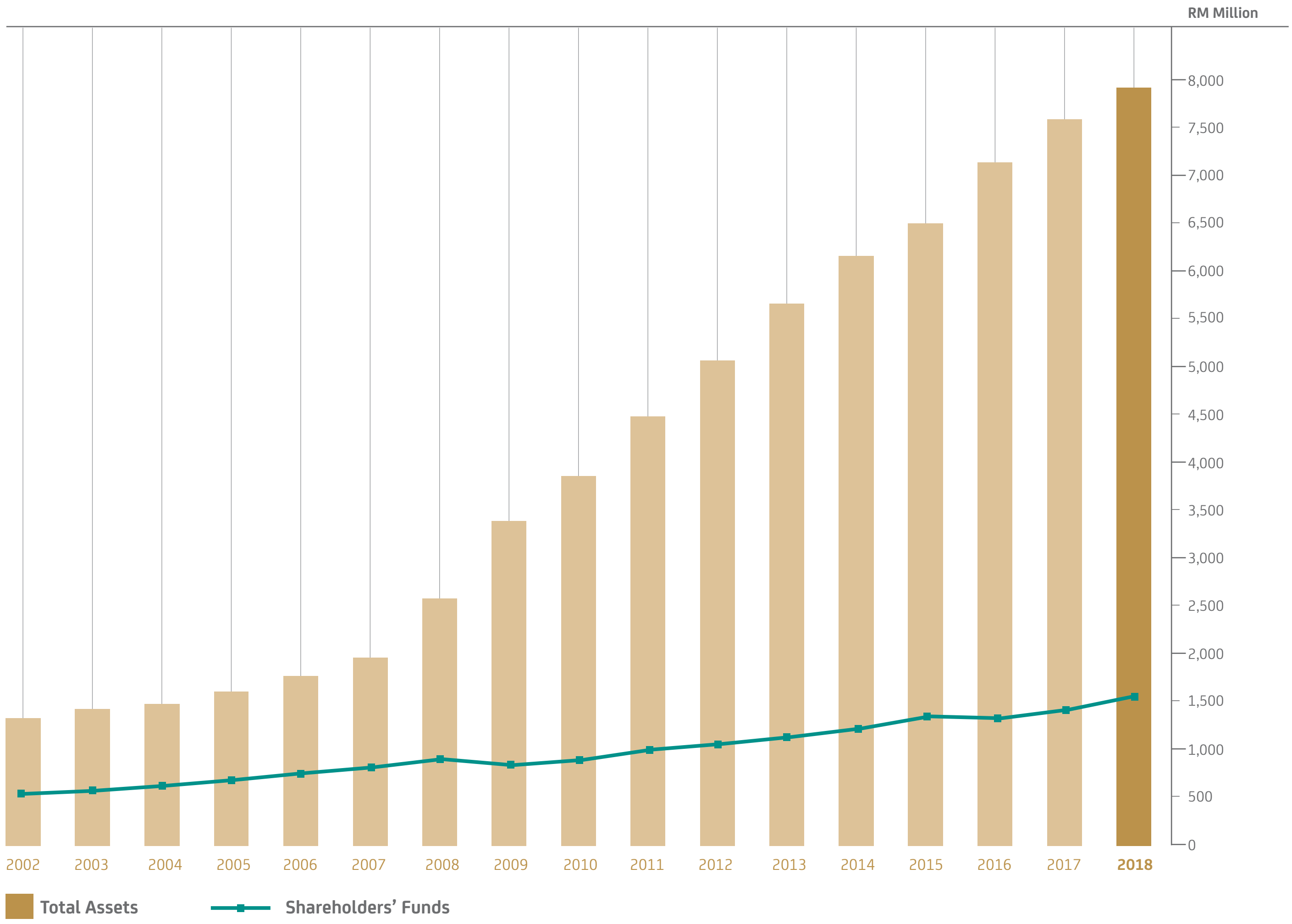


GROUP **OPERATING REVENUE**



GROUP's **GROWTH**

Year	Shareholders' Fund (RM'000)	Total Assets (RM'000)
2002	506,313	1,329,716
2003	564,609	1,427,390
2004	617,010	1,476,021
2005	677,039	1,607,197
2006	747,803	1,772,311
2007	808,477	1,963,036
2008	893,919	2,576,247
2009	835,646	3,378,919
2010	892,513	3,845,983
2011	998,715	4,467,967
2012	1,058,488	5,048,449
2013	1,131,944	5,642,265
2014	1,223,469	6,136,512
2015	1,349,474	6,477,236
2016	1,330,180	7,107,720
2017	1,419,466	7,556,580
2018	**1,538,001**	**7,935,000**



INVESTORS **INFORMATION**

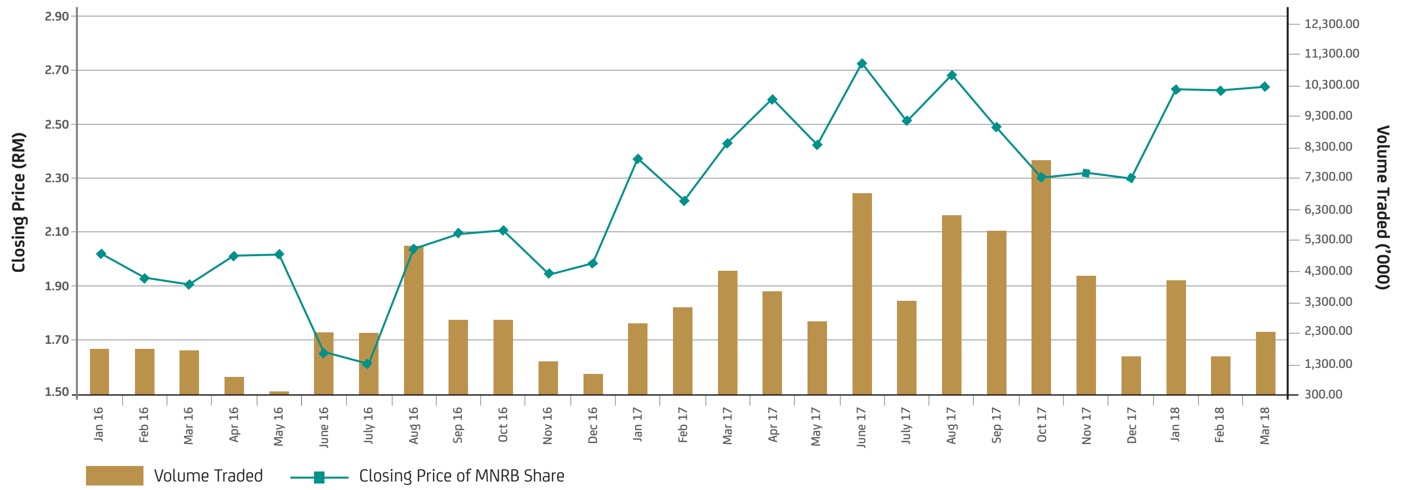
MNRB HOLDINGS BERHAD - Performance of Share

	1/4/17-31/3/18	1/4/16-31/3/17	1/4/15-31/3/16	1/4/14-31/3/15	1/4/13-31/3/14
Closing Price (RM)	**2.64**	2.43	2.86	3.58	3.72
Highest Price (RM)	**2.84**	2.50	4.18	4.90	4.24
Lowest Price (RM)	**2.19**	1.60	2.82	3.53	2.81
Total Volume Traded ('000)	**48,840**	28,315	20,247	31,178	63,856
Gross Dividend Yield (%)	**0.00**	0.00	0.00	0.00	4.44
Price Earning Ratio (x)	**5.99**	8.80	-	5.93	5.08

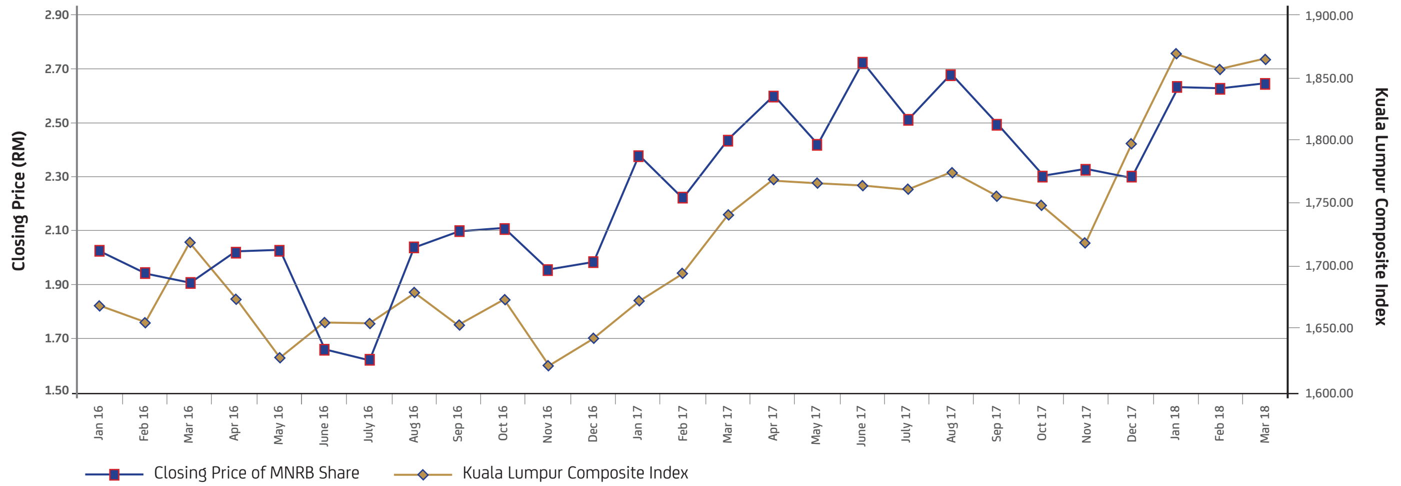
Source : Bloomberg @ 28/06/2018

SHARE PRICES AND VOLUME TRADED (JANUARY 2016 - MARCH 2018)

Counter : MNRB HOLDINGS BERHAD



PERFORMANCE OF SHARES (JANUARY 2016 - MARCH 2018)



FINANCIAL CALENDAR 2018

1st Quarter
30 June 2017

2nd Quarter
30 September 2017

3rd Quarter
31 December 2017

4th Quarter
31 March 2018

Quarterly results report as at

Date of Notice of AGM
31 July 2018

45th Annual General Meeting

AGM Date
13 September 2018

1st Quarter
23 August 2017

2nd Quarter
27 November 2017

3rd Quarter
28 February 2018

4th Quarter
30 May 2018

Quarterly results announcement date

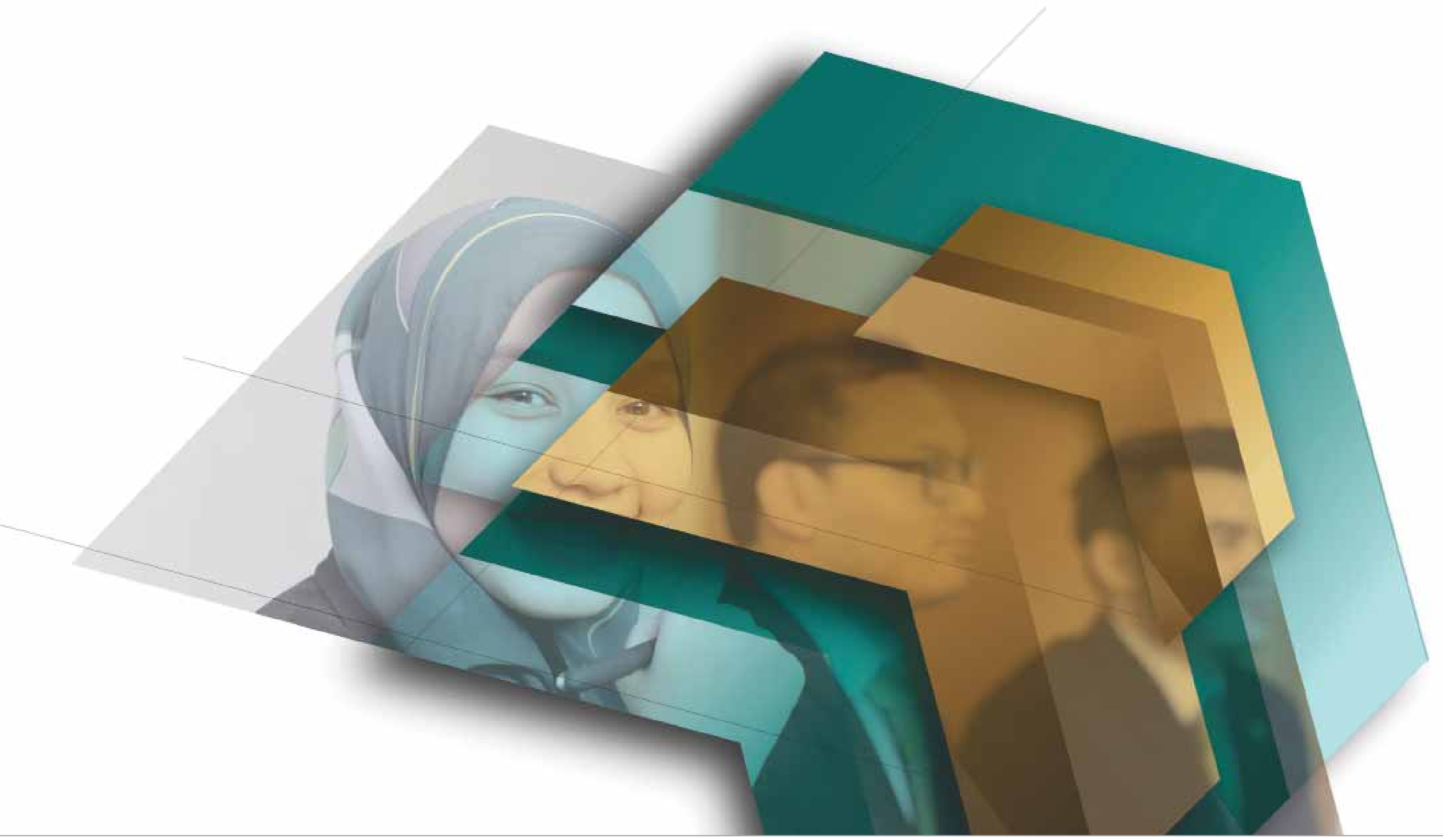
SUSTAINABILITY **STATEMENT**

ABOUT THIS STATEMENT

This inaugural Sustainability Statement (the Statement) serves as a channel for MNRB Holdings Berhad (MNRB) to communicate our sustainability initiatives, performance and achievements for the financial year ended 31 March 2018 (FY2018), unless otherwise stated. The Statement covers MNRB and the following three wholly-owned subsidiaries, located in Malaysia and Dubai (collectively referred to as the "MNRB Group" or "we" or "our"):

- **Malaysian Reinsurance Berhad (Malaysian Re);**
- **Takaful Ikhlas Berhad (Takaful IKHLAS); and**
- **Malaysian Re (Dubai) Ltd (MRDL).**

This Statement has been prepared in accordance with the Main Market Listing Requirements on Sustainability Reporting by Bursa Malaysia Securities Berhad (Bursa Malaysia). As this is our first step toward establishing a structured sustainability framework, our primary focus is to enhance the existing processes for sustainability management and reporting. These include ways to identify, assess, monitor and report on MNRB Group's sustainability performance.



OUR SUSTAINABILITY JOURNEY AND HOW WE CREATE VALUE

We play a major role as the national reinsurer and leading takaful operator in contributing towards economic stability in markets we operate in. We do this by providing financial relief in the event of the happening of unfortunate fortuitous events. In addition to providing financial relief, the MNRB Group has, over the years, undertaken many initiatives to continuously contribute towards the development of the industry and the community as part of our economic, environmental and social (EES) contribution.

Diagram 1 below illustrates MNRB Group's sustainability journey and our contribution to the growth of the industry.

The Journey Begins

1973 - 1990

- Established as the country's national reinsurer
- Established the Technical Services Department, Inspection Department and Rating Committee to enhance our role as the national reinsurer
- Commenced underwriting international business and reciprocal exchange

Cementing Our Status as the Reinsurer of Choice in Malaysia

1991 - 2001

- Appointed as Administration Manager of Malaysian Motor Insurance Pool (MMIP)
- Hosted & organised the 13th General Meeting of the Federation of Afro–Asian Insurers and Reinsurers (F.A.I.R) – attended by over three hundred and fifty (350) participants
- Appointed to manage the Scheme for Insurance of Large and Specialised Risks
- Appointed as Manager for the Malaysian Energy Risks Consortium
- Listed on the main market of Bursa Malaysia Securities Berhad
- Set up Central Administration Bureau (CAB) to administer facultative reinsurance transactions among insurers and reinsurers operating in Malaysia
- Appointed as Manager of the Malaysian Aviation Pool
- Launched MNRB Scholarship Fund

Accelerating the Momentum of the Local Reinsurance Industry and Putting Malaysia on the Global Map

2002 - 2014

- Commenced operations as a takaful operator
- Established MMIP Services Sdn Bhd to oversee the administration of MMIP
- Commenced operations as the first retakaful operator in Malaysia
- Hosted & organised the 21st F.A.I.R Conference – attended by over six hundred (600) participants
- Obtained and reaffirmed "Excellent" rating, by A.M. Best and Fitch Ratings
- Recognised at the national and international levels for the provision of products and services

The Journey Continues – Strengthening Market Positions

2015 and way forward

- Launched iSmart for Takaful IKHLAS to facilitate agency workforce affairs
- Developed strategic partnerships & collaborations to provide specialised products and services
- Organised various technical training programme for industry professionals
- Published "ASEAN Insurance Pulse 2017", in partnership with an international research institution
- Continuous initiatives to reaffirm an "Excellent" rating, by A.M. Best and Fitch Ratings
- Continuous initiatives to be recognised at the national and international levels for the provision of products and services

Diagram 1: Our sustainability journey

SUSTAINABILITY **STATEMENT**

As we strive to strengthen our business strategies by embedding EES related considerations, we also took into consideration the United Nations Sustainable Development Goals (SDGs) and the Eleventh Malaysia Plan (11MP). The SDGs, also known as the global sustainability goals, came into effect in January 2016. The SDGs consists of seventeen (17) goals related to sustainable economic growth, social justice and environmental preservation. Locally, Malaysia has rolled out the 11MP, a national agenda to operationalise the SDGs.

OUR BUSINESS INPUTS

Financial capital
Funds obtained from equity holders and through financing and/or generated via investment and operations

Intellectual/technological software
Intellectual/technological infrastructures such as stress test and pricing model to enhance the efficiency and effectiveness of capital allocation

Skilled talent
Skilled talent from various backgrounds and experiences

Relationship with stakeholders
Relationship with stakeholders such as employees, regulators, agents, clients and industry players

SUSTAINABILITY AS A KEY ENABLER FOR MNRB GROUP TO BECOME A KEY PLAYER IN REINSURANCE AND TAKAFUL INDUSTRIES

United Nations Sustainable Development Goals (SDGs)

Diagram 2: How we create value through sustainability

As illustrated in Diagram 2 below, our approach to achieving sustainable business is through allocating our capital in various forms (e.g. financial capital, intellectual/technological capital and human capital) into our business operations to create value for various stakeholder groups. Throughout this Statement, icons representing the relevant SDGs and Strategic Thrusts of the 11MP will identify the MNRB Group's intrinsic connection with the sustainability matters being discussed in the respective sections of this Statement.

OUR BUSINESS OUTPUTS/VALUE CREATED

Embracing sustainable future

1 NO POVERTY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 3 GOOD HEALTH AND WELL-BEING | 11 SUSTAINABLE CITIES AND COMMUNITIES | 5 GENDER EQUALITY | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 8 DECENT WORK AND ECONOMIC GROWTH | 17 PARTNERSHIPS FOR THE GOALS

Having business dealings with all conventional general insurance companies and a majority of general Takaful operators in the local market

Understanding clients' expectations and maintaining credibility of our products and services

Upholding corporate governance practices across the MNRB Group

Strengthening our IT systems and protection of confidential information belonging to our stakeholders

Providing specialised products and services for various segments of the market

Applying technological innovation to enhance process efficiency and support comprehensive business analysis

1 Enhancing inclusiveness towards an equitable society | 2 Improving wellbeing for all | 5 Strengthening infrastructure to support economic expansion | 6 Re-engineering economic growth for greater prosperity

Empowering our people

3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

Local talent hired
99.9%

Employee Engagement Index
79%

Employee turnover rate
Decreased across all operating entities

Training to uplift the capabilities of talent

1 Enhancing inclusiveness towards an equitable society | 2 Improving wellbeing for all | 3 Accelerating human capital development for advance nation

Enriching our community

4 QUALITY EDUCATION | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION

Market Training Programmes
Create a skilled workforce specialised in reinsurance and takaful industries

Community Development Programmes
Improve well-being of local communities through provision of quality education and human capital development, including Scholarship Fund

Environmental Management
Strive to reduce environmental impact created from our business operations

1 Enhancing inclusiveness towards an equitable society | 2 Improving wellbeing for all | 3 Accelerating human capital development for advance nation | 4 Pursuing green growth for sustainability and resilience

13 CLIMATE ACTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

11th Malaysia Plan (11MP)

1 Enhancing inclusiveness towards an equitable society | 2 Improving wellbeing for all | 3 Accelerating human capital development for advance nation | 4 Pursuing green growth for sustainability and resilience | 5 Strengthening infrastructure to support economic expansion | 6 Re-engineering economic growth for greater prosperity

SUSTAINABILITY **STATEMENT**

OUR SUSTAINABILITY GOVERNANCE: SUSTAINABILITY ON THE AGENDA

We believe a successful organisation stems from a robust governance framework, driven by a committed Board. In our effort to embed sustainability into our business operations and corporate culture, we have established a sustainability governance structure with the roles and responsibilities detailed in Diagram 3 below:

Board of Directors (Board)	Set the overall corporate strategy including policies and performance monitoring systems, whilst integrating sustainability considerations into key business decisions, taking into account EES impacts in relation to the MNRB Group's business operations
Risk Management Committee of the Board (RMCB)	Monitor the implementation of strategies and oversee the process of identification, monitoring and management of sustainability matters
Operational Risk Management Committee (ORMC)	Oversee the delegation of duties by RMCB in relation to the implementation of strategies and overall management of sustainability matters
Sustainability Working Group (SWG)	• Identify, prioritise and recommend sustainability matters that are material to the MNRB Group • Ensure that sustainability disclosures and reporting processes applied across the MNRB Group meet relevant regulatory requirements • Monitor and provide progress updates on the MNRB Group's sustainability performance, based on sustainability strategies set by the Board and as supervised by RMCB and ORMC

Diagram 3: Sustainability Governance Structure

OUR STAKEHOLDERS: FILLING THE EXPECTATION GAP

We consistently communicate with our stakeholders to address issues that are important to our business and operating environment. As we actively listen to their concerns, we better understand and identify new opportunities for collaboration and areas for improvement. For this reporting year, we have implemented a structured Stakeholder Prioritisation exercise to identify our stakeholders based on their level of influence and dependence over MNRB Group's operations. Diagram 4 below illustrates the outcome of the Stakeholder Prioritisation exercise.

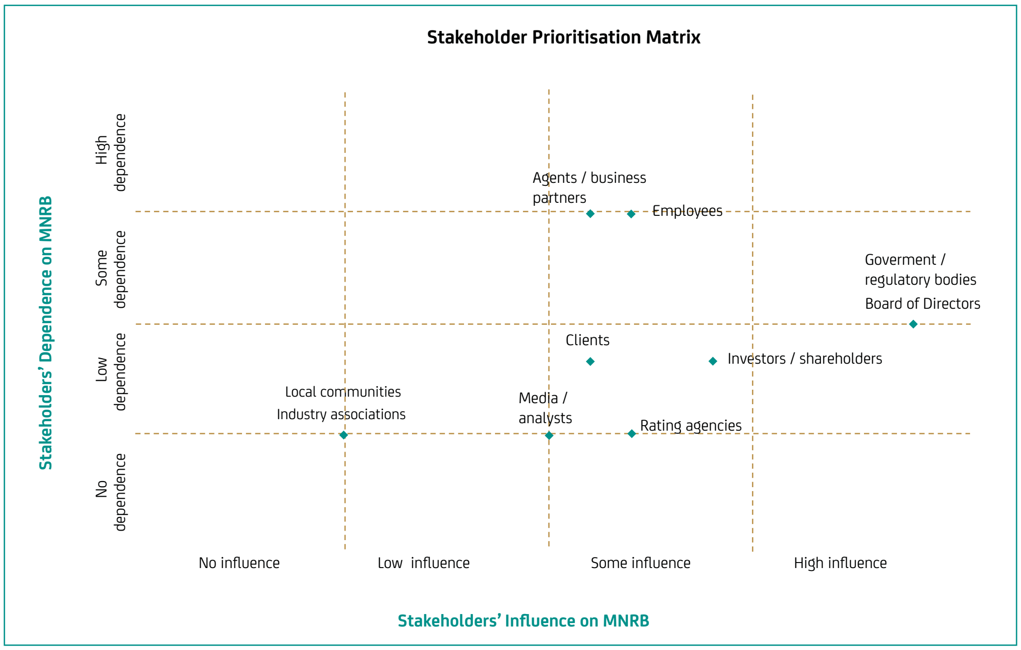


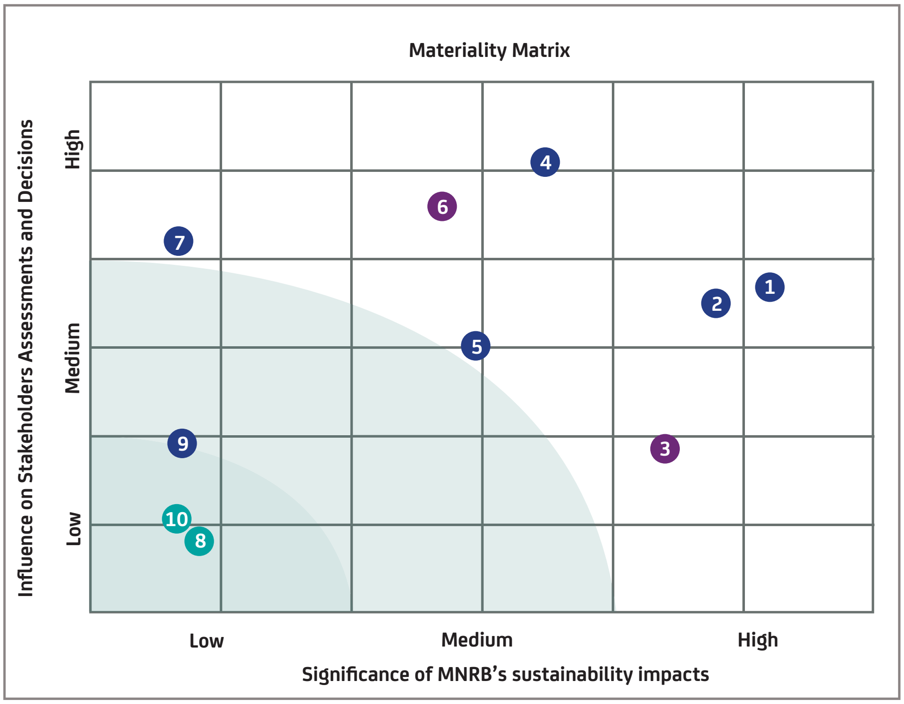
Diagram 4: Stakeholder Prioritisation Matrix

MATERIALITY ASSESSMENT: FINDING THE CONNECTION BETWEEN BUSINESS & SUSTAINABILITY

Following the Stakeholder Prioritisation exercise, we conducted a structured Materiality Assessment exercise to identify and assess the significance of sustainability matters to our business and stakeholder groups. The process begins with us developing a comprehensive list of sustainability matters relevant to our business by taking into account both internal and external factors, i.e. consideration of our operating environment and emerging global risks associated with the reinsurance and Takaful industries. We referred to several industry-specific publications such as the SDGs Industry Matrix for Financial Services and Global Reporting Initiative (GRI) Standards.

In addition to our existing stakeholder dialogue channels, we engaged with our key internal stakeholders, namely the Board and employees, through surveys to gauge their perception of the importance of the identified sustainability matters. We endeavour to expand our scope of engagement to external stakeholders in the coming years. This is followed by the Sustainability Risk Assessment exercise which covers representatives from Management across various business functions to determine the significance of each sustainability matter to the MNRB Group. We took into account the degree of impact and likelihood of occurrence of events associated with these sustainability matters. The outcome of our Materiality Assessment – Materiality Matrix is illustrated in Diagram 5 below.

Details of our initiatives geared towards managing these sustainability matters, are categorised across three main themes i.e. Embracing Sustainable Future, Empowering Our People, and Enriching Our Community. Efforts undertaken to manage these sustainability matters are discussed in the subsequent sections of this Statement.



No.	List of sustainability matters
1	Client satisfaction
2	Data privacy & security
3	Attractive & inclusive workplace
4	Business ethics & corporate governance
5	Business expansions & strategic partnership
6	Talent development
7	Responsible products & services
8	Community development
9	Responsible investment
10	Environmental management

Legend

Theme 1 : Embracing sustainable future
(refer to page 62 - 68)

Theme 2 : Empowering our people
(refer to page 68 - 73)

Theme 3 : Enriching our community
(refer to page 74 - 77)

Diagram 5: Materiality Matrix

SUSTAINABILITY **STATEMENT**

EMBRACING SUSTAINABLE FUTURE

We remain astute in responding to various emerging risks and have set strategies for further expansion of sustainable product offerings. We are continuously working towards embedding EES considerations in the development of our products and services, as well as investment decisions. Accompanied by our Underwriting Guidelines and Pricing Policy, our Group Enterprise Risk Management (ERM) Framework outlines a comprehensive process to identify, monitor and control risks to ensure that they are adequately managed. The key highlights of our initiatives are summarised below:

	Sustainability initiatives	Outputs	Value created for our business and stakeholders
Client Satisfaction (page 63)	• Retrocessions and Claims Department • Customer Relationship Management Department • Policies and procedures to engage and manage clients' expectations • Various communication channels to engage with clients • Clients complaint handling process	• Ongoing initiatives to attend to our clients' enquiries and concerns	• Understanding clients' needs by aiding them in building resilience to EES-related occurrences, such as climate change and health-related risks • Maintaining the credibility of our products and services at the global level and ultimately, strengthening our country's position on reinsurance and Takaful
Data Privacy & Security (page 63)	• Dedicated department to manage information technology (IT) related matters • IT related policies • Installation of IT infrastructures, controls over the access of highly confidential information, IT audits and IT penetration test	• Ongoing initiatives to strengthen our IT systems and protect confidential information belonging to our stakeholders	• Supporting local and global policies on cybersecurity governance
Business Ethics & Corporate Governance (page 64)	• Group Compliance Management Department, Compliance Review Committee, Shariah Department and Group Shariah Committee • Group Compliance Management Framework • Compliance reporting system	• Ongoing initiatives to instil corporate governance practices across the MNRB Group	• Developing effective, accountable and transparent principles at all levels within the MNRB Group
Business Expansions & Strategic Partnerships (page 64-65)	• Partnership with research institutions • Collaboration with various stakeholder groups such as regulators, industry players and industry associations	• Reach out to new clients from various community segments within Asia Pacific, Middle Eastern, and North African regions • Thought Leadership publications • Develop and enhance our products and services	• Developing and enhancing the level of technical expertise within the Malaysian reinsurance and Takaful industries • Developing innovative solutions to further close the gap between economic and insured losses • Developing practical solutions to expand social protection and affordable products for underserved groups
Responsible Products & Services (page 65-67)	• Risk assessment and mechanism to detect and report on emerging risks • Stress test model, data analytics and pricing system • Digitisation and automation of claims and underwriting processes • Easy-to-understand marketing material • Agency Transformation Programme	• Strong business analytics • Offer concise documentation and maintenance of claims in a more secured and organised database • Enhanced marketing materials • Improved agents' productivity	• Advancing the MNRB Group's operations, maximising process efficiency and facilitating effective agency workforce • Increasing social protection for specific segments of communities such as underserved communities, women, people with disabilities & foreign workers • Absorbing disaster shocks by minimising the economic impacts of catastrophes and accelerating economic reconstruction and recovery
Responsible Investment (page 68)	• Group Investment Management Committee (GIMC) • Investment screenings and assessments process • Compliance with Shariah requirements, where applicable	• Awareness on aspects relating to anti-money laundering and fraud • Avoid exposure to issuers involved in the gaming, alcohol and tobacco industries	• Promote social and environmental resilience through responsible investments to generate positive social and environmental impacts whilst achieving financial returns in parallel • Protecting the MNRB Group's and maintaining the credibility of its business activities

Legend:

• Group-wide • Takaful IKHLAS • Malaysian Re

1 NO POVERTY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 1 Enhancing inclusiveness towards an equitable society | 2 Improving wellbeing for all | 5 Strengthening infrastructure to support economic expansion | 6 Re-engineering economic growth for greater prosperity

CLIENT SATISFACTION

It is of utmost importance for us to maintain our clients' trust in our brand, products and services. Hence, clients' satisfaction is our top priority and we strive to maintain strong and long-term relationships with them.

At Malaysian Re, the Retrocessions and Claims Department is responsible to handle claims in a professional and expeditious manner. The Customer Relationship Management (CRM) Department in Takaful IKHLAS is the custodian of the Customer Service Charter. The Customer Service Charter serves as a key enabler to promote positive customer experience at every touchpoint. CRM has been actively involved in various projects such as the New Family Core System (i-Family) and the new Call Management System (CMS) to improve customer engagement. Online Customer Account (OCA) and face-to-face meetings are examples of communication channels to increase our touchpoints for client interactions.

Enquiries received from our clients touch upon areas such as turn-around time for claims processing and quality of agents' services. During the reporting year, we have undertaken relevant measures to improve these processes.

In the coming years, we intend to roll out our Client Satisfaction Survey. We also intend to undertake internal workshops to map our clients' journey. During the mapping exercise, participants – comprising members of various departments across the MNRB Group, step into our clients' shoes and go through specific processes to better understand the pain and delight points when dealing with us.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 2 Improving wellbeing for all

DATA PRIVACY & SECURITY

As our business is susceptible to cyber-risks, it is imperative for us to shore up our defences to ensure information security systems are well protected in accordance with all regulatory requirements. Relevant policies and procedures have been put in place to manage data transfer, access and connection in a responsible manner, as well as to keep our stakeholders' confidential information from being disclosed without consent. Our key initiatives in relation to managing data privacy and security are illustrated in Diagram 6 below.

Governance structure

Group Information and Communication Technology (ICT) Department

Responsibilities:

- Ensure compliance with the Personal Data Protection Act 2010
- Monitor adherence to requirements governing data privacy
- Assess cyber-related risks
- Manage the implementation of company-wide security policies & procedures

Group Information Technology Steering Committee

Responsibilities:

- Ensure effective implementation of IT plans in alignment with overall corporate strategies
- Define strategic priorities and oversee the implementation of related plans by monitoring and reviewing performance and progress
- Raise employees' awareness on information security
- Recommend IT policies & procedures including IT governance framework for Board's approval

Policies & procedures

- IT Security Policy
- Company Information Protection Policy
- Incident Reporting & Computer Incident Response Policy
- Mobile Devices & Mobile Computing Policy

Key measures

- Annual IT penetration testings to assess the vulnerability of our IT infrastructure
- Encryption exercise and core system database preventive maintenance to protect clients' data
- Annual IT audits to ensure compliance with internal information security related policies
- A dedicated system to monitor traffic in the MNRB Group's network and provide alerts for abnormalities and suspicious activities
- A software to filter emails and protect against spam, viruses and other cyber security threats
- Disaster Recovery Plan is established to keep the business operations up and running in the event of a disaster

Diagram 6: Key initiatives for managing data privacy and security

SUSTAINABILITY **STATEMENT**

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

2 Improving wellbeing for all

BUSINESS ETHICS & CORPORATE GOVERNANCE

An organisation's sustainable growth is built on effective and accountable principles. We foster an ethical culture through the implementation of policies and procedures anchored on MNRB Group Compliance Management Framework. Our Group Compliance Management Department (GCMD) and Compliance Review Committee are responsible to ensure internal controls are put in place to manage compliance risks, while our Shariah Department and Group Shariah Committee are responsible to ensure compliance with Shariah principles and requirements. Diagram 7 on the right illustrates our key initiatives in inculcating business ethics and corporate governance across the MNRB Group.

iCOMPLY Programme
Compliance, risk management and governance related talks, and other activities organised on a regular basis for all employees

Compliance Reporting Systems
Whistleblowing Hotline and Management Self-Identified Incident (MSII) e-Form

Compliance Portal
Internal compliance information pop-up messages/alerts via the intranet as part of our awareness initiative

Induction Training
Induction training include topics on compliance related matters and Anti-Money Laundering and Counter Financing of Terrorism (AMLCFT) for new employees

AMLCFT e-Learning
Conducted on an annual basis for all employees

Diagram 7: Key initiatives in inculcating business ethics and corporate governance

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

5 Strengthening infrastructure to support economic expansion

6 Re-engineering economic growth for greater prosperity

BUSINESS EXPANSION & STRATEGIC PARTNERSHIP

As part of a dynamic business ecosystem, we believe that multi-stakeholder partnerships and collaborations allow us to grow and stretch boundaries for the development and enhancement of our products and services. Strategic partnership with key regulatory bodies and associations will accelerate the growth of the reinsurance and Takaful sector.

Over the years, we continue our commitment to improve and enhance our products through effective partnerships. Diagram 8 below and in the next page illustrates our key collaborations and partnerships, as well as our contributions to the industry.

Our key collaborations/partnerships initiatives

The biggest Islamic cooperative bank in Malaysia

IKHLAS Takaful Gadai Janji – a home financing protection plan
13,156 applications with satisfactory responses

Government-owned Bank which finance the agricultural sector

Agro Nurani

Takaful protection plan specifically for people with disabilities, targeted to increase takaful penetration rates and designed to be affordable with convenient claim processes

Agro Mabrur-i

Easy-to-understand family Takaful plan aimed at low to middle income groups

National Union of Bank Employees (NUBE)

- NUBE Golden Retirement Scheme – A compulsory scheme requiring 100% participation by employees from banking institutions
- Assist Malaysians to increase their savings to support a comfortable retirement life
- May serve as supplemental retirement plan to employees' existing retirement plan

Zurich-based research agency

Development of ASEAN Insurance Pulse 2017
Exclusive partner of a research publication which takes on the perspective of thirty-five (35) senior executives in understanding what insurers, reinsurers and intermediaries expect from the integration of ASEAN countries into a single market by 2025.

Diagram 8: Our key collaborations and partnerships, as well as our contributions to the industry

Highlights of our other contributions to the local industry

Manager of the Malaysian Aviation Pool (MAP)

- Provide underwriting services and insurance quotations with respect to the general aviation business in Malaysia
- Retained about RM109 million of gross premium locally on the aviation business for the past twenty-one (21) years with a net return of about 8.43%
- In 2017, retained about 4% of the gross premium locally as pool members increased their combined underwriting capacity to RM1.39 billion from RM338 million

Secretariat to the Malaysian Energy Risks Consortium (MERIC)

- Develop underwriting skills specifically in the energy business within Asia Pacific, Middle Eastern and North African countries
- Promote sharing of underwriting knowledge and skill amongst members
- Retained about RM738 million of gross premium locally on the oil and gas business for the past twenty-two (22) years with a net return to members of around 20.8%
- In 2017, maintained 13% of gross premium locally on the oil and gas business while members increased their participation capacity to RM72.25 million from RM38.25 million

Secretariat to the Rating Committee

- Set fair rates for Fire and Industrial All Risks (IAR) Insurances
- Streamline and control premium charges and policy wordings to improve the quality of products and services at competitive prices
- Ensure all activities are carried out in compliance with the terms and provisions of various Inter Company Agreements on General Insurance Businesses (ICAGIB)

Manager of the Scheme for Insurance of Large & Specialised Risks (SILSR)

- Appointed as the Scheme Manager by Bank Negara Malaysia
- Develop and enhance the level of technical expertise and professionalism within the Malaysian insurance industry
- Facilitate favourable coverage at internationally competitive terms and promote optimum retention within the country

Inspection Department

- Monitor and report on the number of non-compliance or breaches amongst member companies of General Insurance Association of Malaysia (PIAM)
- Focus on three areas, i.e. dealing with agents, motor and fire tariff
- During the reporting year, the number of breaches committed by member companies has reduced by 40%

Central Administration Bureau (CAB)

- Facilitate efficient administration of underwriting accounting and claims
- Simplify settlements for Facultative & Coinsurance business
- No delay in month-end settlements throughout the years
- Brokers functionalities are incorporated in CAB Facultative System
- To date, no outstanding/unreconciled claim items

Diagram 8: Our key collaborations and partnerships, as well as contributions to the industry

RESPONSIBLE PRODUCTS & SERVICES

At Malaysian Re, we provide reinsurance solutions to our clients. Our risk analysis tool and early warning systems allow us to minimise the economic impact of catastrophes and indirectly, accelerate reconstruction and recovery. At Takaful IKHLAS, we take pride in promoting inclusivity and improving accessibility to our products and services amongst urban and non-urban communities.

SUSTAINABILITY **STATEMENT**

Capitalising on Internal Capabilities

The central function of the MNRB Group Risk Management Team is to conduct risk assessments on all aspects of risk exposures, as guided by our Group ERM Framework.

Early identification of risks would provide opportunities for us to reduce the likelihood and severity of the impact. We have a structured process which enables us to detect, investigate and assess emerging risks. These identified risks will be deliberated by Management regularly. For the purpose of early detection, stress tests are performed to demonstrate the effect of 'shocks' which correlate to major parameters such as new business volumes, investment environment, mortality patterns, and lapse rates based on global and local financial cycles. We make use of this approach to ascertain if we are financially flexible to cover adverse claims and absorb losses in real-world scenarios. It enables us to identify post-stressed Capital Adequacy Ratio (CAR) levels and propose action plans to reduce, mitigate and eliminate potential risks.

To extend our risk mitigation activities, we strengthen our data analytics and pricing system to support a robust business analysis process. The notable shift from rule-based to risk-based pricing supports a liberalised market where our products are tailored to the clients' risk profiles. Additionally, we conduct continuous in-house training and knowledge sharing programmes to enhance our employees' technical knowledge.

Staying Ahead of the Digital Curve

At the MNRB Group, the sheer amount of data and information we deal with on a day-to-day basis requires significant use of technology. The reinsurance business requires a significant amount of data and analytics. We, therefore, stress and prefer receiving data electronically as it not only makes analysis more efficient, but also reduces the usage of paper.

To optimise efficiency at Takaful IKHLAS, we utilise an i-POS system to digitalise consumers' backgrounds. The said system enables us to assess the cost of our policies, ease our underwriting process, provide up-to-date product information, monitor sales performance and reduce cases of fraud among claimants.

We are supported by an Electronics Claims Management system to analyse and organise complex data in claim reports. It offers concise documentation and maintenance of Takaful claims in a secured and organised database. We have also upgraded our SMART Underwriting system and i-SMART mobile application with new improved features such as payment gateways and credit card transactions to facilitate clients' payments.

APPLICATION OF TECHNOLOGICAL INNOVATION TO IMPROVE PROCESS EFFICIENCY

Point-of-Sales (i-POS) System
Provides direct linkage to quotation and sales illustrations, generates financial needs analysis and online underwriting and approval

SMART Underwriting System
A simulation tool allowing underwriters to calculate and capture potentially extreme events and the associated losses

i-Smart mobile application for Takaful IKHLAS
Manages Takaful IKHLAS' clients' records and documents in a paperless manner. In year 2017, we upgraded the system with new features, including payment gateways and credit card transactions to benefit clients and facilitate clients' payments

Electronics Claims Management System
An initiative to digitalise claim management processes

Bridging the Protection Gap

Malaysian Re offers traditional as well as structured reinsurance solutions to clients. In addition, we provide training for our clients on technical aspects of the products or services. To complement Malaysian Re's conventional reinsurance business, we also provide Retakaful solutions for both local and international general Takaful operators.

At present, Malaysian Re is the market leader in Malaysia, having business dealings with all conventional general insurance companies and a majority of general Takaful operators. We are also an established and credible leader in the ASEAN region. In the coming years, we are looking at expanding our business offerings to Family Retakaful and introducing catastrophe modelling tools for selected markets.

At Takaful IKHLAS, we provide a wide range of Family and General Takaful products. During the year, Takaful IKHLAS has provided coverage for close to one (1) million certificate holders.

Diagram 9 in the next page illustrates the examples of protection schemes designed for specific segments of the market.

Affordable Takaful products	Protection scheme for specialised group		General Takaful	Bantuan IKHLAS 24 Hours Roadside Assistance
Affordable Takaful products to provide protection for clients from low income background	Takaful products to provide protection for specific groups (e.g. women, foreign workers, contractors, etc.)		Protection of property/ belongings against loss or damage by fire, theft, etc.	A scheme that provides 24-Hour Road Assistance in the event of an emergency
IKHLAS Basic Term Takaful	IKHLAS Wanita Elegance Takaful	IKHLAS Foreign Worker Compensation Scheme Takaful	IKHLAS FireTakaful	**24 hours call centre operation** **24 hours Accident and Breakdown Towing Service**
IKHLAS Value Term Takaful	IKHLASlink Lady Secure Takaful Rider	IKHLAS Contractor All Risk Takaful	IKHLAS Houseowner/ Householder Takaful	**Free Interstate Ambulance Services** **Emergency Evacuation Assistance**

Diagram 9: Examples of our product and service offerings

Marketing in a Responsible Manner

We adopt simple language in all our documents, contracts, forms and policies, and our marketing materials are easily comprehensible, with the aid of visuals to substitute lengthy information in a clear and concise manner.

Following the issuance of the new regulatory framework, the public is able to purchase some of our products online without the intervention of an agent. We enhanced our online platform to keep it simple with clear instructions to aid our clients in purchasing our products.

Managing the Way Our Agents Work

At Takaful IKHLAS, our agents work closely with our clients, building a partnership created on trust and confidence. In line with our goal of delivering excellent products and unmatched services, we share the responsibility to groom our team of agents – maintaining a good understanding of the business, our products and becoming strong communicators for successful client engagements.

The agents are guided by the Agency Code of Ethics which set standards in accordance with Shariah principles. New agents are required to attend a specialised on-boarding programme on topics such as responsible and ethical marketing, as well as equip them with product knowledge. An Agency Minimum Qualitative Criteria or Maintenance of Contracts has been established to measure the performance of our agents.

Agency Transformation Programme (ATP), an enhanced and comprehensive recruitment and training programme was launched for Takaful IKHLAS' agency force to boost their production performance. This programme focuses on client service, marketing skills and product knowledge. The ATP continues to show encouraging results in terms of an improved Agency Force, higher Agency Productivity and improved Agency Activity Ratio.

SUSTAINABILITY **STATEMENT**

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
5 Strengthening infrastructure to support economic expansion
6 Re-engineering economic growth for greater prosperity

RESPONSIBLE INVESTMENT

Investments have been the anchor of support to our business. At the MNRB Group, we strive for stable and attractive returns while taking into account the EES criteria. Guided by our existing policies and procedures, we have an established process which entails a comprehensive series of screenings and assessments.

Our Group Investment Management Committee (GIMC), guides our investment activities and decision making. The role of the GIMC is to examine strategic investment proposals based on optimising returns of our investments. We set in place investment policies to manage the potential impact of financial risks. It is our goal to work towards capital preservation and returns maximisation by investing largely in low-risk assets, debt, other marketable securities and deposits with licensed financial institutions. Potential new investments must undergo stringent processes, combining portfolio screenings and assessments to ensure there is no violation against our set policies.

For all our investment funds, we pay attention to aspects relating to anti-money laundering, fraud, and avoid exposure to entities involved in the gaming, alcohol and tobacco industries. In managing our Takaful and Retakaful funds, we also observe strict compliance with Shariah principles at all times.

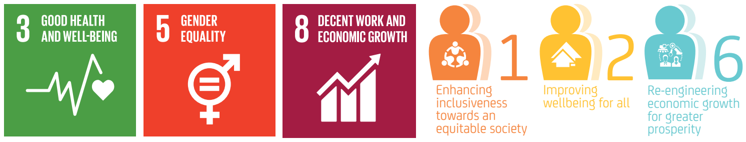
EMPOWERING OUR PEOPLE

Our achievements over the years are testaments to our employees' contribution, expertise, and relentless hard work in delivering success. In this increasingly competitive global landscape, there is a fundamental need for capable and resilient individuals. We advocate diversity in the workforce, strive to eliminate all forms of discrimination and provide equal opportunities to women in their professional development. The key highlights of our initiatives are summarised below:

	Sustainability initiatives	Outputs	Value created for our business and stakeholders
Attractive & Inclusive Workplace (page 69-71)	● Recruitment Procedure ● Annual performance review ● Initiatives to nurture young talent ● Employee welfare and well-being ● Employee Engagement Survey	● Diversified workforce with good mix of male and female employees ● Hiring of local talent ● Number of local SL1M trainees hired: 60 ● Number of interns hired: 35 ● Employee Engagement Index: 79% ● Employee turnover rate – decreased across all operating entities within the MNRB Group	● Protecting labour rights and promote a safe and healthy working environment for all employees ● Retaining a diversified and healthy workforce ● Providing job opportunities for local talent, in support of local economic growth
Talent Development (page 72-73)	● Group Talent Committee (GTC) ● Training Standard Operating Procedure ● Competency-based Career Management Framework ● Employee Development Programmes ● Succession Planning Programme – Individual Development Plan ● (Takaful IKHLAS) Certification Programme for Professional Underwriters ● (Takaful IKHLAS) IKHLAS Academy	● Number of Mission Critical Position (MCP) and Operational Critical Position (OCP) filled internally: 5 ● Increase in number of employees enrolled to obtain certification from the Malaysian Insurance Institute (MII)	● Maintaining high quality services ● Delivering a high-skilled workforce and to boost the development of professionals within the reinsurance and Takaful industries

Legend:

● Group-wide ● Takaful IKHLAS



ATTRACTIVE & INCLUSIVE WORKPLACE

An attractive and inclusive work environment is essential for boosting employee productivity and creating great working experiences. We value our talent pool from various backgrounds and experiences as we believe diversity will broaden our perspectives and present new opportunities to accelerate our business growth. Diagram 10 below shows our employee profile across diverse gender and age groups, as well as our support towards hiring local talent:

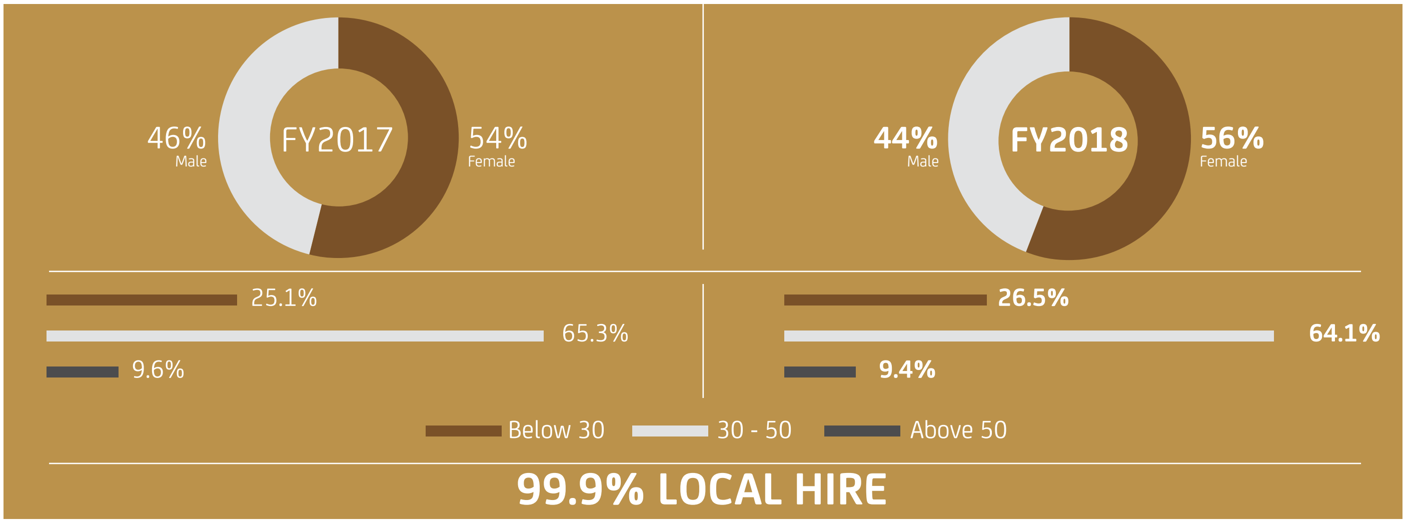


Diagram 10: Employee Profile

Talent Attraction

We are always on the lookout for exceptional talent in our pursuit of becoming an organisation that is capable, resilient and adaptive. Our Human Capital Management Department is responsible for ensuring that we define concrete strategies to attract and retain talent in preparing our people and business to be disruptor-ready.

Our presence and visibility across external platforms, employment agencies and advertisements have generated desirable outcomes in attracting the right talent. This allows better access to talent across diverse background and expertise. We have in place a Recruitment Procedure that aims to hire talent with unique skills and competencies regardless of race, gender and religion.

Performance Review

To ensure proper career advancement of our employees, we offer them annual performance reviews with their supervisors. This process highlights their strengths and potential areas for improvement and career development.

Performance Review Process

Promotion Policy & Processes

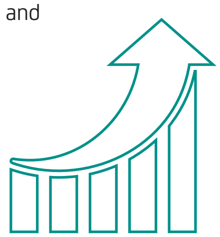
- Assist in managing talent and succession in fair and consistent manner

Performance Appraisal (2 times a year)

- Assess our employees' performance to evaluate and develop their effectiveness and commitment to work
- Potential for future promotion
- Provide a basis for salary review based on projects undertaken by the employees and the performance planning for the year

Balanced Scorecard (BSC), Leadership & Technical Competency Assessment Tools, Certification, Licensing & Specialised Training

- Performance-driven criteria for job promotions & upgrades
- Effectively monitor & measure employees' performance
- Appropriate qualifications and combination of interviews are taken into consideration



SUSTAINABILITY **STATEMENT**

Nurturing Talent

To improve productivity, support local employment and accelerate economic growth, we provide various programmes to prepare graduates for their transition into the working environment. We offer internship placements for undergraduates from universities. The internship programme will provide opportunities for the young graduates to learn new skills and have hands-on experience. In support of the Government's effort to enhance the employability and marketability of local graduates, we participate in the national training scheme (SL1M) which allows participants to improve their personal development and better equip them with relevant skills for job placements.

SL1M Programme

for local graduates to obtain technical knowledge and soft skills such as analytical skills, problem-solving and professional communication

2 months intensive classroom training

10 months industrial attachment

Permanent positions are offered to qualified trainees, based on available vacancies

60 SL1M trainees

Internship Placements

for university students to gain hands-on working experience and skills to complement their classroom learning

35 Interns

Health & Wellbeing

The health and wellbeing of our employees is an essential component of a sustainable talent pipeline. Our key initiatives to maintain a healthy and conducive workplace are presented below:

MNRB GROUP HEALTH WEEK

Health screening by Heart Foundation of Malaysia

Blood Donation Drive with the National Blood Centre (NBC)

- To increase blood supply at reserves in anticipation of the festive season
- To help less fortunate patients with anaemia, leukaemia and haemophilia

Other activities:

- Health Talk & Examinations
- Promotion Booths by Health and Nutritional Brands
- MNRB Healthy Heart Run 2018
- Monthly Health Walks
- Climb the Stairs Campaign

OTHER EMPLOYEE WELFARE ACTIVITIES

Long Service Awards
To recognise employees' contribution for over twenty-five (25) years in MNRB

Nursing Rooms
Made available for female employees

Flexible Working Hours (FWH)
All levels of employees to commence work at any time between 7:30 a.m. and 10.00 a.m.

Flexible Working Arrangement (FWA)
For Executives to have better control on work assignments and be more organised

Executives are no longer desk bound or have to comply to usual working hours to complete their tasks in a more quality and productive manner

Employee Engagement

Employee engagement is one of the key initiatives to decoding what drives and motivates employees in their professional journey with us. We engage our employees through various channels, as shown in the chart below, to allow them to express their views and ideas, to understand their expectations, as well as to reinforce the MNRB Group's corporate values.

- Regular townhall gatherings to provide clarity on business performance and key company initiatives
- Regular formal written communication from the desk of President & GCEO to communicate business performance and key developments
- Chat sessions with the President & GCEO to provide opportunity for lower level employees to get to know him and let their issues to be heard
- iPTalks is our version of the "TED Talks" – Conducted in the form of competition for employees to share their passion with colleagues and create fun at work
- Skip level meetings with the President & GCEO to ensure important information being cascaded to mid-management
- Career discussion between Head of Department (HoD) and employees as an avenue to provide clarity on career growth and development
- Allocation of engagement budget for HODs to conduct their own engagement activities
- Focus group discussions to identify and understand employees' concerns and issues
- Action plans are finalised based on potential solutions for each issue identified, and the proposed plans are shared in Management meetings for approval before execution

We analyse feedback received from our employees through an annual Employee Engagement Survey which provides an overall insight into our performance as an employer. This survey is conducted across MNRB Group to enhance communication between our employees and Management. We launched the MNRB Group Talent Programme (GTP) to develop high-potential employees, and provided training for supervisors and managers to inspire transparent discussions in relation to employees' performance management. Diagram 11 on the right presents the outcome of our Employee Engagement Survey for FY2016 and FY2017.

Our continuous initiatives have been successful in reducing our employee turnover rate as illustrated in Diagram 12 below.

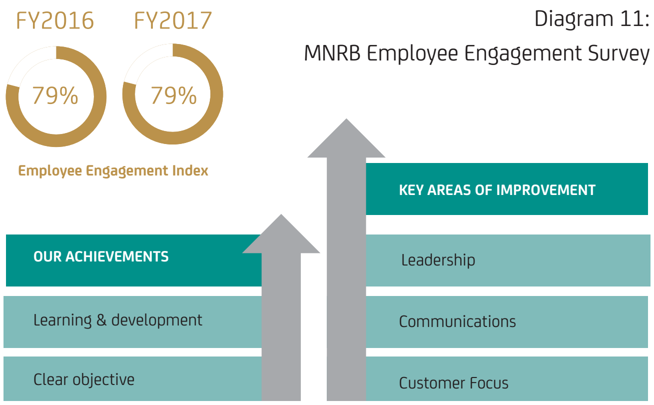


Diagram 11:
MNRB Employee Engagement Survey

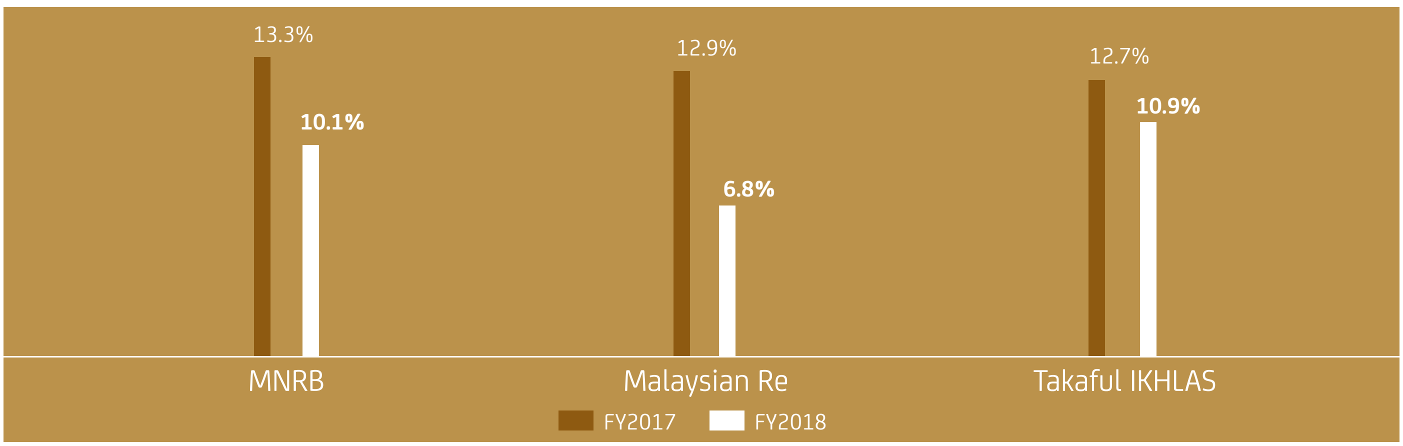


Diagram 12: Employee Turnover Rate

SUSTAINABILITY **STATEMENT**

4 QUALITY EDUCATION

3 Accelerating human capital development for advance nation

TALENT DEVELOPMENT

At MNRB, we set our sights on developing a solid talent pipeline and building a highly engaged and competent workforce – ultimately to deliver highly skilled workforce to boost the overall development of the local reinsurance and Takaful industries. We continue to organise a wide range of development programmes to groom our employees and allow them to gain in-demand skill sets and capabilities, geared towards improving our line of products and enhanced client service.

Learning & Development Programme

Our investment in training programmes encompasses our employees from entry level to top management. This forms part of our Human Capital Strategy in achieving a high-performance culture. We enhance the transparency of our talent development programmes by actively involving the HODs in the identification and development of talent and informing employees of their performance.

Our Competency-based Career Management Framework, otherwise known as the Career Ladder is specially crafted for our employees' personal and career development. As illustrated in Diagram 13 below and the next page, we have various employee development programmes which provide opportunities for our employees to be developed in areas of technical and soft skills ranging from value-based, competency-based and formal certification programmes. Their overall development is guided by a blended learning approach comprising formal and informal lessons such as on-the-job learning, performance coaching, project assignments, and formal classroom programmes.

CAREER LADDER

Competencies & Career Path for Critical Functions

Underwriting
Investment
Claims
Finance
Information & Communication Technology (ICT)
Human Capital Management (HCM)
Business Development

Snapshot of our learning and development programmes

Examples of technical training programmes (internal & external training)

- ACCA Malaysia Annual Conference 2017
- Asia Pacific Reinsurance Training Programme 2017
- Asia Pacific Agriculture Insurance Forum 2017
- Aon Benfield Asia Property Treaty
- Beginning Auditor Tools & Techniques
- Cybersecurity, IT Assurance & Governance Conference 2017
- Munich Re Regional Underwriting & Actuarial Seminar
- Personal Accident & Medical Claim Investigation & How Insurance Services Malaysia (ISM) can help Combat Fraud through Compilation of Data

Examples of non-technical training programmes (internal & external training)

- Talent Motivational Programme
- BEST Customer Service
- In-house Training on Risk Awareness
- Superb Mind-Set Transformation for Managers & Leaders
- Data Visualisation and Business Dashboard in Excel for Business Intelligence
- Personal Leadership Enhancement Programme
- A Winning & Empowering Conference 2017
- Effective Self-Management
- National Contact Centre Conference

Strengthening the capability of general actuarial teams

An initiative, guided and led by our actuaries to bring together the actuarial team from Takaful IKHLAS and Malaysian Re. Specifically chosen topics relevant to encourage a better growth in technical expertise amongst our actuaries

Leaders as Teachers (LATs)

A reinforcement programme that promotes internal transfer of knowledge and skills between internal leaders and subject matter experts. The examples of programme include Basic Course in Reinsurance, Takaful, Introduction to Investment and Manage my Money

Diagram 13: Examples of our learning and development programmes

Education Assistance Programme (EAP)

A programme that allows employees to pursue insurance-related and other professional qualifications such as Institute and Faculty of Actuaries (IFOA), Associate of the Malaysian Insurance Institutes (AMII), the Fellow of Society of Actuaries (SOA)

Certificate for professional commercial underwriters

We encourage professional commercial underwriters to fast track their progress and obtain certification from the Malaysian Insurance Institute (MII)

Group Talent Programme

A structured talent development programme for high-potential employees i.e. the Executives and Senior Vice Presidents of the MNRB Group to succeed in critical positions and to support the Group's sustainable growth. An Individual Development Plan is tailored for individual talent based on the assessment by respective Head of Department and the Group Talent Committee (GTC)

Takaful IKHLAS Academy

About	Education service partners	Online e-Learning Portal
A professional learning center by Takaful IKHLAS to develop professional human capital, comprising of its employees, channel distributions as well as the public through structured and effective learning and development programme, i.e. IKHLAS Academy Agent Training Roadmap 2017/2018	Various education service partners include leading professional bodies, education and private institutions for the Malaysian insurance industry, focusing on insurance, Islamic banking and financial services	A joint-effort between Asia e University (AeU) and Takaful IKHLAS to provide a flexible online training alternative, enabling employees and agents to acquire knowledge and competencies, at a pace appropriate to their own style of learning

Diagram 13: Examples of our learning and development programmes

Diagram 14 on the right illustrates the average training hours per employee over the last two (2) years. The amount of time each employee needs to spend in training depends on the job requirements.

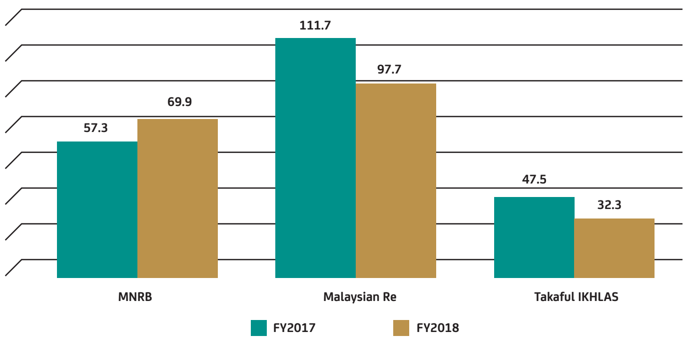


Diagram 14: Average training hours per employee

Succession Planning

A standardised process for succession planning ensures our business is under the leadership of competent people. As part of our initiatives, successors are required to undergo cognitive, leadership and career ladder assessments.

Employees are supported by our organisation through a development programme focusing on character building as well as organisational behaviour management. They undergo a formal six-month interval review on their progress before obtaining recommendation and approval from the GTC. To ensure that our successors are well developed, we conduct annual reviews to assess competency gaps for improvement.

A Structured Leadership Programme is expected to be rolled out in FY2019. Through identification and discussions, we are able to appoint qualified successors to assume key senior management-level positions.

Individual Development Plan (IDP)

Designed to handpick key talent and prepare them for managerial positions

113	48	5
Successors & Talent were identified for Phase 1 April 2018 – March 2020	Successors & Talent to complete their IDP by August 2018	Internally filled Mission Critical Position (MCP) & Operational Critical Position (OCP)

SUSTAINABILITY **STATEMENT**

ENRICHING OUR COMMUNITY

It is our duty to effectively manage environmental impacts arising from our business operations. We encourage engagement and participation from our employees in the community engagement activities organised by the MNRB Group. The key highlights of our initiatives are summarised below:

	Sustainability initiatives	Outputs	Value created for our business and stakeholders
Community Development (page 74-76)	● Organise various market training programmes for industry professionals ● Participate in campaigns and voluntary community services ● MNRB Scholarship Fund ● Program Lestari Cemerlang MNRB ● Minggu Saham Amanah Malaysia	● Empower professionals within reinsurance and Takaful industries by equipping them with the right knowledge, skills and competencies, as well as instilling a higher degree of professionalism in the marketplace ● Local communities, charitable organisations and students of high-achievers benefitting from contributions and volunteering activities ● Improve infrastructure for schools	● Creating a skilled workforce specialised in reinsurance and Takaful, in support of the transition of Malaysia into an advanced nation ● Promoting social inclusion and improve the well-being of communities at large ● Enhancing urban-rural linkages by increasing access to quality education and financial services
Environmental Management (page 77)	● Optimise consumption of resources ● Encourage carpooling for business travelling ● Encourage use of public transportation amongst employees ● Encourage use of teleconferencing and video-conferencing ● Implement automation processes	● Reduce environmental impacts arising from business operations such as reduction of paper consumption and waste generation whilst taking efforts to minimise carbon footprint	● Strengthening resilience and adaptive capacity to availability and consumption of resources (e.g. water, paper, energy, etc.)

Legend:

● Group-wide

4 QUALITY EDUCATION

11 SUSTAINABLE CITIES AND COMMUNITIES

1 Enhancing inclusiveness towards an equitable society

2 Improving wellbeing for all

3 Accelerating human capital development for advance nation

COMMUNITY DEVELOPMENT

> "Our Corporate Social Responsibility (CSR) activities are mainly focused on education and human capital development. The emphasis we place on education and human capital development reflects our dedication towards continuous growth, of not only ours but also the industry's most valuable asset – our people."

President & GCEO

In pursuit of our long-term vision, we organised various engagement initiatives to promote the social inclusion of communities, irrespective of their background and economic status. We strive to bring positive change to the lives of underprivileged and disadvantaged communities by extending assistance predominantly in the areas of education. Some of our notable contributions are described in the next page.

MNRB Scholarship Fund

The MNRB Scholarship Fund (the Fund) was established to support deserving Malaysian students and local insurance professionals who plan to further their studies in recognised institutions of higher learning.

Objective

To assist promising Malaysian students have access to tertiary and post-graduate education in order to produce quality professionals for the long-term development of the Malaysian reinsurance and Takaful industries.

Total investment since commencement in year 1998

more than RM13 million

Field of Study

- Actuarial Science
- Risk Management
- Insurance / Takaful

Our Achievements

	Contribution (RM)	Number of scholarship provided
FY 2017	1 million	101
FY 2018	1.2 million	85

Total number of scholarships provided since inception

482

Program Lestari Cemerlang MNRB

Through our Program Lestari Cemerlang MNRB, we take a proactive role in improving the quality of education for schools located in rural areas with a majority of students coming from low-income families.

A two-year partnership with selected schools, since 2011

2011 – 2013: SMK Slim (Perak)
2013 – 2015: SMK Undang Jelebu (Negeri Sembilan)
2015 – 2017: SK Kuala Krau (Pahang)
2017 – current: SMK Durian Tunggal (Melaka)

Total investment since commencement in year 2011

RM60,000

Sponsored various educational events including educational camps, motivational talks, tuition classes and study leave programme for students siting for public examinations

Sponsored an e-Library platform to introduce interactive learning approach for students

Sponsored sportswear for school netball teams, of age under 15 and 18

Outcome of the Programme

Improvement in passing marks
in public examination in Malaysia

27
Straight 'A' Students

Improvement in results for core subjects
English, Science and Mathematics

Minggu Saham Amanah Malaysia (MSAM)

MSAM is an annual integrated investment education programme organised by Permodalan Nasional Berhad (PNB) to increase the awareness of Malaysians on the importance of investment and financial planning. Over the years, MNRB Group has been a firm supporter of MSAM activities to spread this awareness and to promote Takaful products to the community.

In the 2017 event, Takaful IKHLAS was involved in various live-broadcasts, quizzes, workshops and competitions for students. These are our avenues to instil awareness on the importance of Takaful amongst the public. A free medical examination was also provided at the event for the visitors to undertake health checks.

18
Employee Volunteers

RM1,060,000
Monetary Contribution

MNRB Ringgit Savvy Programme – conducted in April 2017

More than 300 secondary school students in Pahang were exposed to concept of investment and smart money management through the MNRB Ringgit Savvy Programme, a financial literacy programme organised by MNRB. This Programme was held for the sixth consecutive time in support of MSAM's main objective – which is to educate the nation on smart investments and prudent money management.

SUSTAINABILITY **STATEMENT**

Elevating Marketplace – Market Training

As a market leader, we share the responsibility to empower professionals by equipping them with the right knowledge, skills and competencies. We continue our initiatives to organise regular training programmes aimed at upgrading technical skills amongst professionals within the industry and instil a higher degree of professionalism in the marketplace. The examples of market training programmes are shown in Diagram 15 below:

Market training programmes to enhance professionalism

Cedants' Workshop

Workshops for senior reinsurance officers to widen and transfer knowledge and expertise, in addition to providing a networking platform between reinsurance officers within the insurance industry.

Specifically chosen topics, relevant to the Top Management with an element of networking.

Programme for Insurance Executive Development (PIED)

Designed for executives with at least two (2) years of working experiences in the insurance industry; and who are well versed in the knowledge of the four (4) classes of insurance, i.e. marine engineering, fire & property and liability.

Highly interactive approach with the inclusion of illustrative case studies and a site visit to enable the participants to appreciate the practical application of concepts and optimise learning outcomes.

Scheme for Insurance of Large & Specialised Risks (SILSR) Seminar

Seminars to develop and enhance the level of technical expertise and professionalism within the Malaysian insurance fraternity. Ignite the flame of alternative underwriting approaches amongst the young and up-and-coming Malaysian (re)insurers and underwriters.

Focus on relevant topics such as business interruption and cyber liability insurance for middle management.

Technical Courses in Fire Risk Assessment & Special/Self-Rating (FRA)

Programmes to educate underwriting and marketing professionals from insurance companies with at least two (2) years of experience, who are expected to conduct fire risk survey and have a good grasp of the special/self-rating rules and computation.

Young Emergent Leadership Showcase (YouLead!)

Leadership programmes for young emerging managers with high potential. Focus on effective leadership fundamentals, deciphering key industry issues and knowledge sharing/regulatory updates in the insurance industry by experts in related fields. The method of learning is highly participative and experiential driven.

Diagram 15: Examples of market training programmes

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

4 Pursuing green growth for sustainability and resilience

ENVIRONMENTAL MANAGEMENT

Over the years, we have been working on initiatives to support, protect and conserve the environment. We begin by making every effort to optimise the consumption of resources such as electricity, paper and water in our offices. To encourage carpooling and the use of public transportation, we provide transportation services to our employees – from the office to the nearest Light Rail Transit (LRT) station. In addition to that, we have set up facilities for audio, video and web-based conferencing to aid cross-border meetings and other forms of communication with our employees and business partners.

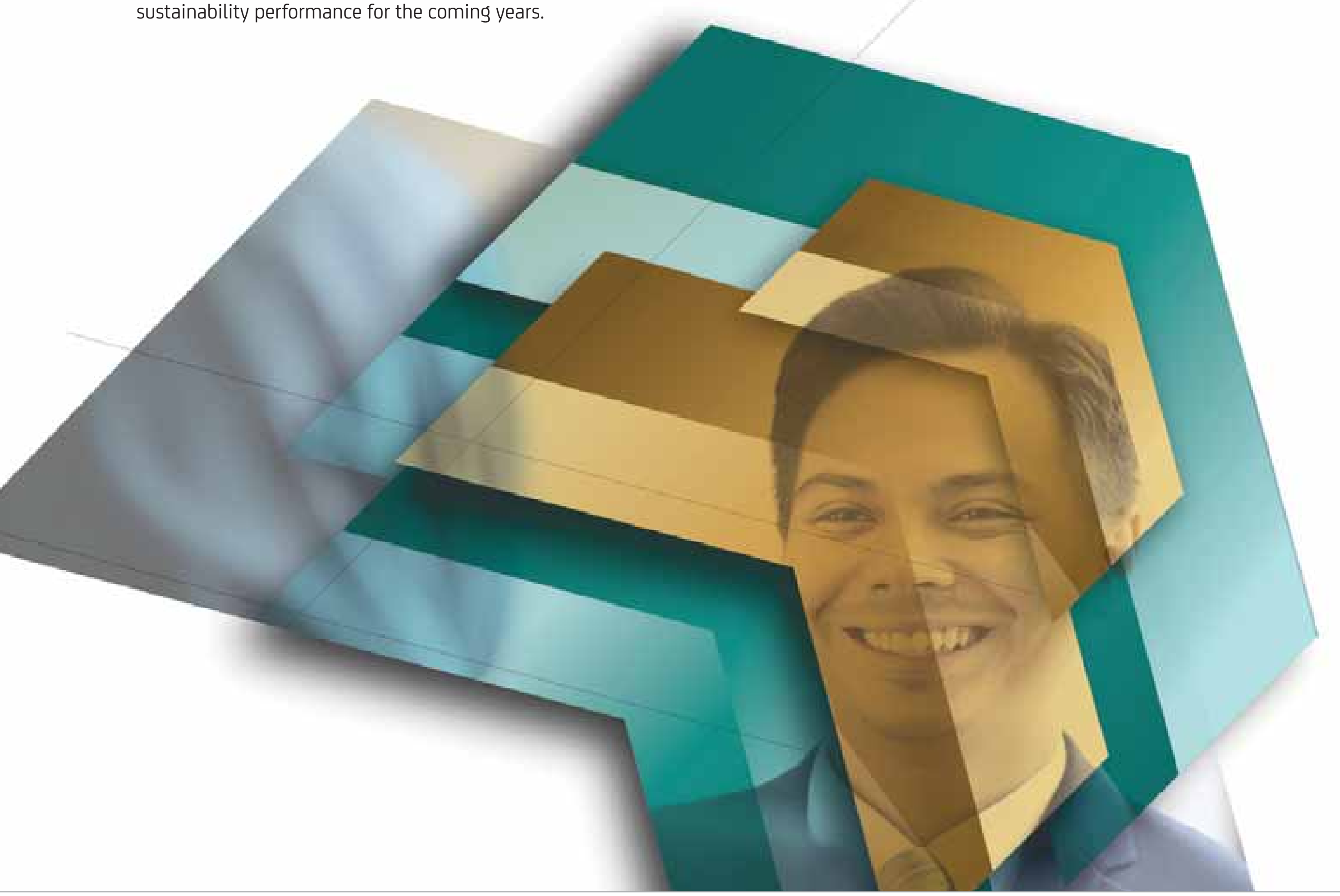
We strongly encourage automation of processes to reduce paper consumption and waste generation, whilst reducing carbon footprint. We encourage our clients to move towards a paperless environment by digitalising manual processes such as e-claims and e-forms.

www.takaful-ikhlas.com.my

Allows our clients to renew or purchase new motor certificates via online platform

Looking Ahead

Sustainability is a continuous journey – We continuously look forward to new opportunities as we sail through the rapidly changing socioeconomic landscape. We will leverage and continue to build and strengthen our sustainability practices to mitigate potential adverse impact arising from our dynamic business risk environment, to bring value to our stakeholders. We will progressively enhance our measures and disclosures in improving our sustainability performance for the coming years.



CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board of Directors (Board) remains committed towards maintaining high standards of corporate governance throughout the Group and strives to continuously improve the effective application of the principles and best practices as laid down in the following:-

(a) Companies Act, 2016;

(b) The Malaysian Code on Corporate Governance 2017 (MCCG 2017); and

(c) Bursa Malaysia Main Market Listing Requirements (Listing Requirements).

In addition to the above, as a Financial Holding Company approved by Bank Negara Malaysia (BNM), the Board also applies the minimum standards set out in BNM's Policy Document on Corporate Governance (PD CG).

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

Set out below is a statement on how MNRB has applied the principles and complied with the best practices as prescribed under the MCCG 2017, the Listing Requirements and the PD CG during the financial year ended 31 March 2018.

This Corporate Governance Overview Statement is prepared in compliance with the Listing Requirements and to be read together with the Corporate Governance Report 2018 of the Company. The Corporate Governance Report 2018 is available on the Company's website, www.mnrb.com.my.

BOARD OF DIRECTORS

The Board is responsible for the proper stewardship of the Group's resources, the achievement of the Group's objectives and good corporate citizenship. It discharges these responsibilities by complying with all the relevant Acts and Regulations, including adopting the principles and best practices of the MCCG 2017, the Listing Requirements and the PD CG.

The Board retains full and effective control over the Group's affairs. This includes the responsibility to determine the Group's development and overall strategic direction. Key matters such as the approval of quarterly and annual results, major acquisitions and disposals, major capital expenditures, budgets, business plans and succession planning for top management, are reserved for the Board or its appointed committees to deal with.

The meetings of the Board are chaired by the Non-Executive Chairman, whose role is clearly separated from the role of the President & GCEO, who ensures that Board policies and decisions are implemented accordingly.

BOARD COMPOSITION

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations. The Group embraces the proposition that having a diverse Board would have a positive, value-relevant impact on the Group.

The Board comprises members with relevant expertise and experience drawn from business, financial and technical fronts which strengthened leadership and management.

The Board currently comprises nine (9) members of whom eight (8) members are Non-Executive Directors, including the Chairman. Six (6) of these members are Independent Non-Executive Directors, two (2) are Non-Independent Non-Executive Directors (including the Chairman) and one (1) is a Non-Independent Executive Director (the President & GCEO).

As at the date of this report, the percentage of the Board composition is as follows:-

Independent Non-Executive Directors	6 out of 9 66%
Non-Independent Non-Executive Directors (including the Chairman)	2 out of 9 22%
Executive Director (also the President & GCEO)	1 out of 9 11%

By virtue of this composition, the Company is in compliance with:

(a) Paragraph 15.02 of the Listing Requirements which requires at least two (2) directors or one-third ($1/3^{rd}$) of the Board, whichever is the higher, to be independent;

(b) Paragraph 11.3 of the PD CG which requires that the Chairman of the Board to be a Non-Executive Director; and

(c) Paragraph 11.4 of the PD CG which requires the Board to comprise not more than one (1) Executive Director.

This is in line with the Board's holistic approach in determining its size, composition, and level of independence. The Board, as far as possible, also takes into account the following principles in determining its composition and ideal size:-

(a) To have only one (1) Executive Director as a member of the Board;

(b) To appoint a Chairman of the Board who is a Non-Executive Director;

(c) To ensure that the role of the Chairman of the Board is separate from the President & GCEO;

(d) To ensure that the Chairman of the Board does not chair any of the Board Committees;

(e) To ensure that Board Committees comprise a majority of Independent Non-Executive Directors;

(f) To ensure that the Chairman of all Board Committees are Independent Non-Executive Directors; and

(g) To appoint a Senior Independent Director from among the Independent Non-Executive Directors.

Besides complying with existing rules and regulations on the Board's composition (including independence), the Board believes that such a size would promote effective deliberation, encourages the active participation of all its Directors and allows the work of its various Board Committees to be discharged without giving rise to an over-extension of time and commitment of each Director who may be required to serve on multiple Board Committees.

The Board takes cognisance of the recommendation to ensure that the majority of its Directors are Independent Directors as well as to have diversity in terms of gender, ethnicity and age in the Board. The Board has established a Policy on Gender Diversity and has embraced the recommendations of having at least 30% women representation on the Board. In advancing the gender diversity agenda, the Board currently has three (3) female members, representing 33% of the total Board Members. The three (3) female members on the Board provide gender diversity that serves to bring value to Board discussions from different perspectives and approaches of the female Directors.

Under the Company's Constitution, the number of Directors shall not be more than ten (10) and the Board currently comprises nine (9) Directors.

The Senior Independent Non-Executive Director, namely, Megat Dziauddin Megat Mahmud had resigned from the Company on 30 June 2017. One (1) Non-Independent Non-Executive Director, namely, Paisol Ahmad had retired from the Company on 24 August 2017, respectively. Subsequently, the Board had appointed two (2) new Independent Non-Executive Directors i.e. Datuk Johar Che Mat and George Oommen on 1 October 2017 and 1 January 2018, respectively.

The Directors bring to the Board a wide range of knowledge and experience in relevant fields such as insurance and reinsurance, accounting and finance, legal, economics, investment, international business, banking, taxation and business operations. Therefore, all Directors have the necessary depth to bring experience and judgement to bear on issues of strategy, performance, resources and ethical standards. The Board is of the opinion that its current composition and size constitute an effective Board for the Company.

The profiles of the Directors are provided on pages 24 to 28 of this Annual Report.

BOARD CHARTER

The Board had formalised a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance set by the regulatory authorities. This Board Charter, if necessary, will be periodically reviewed, to incorporate updates and enhancements to the existing rules and regulations. The last revision was made in June 2017, after taking into consideration the requirements under the PD CG.

The amended Board Charter is available on the Company's website at www.mnrb.com.my.

DIRECTORS' CODE OF ETHICS

The Directors observe a code of ethics in accordance with the code of conduct expected of Directors of a Financial Holding Company.

The Chairman is primarily responsible for the effective conduct and workings of the Board. The Chairman leads the Board in the oversight of the Management and in setting strategic business plans, goals and key policies for the Group to ensure the sustainability of long-term returns.

DIRECTORS' INDEPENDENCE AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Directors play a pivotal role in corporate accountability and provide unbiased and independent views in relation to the Board's deliberation and decision-making process. This is reflected in their membership of the various Board Committees and attendance at meetings.

The Company determines the independence of its Directors in accordance with the requirements under the Listing Requirements, the PD CG and its own Directors' Independence Policy.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

All the Independent Directors have demonstrated to the Board that they have exercised impartial and independent judgement, protecting the interests of the Group and the minority shareholders.

The Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business dealings or other relationships with the Company (other than in situations permitted by the applicable regulations) in order that they remain truly capable of exercising independent judgement and act in the best interests of the Group and its shareholders. The Board is also satisfied that no individual or group of individuals dominate the decision-making process of the Board to ensure a balanced and objective consideration of issues, thereby facilitating optimal decision-making.

DIRECTORS' INDEPENDENCE POLICY

The Board has adopted a nine (9) year policy for the tenure of Independent Non-Executive Directors, which is implemented to ensure the continuous effective functioning of the Board. Due to the nature of the Group's businesses that are considered specialised, the Board is of the view that the maximum of nine (9) years is reasonable considering there are significant advantages to be gained from long serving Directors, who already possessed tremendous insight and knowledge of the Group's business affairs.

The Board feels that the length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company.

In assessing independence, the Board evaluates the following criteria:-

- The ability to challenge the assumptions, beliefs or viewpoints of others with intelligent questioning, constructive and rigorous debating, and dispassionate decision for the good of MNRB;
- A willingness to stand-up and defend their own views, beliefs and opinions for the ultimate good of MNRB; and
- An understanding of MNRB's business activities in order to appropriately provide responses on the various strategic and technical issues brought before the Board.

Nonetheless, any reappointment of an Independent Non-Executive Director after he/she had served nine (9) years shall be subject to BNM's prior approval as well as the shareholders' approval at a general meeting.

Currently, none of the Board members had served as Independent Directors for more than nine (9) years.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Pursuant to MNRB's Board Charter, the Board had appointed a Senior Independent Director to whom concerns from other Directors, shareholders, potential investors and members of the public may be conveyed. The Senior Independent Director is the point for external parties to whistle blow any unethical behaviors or business misconducts by internal parties (including Directors) of the Company and within the MNRB Group.

Following the resignation of Megat Dziauddin Megat Mahmud, Senior Independent Non-Executive Director effective 30 June 2017 and in accordance with the best practice in corporate governance, the Board, had on 23 August 2017, appointed and redesignated Mustaffa Ahmad, Independent Non-Executive Director as Senior Independent Non-Executive Director.

APPOINTMENTS TO THE BOARD

The appointment of new Board members are considered and properly evaluated by the Nomination Committee. Upon completing this process, the Nomination Committee shall recommend the proposed appointment to the Board for its deliberation and approval. In making these recommendations, the Nomination Committee assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, as well as professionalism, integrity including financial integrity, competencies and other qualities, before recommending them to the Board for appointment. An interview session is always held between members of the Nomination Committee and the candidate.

The Nomination Committee and the Board will devote sufficient time to review, deliberate and finalise the selection of Directors. In this aspect, the Company Secretaries will ensure that all the necessary information is obtained and relevant legal and regulatory requirements are complied with. In this regard, the Board is also guided by the Group's Fit and Proper Policy for Key Responsible Persons.

Under the PD CG, all appointments and reappointments of Directors of the Company are subject to the prior approval of BNM.

The Nomination Committee conducts a yearly assessment on the suitability of the present Directors under the abovementioned Fit and Proper Policy for Key Responsible Persons. The fit and proper assessment for the Directors includes self-declaration and vetting by the Company for the purpose of ensuring that they are suitable to continue serving as Directors of the Company. The following aspects would be considered by the Board in appointing/re-appointing Directors:-

- Probity, personal integrity and reputation – the person must have key qualities such as honesty, independence of mind, integrity, diligence and fairness;
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role; and
- Financial integrity – the person must manage their debts and financial affairs prudently.

REAPPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with Article 86 the Company's Constitution, one-third (1/3rd) of the Directors for the time being, or if their number is not a multiple of three (3), then the number nearest to one-third (1/3rd), shall retire from office at each Annual General Meeting (AGM). All retiring Directors can offer themselves for re-election.

The said Article further provides that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Article 92, Directors who are appointed by the Board during the financial period before the AGM are also required to retire from office and seek re-election by the shareholders at the first opportunity after their appointment.

At the 45th AGM, two (2) Directors are due for re-election pursuant to Article 86 of the Company's Constitution namely Dato Sharkawi Alis and Mustaffa Ahmad. The two (2) newly appointed Directors namely Datuk Johar Che Mat and George Oommen are due for re-election pursuant to Article 92 of the Company's Constitution.

BOARD AND INDIVIDUAL DIRECTORS' EFFECTIVENESS

The Board undertakes a formal and transparent process, upon completion of every financial year, to assess the effectiveness of their fellow directors, the Board as a whole and the performance of the Executive Director.

The Board and individual Directors Evaluation are based on answers to a detailed questionnaire. The evaluation form is distributed to all Board members and covers topics which include, among others, the responsibilities of the Board in relation to strategic plans, fiscal oversight, risk management, Board composition and training needs.

Other areas which are assessed include the contribution of each and every member of the Directors at meetings as well as meeting arrangements.

The Nomination Committee, having deliberated the findings of the Board and individual Director's Evaluation, will report to the Board the results and highlight those matters that require further discussion and direction by the Board.

The Board members' directorship in companies other than the Company and the Group, are well within the restriction of not more than five (5) directorships in public listed companies as stated in the Listing Requirements.

ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND PRESIDENT & GCEO

The roles and responsibilities of the Chairman and the President & GCEO are separated with a clear division of responsibilities as defined in the Board Charter.

This distinction is to provide better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach facilitates efficiency and expedites decision making.

The Chairman and the President & GCEO are not related to each other.

The Chairman leads the Board and is also responsible for its performance. Together with the rest of the Board members, the Chairman sets the policy framework and strategies to align the business activities driven by the Senior Management Team with the Group's vision and mission. He ensures orderly conduct and proceedings of the Board, where healthy debate on issues being deliberated is encouraged to reflect an appropriate level of scepticism and independence.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

In addition, the Chairman cultivates a healthy working relationship with the President & GCEO and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to all the stakeholders.

Dato Sharkawi Alis has been the Chairman of the Company since September 30, 2007. Although the Chairman is a Non-Independent Non-Executive Director, the Board is balanced by the majority of Independent Non-Executive Directors.

The President & GCEO is mainly accountable for the day-to-day management to ensure the smooth and effective running of the Group. He is also responsible for the implementation of policies and Board decisions as well as coordinating the development and implementation of business strategies.

The President & GCEO also ensures that the financial management practice is at the highest level of integrity and transparency for the benefit of the shareholders and that the affairs of the Company are performed in an ethical manner.

BOARD MEETINGS

The Board meeting dates for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and schedule these dates into their respective meeting schedules.

The Board has scheduled meetings of at least six (6) times a year, besides the AGM. For the financial year ended 31 March 2018, the Board met eight (8) times consisting of six (6) scheduled meetings and two (2) special meetings.

Technology and information technology are effectively used in Board meetings and communications with the Board. Board meeting materials are shared electronically and where required, Directors may participate in meetings via video conference.

Pursuant to the Listing Requirements, all Directors are required to attend at least fifty percent (50%) of Board meetings while under Paragraph 9.3 of the PD CG, all Directors are required to attend at least seventy-five percent (75%) of Board meetings held during the financial year. For the financial year ended 31 March 2018, all Directors have complied with both the requirements.

The details of attendance of the Directors at Board meetings held during the financial year are as follows:-

Name of Director	Attendance	Percentage
Dato Sharkawi Alis Chairman/Non-Independent Non-Executive Director	8/8	100%
Mohd Din Merican Non-Independent Executive Director	8/8	100%
Mustaffa Ahmad Senior Independent Non-Executive Director	8/8	100%
Hijah Arifakh Othman Non-Independent Non-Executive Director	7/8	87.5%
Rosinah Mohd Salleh Independent Non-Executive Director	8/8	100%
Arul Sothy Mylvaganam Independent Non-Executive Director	8/8	100%
Noor Rida Hamzah Independent Non-Executive Director	8/8	100%
Datuk Johar Che Mat Independent Non-Executive Director *(Appointed with effect from 1 October 2017)*	5/5	100%
George Oommen Independent Non-Executive Director *(Appointed with effect from 1 January 2018)*	3/3	100%
Megat Dziauddin Megat Mahmud Senior Independent Non-Executive Director *(Resigned with effect from 30 June 2017)*	2/2	100%
Paisol Ahmad Non-Independent Non-Executive Director *(Retired with effect from 24 August 2017)*	3/3	100%

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company and in line with MCCG 2017, the Board is required to adhere to the followings:-

- Together with senior management, promote good governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- Review, challenge and decide on Management's proposals for the Company, and monitor its implementation by Management;

- Ensure that the strategic plan of the Company will support long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Supervise and assess management performance to determine whether the business is being properly managed;
- Ensure there is a sound framework for internal controls and risk management;
- Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
- Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Ensure the Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of the Board and Senior Management;
- Ensure that the Company has in place procedures to enable effective communication with stakeholders; and
- Ensure the integrity of the Company's financial and non-financial reporting.

There is also a financial and business review of the Group's quarterly performance including operating performance to date, against the annual budget and business plan previously approved by the Board for that year.

The respective Board Committee's reports and recommendations are also presented and discussed at Board meetings. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly retained by the Company Secretaries.

The Board delegates the day-to-day management of the Company's business to the Senior Management Team, but reserves for the Board's consideration significant matters such as the following:-

- Approval of financial results and quarterly announcements;
- Material acquisition and disposal of assets;
- Related party transactions of a material nature;
- Authority levels for core functions of the Company;
- Corporate policies on investments (including the use of derivatives) and risk management;
- Outsourcing of core business functions;
- Policies and Procedures;
- Annual Budget; and
- Capital Management Plan.

DIRECTORS' REMUNERATION

Remuneration Policy and Procedure

The Remuneration Committee recommends to the Board the appropriate remuneration packages for the key senior officers in order to attract, motivate and retain talent. The Group's Remuneration Policy is to reward the Directors and the key senior officers competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, the Remuneration Committee takes into account comparable roles in similar organisations that may be of the same in size, market sector or business complexity.

The Executive Director does not participate in any way in determining his individual remuneration.

All Non-Executive Directors are paid Directors' fees, which are recommended by the Board and approved annually by the shareholders at the AGM.

The remuneration structure for the Non-Executive Directors of the Company is as follows:-

- Fees for duties as a Director and as a member of the various Committees of the Board as well as additional fees for undertaking responsibilities as Chairman of the Board and the various Board Committees; and
- Meeting allowance for each meeting attended.

The fees for Non-Executive Directors are recommended by the Board to the shareholders after deliberating the recommendations by the Remuneration Committee. The meeting allowance for all Non-Executive Directors is determined by the Board.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same fee structure for computing the fee for each Non-Executive Director for the financial year ended 31 March 2018 as used in the previous financial year:-

		Meeting attendance allowance RM	Annual fees RM
Board	Chairman Member	RM1,250 for each meeting attended	130,000 70,000
Audit Committee	Chairman Member		22,000 17,000
Risk Management Committee	Chairman Member		22,000 17,000
Remuneration Committee	Chairman Member		17,000 12,000
Nomination Committee	Chairman Member		17,000 12,000
Investment Committee	Chairman Member		17,000 12,000

The details of the total remuneration of each Director of the Company during the financial year ended 31 March 2018 are disclosed on page 157 of this Annual Report.

Fees for Non-Executive Directors amounting to RM2,620,900 for the financial year ended 31 March 2018 will be tabled for approval at the forthcoming AGM of the Company. The fees were pro-rated based on joining resignation date.

The remuneration of the Group Shariah Committee members is decided by the Board. The meeting attendance allowance and annual fees of the Group Shariah Committee members were shared equally by subsidiaries of MNRB, namely Takaful Ikhlas Berhad, Malaysian Reinsurance Berhad (for its Retakaful Division) and MNRB Retakaful Berhad (until 1 December 2017 and now known as Sinar Seroja Berhad).

The fee structure for each Group Shariah Committee member for the financial year ended 31 March 2018 remains the same as that used in the previous financial year:-

	Meeting attendance allowance RM	Annual fees RM
Chairman Member	RM1,500 for each meeting attended	36,000 32,000

The details of the total remuneration of members of the GSC during the financial year ended 31 March 2018 are disclosed on page 155 of this Annual Report.

Indemnification of Directors and Officers

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Remuneration Policy in respect of the President & GCEO, Board Appointees and the Senior Management team of the Company

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel.

The remuneration of the President & GCEO, the Board Appointees (BA) and the Senior Management (SM) team of the Company are reviewed and approved annually by the Remuneration Committee and the Board respectively. All the Board Appointees and the Senior Management team are considered as Material Risk Takers (MRT). Currently there are eleven (11) staff identified as MRT.

Other Material Risk Takers (OMRT) are officers who are not in the Senior Management team who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile. The Senior Management team and the OMRTs are subject to risk control key performance indicators and risk adjusted variable compensation commencing from the next financial year. In addition to the above MRT, currently there are no identified OMRT in the Company.

The basic component of the remuneration package comprises a monthly basic salary. The variable component has been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Remuneration Committee and the Board. Such components comprise a performance-based variable bonus, which are awarded once a year. In awarding this variable component, the President & GCEO and the MRT's corporate and individual performances are measured using a balanced measurement approach that encourages business sustainability and ensures prudent risk taking.

Staff engaged in all control functions including Actuarial and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

In such annual remuneration reviews, the Remuneration Committee takes into consideration factors such as market competitiveness and internal equity, and that the remuneration commensurate with individual performance and contributions.

The annual budget for salary increment, performance-related variable bonus, is submitted to the Board for approval. The competitiveness of the Company's compensation structure is reviewed once every 3-5 years, subject to relevancy and affordability, relative to a peer group of companies that is considered to be relevant for compensation purposes to ensure continued appropriateness. The review is done through comparison to data source from various remuneration surveys conducted independently by remuneration consultants.

The Company will include the processes described above in the remuneration policy to be approved by the Board in the next financial year. The remuneration policy, when approved, would be subject to periodic board review, including when material changes are made to the policy. The Company's variable compensation varies in line with its financial performance and the Policy Document on Corporate Governance requirements.

The total value of remuneration awards for the financial year ended 31 March 2018 are as follows:-

Fixed Remuneration	Grade	Unrestricted	Deferred	Remark
Cash-Based	President & GCEO	1,304,481	–	Salary, Allowance and EPF
	BA & SM	4,732,608	–	
Others	President & GCEO	68,008	–	Benefit-in-kind
	BA & SM	472,042	–	
Variable Remuneration	**Grade**	**Unrestricted**	**Deferred**	**Remark**
Cash-Based	President & GCEO	368,000	–	Variable Bonus and EPF on bonus
	BA & SM	1,387,585	–	
Others	President & GCEO	–	–	
	BA & SM	–	–	

SUPPLY OF INFORMATION

All Directors have full and unrestricted access to all information pertaining to the Group's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

Prior to Board meetings, every Director receives a one (1) month notice from the meeting day. Subsequently, the agenda for the Board meetings together with Board papers are furnished to the Directors not less than three (3) working days prior the Board meeting. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at the Board meeting. Sufficient time is given to the Directors to enable them to obtain further explanations, where necessary, so that there will be full participation by Directors at the meeting.

The Board papers include the following:-

- Reports by the various Board Committees on issues deliberated at the respective Board Committee meetings;
- Financial Statements Report on the Group and subsidiaries' performance; and
- Compliance reports.

Proper guidelines have been given by the Board pertaining to the content, presentation style and delivery of papers to the Board for each Board meeting to ensure adequate information is disseminated to the Directors. In the event the papers are not prepared in accordance with the format above or are incomplete, the Secretarial team will assist to liaise with the originator to ensure adherence to the same.

The Board meeting papers contain information in a form and of a quality appropriate to enable the Board to discharge its duties effectively. In order to maintain confidentiality, meeting papers are distributed with special password.

The minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation and upon receiving confirmation from all the Members at the Board meetings, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.

The Chairman with the assistance of the Company Secretaries ensures that clear and accurate minutes of Board meetings which include the key deliberations, rationale for each decision made, and any significant concerns or dissenting views are maintained. Decisions of the Board are disseminated to the Senior Management Team in a timely manner so that necessary actions can be taken.

All Directors have direct access to members of the Senior Management Team and the services of the Company Secretaries to enable them to discharge their duties effectively.

The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company. The Company Secretaries work closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

The Company Secretaries also serve notices to the Directors and all staff on the closed period for trading in MNRB shares, in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of the Listing Requirements.

In addition to acting as the custodian of the Company's and the Group's statutory records, the Company Secretaries serve and advise the Board on matters relating to the affairs of the Board and good corporate governance practices, ensure that Board meetings are properly convened and maintain an accurate and proper record of the proceedings and minutes of the meetings.

In promoting good corporate governance practices, the Company Secretaries assist the Board and Senior Management on meeting with regulatory requirements and best practices specifically pertaining to Board governance. This includes proposing on transparency and mandatory/voluntary disclosure on governance issues which are relevant and materially important to the stakeholders.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Directors may, if necessary, obtain independent professional advice from external consultants, at the Company's expense.

Throughout their period in office, Directors are updated on the Group's business, the competitive and regulatory environments in which it operates and other changes by way of written briefings and meetings with the Senior Management.

CONFLICT OF INTEREST

The Board had adopted a policy on Conflict of Interest. Pursuant to this policy, Directors are required to declare their respective shareholdings in the Company and related companies and their interests in any contracts with the Company or any of its related companies. Directors are also required to declare their directorships in other companies and shall abstain from any discussions and decision-making in relation to these companies.

All disclosures by the Directors are properly retained by the Company Secretaries.

DIRECTORS' TRAINING

The Company acknowledges that continuous education is vital for the Board members to gain insight into the regulatory updates and market developments to enhance the Directors' skills and knowledge in discharging their responsibilities.

With the repeal of Practice Note 15 on Continuing Education Programme by Bursa Malaysia, the continuous training needs of the Directors are now vested in the Board. In view of the challenges and recognising the demand of increased board leadership, members of the Board are expected to continuously enhance their knowledge and skills. The Board will have access to relevant training programmes and seminars to enhance their knowledge and skills in discharging their duties, at the Company's expense.

During the financial year, all Directors attended various seminars and programmes to strengthen their skills set and knowledge in order to effectively discharge their responsibilities, as well as to acquire sound understanding of current issues and developments in the financial and business environment.

Pursuant to the requirements of Bursa Malaysia, a newly appointed Director is required to attend the Mandatory Accreditation Programme (MAP) and obtain a certificate from a programme organiser approved by Bursa Malaysia. George Oommen had attended two (2) days MAP from 12 March 2018 to 13 March 2018 while Datuk Johar Che Mat had completed the MAP prior to joining the Company.

In addition to the above, being a Director of a financial institution, a newly appointed Director is required to attend the Financial Institution Directors' Education (FIDE) programme and complete the same within one (1) year from the date of appointment. In the event that the new Director has completed the same in another financial institution previously, the Director should provide a copy of his/her FIDE certificate to the Company Secretaries.

Datuk Johar Che Mat had completed the FIDE program prior to joining the Company while George Oommen is scheduled to attend in July 2018.

All new Directors are required to undergo an induction programme whereby they receive information about the Group, the formal statement of the Board's role, the powers that have been delegated to the Company's Senior Management and Management committees as well as the latest financial information about the Group. This is to enable them to contribute effectively from the outset of their appointment.

To supplement the programme, a Director's Handbook is furnished by the Company Secretaries upon a Director's appointment containing information such as disclosure obligations of a Director, Board Charter, Code of Ethics, Board Committees' Terms of Reference, schedule of meetings, amongst others.

During the financial year, an induction programme for the two (2) new Directors was provided by the President & GCEO covering both operational and financial overview, future projects and strategies. Both new Directors also received the Director's Handbook prepared by the Company Secretaries.

The Company Secretaries also facilitates the organisation of internal training programmes and the Directors' participation in external programmes. The Company Secretaries keep a complete record of the training received or attended by the Directors.

The following are some of the trainings/conferences/seminars and/or workshops attended by the Board members during the financial year:-

- <u>**Corporate Governance**</u>
  - BCM Awareness Talk: "The Importance of BCM";
  - The new Companies Act, 2016: "The Key Issues and Potential Pitfalls and Disclosure of Interest by Nominee Directors";
  - Aon Hewitt & Boardroom's: "Raising the Bar on Corporate Governance";
  - The Inside Story of the Annual Report: "What Directors Must Know"; and
  - Talent to Value Workshop.

- **Reinsurance/Insurance/Takaful business**
  - MNRB Group Directors' Training: "Recognising Risk and Being Prepared" and "Internal Capital Adequacy Assessment Process" (ICAAP);
  - MNRB Group Directors' Training: "Understanding the Fundamentals of Reinsurance/Retakaful Business, Underwriting and Accounting";
  - Willis Towers Watson Insurance Forum;
  - 14th Singapore International Reinsurance Conference: "New Partnerships in Reinsurance".

- **Economics, Finance, Capital Market and Exchange**
  - PNB Investment Series 2017: "The Future of Financial Technology (FINTECH)/DIGITAL Disruption";
  - PNB Investment Series 2017: "The Future of Globalisation and Liberalisation, Are We Losing the Battle?";
  - Capital Market Director Programme for Fund Management: "Digital Investment Management"; and
  - BNM-FIDE Forum Dialogue: "Managing Cyber Risks in Financial Institutions".

BOARD COMMITTEES

The Board has delegated specific responsibilities to five (5) Board Committees, as follows: -

- Audit Committee;
- Remuneration Committee;
- Risk Management Committee of the Board;
- Investment Committee;
- Nomination Committee.

These Board Committees have their respective Terms of Reference, which clearly define their duties and obligations in assisting and supporting the Board. The ultimate responsibility for the final decision on all matters lies with the entire Board.

Audit Committee

During the financial year ended 31 March 2018, the Audit Committee comprises four (4) members all of whom are Independent Non-Executive Directors. The Company has complied with Paragraph 15.09 of the Listing Requirements, which requires all members of the Audit Committee to be Non-Executive Directors with a majority of them being Independent Directors. Two (2) members of the Audit Committee are qualified Accountants and members of the Malaysian Institute of Accountants.

The members of the Audit Committee are:-

	Attendance	Percentage
Arul Sothy Mylvaganam Chairman (Independent Non-Executive Director) *(Redesignated as Chairman with effect from 1 August 2017)*	6/6	100%
Noor Rida Hamzah (Independent Non-Executive Director)	6/6	100%
Datuk Johar Che Mat (Independent Non-Executive Director) *(Appointed with effect from 16 October 2017)*	2/2	100%
George Oommen (Independent Non-Executive Director) *(Appointed with effect from 28 February 2018)*	Nil	Nil
Mustaffa Ahmad (Senior Independent Non-Executive Director) *(Resigned from the Audit Committee with effect from 28 February 2018)*	6/6	100%
Megat Dziauddin Megat Mahmud (Senior Independent Non-Executive Director) *(Resigned with effect from 30 June 2017)*	2/2	100%

The Audit Committee's Terms of Reference include the review and deliberation of the Financial Statements of the Company and the Group, findings of the External and Internal Auditors, any related party transactions and any conflict of interest situation within the Group, as well as making recommendations to the Board pertaining to the appointment/re-appointment of External Auditors.

In order to encourage a greater exchange of free and honest views and opinions between the Audit Committee and External Auditors, a meeting between them without the presence of Management was held during the year.

The Audit Committee's duties, as spelt-out in the Audit Committee Report on pages 93 to 95 of this Annual Report, include primarily, the duties as spelt out in paragraph 15.12 of the Listing Requirements.

The Audit Committee met six (6) times during the financial year.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Remuneration Committee

The Board has established a Remuneration Committee comprising four (4) Independent Non-Executive Directors.

The members of the Remuneration Committee are:-

	Attendance	Percentage
Noor Rida Hamzah Chairman (Independent Non-Executive Director) *(Redesignated as Chairman with effect from 1 August 2017)*	2/2	100%
Arul Sothy Mylvaganam (Independent Non-Executive Director) *(Appointed with effect from 1 August 2017)*	2/2	100%
Rosinah Mohd Salleh (Independent Non-Executive Director) *(Appointed with effect from 16 October 2017)*	1/1	100%
George Oommen (Independent Non-Executive Director) *(Appointed with effect from 28 February 2018)*	Nil	Nil
Megat Dziauddin Megat Mahmud (Senior Independent Non-Executive Director) *(Resigned with effect from 30 June 2017)*	Nil	Nil
Paisol Ahmad (Non-Independent Non-Executive Director) *(Resigned with effect from 24 August 2017)*	1/1	100%

The Remuneration Committee's primary objective is to establish a formal and transparent procedure for developing a remuneration policy for Directors, Executive Director and key senior officers and to ensure that their compensation is competitive and consistent with the Company's culture, objectives and strategies. Additionally, the Remuneration Committee is also responsible for recommending to the Board the specific remuneration packages for Directors, Executive Director and key senior officers to ensure that they commensurate with the scope of responsibilities held.

The Remuneration Committee met two (2) times during the financial year.

During the year, the Remuneration Committee had reviewed and deliberated the following matters:-

- The proposal on Collective Agreement 2016 – 2019;
- The proposed Balanced Scorecard/KPI and linkages to Annual Increment and Bonus for financial year ended 31 March 2018;
- The Annual Balanced Scorecard/KPI Report for the financial year ended 31 March 2017 & Proposed Annual Increment and Bonus;
- The proposed Terms of Reference of the Remuneration Committee;
- The proposal to Streamline and Update the Scheme of Service for Executive and Confidential Staff in MNRB Group;
- The proposal on Flexible Working Hours for Staff of MNRB Group; and
- Directors' Fees for the Financial Year Ended 31 March 2018.

Risk Management Committee of the Board (RMCB)

The Board believes that an effective Risk Management Framework is essential for the Group in its quest to achieve its corporate objectives, continued profitability and enhancement of shareholders' value in today's rapidly changing market environment.

With this in mind, the Board had established a dedicated RMCB which oversees the implementation of an enterprise-wide risk management framework. The RMCB of MNRB comprised a majority of Independent Non-Executive Directors and is chaired by Senior Independent Non-Executive Director, Mustaffa Ahmad.

Collectively, the RMCB members have a wide range of necessary skills, knowledge and experience, including insurance, reinsurance, accounting or related banking expertise and experience in discharging their duties, ranging from banking regulatory, finance, research, training and stewardship of financial institutions. The RMCB assists the Board in meeting the expectations on risk management including ensuring the effective implementation of the risk management framework.

The members of the RMCB Committee are:-

	Attendance	Percentage
Mustaffa Ahmad Chairman (Senior Independent Non-Executive Director)	5/5	100%
Hijah Arifakh Othman (Non-Independent Non-Executive Director)	5/5	100%
Datuk Johar Che Mat (Independent Non-Executive Director) *(Appointed with effect from 28 February 2018)*	Nil	Nil
George Oommen (Independent Non-Executive Director) *(Appointed with effect from 28 February 2018)*	Nil	Nil
Rosinah Mohd Salleh (Independent Non-Executive Director) *(Resigned from RMCB with effect from 28 February 2018)*	4/4	100%
Arul Sothy Mylvaganam (Independent Non-Executive Director) *(Resigned from RMCB with effect from 28 February 2018)*	4/4	100%

The RMCB is responsible for:-

- Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
- Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- Ensuring adequate infrastructure, resources and systems are in place for effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities; and
- Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The Committee met five (5) times during the financial year.

Investment Committee

The Investment Committee, comprising one (1) Non-Independent Non-Executive Director, one (1) Independent Non-Executive Director and one (1) Non-Independent Executive Director. The Investment Committee examines strategic investment proposals and makes decisions to optimise the Group's returns on its investment activities. The Committee met four (4) times during the financial year.

The members of the Investment Committee are:

	Attendance	Percentage
Hijah Arifakh Othman Chairman (Non-Independent Non-Executive Director)	4/4	100%
Mohd Din Merican (Non-Independent Executive Director)	4/4	100%
Datuk Johar Che Mat (Independent Non-Executive Director) *(Appointed with effect from 16 October 2017)*	2/2	100%
Megat Dziauddin Megat Mahmud (Senior Independent Non-Executive Director) *(Resigned with effect from 30 June 2017)*	1/1	100%
Paisol Ahmad (Non-Independent Non-Executive Director) *(Resigned with effect from 24 August 2017)*	2/2	100%

Group Shariah Committee

The Group Shariah Committee was established to cater for the Group's Takaful and Retakaful businesses. It resides at MNRB and is leveraged by the other companies within the Group. The Group Shariah Committee is tasked with the responsibility of ensuring that the Group's Takaful and Retakaful business activities are in compliance with Shariah principles at all times.

The establishment of Group Shariah Committee is in compliance with BNM's Shariah Governance Framework for Islamic Financial Institutions, the Guidelines on the Governance of Shariah Committee for Islamic Financial Institutions (BNM Shariah Guidelines), and Islamic Financial Services Act, 2013 (IFSA 2013).

Any non-compliance with Shariah matters is reported to the Group Shariah Committee and the Board. The Shariah Secretariat presents a periodic report on Shariah non-compliance and highlights action plans undertaken to address any non-compliance.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Under BNM's Shariah Governance Framework, the Group Shariah Committee must consist of at least five (5) members. The majority of members shall at least hold a bachelor's degree in Shariah, which includes study in Usul Fiqh (the origin of Islamic law) or Fiqh Muamalat (Islamic transaction/commercial law) from a recognised university.

The Group Shariah Committee plays a significant role in assisting the Board in making decisions on policies, operations and others relating to Shariah compliance of the Group's Takaful and Retakaful businesses.

The main duties and responsibilities of the Group Shariah Committee are as follows:-

- Advise the respective Boards and Management on Shariah matters, where necessary;
- Endorsement of Shariah policies and procedures prepared by Management and to ensure that the contents do not contain any elements that are not compliant to and/or consistent with Shariah;
- Assessment of Shariah review and Shariah audit functions in order to ensure compliance with Shariah, it being part of its responsibility in providing opinion on Shariah compliance and in providing the assurance statement in the respective Company's Audited Financial Statements; and
- Advise on matters to be referred to the Shariah Advisory Council of BNM, where necessary.

A total of eight (8) GSC meetings were held during the financial year. Details of the GSC members' attendance at the meetings held during the financial year were as follows:-

	Attendance	Percentage
Prof. Dato' Dr. Ahmad Hidayat Buang (Chairman)	8/8	100%
Datuk Nik Moustpha Haji Nik Hassan	6/8	75%
Dr. Syed Musa Syed Jaafar Alhabshi	7/8	87.5%
Assoc. Prof. Dr. Said Bouheraoua	8/8	100%
Dr. Muhammad Naim Omar	8/8	100%
Dr. Mohamed Fairooz Abdul Khir	7/8	87.5%

WHISTLEBLOWING

The Group is committed to carrying out its business in accordance with the highest standards of professionalism, honesty, integrity and ethics. Accordingly, the Group has established a Whistleblowing Policy with the following objectives:-

- To help develop a culture of accountability and integrity within the Group;
- To provide a safe and confidential avenue for all employees, external parties and other stakeholders to raise concerns about any misconduct;
- To reassure whistleblowers that they will be protected from detrimental action or unfair treatment for disclosing concerns in good faith; and
- To deter wrongdoing and promote standards of good corporate practices.

This Whistleblowing Policy governs the disclosures, reporting and investigation of misconduct within the Group as well as the protection offered to the persons making those disclosures (whistleblowers) from detrimental action in accordance with the Whistleblower Protection Act, 2010.

It is the Group's policy to encourage its employees and external parties to disclose any misconduct, and to fully investigate reports and disclosures of such misconduct, as well as to provide the whistleblower protection in terms of confidentiality of information, and to safeguard the whistleblower from any act of interference that may be detrimental to the whistleblower. The Group assures whistleblowers that all reports will be treated with strict confidentiality and upon verification of genuine cases, prompt investigation will be carried out.

The official avenues for disclosure by the whistleblower are via any of the following recipients:-

- The Chairman of MNRB;
- The Chairman of the Audit Committee of MNRB; or
- The President & GCEO.

The disclosure of misconduct or wrongdoing shall be made in writing via email to disclosure@mnrb.com.my. The Policy and relevant form can be accessed at the Company's website www.mnrb.com.my.

EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

The Group recognises the paramount importance of shareholder communication as it is a key component to upholding the principles and best practices of corporate governance for the Group.

In maintaining the commitment to communicate effectively with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosure of information to its shareholders as well as to the investing public. This practice of disclosure of information is not just established to comply with the requirements of the Listing Requirements pertaining to continuing disclosure, but to align with the best practices as recommended in the MCCG 2017 with regard to strengthening engagement and communication with shareholders.

The Group's Annual Report is the main channel of communication between the Group and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed corporation, the contents and disclosure requirements of the Annual Report are also governed by the Listing Requirements.

The Company disseminates its Annual Report to its shareholders either in hard copy or in CD ROM media. All information to shareholders is available electronically in the Company's website www.mnrb.com.my as soon as it is announced or published.

The AGM is the principal forum for dialogue with shareholders. The Company's AGM is normally well attended as it provides the shareholders direct access to the Board as well as give them an opportunity to participate effectively and to vote accordingly.

Notice of the AGM and the Annual Report are sent out to shareholders at least twenty-one (21) days before the date of the meeting.

Besides the normal agenda for the AGM, the Chairman of the Group presents a comprehensive and concise review of the Group's financial performance and the value created for shareholders. This review is supported by the presentation of key points and key financial figures. The Chairman also presents the progress and performance of the Group in the Annual Report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to provide responses to questions from the shareholders during this meeting.

Each item of Special Business included in the notice of the meeting will be accompanied by an explanatory statement and/or Circular to Shareholders to facilitate full understanding and evaluation of the issues involved.

A summary of the key matters discussed at the annual general meeting, will be published at the Company's website after the conclusion of the annual general meeting.

Apart from the abovementioned engagement with shareholders through annual reports and general meetings, the Group also makes announcements of its quarterly results and other announcements to Bursa Malaysia to provide stakeholders with key information that affects their decision-making, thus enhancing the level of transparency. To promote wider publicity and dissemination of information that is made public, the Group also issues press releases to the Media on all significant corporate developments and business initiatives to keep the investment community and all stakeholders updated on the progress and strategic development of the business of the Group.

POLL VOTING

In accordance with the Listing Requirements, all resolutions set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll.

INVESTOR RELATIONS

As part of the initiatives in developing and implementing an investor relations programme, regular briefings are held between the Group with analysts and investors.

Presentations based on permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive information about the Group is however, not disclosed at these briefings until after the prescribed announcement to Bursa Malaysia has been made.

The Board recognises the importance of timely and accurate information to the shareholders and investors for them to make informed investment decisions about MNRB and the Group. Hence, the Board, had on 30 May 2017, approved the Group External Communication Policy to secure any information relating to the business and affairs of the Group/Company that, when publicly released, would significantly affect, or would reasonably be expected to have significant effect to MNRB's share-price, the Company's reputation, financial and/or competitive position.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The policy amongst others stated that only the Chairman of the Board, the President & GCEO, or any other person(s) authorised by them are allowed to communicate the Controlled Information to external parties. Additionally, the Policy stressed out that if any staff is invited to speak at conferences, seminars, trainings or similar public events, prior approval must first be obtained from the President & GCEO before accepting the speaking engagement.

MNRB also maintains a website, which shareholders and the public in general can access to gain information about the Group at www.mnrb.com.my.

ACCOUNTABILITY AND AUDIT

Financial Reporting

For financial reporting through interim quarterly reports to Bursa Malaysia and the Annual Report to shareholders, the Directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Directors are responsible for ensuring that the accounting records are kept properly and that the Group's financial statements are prepared in accordance with applicable approved accounting standards in Malaysia. The Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016 is set out on page 112 of this Annual Report.

Internal Control and Risk Management

Information on the Group's internal control and risk management is presented in the Group's Statement on Risk Management and Internal Control as set out on pages 101 to 104 of this Annual Report.

Relationship with Auditors

Information on the role of the Audit Committee in relation to the External Auditors may be found in the Audit Committee Report set out on pages 93 to 95 of this Annual Report. The Group has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the approved accounting standards.

Management's Accountability

The Group has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all its Management and Executive employees and formal performance appraisals are done on a periodic basis.

Authority limits, as approved by the Board, are clearly established and made available to all employees.

STATEMENT ON COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Group is committed to achieving high standards of corporate governance and the highest level of integrity and ethical standards in all its business dealings. The Board will continuously strive towards adopting all the Principles and Best Practices as set out in the MCCG 2017, the PD CG and the Listing Requirements.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 30 May 2018.

AUDIT COMMITTEE **REPORT**

MEMBERS OF THE COMMITTEE

Arul Sothy Mylvaganam (Chairman & Independent Non-Executive Director) *(Redesignated as Chairman with effect from 1 August 2017)*
Noor Rida Hamzah (Independent Non-Executive Director)
Datuk Johar Che Mat (Independent Non-Executive Director) *(Appointed with effect from 16 October 2017)*
George Oommen (Independent Non-Executive Director) *(Appointed with effect from 28 February 2018)*
Mustaffa Ahmad (Senior Independent Non-Executive Director) *(Resigned from the Audit Committee with effect from 28 February 2018)*
Megat Dziauddin Megat Mahmud (Chairman & Senior Independent Non-Executive Director) *(Resigned with effect from 30 June 2017)*

MEMBERSHIP

The Audit Committee shall be appointed by the Board and comprises at least three (3) members of whom all members must be Non-Executive Directors and the majority shall be independent directors. At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or eligible for membership.

The members of the Audit Committee must elect a Chairman among themselves who is an Independent Director.

The composition including the tenure of the Audit Committee members as well as the performance of the Audit Committee and each of its members had been reviewed during the financial year.

AUTHORITY

The Audit Committee is authorised by the Board to undertake any activity within its terms of reference and must have unlimited access to all information and documents relevant to its activities, to both the internal and external auditors, as well as to all employees of the Group.

It is able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.

It also has the authority to obtain independent legal or other professional advice as it considers necessary.

MEETINGS

A quorum shall consist of at least two-thirds (2/3rd) of the members with Independent Directors forming the majority.

A minimum of four (4) meetings per year is planned. Additional meetings may be called at any time if so requested by any Audit Committee member, the Management, the internal or external auditors.

The Chairman of the Audit Committee shall invite any person to be in attendance to assist the committee in its deliberations.

After each meeting, the Audit Committee shall report and update the Board on significant issues and concerns discussed and where appropriate, make the necessary recommendations to the Board. The minutes of the meetings shall also be circulated to the Board after confirmation.

The Secretary to the Audit Committee shall be the Company Secretary.

AUDIT COMMITTEE **REPORT**

ACTIVITIES

For the financial year under review, a total of six (6) Audit Committee Meetings were held. The details of attendance of the Audit Committee members were as follows:

Audit Committee Member	Attendance	Percentage
Arul Sothy Mylvaganam	6/6	100%
Noor Rida Hamzah	6/6	100%
Datuk Johar Che Mat *(Appointed with effect from 16 October 2017)*	2/2	100%
George Oommen *(Appointed with effect from 28 February 2018)*	N/A	N/A
Mustaffa Ahmad *(Resigned from the Audit Committee with effect from 28 February 2018)*	6/6	100%
Megat Dziauddin Megat Mahmud *(Resigned with effect from 30 June 2017)*	2/2	100%

The main activities that took place during the meetings were:-

1. Reviewed the quarterly results and year-end financial statements prior to approval by the Board;
2. Deliberated on significant matters raised by the external auditors including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and received progress updates from Management on actions taken for improvements;
3. Deliberated on and recommended to the Board, the adoption of new Malaysian Financial Reporting Standards (MFRS) and Amendments / Annual Improvements to MFRSs that are effective for the financial year ended 31 March 2018 and the full adoption of MFRS 9 - Financial Instruments beginning 1 April 2018;
4. Evaluated the performance and recommended to the Board, the appointment and remuneration of the external auditors for the financial year ended 31 March 2018;
5. Reviewed the external auditors' audit plan for the year ended 31 March 2018;
6. Reviewed the external auditors' management letter and Management's response thereto. Meeting without the presence of the Management were also held with the external auditors on 14 June and 16 November 2017 respectively. Matters discussed during these meetings include key observations noted by the external auditors during the course of their annual audit;
7. Reviewed the Statement of Directors' Responsibility in Relation to the Financial Statements, Audit Committee Report and Statement of Risk Management and Internal Control for inclusion in the annual report to be in compliance with Bursa Malaysia requirements;
8. Reviewed the Related Party Transactions as entered into by the Company on a periodic basis, including understanding the relationship of the transacting parties, the nature of these parties' business, the nature and timing of transactions and comparing the terms of the transactions with other third party transactions;
9. Reviewed the results of the internal audit reports for the Company on the adequacy and effectiveness of governance, risk management and compliance process; and
10. Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised including status of completion achieved.

In respect of the Company's Employees' Share Option Scheme (ESOS), there were no allocation of options in the year for the Audit Committee to review.

INTERNAL AUDIT DEPARTMENT

The Audit Committee is assisted by the Internal Audit Department in the discharge of their duties and responsibilities. Internal Audit Department is independent of operations and was set up in-house on 2 January 1991.

As at the financial year end, Internal Audit Department is staffed by eighteen (18) auditors. Some of the Internal Audit Department staff have professional qualifications such as the Association of Chartered Certified Accountants, Certified Internal Auditor, Certified Information Systems Auditor and Certified Fraud Examiner and are members of the Institute of Internal Auditors. With the exception of one (1) Internal Audit Department staff who exercised the Company's ESOS in 2004 and holds shares of the Company, the rest of the Internal Audit Department staff are free from any relationship or conflict of interest. This does not result in the impairment of objectivity and independence of the internal audit function as a whole.

The Internal Audit Department's duties are guided by prevailing internal policies and procedures and the Institute of Internal Auditors' International Professional Practice Framework as well as professional standards set within the Institute of Internal Auditors' Code of Ethics.

Their primary responsibility is to provide assurance to the Audit Committee on the effectiveness of the governance, risk management and internal control process within the Company and its subsidiaries. Internal audit reports are issued to the Management of the operational units and they contain audit findings, management responses and recommendations for improvement in areas with risk and internal control deficiencies.

For the financial year ended 31 March 2018, the total costs incurred for Internal Audit Department were RM2,594,275.

A summary of its activities for the year is as follows:

1. Conducted audits of the various business portfolios/departments of the Company and its subsidiaries, including the reviews performed over key risk areas i.e. underwriting, claims, investment, finance, strategic planning, information and communication technology, compliance, and actuarial valuation;
2. Conducted special reviews over possible threats to the safeguarding of assets;
3. Follow up audits were then conducted on the implementation of the recommendations made and Management actions taken to improve on issues identified during the audits; and
4. Prepared annual audit plans for the Audit Committee's consideration.

NOMINATION COMMITTEE **REPORT**

The Board's Nomination Committee was established to support and advise the Board of Directors in fulfilling its responsibilities to ensure the Board and the key management personnel of the Company comprise individuals with the appropriate mix of qualifications, skills and experience.

MNRB was designated by BNM as a Financial Holding Company under the Financial Services Act, 2013 and the Islamic Financial Services Act, 2013 on 11 July 2015. In line with this and pursuant to BNM's Policy Document on Corporate Governance (PD CG), the Nomination Committee has consistently monitored the composition for Board and committees of the Company.

During the financial year, following the resignation and the retirement of the two (2) Nomination Committee members, namely Megat Dziauddin Megat Mahmud and Paisol Ahmad from the Board, a new Independent Non-Executive Director, Noor Rida Hamzah was appointed as the new Nomination Committee member.

Currently, the Nomination Committee comprises four (4) Non-Executive Directors with the majority of whom are independent. The Nomination Committee is chaired by an Independent Non-Executive Director.

The Nomination Committee composition complies with the relevant requirements of the Listing Requirements, MCCG 2017 and BNM's PD CG.

MEETINGS AND ATTENDANCE

During the financial year, the Nomination Committee convened five (5) meetings.

Details of members' attendance are as follows:-

Current Nomination Committee Members	Attendance	Percentage
Rosinah Mohd Salleh Chairman (Independent Non-Executive Director)	5/5	100%
Dato Sharkawi Alis (Non-Independent Non-Executive Director)	5/5	100%
Mustaffa Ahmad (Senior Independent Non-Executive Director)	5/5	100%
Noor Rida Hamzah (Independent Non-Executive Director) *(Appointed with effect from 1 August 2017)*	5/5	100%

Former Nomination Committee Members	Attendance	Percentage
Paisol Ahmad (Non-Independent Non-Executive Director) *(Resigned with effect from 24 August 2017)*	2/3	66.66%
Megat Dziauddin Megat Mahmud (Senior Independent Non-Executive Director) *(Resigned with effect from 30 June 2017)*	2/2	100%

The President & GCEO is invited to attend the meetings to furnish the Nomination Committee with the necessary information and clarification to relevant items on the agenda.

All the proceedings at Nomination Committee meetings are duly recorded in the minutes. The Company Secretaries ensure that the minutes are signed by the Chairman and entered into the minutes book.

The Chairman of the Nomination Committee updates the Board on matters that have been deliberated and considered.

TERMS OF REFERENCE

The Nomination Committee is governed by its Terms of Reference (TOR) which is posted on the corporate website.

Under the TOR, the Nomination Committee is vested with such power and authority, specific or general, as may from time to time be delegated upon by the Board.

The Nomination Committee can obtain resources which it requires, including but not limited to, obtaining expert advice, both internal and external, and to have full and unrestricted access to information to enable the Nomination Committee to fulfil its objectives.

The duties and responsibilities of the Nomination Committee are summarised as follows:-

a. To oversee the overall composition of the Board, in terms of the appropriate size, knowledge, experience, skills, gender and the balance between Non-Independent Non-Executive Directors and Independent Non-Executive Directors;

b. To assess and recommend to the Board competent persons of integrity with strong sense of professionalism for appointment as:-
   - Director;
   - President & GCEO;
   - GSC member;
   - Board Appointee; and
   - Company Secretary.

c. To assess and recommend to the Board the reappointments of Directors, the President & GCEO and GSC members and the succession planning for them;

d. To assess the independence of Independent Directors based on their objective judgement to board deliberations;

e. To recommend to the Board the removal of a Director/President & GCEO/GSC member from the Board/Management/GSC if the Director/President & GCEO/GSC member is ineffective, errant and negligent in discharging his/her responsibilities;

f. To review the results of the Directors' Annual Assessment and evaluate the effectiveness of the Board as a whole as well as the contribution of each Director to the effectiveness of the Board including the performance of the President & GCEO;

g. To perform all obligations required to be undertaken by the Nomination Committee under the MNRB's Fit & Proper Policy and Procedure (Fit & Proper Policy) which includes, among others, as follows: -
   - To review the Fit & Proper Policy once a year to ensure their relevance and alignment with material changes in the business and risk profile and strategies of MNRB; and
   - To review the list of Key Responsible Persons (as defined in the Fit & Proper Policy) for MNRB and be satisfied that the list is comprehensive and has taken into account all key positions.

h. In determining the process for the identification of suitable candidates, Nomination Committee will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:-
   - Skills, knowledge, expertise and experience;
   - Professionalism;
   - Integrity;
   - Existing number of directorships held; and
   - Fit and proper.

   Nomination Committee shall, where required, engage directly with the candidates to ascertain their suitability for the position.

i. To recommend to the Board the retirement and re-election of a Director during a general meeting pursuant to the provisions in the MNRB's Constitution; and

j. To oversee MNRB's management succession planning.

BOARD DIVERSITY

The Board fully recognises the importance of boardroom diversity including but not limited to, gender, age, ethnicity and experience in driving the Group's aspirations. To this effect, a Policy on Diversity was established in 2016.

The Board values the different expertise that a member brings to the Board due to his diverse background, skills and experience.

Although the Board has no specific targets on gender diversity for MNRB but it endeavours to maintain the number of women directors subject to their suitability and competency. Currently, the Board has three (3) female members, representing 33% of the total Board Members.

NOMINATION COMMITTEE **REPORT**

In order to comply with regulatory requirements and to have a well-balanced Board, the existing appointment process for a new Board member takes into consideration the required skill sets, experience, competency, ethnicity, gender and age of the individual candidates as well as the appropriate size, structure and composition of the Board as a whole.

The table below depicts the qualification/experience as well as tenure of the existing Directors as at the date of this report:-

Name	Qualification/ Experience	Date of Appointment	Tenure in the Company
1. Dato Sharkawi Alis	Law	7 January 2005	13 years
2. Mohd Din Merican	Insurance	9 January 2012	6 years
3. Mustaffa Ahmad	Reinsurance	1 April 2016	2 years
4. Hijah Arifakh Othman	Banking	1 June 2015	3 years
5. Arul Sothy Mylvaganam	Accounting	1 January 2017	1 year
6. Rosinah Mohd Salleh	Law	1 January 2017	1 year
7. Noor Rida Hamzah	Taxation	1 January 2017	1 year
8. Datuk Johar Che Mat	Banking	1 October 2017	Less than 1 year
9. George Oommen	Insurance	1 January 2018	Less than 1 year

DIRECTORS AND KEY SENIOR MANAGEMENT APPOINTMENT

The Board ensures that a formal and transparent nomination process for the appointment of Directors, GSC Members and Key Senior Management officers be continuously maintained and improved pursuant to its nomination framework.

Individuals appointed to the Board and relevant senior positions must have the appropriate fitness and propriety to discharge their prudential responsibilities during the course of their appointment.

They are assessed by the Nomination Committee in accordance with MNRB's Fit & Proper Policy. These assessments are carried out based on the declarations by each individual, the record of material academic/professional qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification.

The Fit & Proper Policy outlines the following criteria in assessing the suitability of the candidate:-

a. Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind, fairness and ethical behaviour;

b. Competence and capability, where the candidate must have the skills, experience, ability and commitment to carry out the role; and

c. Financial integrity, where the candidate must have financial soundness and be able to manage his/her debts or financial affairs prudently.

The Chairman of the Nomination Committee and at least two (2) other members conduct an interview session with the potential candidates and assess them based on their skills and experience, independence (as the case may be) and objectivity, sound judgement and other relevant perspectives.

The Board's expectations on the time commitment and contribution from the Directors will also be clearly communicated to the potential candidates. The Nomination Committee will evaluate the candidates' ability to discharge their duties and responsibilities as well as appropriate time commitment prior to recommending their appointment as Directors for approval.

Pursuant to BNM's PD CG, MNRB is required to make an application to BNM before the appointment of a Director and its President & GCEO.

During the year, the Nomination Committee recommended the nomination of two (2) new Directors after considering their respective competency, experience and knowledge. The Nomination Committee's proposal culminated in the Board's and subsequently BNM's approval for the following appointments:-

a. Datuk Johar Che Mat as an Independent Non-Executive Director on 1 October 2017. Based on his vast experience in the banking industry, Datuk Johar Che Mat provides relevant input in driving the Group forward.

b. George Oommen as an Independent Non-Executive Director on 1 January 2018. He possesses the skill sets and experience in the local and international insurance industry from his various exposure in the industry.

In addition, the Nomination Committee also recommended the reappointment of Mohd Din Merican as the President & GCEO. The Board then accepted the Nomination Committee's recommendation and approved the reappointment.

DIRECTORS' RETIREMENT, REAPPOINTMENT AND RE-ELECTION

Pursuant to BNM's PD CG, MNRB is required to apply to BNM for the reappointment of its Directors at least three (3) months prior to the expiry of their terms of appointment as approved by BNM, should it wish to extend their appointments. Prior to such application, the relevant Directors will be assessed by the Nomination Committee and the Board and they are required to give consent on their reappointment prior to the recommendation being made.

During the financial year, the following four (4) Directors were due for reappointment pursuant to the above:-

Name	Date of Expiry
1. Rosinah Mohd Salleh	31 December 2017
2. Arul Sothy Mylvaganam	31 December 2017
3. Hijah Arifakh Othman	30 May 2018
4. Dato Sharkawi Alis	30 June 2018

The Board had also performed the Annual Assessment on the Effectiveness of the Board and the individual Board members during the financial year. Its findings also form part of the Board's evaluation for the reappointment of Directors. A summarised report on the assessment is tabled to the Nomination Committee and the Board to identify and address areas for improvements.

ASSESSMENT OF INDIVIDUAL DIRECTORS FOR RE-ELECTION

Dato Sharkawi Alis, the Non-Independent Non-Executive Chairman of the Company, has extensive experience in general management and has diverse knowledge in insurance, reinsurance, takaful, retakaful, capital market, regulation and legal advisory work. While representing the interests of the major shareholder i.e. Permodalan Nasional Berhad, Dato Sharkawi Alis also carries out his duties and responsibilities towards the Company and as such, is able to mitigate risk arising from possible conflicts of interest.

He had at all times demonstrated his leadership by deliberating issues tabled to the Board with open attitude and fairness. Any critical and important matters to the Company are given focus and emphasis by him during meetings. He does not only limit his discussions to Board meetings but he also has sessions with Management whenever needed. He always facilitated a good working relationship between the executive and non-executive directors and will always allocate sufficient time to discuss strategic issues at Board meetings. He promotes frankness during discussion and allows all members to share their views on the topic being discussed. He ensures no one person dominates any discussions. He moderates discussions with maturity and reasonableness. He also ensures that obligations to shareholders and other stakeholders are understood and met by the Board.

Pursuant to Article 86 of the Company's Constitution, Dato Sharkawi Alis retires by rotation at the forthcoming 45th Annual General Meeting (AGM) of the Company and being eligible, offers himself for re-election. His re-election is further recommended by the Nomination Committee and approved by the Board.

Encik Mustaffa Ahmad, the Senior Independent Non-Executive Director of the Company, has extensive experience in insurance, takaful and business development. He brings with him a wealth of experience having worked in the insurance industry for over thirty (30) years.

NOMINATION COMMITTEE **REPORT**

He is also well versed in developing automation of claims and underwriting processes, turning around and stabilising the underwriting position of a local insurance provider, structuring the treaty arrangement as well as a sound bancatakaful operation, frameworks & documentation.

Pursuant to Article 86 of the Company's Constitution, Encik Mustaffa Ahmad retires by rotation at the forthcoming 45th AGM of the Company and being eligible, offers himself for re-election. His re-election is further recommended by the Nomination Committee and approved by the Board.

In accordance with Article 92 of the Company's Constitution, Directors appointed to fill casual vacancies shall hold office until the following AGM and shall be eligible for re-election. Pursuant thereto, the following newly appointed Directors shall retire at the forthcoming AGM and being eligible, offer themselves for re-election upon the Nomination Committee's and Board's recommendation:-

a. Datuk Johar Che Mat

   Datuk Johar Che Mat has displayed strong commitment as evidenced by participation during the Board meetings and the relevant Board Committee meetings since his appointment. He had raised issues from the Group's perspective and shared his views and experiences for purposes of improvement and growth.

b. George Oommen

   George Oommen contributes to discussions on various issues especially on insurance matters. He provides advices, suggestions and recommendations to Management to ensure the interest of MNRB is well protected.

After considering the continued commitment, contribution, support and capabilities of the above Directors, the Nomination Committee recommended and the Board had approved and subsequently recommended to the shareholders to approve the re-election of Dato Sharkawi Alis, Mustaffa Ahmad, Datuk Johar Che Mat and George Oommen, as Directors of the Company.

SUMMARY OF THE NOMINATION COMMITTEE'S ACTIVITIES IN THE FINANCIAL YEAR 2017/2018

During the financial year 2017/2018, the Nomination Committee considered and made recommendations to the Board on the following matters:-

a. Appointment of new Directors;
b. Reappointment of President & GCEO;
c. Reviewed Board Committee compositions;
d. Reviewed the results of the Annual Assessment on the Effectiveness of the Board and the individual Board members;
e. Reviewed the results of the Annual Assessment on the Effectiveness of the Group Shariah Committee and the members;
f. Reviewed the Fit & Proper Policy;
g. Reviewed the list of Key Responsible Persons;
h. Appointment of Senior Independent Director;
i. Reviewed the Director Succession Policy; and
j. Appointment of Independent Director for Malaysian Re (Dubai) Ltd.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**

This Statement on Risk Management and Internal Control (the Statement) is made pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and consistent with the guidance provided in the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*.

RESPONSIBILITY

The Board of MNRB Holdings Berhad (MNRB or the Company) acknowledges its overall responsibility for the establishment and oversight of the Group's risk management and internal control system, as well as the review of its adequacy and effectiveness. The Board also recognises that risk management is a continuous process, designed to manage risks impacting the Group's business strategies and objectives, within the risk appetite and tolerance established by the Board. In pursuing these objectives, internal control system can only provide reasonable, but not absolute, assurance against any material financial misstatement, fraud or losses.

The Board has established an enterprise-wide risk management framework with appropriate structure and process for identifying, evaluating, responding to, monitoring and managing the significant risks faced by the Company and its main operating subsidiaries. During the financial year, the framework has been updated and enhanced for adoption across the Group and renamed as the Group Enterprise Risk Management (Group ERM) Framework. The Framework has been in place for the whole of the financial year ended 31 March 2018 and has continued up to the date on which this Statement was approved.

The Board is confident that the Framework provides reasonable assurance on the effectiveness and efficiency of the strategic, financial and operational aspects of the Company and its main operating subsidiaries. The Framework is regularly reviewed by the Board.

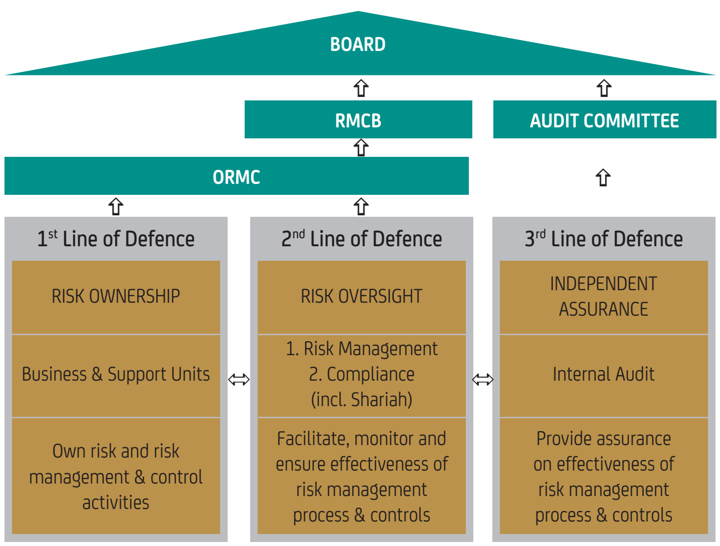
RISK MANAGEMENT GOVERNANCE

1. Dedicated Board Committees known as the Risk Management Committee of the Board (RMCB) have been established at the Company and each of its main operating subsidiaries to oversee the implementation of an enterprise-wide risk management framework. As part of the risk governance process, the Chairman of all RMCBs have provided their confirmation to the Chairman of MNRB that the necessary risk management framework had been put in place and is operating adequately, in all material aspects, to safeguard shareholders' interests and the Group's assets, as well as to manage the risks of the Company and its main operating subsidiaries for the entirety of the financial year ended 31 March 2018.

2. Dedicated Management Committees known as the Operational Risk Management Committee (ORMC) were also established at the Company and its main operating subsidiaries to assist the respective RMCBs in implementing the Group ERM Framework and ensuring the inculcation of a proactive risk management culture on an enterprise-wide basis.

3. The Group Chief Risk Officer (GCRO) oversees risk governance across the Group. The risk governance structure is aligned across the Group through the adoption of the Group ERM Framework in order to embed a streamlined and coherent risk management culture. The GCRO is supported by the Risk Management Department, which was formed to provide the necessary infrastructure to carry out the risk management function.

4. The Group adopts the **'Three Lines of Defence'** model which provides a formal, transparent and effective risk governance structure to promote active involvement from the Board, Senior Management and all staff in the risk management process across the Group.



STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**

RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

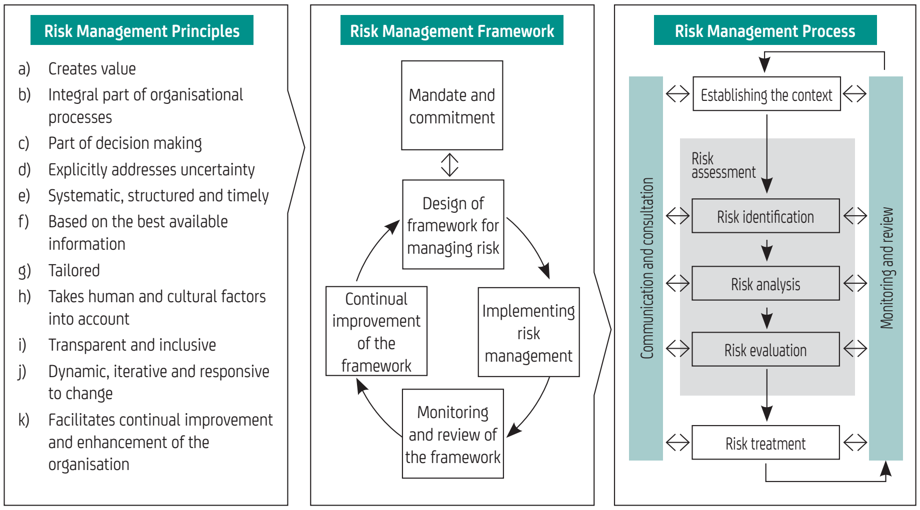
The key features that the Board has established in reviewing the adequacy and effectiveness of the risk management framework and internal control system include the following:

1. GROUP ENTERPRISE RISK MANAGEMENT FRAMEWORK

Risk Management Structure

The Board believes that an effective Group ERM Framework and strong internal control system is essential to the Group in its pursuit to achieve its business objectives, especially on the continued profitability and enhancement of shareholders' value in today's rapidly changing market environment.

The Group ERM Framework and risk management process are based on, and is consistent with the **MS ISO 31000:2010 Risk Management – Principles and Guidelines**, as illustrated in the diagram below:



Risk Appetite

Defining risk appetite is an essential element of the Group's enterprise risk management. When deciding on its risk appetite, the Group considers its risk capacity, i.e. the amount and type of risk the Group is able to support in pursuit of its business objectives, taking into account its capital structure and access to financial market.

The **Risk Appetite Statement (RAS)** is established by the Board and regularly reviewed as appropriate, according to the desired level of the Group's risk exposures. Management operationalises the RAS into risk tolerance levels for specific risks.

Highlights on Key Risks

The Group, through its normal day-to-day business, is exposed to different types of risks that could adversely affect the Group's operating results and financial position. Key risks are constantly monitored by the Management and escalated to the ORMC and RMCB, and periodically reviewed by the Board.

The Group's key risks are described in the relevant sections of the Financial Statements.

2. INTERNAL AUDIT

- The Audit Committee complements the role of the Board by providing an independent assessment of the adequacy and reliability of the risk management process, and compliance with the risk policies and regulatory guidelines. The Audit Committee is assisted by an independent Internal Audit Department in performing its role.

- The internal audit function of the Company and its main operating subsidiaries (via outsourcing arrangements) is undertaken by the Internal Audit Department established at the Company level. The department reports directly to the respective Audit Committees of the Company and its main operating subsidiaries.

- The Internal Audit Department performs regular reviews of the business processes of the Group in an effort to assess the adequacy and effectiveness of internal controls.

- Where applicable, it provides recommendations to improve on the effectiveness of risk management, controls and governance processes. Management will accordingly follow through to ensure the resolution of recommendations agreed upon. Audit reviews are carried out on functions that are identified on a risk-based approach, in the context of the Group's evolving business and its regulatory environment, while also taking into consideration inputs of Senior Management and the respective Audit Committees.

- The Audit Committees meet at least once every quarter to review matters identified in reports prepared by the Internal Auditors, External Auditors, and Regulatory Authorities. It further evaluates the effectiveness and adequacy of the Group's internal control system. The Audit Committees have active oversight on the Internal Auditors' independence, scope of work and resources. The activities undertaken by the Audit Committees during the year are highlighted in the Audit Committee Reports of the Company and its main operating subsidiaries.

3. OTHER KEY ELEMENTS OF INTERNAL CONTROL

- The Board adopts communication policies to ensure that all decisions made are communicated promptly to staff of all levels within the Group and vice versa where feedback and suggestions on improvements could be communicated to the Management and the Board.

- The Group has a well-defined organisational structure with clear lines of responsibility and accountability. Further, to minimise errors and reduce the possibilities of fraud, segregation of duties is practised by ensuring conflicting tasks are assigned to different employees.

- An annual employee engagement survey is conducted with the objective to gauge the engagement level of employees, to gather their feedback on the effectiveness / ineffectiveness of the various employee touch points and to develop the necessary action plans for improvement of those areas.

- Annual business plans are developed in line with the Group's strategies and risk appetite and submitted to the respective Boards for approval.

- The Underwriting Guidelines for reinsurance, retakaful and takaful businesses have been put in place to manage risks that are being underwritten.

- Retrocession, retrotakaful and retakaful programs exist where there is a spread of reinsurers, retakaful and takaful operators with acceptable ratings from accredited agencies. The credit ratings of these companies are reviewed on a regular basis.

- Departmental policies and procedures are available and act as guidance to employees on the necessary steps to be taken in a given set of circumstances. It also specifies relevant authority limits to be complied with by each level of Management.

- The Group's financial systems record all transactions to produce performance reports that are submitted to the respective Management within internally stipulated timelines.

- A detailed budgeting process has been implemented in the Group and the budgets are subject to the final approval by the respective Boards. The budgets are monitored and major variances are examined and scrutinised by the Management.

- Every employee of the Group is contractually bound to observe the prescribed standards of business ethics in their conduct at work and their relationships with external parties such as customers and suppliers. The Group expects each employee to conduct him/herself with integrity and objectivity and not to place him/herself in a position of conflict of interest.

- The competence of personnel is maintained through a structured recruitment process, a performance measurement and rewards system and a wide variety of training and development programmes. The Group utilises the Skills and Competency Matrix (matrix) that provides a comprehensive view of the types and levels of skills and competencies needed for any particular job role. This matrix is supported by Career Pathways and Skills and Competencies Dictionary for all identified Job Families and is widely known as the Group's Career Ladder Framework.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**

- The Group implements the annual Mandatory Block Leave (MBL) to create a positive talent management culture where the company does not have an overreliance on any particular employee, and as a prudent operational risk management measure particularly with regard to employees posted in sensitive positions or areas of operations such as underwriting, treasury, purchasing or money market.

- A Whistleblowing Policy has been put in place for employees, external parties and other stakeholders to raise concerns about illegal, unethical or unacceptable practices. This policy governs the disclosures, reporting, investigation of misconduct and protection offered to the person(s) making those disclosures in accordance with the Whistleblowing Protection Act 2010.

- A structured Business Continuity Management (BCM) program is in place to ensure resumption of critical business operations within the pre-defined Maximum Tolerable Downtime (MTD).

- The Group has also established a Disaster Recovery Plan (DRP) which outlines the processes and set of procedures to recover the Group's IT infrastructure within a set Recovery Time Objective (RTO). The DRP is validated by conducting regular tests and updated as and when necessary.

- Sufficient insurance and takaful coverage, including covers for properties, employee-related, cyber related security breaches, and Directors and Officers liabilities, are in place to ensure the Group is adequately protected against these risks and/or claims that could result in financial or reputational loss.

- The Group Shariah Committee (GSC) has been established to assist the Board in making decisions on Shariah related policies and provide oversight on Shariah related matters, including to ensure compliance with Shariah principles.

- The Group Information Technology Steering Committee (Group ITSC), chaired by the President & GCEO, is established to oversee the implementation of IT strategic plans and provide direction in support of IT related initiatives and activities.

- The Information Communication & Technology Department is responsible for continuously monitoring and resolving security threats to the Group, conducting awareness programmes, as well as performing assessments and test programmes.

OTHER COMMITTEES OF THE BOARD

Apart from the RMCBs and the Audit Committees, other Board Committees have also been established at the Company and its main operating subsidiaries to assist the Board in performing its oversight function. They consist of the following:

- **Investment Committees**, which are responsible for reviewing and approving investment proposals, as well as monitoring the investment portfolios of the Company and its main operating subsidiaries to ensure conformity with overall business objectives and statutory requirements.

- **Nomination Committees**, which are responsible to recommend to the respective Boards the appointment of directors, Chief Executive Officers (CEOs) and Board Appointees. The Nomination Committee is also responsible for the annual assessment of the effectiveness of the Board.

- **Remuneration Committees**, which are responsible to recommend the appropriate remuneration for the directors, CEOs, Board Appointees and senior management.

ASSURANCE

The Board has also received assurance from the President & GCEO, the Group Chief Financial Officer (GCFO), the Group Chief Internal Auditor (GCIA) and the CEOs of the main operating subsidiaries that the risk management and internal control system had been put in a place and are operating sufficiently, in all material aspects to safeguard shareholders' interests and the Group's assets, as well as to manage the Group's risks.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysia Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Risk Management and Internal Control Statement: Guidelines for Directors of Listed Issuer, nor is the Statement factually inaccurate. The external auditors are not required by AAPG 3 to consider, whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk management and control procedures.

STATEMENT OF DIRECTORS' RESPONSIBILITY **IN RELATION TO THE FINANCIAL STATEMENTS**

Pursuant to paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Directors are required to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2018 and of their results and cash flows for that year then ended.

The Directors consider that, in preparing the financial statements for the financial year ended 31 March 2018,

- The Company and the Group have used appropriate accounting policies, which are consistently applied;
- Reasonable and prudent judgements and estimates were made;
- All applicable approved accounting standards in Malaysia have been followed; and
- The financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements are drawn up in accordance with the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 2016.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, in that context, to have proper regard to the establishment of appropriate systems of internal control with a view to prevent and detect fraud and other irregularities.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this Statement.

ADDITIONAL **COMPLIANCE INFORMATION**

The information set out below is disclosed in compliance with the Listing Requirements:

(1) UTILISATIONS OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There was no corporate proposal and proceeds raised by the Company during the financial year ended 31 March 2018.

(2) NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group and the Company for the financial year ended 31 March 2018 amounted to RM501,000 and RM5,000 respectively (2017: RM223,000 and RM8,000).

(3) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies involving directors' and major shareholders' interests, which subsisted at the end of the financial year ended 31 March 2018 or, if not then subsisting, entered into since the end of the previous financial year.

FINANCIAL **STATEMENTS**

DIRECTORS' **REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, principally engaged in the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are as disclosed in Note 17 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	140,865	6,872

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

Since the end of the previous financial year, no dividend has been paid or declared by the Company.

SIGNIFICANT EVENTS

a) Transfer of general and family retakaful businesses

On 1 December 2017, the transfer of the general and family retakaful businesses between 2 subsidiaries, Malaysian Reinsurance Berhad and Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad) was completed.

b) Splitting of family and general takaful business licenses

In accordance with the requirements of the Islamic Financial Service Act 2013 ("IFSA 2013") a takaful operator that carries on both classes of family and general takaful businesses required take steps to split the businesses into separate legal entities before 1 July 2018.

A new company was incorporated on 5 June 2017 as a wholly-owned subsidiary of Takaful Ikhlas Berhad ("TIB") to take over its general takaful business once the necessary approval has been obtained from BNM.

Further details of the above significant events are disclosed in Note 40 to the financial statements.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato Sharkawi bin Alis
Mohd Din bin Merican
Hijah Arifakh binti Othman
Mustaffa bin Ahmad
Rosinah binti Mohd Salleh
Arul Sothy Mylvaganam
Noor Rida binti Hamzah
Datuk Johar bin Che Mat (Appointed with effect from 1 October 2017)
George Oommen (Appointed with effect from 1 January 2018)
Megat Dziauddin bin Megat Mahmud (Resigned with effect from 30 June 2017)
Paisol bin Ahmad (Retired with effect from 24 August 2017)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Directors	Subsidiaries
Zainudin bin Ishak (resigned to be a Director of MRE effective from 2 March 2018)	Malaysian Reinsurance Berhad ("MRE"), Malaysian Re (Dubai) Ltd. ("MRDL") and MMIP Services Sdn. Bhd. ("MSSB")
Md Adnan bin Md Zain	MRE and Takaful Ikhlas Berhad ("TIB")
Datin Zaimah binti Zakaria	MRE and Sinar Seroja Berhad ("SSB") *(formerly known as MNRB Retakaful Berhad)*
Datuk Nik Moustpha bin Nik Hassan	TIB and SSB
Norazman bin Hashim	MSSB
Yahaya bin Besah (resigned effective from 3 July 2017)	SSB
Dr. Syed Musa bin Syed Jaafar Alhabshi (resigned effective from 22 July 2017)	SSB
Datuk Ab Latiff bin Abu Bakar (resigned to be a Director effective from 7 January 2018)	TIB

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors from the Company or the fixed salary and benefits receivable as a full-time employee of the Company as disclosed in Notes 9, 10 and 32 to the financial statements or benefits receivable from related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest to be disclosed under Fifth Schedule, Part I Section 3 of the Companies Act, 2016.

During the financial year, the Company purchased a Directors and Officers Liability Insurance cover to provide indemnity to all directors of the MNRB Group for a limit of RM50,000,000 at a premium of RM67,000.

DIRECTORS' **REPORT**

OTHER STATUTORY INFORMATION

(a) Prior to issuance of income statements and statements of financial position of the Group and the Company, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write-off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from reinsurance, takaful and retakaful contracts underwritten in the ordinary course of business of the reinsurance/retakaful and takaful subsidiaries and associate companies.

AUDITORS

The retiring auditors, Messrs. Ernst & Young, have expressed their willingness to accept re-appointment. Details of Auditors' remuneration for their service as auditors are disclosed in Note 9 of the statutory financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 June 2018.

Dato Sharkawi bin Alis **Mohd Din bin Merican**

Kuala Lumpur, Malaysia

STATEMENT BY **DIRECTORS**

Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato Sharkawi bin Alis and Mohd Din bin Merican, being two of the Directors of MNRB Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 117 to 227 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2018 and of the results and the cash flows of the Company and of the Group for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 June 2018.

Dato Sharkawi bin Alis

Mohd Din bin Merican

Kuala Lumpur, Malaysia

STATUTORY **DECLARATION**

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Norazman bin Hashim, being the officer primarily responsible for the financial management of MNRB Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 117 to 227 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Norazman bin Hashim)
at Kuala Lumpur in Wilayah Persekutuan)
on 29 June 2018.)

Norazman bin Hashim

Before me,

Commissioner of Oaths

INDEPENDENT **AUDITORS' REPORT**

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of MNRB Holdings Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 117 to 227.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. The key audit matters for the audit of the financial statements of the Group and the Company are described below. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed these matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

1. Insurance/takaful contract liabilities of the Group

The Group's insurance/takaful contract liabilities as at 31 March 2018 amounted to RM5.3 billion (as disclosed in Note 20 to the financial statements) or approximately 83% of its total liabilities. The insurance/takaful contract liabilities include the following liabilities of the reinsurance/retakaful subsidiary, Malaysian Reinsurance Berhad and the takaful subsidiary, Takaful Ikhlas Berhad:

(a) Premium/contribution and claim liabilities of the general reinsurance/retakaful and takaful businesses;

(b) Actuarial liabilities of the family retakaful and takaful businesses;

(c) Investment-linked participants' account of the family takaful business; and

(d) Expense liabilities in respect of the shareholder's fund of the takaful and retakaful businesses.

These liabilities have been estimated based on standard actuarial valuation methodologies and other estimation models as allowed under the Risk-Based Capital Framework and Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia as well as the accounting policies described in Notes 2.4, 2.5 and 2.6 for the valuation of the insurance/takaful contract liabilities of the Group.

INDEPENDENT **AUDITORS' REPORT**

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

1. Insurance/takaful contract liabilities of the Group (Cont'd)

The complexity of the actuarial valuation methodologies and other estimation models applied to derive the insurance/takaful contract liabilitites may give rise to estimation errors as a result of inadequate or incomplete data, the design and application of the relevant valuation models by the management's experts (i.e. the Appointed Actuaries) and the use of inappropriate assumptions. Siginificant professional judgement is applied by the Group in deriving the assumptions (as described in Note 3 to the financial statements) and any significant changes thereon may have a material effect on the insurance/takaful contract liabilities.

Our audit procedures were focused on the following key areas:

- Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuaries tasked with estimating the insurance/takaful contract liabilities of the Group;
- Reviewing the reports prepared by the Appointed Actuaries in respect of the insurance/takaful contract liabilities of the Group;
- Assessing the valuation methodologies applied by the Group to derive the insurance/takaful contract liabilities;
- Assessing the design and testing the operating effectiveness of key internal controls over the actuarial valuation process with respect to financial reporting, including the bases used by the Group in determining and approving the key assumptions applied;
- Assessing the experience analyses of the reinsurance, retakaful and takaful business used during the setting of the key assumptions to derive the insurance/takaful contract liabilities and challenging the rationale applied by the Appointed Actuaries and management in deriving those assumptions. In addition and where appropriate, comparisons have also been made against other industry constituents and the experience of the respective subsidiaries;
- Testing the completeness and sufficiency of data used in the valuation of insurance/takaful contract liabilities including reviewing the data extraction process and reconciliations carried out by the Group. These tests also included control tests performed on selected samples of claims reserves, claims paid and reinsurance policies and retakaful and takaful certificates issued by the Group to ascertain effectiveness of operating controls over quality and accuracy of the underlying data;
- Performing audit tests on the model review process applied by management in respect of the family takaful business and independently reviewing the results thereon;
- Performing independent analyses and re-computation of the general reinsurance/retakaful/takaful contract liabilities for selected classes of business, focusing on the most significant business portfolio and those which may potentially result in significant deviations in estimates. We compared our independent analyses and recomputations to those performed by management to ascertain if the reserves were sufficient and within range of our independent analyses;
- Performing tests on the UPR/UCR calculations produced by management and thereafter, comparing the UPR/UCR against the URR valuation performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the general reinsurance, retakaful and takaful business;
- Performing tests on the UWF calculations produced by management and thereafter, comparing the UWF against the UER valuation performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the shareholder's fund of the retakaful and takaful business;
- Reviewing the Liability Adequacy Test results performed by the reinsurance, retakaful and takaful subsidiaries;
- Auditing the fair value of financial assets and adequacy of liabilities of the investment-linked funds of the family takaful business;
- Performing control tests over the creation and cancellation of units of the investment-linked funds as well as calculation of Net Asset Values; and
- Assessing the adequacy of disclosures made in the financial statements in respect of the insurance/takaful contract liabilities of the Group.

We have also engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* to assist us in performing certain audit procedures on the insurance/takaful contract liabilities of the Group.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

2. Tax Recoverable

As disclosed in Note 22 to the financial statements, the Company has disputed the additional tax assessments and penalties raised by the Inland Revenue Board of Malaysia ("IRB"), amounting to approximately RM19.7 million. The Company has disputed the claims by stating that there is no legal and factual basis for the assessments raised. The tax matter is in the preliminary stage and may take extended years to resolve. In addition, the Company has tax recoverable amounting to approximately RM17.6 million (2017: tax payable of RM2.6 million) as at 31 March 2018. The eventual resolution of the tax matter above is uncertain and could result in a material amount of tax payable or reversal of tax recoverable and, accordingly, we consider this area to be an area of audit focus.

As part of our audit procedures, we have involved our tax specialists in reviewing correspondences between the Company and external legal counsel to obtain an understanding of the matter. We have enquired and discussed with management on the developments in legal proceedings and obtained confirmations from the Company's external legal counsel to compare the expert opinions to management's position. We also considered the objectivity, independence and expertise of the legal advisers and we also assessed the basis adopted by the legal advisers in their evaluations of the possible outcome of the litigations and claims.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT **AUDITORS' REPORT**

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Dato' Abdul Rauf Bin Rashid
No. 02305/05/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 June 2018

INCOME **STATEMENTS**

for the year ended 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Gross earned premiums/contributions	4(a)	**2,251,663**	2,327,336	**–**	–
Premiums/contributions ceded to reinsurers/ retakaful operators	4(b)	**(322,799)**	(348,832)	**–**	–
Net earned premiums/contributions		**1,928,864**	1,978,504	**–**	–
Investment income	5	**245,931**	227,158	**3,222**	3,889
Net realised gains	6	**1,957**	1,350	**–**	6
Net fair value gains/(losses)	7	**11,440**	(74)	**–**	–
Fee and commission income	8	**40,142**	55,381	**35,025**	31,728
Other operating revenue	11	**38,071**	64,617	**20,923**	184
Other revenue		**337,541**	348,432	**59,170**	35,807
Gross claims and benefits paid		**(1,201,819)**	(1,256,115)	**–**	–
Claims ceded to reinsurers/retakaful operators		**112,195**	107,727	**–**	–
Gross change in contract liabilities		**(187,575)**	(372,965)	**–**	–
Change in contract liabilities ceded to reinsurers/ retakaful operators		**(31,046)**	18,070	**–**	–
Net claims and benefits		**(1,308,245)**	(1,503,283)	**–**	–
Fee and commission expenses	8	**(427,525)**	(443,307)	**–**	–
Management expenses	9	**(237,989)**	(252,469)	**(35,545)**	(35,187)
Finance costs		**(15,841)**	(18,120)	**(15,841)**	(18,120)
Other operating expenses	11	**(22,894)**	(10,870)	**(208)**	(295)
Change in expense liabilities		**3,848**	(2,884)	**–**	–
Tax borne by participants	12	**(12,673)**	(15,411)	**–**	–
Other expenses		**(713,074)**	(743,061)	**(51,594)**	(53,602)
Share of results of associates		**9,712**	5,628	**–**	–
Operating profit/(loss) before surplus/(deficit) attributable to takaful and retakaful participants and taxation		**254,798**	86,220	**7,576**	(17,795)
Surplus attributable to takaful and retakaful participants	23(a)	**(62,274)**	12,708	**–**	–
Operating profit/(loss) before taxation		**192,524**	98,928	**7,576**	(17,795)
Zakat		**(563)**	–	**–**	–
Taxation	12	**(51,096)**	(27,758)	**(704)**	(405)
Net profit/(loss) for the year attributable to equity holders of the Holding Company		**140,865**	71,170	**6,872**	(18,200)
Basic and diluted earnings per share attributable to equity holders of the Holding Company (sen)	29	**44.1**	27.6		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **COMPREHENSIVE INCOME**

for the year ended 31 March 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net profit/(loss) for the year	**140,865**	71,170	**6,872**	(18,200)
Other comprehensive (loss)/income				
Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:				
Effects of post-acquisition foreign exchange translation reserve on investment in associate	**(19,329)**	15,220	**–**	–
Effects of foreign exchange translation reserve on investment in subsidiary	**(1,469)**	1,700	**–**	–
Net losses on Available-for-sale ("AFS") financial assets:				
Losses on fair value changes	**(10,158)**	(3,871)	**–**	–
Realised losses transferred to income statement (Note 6)	**3,092**	946	**–**	–
Deferred tax relating to net losses on AFS financial assets	**1,306**	316	**–**	–
Other comprehensive (losses)/income attributable to participants (Note 23(b))	**3,306**	2,741	**–**	–
Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods:				
Revaluation of land and buildings	**3,950**	3,905	**–**	–
Deferred tax relating to revaluation of land and buildings	**(509)**	(305)	**–**	–
Other comprehensive income attributable to participants (Note 23(c))	**(2,519)**	(2,536)	**–**	–
Total comprehensive income/(loss) for the year	**118,535**	89,286	**6 ,872**	(18,200)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **FINANCIAL POSITION**

as at 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	13	**240,744**	243,732	**1,251**	1,467
Investment property	14	**–**	7,400	**–**	–
Intangible assets	15	**32,131**	23,040	**1,630**	1,924
Deferred tax assets	16	**18,343**	19,518	**2,811**	3,333
Investments in subsidiaries	17	**–**	–	**904,476**	843,705
Investments in associates	18	**139,009**	145,420	**1,957**	1,957
Financial assets at fair value through profit or loss ("FVTPL")	19(a)	**116,127**	123,467	–	–
Held-to-maturity ("HTM") investments	19(b)	**644,254**	695,426	**1,000**	1,000
AFS financial assets	19(c)	**3,741,196**	3,384,744	**50**	50
Loans and receivables ("LAR")	19(d)	**1,937,263**	1,934,933	**29,796**	105,388
Reinsurance/retakaful assets	20	**478,253**	514,230	**–**	–
Insurance/takaful receivables	21	**418,304**	336,190	**–**	–
Tax recoverable	22	**27,277**	28,575	**17,630**	–
Cash and bank balances		**142,099**	99,905	**408**	3,416
Total assets		**7,935,000**	7,556,580	**961,009**	962,240
Liabilities and Participants' funds					
Participants' funds	23	**247,862**	201,196	**–**	–
Borrowings	24	**320,000**	320,000	**320,000**	320,000
Insurance/takaful contract liabilities	20	**5,319,945**	5,171,178	**–**	–
Insurance/takaful payables	25	**270,444**	210,174	**–**	–
Other payables	26	**225,745**	212,186	**8,975**	14,486
Deferred tax liabilities	16	**10,684**	10,780	**–**	–
Provision for taxation		**1,709**	11,536	**–**	2,592
Provision for zakat		**610**	64	**–**	–
Total liabilities and participants' funds		**6,396,999**	6,137,114	**328,975**	337,078
Equity					
Share capital	27	**319,605**	319,605	**319,605**	319,605
Reserves		**1,218,396**	1,099,861	**312,429**	305,557
Total equity attributable to equity holders of the Holding Company		**1,538,001**	1,419,466	**632,034**	625,162
Total liabilities, participants' funds and equity		**7,935,000**	7,556,580	**961,009**	962,240

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

for the year ended 31 March 2018

	Attributable to equity holders of the Holding Company						
		Reserves					
		Non-distributable				Distributable	
	Share capital RM'000	Share premium RM'000	Foreign exchange translation reserve RM'000	AFS reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000
Group							
At 1 April 2016	213,070	105,051	38,776	3,527	41,666	928,090	1,330,180
Net profit for the year	–	–	–	–	–	71,170	71,170
Other comprehensive income for the year	–	–	16,920	132	1,064	–	18,116
Total comprehensive income/(loss) for the year	–	–	16,920	132	1,064	71,170	89,286
Issuance of bonus shares (Note 27)	106,535	(105,051)	–	–	–	(1,484)	–
At 31 March 2017	319,605	–	55,696	3,659	42,730	997,776	1,419,466
Net profit for the year	–	–	–	–	–	140,865	140,865
Other comprehensive (loss)/income for the year	–	–	(20,798)	(2,454)	922	–	(22,330)
Total comprehensive (loss)/income for the year	–	–	(20,798)	(2,454)	922	140,865	118,535
At 31 March 2018	**319,605**	**–**	**34,898**	**1,205**	**43,652**	**1,138,641**	**1,538,001**

	Attributable to equity holders of the Holding Company			
	Reserves			
	Non-distributable		Distributable	
	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
Company				
At 1 April 2016	213,070	105,051	325,241	643,362
Issuance of bonus shares (Note 27)	106,535	(105,051)	(1,484)	–
Total comprehensive loss for the year	–	–	(18,200)	(18,200)
At 31 March 2017	319,605	–	305,557	625,162
Total comprehensive income for the year	–	–	6,872	6,872
At 31 March 2018	**319,605**	**–**	**312,429**	**632,034**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CASH FLOWS**

for the year ended 31 March 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit/(loss) before zakat and taxation	**192,524**	98,928	**7,576**	(17,795)
Adjustments for:				
Net fair value (gains)/losses on financial assets at FVTPL	**487**	(2,987)	**–**	–
Net impairment losses on AFS financial assets	**(12,178)**	3,147	**–**	–
Reversal of revaluation deficits on properties	**–**	(86)	**–**	–
Reversal of impairment loss on other receivables	**254**	(62)	**–**	–
Net impairment/(Reversal of impairment loss) on insurance/takaful receivables	**(20,565)**	9,558	**–**	–
Depreciation of property, plant and equipment	**7,272**	8,069	**499**	644
Amortisation of intangible assets	**4,312**	3,260	**355**	290
Net gains on investment property	**(100)**	–	**–**	–
Net losses/(gains) on disposals of property, plant and equipment	**–**	9	**–**	(6)
Decrease in gross premium/contribution liabilities	**(34,960)**	(33,782)	**–**	–
Intangible assets written off	**613**	–	**38**	–
Reversal impairment loss on investment in subsidiary	**–**	–	**(20,771)**	–
Interest/profit income	**(238,502)**	(205,737)	**(2,772)**	(3,889)
Dividend income	**(8,597)**	(20,038)	**(400)**	–
Rental income	**(3,954)**	(5,887)	**–**	–
Finance cost	**15,841**	18,120	**15,841**	18,120
Realised gains on disposals of investments	**(1,857)**	(1,359)	**–**	–
Net amortisation of premiums on investments	**5,094**	4,470	**–**	–
Share of results of associates	**(9,712)**	(5,628)	**–**	–
Loss from operations before changes in operating assets and liabilities	**(104,028)**	(130,005)	**366**	(2,636)
Decrease/(increase) in placements with licensed financial institutions, Islamic investment accounts and marketable securities	**(19,431)**	127,613	**71,748**	14,143
Net purchase of investments	**(299,671)**	(635,218)	**–**	–
Decrease/(increase) in staff loans	**1,674**	1,303	**(76)**	582
(Increase)/decrease in insurance/takaful receivables	**(61,549)**	11,264	**–**	–
Decrease/(Increase) in other receivables	**32,412**	(5,445)	**142**	1,383
Net change in balances with subsidiaries	**–**	–	**(745)**	(893)
Increase in gross claim liabilities, actuarial liabilities and unallocated surplus	**187,575**	356,193	**–**	–
(Decrease)/increase in expense liabilities	**(3,848)**	2,884	**–**	–
Increase/(decrease) in participants' funds	**47,453**	4,064	**–**	–
Decrease/(increase) in reinsurance/retakaful assets	**35,977**	(17,050)	**–**	–
Increase in insurance/takaful payables	**60,270**	10,889	**–**	–
Increase/(decrease) in other payables	**13,123**	18,510	**(1,488)**	1,501
Taxes and zakat (paid)/refunded	**(58,404)**	(25,033)	**(20,404)**	(92)
Interest/profit received	**220,720**	207,654	**2,835**	3,819
Dividends received	**8,868**	20,410	**400**	–
Rental received	**4,228**	6,161	**–**	–
Net cash generated from/(used in) operating activities	**65,369**	(45,806)	**52,778**	17,807

STATEMENTS OF **CASH FLOWS**

for the year ended 31 March 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities				
Subscription of shares in subsidiary	**–**	–	**(40,000)**	–
Purchase of property, plant and equipment	**(1,255)**	(1,197)	**(283)**	(94)
Purchase of intangible assets	**(14,016)**	(11,476)	**(99)**	(324)
Proceeds from disposal of investment properties	**7,500**	–	**–**	–
Proceeds from disposal of property, plant and equipment	**–**	9	**–**	6
Transfers of intangible assets to subsidiary	**–**	–	**–**	1,351
Net cash (used in)/generated from investing activities	**(7,771)**	(12,664)	**(40,382)**	939
Cash flows from financing activities				
Profit paid	**(15,404)**	(18,938)	**(15,404)**	(18,938)
Net cash used in financing activities	**(15,404)**	(18,938)	**(15,404)**	(18,938)
Cash and bank balances				
Net (decrease)/increase during the year	**42,194**	(77,408)	**(3,008)**	(192)
At beginning of the year	**99,905**	177,313	**3,416**	3,608
At end of the year	**142,099**	99,905	**408**	3,416

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 12th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The Company is an investment holding company, principally engaged in the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are as disclosed in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 885 and 178 (2017: 909 and 171) respectively.

The financial statements were authorised for issue by the Board in accordance with a resolution on 29 June 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company and of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted the amended MFRSs and new MFRSs applicable for annual financial periods beginning on or after 1 January 2017, as fully described in Note 2.29.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

As at the reporting date, the reinsurance/retakaful and takaful subsidiaries have met the minimum capital requirements as prescribed by the Risk-Based Capital ("RBC") Framework and Risk-Based Capital for Takaful Operators ("RBCT") Framework issued by Bank Negara Malaysia ("BNM").

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Accounting period

For the general reinsurance business, the Group adopts quarterly accounting periods ending on 31 March, 30 June, 30 September and 31 December, insofar as the underwriting income and outgo for Market Cessions business is concerned. This is to correspond with the ceding companies' accounting periods.

Underwriting income and outgo in respect of other business classes and all other income and expenditure are for the 12 months ended 31 March 2018.

NOTES TO THE **FINANCIAL STATEMENTS**
31 March 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Subsidiaries, associates and basis of consolidation

(a) Subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Company's voting rights and potential voting rights.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, all intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the acquisition method. The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Subsidiaries, associates and basis of consolidation (Cont'd)

(c) Takaful and retakaful operations and funds

Under the concept of takaful/retakaful, participants/cedants make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, TIB and MRE's Retakaful Division ("MRRD") manage the general and family takaful and retakaful funds in line with the principles of Wakalah (agency). Under the Wakalah model, TIB/MRRD is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Islamic Financial Services Act ("IFSA") 2013, the assets and liabilities of the takaful/retakaful funds are segregated from those of the shareholder's funds of TIB/MRRD: a concept known as segregation of funds. However, in compliance with MFRS 10 Consolidated Financial Statements, the assets, liabilities, income and expenses of the takaful and retakaful funds are consolidated with those of the shareholder's funds to represent the control possessed by TIB and MRRD over the respective funds.

In preparing the Group financial statements, the balances and transactions of the shareholder's funds of TIB and MRRD were amalgamated and combined with those of the takaful and retakaful funds respectively. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation and consolidation.

The takaful and retakaful funds of TIB and MRRD are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases.

(d) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investments in the associates. The investments in associates are accounted for using the equity method from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates or the investments become subsidiaries.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.

When the Group's share of losses in associates equal or exceed its interest in the associates, including any long-term interests that, in substance, form part of the Group's net investments in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Subsidiaries, associates and basis of consolidation (Cont'd)

(d) Associates (Cont'd)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is derived from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less any accumulated impairment losses.

On disposal of such investments, the difference between net disposal proceeds and the carrying amount is included in the income statement.

2.4 General reinsurance, takaful and retakaful underwriting results

The general reinsurance, takaful and retakaful underwriting results are determined after taking into account premiums/contributions, reinsurance/retakaful/retrotakaful costs, commissions, movements in premium/contribution liabilities, net claims incurred and wakalah fees.

The general takaful and retakaful funds are maintained in accordance with the IFSA 2013 and consist of the accumulated surplus/deficit in the funds, AFS reserves and revaluation surplus. Any deficit will be made good by the shareholder's fund via a loan or Qard.

In general takaful and retakaful funds, the surplus distributable to the participants is determined after deducting retakaful/retrotakaful costs, movements in contribution liabilities, commissions, net claims incurred, wakalah fees, expenses, taxation and surplus administration charges. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions of the respective contracts or as prescribed by the Group Shariah Committee.

(a) Premium and contribution recognition

Gross premiums/contributions are recognised in a financial period in respect of risks assumed during the particular financial period. Gross premiums/contributions include premium/contribution income in relation to direct general business, inwards facultative business, inwards proportional treaty reinsurance/retakaful and inwards non-proportional treaty reinsurance/retakaful.

Contributions from direct businesses are recognised following individual risks' inception dates. Inwards facultative premiums/contributions are recognised in the financial period in respect of the facultative risk assumed during the particular financial period following individual risks inception dates.

Inwards proportional treaty premiums/contributions are recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured/covered at various inception dates of these risks and contractually accounted for under the terms of the proportional reinsurance/retakaful treaty.

Premium/contribution income on inwards non-proportional treaties, which cover losses occurring during a specified treaty period, are recognised based on the contractual premiums/contributions already established at the start of the treaty period under the terms and conditions of each contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 General reinsurance, takaful and retakaful underwriting results (Cont'd)

(b) Premium and contribution liabilities

Premium/contribution liabilities represent the future obligations on insurance/takaful contracts as represented by premiums/contributions received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the term of the insurance/takaful contracts and recognised as earned premium/contribution income.

Premium/contribution liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR")/unearned contribution reserves ("UCR") respectively for all lines of business or the best estimate value of the unexpired risk reserves ("URR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the end of the financial year.

(i) Unexpired risk reserves

The URR is a prospective estimate of the expected future payments arising from future events insured or covered under policies or contracts in force as at the end of the financial year and also includes allowance for expenses, including overheads and costs of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies or contracts and settling the relevant claims, and shall allow for expected future premium/contribution refunds.

URR is estimated via an actuarial valuation performed by qualified actuary, using a mathematical method of estimation similar to incurred but not reported ("IBNR") claims.

(ii) Unearned premium and contribution reserves

The UPR/UCR represents the portion of the net premiums/contributions of insurance/takaful contracts written that relate to the unexpired periods of the contracts at the end of the financial year. The UCR is computed on net contribution income with a further deduction for wakalah fee expenses to reflect the wakalah business principle. The methods of computation of UPR/UCR are as follows:

- For inwards proportional treaty reinsurance/retakaful business, UPR/UCR is computed on the 1/8th method commencing from the quarter corresponding to the reporting quarter of the treaty statement;
- For inwards non-proportional treaty reinsurance/retakaful business, UPR/UCR is computed at 1/2 of the last quarter Minimum Deposit Premiums/Contributions received;
- For inwards facultative reinsurance/retakaful business, UPR/UCR is computed on the 1/8th method commencing from the date of inception;
- Time apportionment method for all classes of general takaful business within Malaysia except Marine and Aviation Cargo; and
- 25% method for Marine and Aviation Cargo.

(c) Claim liabilities

The amount of outstanding claims is the best estimate value of claim liabilities, which include provision for claims reported, claims incurred but not enough reserved ("IBNER") and IBNR claims together with related expenses less recoveries to settle the present obligation as well as a PRAD calculated at 75% confidence level at the end of the financial year. Liabilities for outstanding claims are recognised when a claimable event occurs and/or as advised/notified. IBNER and IBNR claims are based on an actuarial valuation by qualified actuary, using a mathematical method of estimation based on, amongst others, actual claims development patterns.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 General reinsurance, takaful and retakaful underwriting results (Cont'd)

(d) Liability adequacy test

At each reporting date, the Group reviews all insurance/takaful contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to insurance/takaful contracts issued. In performing this review, the Group compares all contractual cash flows against the carrying value of insurance/takaful contract liabilities. Any deficiency is recognised in the income statement.

The estimation of claim liabilities and premium/contribution liabilities performed at the reporting date is part of the liability adequacy tests performed by the Group.

(e) Acquisition costs and commission expenses

The acquisition costs and commission expenses, which are costs directly incurred in acquiring and renewing reinsurance/takaful/retakaful business, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2.5 Family takaful and retakaful underwriting results

The family takaful and retakaful underwriting results are determined after taking into account contributions, retakaful/retrotakaful costs, commissions, net benefits incurred and wakalah fees.

The family takaful and retakaful funds are maintained in accordance with the requirements of the IFSA 2013 and consist of the accumulated surplus/deficit in the funds, AFS reserves and revaluation surplus. The family takaful and retakaful funds surplus/deficit is determined by an annual actuarial valuation of the funds. Any actuarial deficit in the family takaful and retakaful funds will be made good by the shareholder's fund via a loan or Qard.

In the family takaful and retakaful funds, the surplus distributable to the participants is determined after deducting retakaful/retrotakaful costs, net benefits incurred, wakalah fees, expenses, taxation and surplus administration charges. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions of the respective contracts or as prescribed by the Group Shariah Committee.

(a) Contribution recognition

Takaful contribution is recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. First year contribution is recognised on the assumption of risks and subsequent takaful contributions are recognised on due dates. Takaful contributions outstanding at the reporting date are recognised as income for the period provided they are within the grace period allowed for payment and there are sufficient funds available in the participants' accounts to cover such contributions due.

Retakaful contributions are recognised in respect of risks assumed during a particular financial period. Inward treaty retakaful contributions are recognised on the basis of statements received from ceding companies.

(b) Contract liabilities

Family takaful contract liabilities are recognised when contracts are in-force and contributions are charged. Liabilities of benefits payable of the family retakaful fund are recognised as advised by ceding companies.

For a one year family contract or a one year extension to a family contract covering contingencies other than life or survival, the liabilities for such family takaful contracts comprise contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Family takaful and retakaful underwriting results (Cont'd)

(b) Contract liabilities (Cont'd)

Liabilities of family takaful business are determined in accordance with valuation guidelines for takaful operators issued by Bank Negara Malaysia ("BNM"). All family takaful liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the contracts, discounted at the appropriate risk discount rate. This method is known as the gross contribution valuation method. In the case of a family contract where a part of, or the whole of, the contributions are accumulated in a fund, the accumulated amounts as declared to the participants are set as the liabilities. Zerorisation is applied at contract level and no contract is treated as an asset under the valuation method adopted.

The family takaful contract liabilities are derecognised when the contracts expire, are discharged or are cancelled. At each reporting date, an assessment is made of whether the recognised family takaful contract liabilities are adequate by performing a liability adequacy test as disclosed in Note 2.5(d).

In respect of the family takaful and retakaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of contract reserves at a 75% confidence level is secured. For investment-linked business, the fund value is treated as liabilities.

The distribution of surplus, arising from the difference between the value of the family fund and its liabilities, including retained surplus, if declared, could only be distributed to the participants after deducting the surplus administration charge.

If the difference between the value of the family fund and the liabilities results in a deficit, the deficit is made good via a Qard from the shareholder's funds which will be repaid when the fund returns to a surplus position.

(c) Creation/cancellation of units of family takaful fund

Amounts received for units created represent contributions paid by participants or unitholders as payment for new contracts or subsequent payments to increase the amount of the contracts. Creation/cancellation of units are recognised in the financial statements at the next valuation date, after the request to purchase/sell units are received from the participants or unitholders.

(d) Liability adequacy test

At each reporting date, the Group reviews all takaful contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to takaful contracts issued. In performing this review, the Group compares all contractual cash flows against the carrying value of takaful contract liabilities. Any deficiency is recognised in the income statement.

2.6 Shareholder's fund relating to takaful and retakaful business

(a) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions on takaful contracts, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Commission expenses are recognised in the income statement at an agreed percentage for each contract underwritten. This is in accordance with the principles of Wakalah as approved by the Group Shariah Committee and as agreed between the participants and TIB/MRRD.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Shareholder's fund relating to takaful and retakaful business (Cont'd)

(b) Expense liabilities

The expense liabilities of the shareholder's fund consist of expense liabilities relating to the management of the general takaful and retakaful funds and the family takaful and retakaful funds which are based on estimations performed by qualified actuaries. The movement in expense liabilities is released over the term of the takaful contracts and recognised in the income statement.

(i) Expense liabilities of general takaful and retakaful funds

The expense liabilities of the general takaful and retakaful funds are reported at the higher of the aggregate of the reserves for unearned wakalah fees ("UWF") and the best estimate value of the provision for unexpired expense reserves ("UER") and a PRAD at a 75% confidence level at the end of the financial year.

Unexpired expense reserves

The UER is determined based on the expected future expenses payable by the shareholder's funds in managing the general takaful and retakaful funds for the full contractual obligation of the takaful and retakaful contracts as at the end of the financial year, less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's funds that can be determined with reasonable certainty, including a PRAD calculated at a 75% confidence level. The method used to value the UER is consistent with the method used in estimating the URR as disclosed in Note 2.4(b)(i).

Reserves for unearned wakalah fees

The UWF represent the portion of wakalah fee income that relate to the unexpired periods of contracts at the end of the financial year. The method used in computing UWF is consistent with the methods used in the calculation of the UCR as disclosed in Note 2.4(b)(ii).

(ii) Expense liabilities of family takaful and retakaful funds

The valuation of expense liabilities in relation to contracts of the family takaful and retakaful funds is conducted separately by the Appointed Actuaries. The method used to value expense liabilities is consistent with the method used to value takaful and retakaful liabilities of the corresponding family takaful and retakaful contracts. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's funds in managing the takaful and retakaful funds for the full contractual obligation of the takaful and retakaful contracts less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's funds that can be determined with reasonable certainty, are taken into consideration. The estimation includes a PRAD at a 75% confidence level.

(iii) Liability adequacy test

At each reporting date, the Group reviews the expense liabilities to ensure that the carrying amount is sufficient or adequate to cover the obligations of the Group for all managed takaful and retakaful contracts. In performing this review, the Group considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

2.7 Product classification

Financial risk is the risk of a possible future change in one or more of a specified interest/profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance/underwriting risk is the risk other than financial risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Product classification (Cont'd)

An insurance/takaful contract is a contract under which the reinsurance, takaful and retakaful subsidiaries have accepted significant insurance/underwriting risk from another party by agreeing to compensate the party if a specified uncertain future event adversely affects the party. As a general guideline, the reinsurance, takaful and retakaful subsidiaries determine whether significant insurance/underwriting risk has been accepted by comparing claims/benefits payable on the occurrence of the event with claims/benefits payable if the event had not occurred.

Conversely, investment contracts are those contracts that transfer financial risk with no significant insurance/underwriting risk.

Once a contract has been classified as an insurance/takaful contract, it remains an insurance/takaful contract for the remainder of its life-time, even if the insurance/underwriting risk reduces significantly during the period, unless all rights and obligations expire or are extinguished.

2.8 Reinsurance and retakaful

The reinsurance/retakaful and takaful subsidiaries cede insurance/underwriting risk in the normal course of business. Ceded reinsurance and retakaful arrangements do not relieve the reinsurance/retakaful and takaful subsidiaries from their obligations to cedants/participants. For both ceded and assumed reinsurance and retakaful, premiums/contributions and claims/benefits are presented on a gross basis.

Reinsurance and retakaful arrangements entered into by the reinsurance/retakaful and takaful subsidiaries that meet the classification requirements of insurance/takaful contracts as described in Note 2.7 are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance and retakaful assets represent amounts recoverable from reinsurers and retakaful operators for insurance and takaful contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers and retakaful operators are measured consistently with the amounts associated with the underlying insurance and takaful contracts and the terms of the relevant reinsurance and retakaful arrangement.

At each reporting date, the reinsurance/retakaful and takaful subsidiaries assess whether objective evidence exists that reinsurance and retakaful assets are impaired. Objective evidence of impairment for reinsurance and retakaful assets are similar to those noted for insurance and takaful receivables. If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest/profit rate. The impairment loss is recognised in the income statement. Reinsurance and retakaful assets are derecognised when the contractual rights expire or are extinguished or when the contract is transferred to another party.

2.9 Property, plant and equipment and depreciation

(a) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, whilst properties are stated at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

In respect of freehold land and buildings, valuations are performed with sufficient frequency to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Property, plant and equipment and depreciation (Cont'd)

(a) Recognition and measurement (Cont'd)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of property, plant and equipment, the difference between net proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Leased properties are depreciated over the shorter of the lease term and their useful lives.

Work in progress is also not depreciated as it is not available for use. When work in progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins. During the period in which the asset is not yet available for use, it is tested for impairment annually.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Buildings	2% to 3%
Computer equipment	10% to 33.3%
Office equipment	10% to 33.3%
Furniture and fittings	10% to 15%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at the end of each financial year to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2.10 Investment properties

Investment properties are properties which are held either to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from the disposals. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Investment properties (Cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from owner-occupied property to investment property, any excess of the property's carrying value over its fair value is accounted for as a revaluation surplus which is recognised in other comprehensive income. Any deficit between the property's carrying value and its fair value is recognised as an impairment loss in the income statement. Subsequent to the date of change in use, the property is measured similar to other investment properties. Any revaluation surplus previously recognised in other comprehensive income is transferred to the income statement only upon disposal of the property.

2.11 Intangible assets

All intangible assets are initially recorded at cost. Subsequent to recognition, intangible assets are stated at cost less any accumulated amortisation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually at the end of each reporting period. Amortisation is charged to the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(a) Software development in progress

Software development in progress represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. It is amortised over the period of expected future use. During the period in which the asset is not yet available for use, it is tested for impairment annually.

(b) Computer software and licences

The useful lives of computer software and licences are considered to be finite because computer software and licences are susceptible to technological obsolescence.

The acquired computer software and licences are amortised using the straight-line method over their estimated useful lives. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed annually at the end of each financial year.

2.12 Financial assets

(a) Initial recognition and measurement

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial asset is recognised initially at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets (Cont'd)

(a) Initial recognition and measurement (Cont'd)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at FVTPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(b) Classification and subsequent measurement

The Group and the Company determine the classification of its financial assets at initial recognition and this depends on the purpose for which the investments were acquired or originated. The following classifications are used by the Group and the Company in categorising its financial assets:

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statement. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest/profit income and dividend income. Exchange differences, interest/profit income and dividend income on financial assets at FVTPL are recognised in the appropriate categories of income and expenses in the income statement.

(ii) HTM investments

Financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group and the Company have the positive intention and ability to hold the investments to maturity.

Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest/yield method less any accumulated impairment losses. Gains and losses are recognised in the income statement when the HTM investments are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest/yield method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets (Cont'd)

(b) Classification and subsequent measurement (Cont'd)

(iv) AFS financial assets

AFS financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, AFS financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest/profit calculated using the effective interest/yield method are recognised in the income statement. The cumulative gain or loss previously recognised is reclassified from other comprehensive income to the income statement as a reclassification adjustment when the financial asset is derecognised. Interest/profit income calculated using the effective interest/yield method is recognised in the income statement.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.

(c) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.13 Fair value measurement

The Group and the Company measure financial instruments such as financial assets at FVTPL and non-financial assets such as investment properties and self-occupied properties at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Notes 19 and 39.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability; or

(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Fair value measurement (Cont'd)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs that are based on observable market data, either directly or indirectly

Level 3 – Inputs that are not based on observable market data

An annual valuation is performed to reflect the fair value of the Group's self-occupied property and investment properties. At the end of each financial year, accredited independent valuers having appropriate recognised professional qualification are appointed to perform the annual valuation. The valuation techniques used by the accredited independent valuers are verified to ensure that they are in accordance with the requirements of MFRS 13 *Fair Value Measurement*.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair value hierarchy of assets that are measured at fair value and/or for which fair value are disclosed is presented in Note 39.

2.14 Impairment of assets

(a) Financial assets

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Financial assets carried at amortised cost

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest/yield rate. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Impairment of assets (Cont'd)

(a) Financial assets (Cont'd)

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement.

Impairment losses on AFS equity investments are not reversed in the income statement in subsequent periods. Increases in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(b) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (or groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the losses have decreased or no longer exist.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the period in which the reversals are recognised.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the non-current assets are measured in accordance with applicable MFRSs. On initial classification as held for sale, non-current assets are then measured at the lower of its carrying amount and fair value less costs to sell. Any difference is included in the income statement. Non-current assets classified as held for sale are not depreciated.

2.16 Measurement and impairment of Qard

Any deficits in the takaful/retakaful funds are made good via a loan or Qard, granted by the shareholder's funds to the takaful/retakaful funds. The Qard is stated at cost less any impairment losses in the shareholder's funds. In the takaful/retakaful funds, the Qard is stated at cost.

The Qard shall be repaid from future surpluses of the takaful/retakaful funds.

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the takaful/retakaful funds to determine whether there is any objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised, is recognised in the income statement.

Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

2.17 Share capital and dividend expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions, which have an insignificant risk of changes in value. The statement of cash flows has been prepared using the indirect method.

2.19 Insurance and takaful receivables

Insurance/takaful receivables are amounts receivable under the contractual terms of an insurance/takaful contract. On initial recognition, insurance/takaful receivables are measured at fair value based on the consideration receivable. Subsequent to initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective interest/yield method.

Insurance/takaful receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance/takaful receivable's original effective interest/yield rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2.14(a)(i).

Insurance/takaful receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Group has also substantially transferred all risks and rewards of ownership.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Borrowings

All borrowings are classified as other financial liabilities and are recognised initially at fair value plus directly attributable transaction costs. The profits payable are recognised as finance costs in the income statement in the period in which they are incurred.

After initial recognition, profit-bearing borrowings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective profit rate method.

2.21 Leases

(a) Classification

A lease is recognised as a finance lease if it substantially transfers to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not substantially transfer all risks and rewards are classified as operating leases, with the following exceptions:

(i) Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a case-by-case basis and, if classified as investment property, is accounted for as if held under a finance lease, as disclosed in Note 2.10; and

(ii) Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(b) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest/profit rate implicit in the lease, when it is impracticable to determine; otherwise, the Group and the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.9(c).

(c) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the upfront payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values of leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

NOTES TO THE **FINANCIAL STATEMENTS**

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases (Cont'd)

(d) Operating leases - the Group as lessor

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, as disclosed in Note 2.27(b). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.22 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, are recognised in the statements of financial position when, and only when, the Group and/or the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(a) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Group and the Company had not designated any financial liabilities as at FVTPL nor were there any financial liabilities held for trading during and at the end of the financial year.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include borrowings, insurance/takaful payables and other payables.

Insurance/takaful and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/yield method.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.23 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of the financial year.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the financial year. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income.

2.25 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

As required by law, the Group makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group also makes additional contributions to the EPF for eligible employees by reference to their earnings. Such contributions are recognised as an expense in the income statement as incurred.

(c) Employees' terminal benefits

As required by law in the United Arab Emirates, the Group makes provision for terminal benefits for employees of its Dubai subsidiary, based on the employees' salaries and number of years of service. The terminal benefits are paid to the employees on termination or completion of their terms of employment.

2.26 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Foreign currencies (Cont'd)

(b) Foreign currency transactions (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised intially in other comprehensive income and accumulated under the foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income statement of the Group on disposal of the foreign operation.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

(c) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions;

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity; and

(iv) The results of an associate, Labuan Reinsurance (L) Limited, are translated at the closing rate prevailing at the reporting date with respect to the carrying amount of the investment in associate, and at the exchange rate at the date of the transactions with respect to the share of profits or losses. All resulting translation differences are included in the foreign exchange translation reserve in shareholders' equity.

2.27 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Interest and profit income

Interest and profit income are recognised using the effective interest/yield method.

(b) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Revenue recognition (Cont'd)

(d) Management fees

Management fees are recognised when services are rendered.

(e) Wakalah fees

Wakalah fees are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah.

(f) Premiums and contributions income

Premiums/contributions are recognised in accordance with the policies stated in Notes 2.4(a) and 2.5(a).

2.28 Zakat

Zakat represents an obligatory amount payable by the takaful subsidiary and retakaful division to comply with the principles of Shariah. Zakat is computed using a method as recommended by the Group Shariah Committee ("GSC") and approved by the Board. Only the zakat that is attributable to the individual and corporate Muslim shareholders of the holding company was provided for in the financial statements. The zakat computation is reviewed by the GSC. The Board has the discretion to pay additional quantum above the obligatory amount payable.

2.29 Changes in Accounting Policies

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the following:

Adoption of MFRS and amendments/improvements to MFRSs

At the beginning of the current financial year, the Group and the Company adopted the following amendments/improvements to MFRSs mandatory for annual periods beginning on or after 1 January 2017 as follows:

Description	Effective for annual periods beginning on or after
MFRS 107 *Statement of Cash Flows - Disclosures Initiatives* (Amendments to MFRS 107)	1 January 2017
MFRS 112 *Income Taxes - Recognition of Deferred Tax for Unrealised Losses* (Amendments to MFRS 112)	1 January 2017
Amendment to MFRS 12 *Disclosure of Interests in Other Entities* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2017

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the disclosures or amounts recognised in the Group's and the Company's financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective

The standards and amendments/improvements to published standards and interpretation that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these standards and amendments/improvements to standards and interpretation, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 2 *Classification and Measurement Payment Transactions*	1 January 2018
MFRS 9 *Financial Instruments*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128 *Investments in Associates and Joint Ventures* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 119 *(Plan Amendment, Curtailment or Settlement)*	1 January 2019
Amendments to MFRS 128 *(Long-term Interests in Associates and Joint Ventures)*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensations*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures*	To be announced by MASB

The Directors are of the opinion that the adoption of the above standards and amendments/improvements to standards and interpretation are not expected to have a material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 *Financial Instruments* ("MFRS 9")

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 was issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates.

The Group and Company has adopted the new standard on the required effective date, being 1 April 2018. The Group and Company has performed a gap assessment on the three main aspects of MFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (Cont'd)

MFRS 9 *Financial Instruments* ("MFRS 9") (Cont'd)

The areas with expected impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;
- Financial assets will be measured at amortised cost ("AC") if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced. Equity instruments where an election has not been made to measure those assets at FVOCI, will be measured at FVTPL;
- Financial assets will be measured at FVTPL if the assets are held for trading or financial assets do not qualify to be measured at AC or at FVOCI; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Under the business model test, the Company's debt instruments would be classified under FVOCI or FVTPL while all equities would be classified under FVTPL.

The total equity of the Group is expected to increase by approximately 2% by applying the classification and measurement requirements.

LAR are held to collect contractual cash flows and are representing solely payments of principal and interest. Thus, the Group and the Company expects that these will continue to be measured at amortised cost under MFRS 9. However, the Group and the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

The total equity of the Group is expected to increase by 2% by applying the classification and measurement requirements.

(ii) Impairment of financial assets

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the Incurred Loss model under the current accounting standard. The ECL model applies to financial assets measured at AC or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (Cont'd)

MFRS 9 *Financial Instruments* ("MFRS 9") (Cont'd)

(ii) Impairment of financial assets (Cont'd)

The measurement of expected loss will involve increased complexity and judgement that include:

- Determining a significant increase in credit risk ("SICR") since initial recognition.

  The Group and Company will recognise either a 12-month (Stage 1) or lifetime ECL (Stage 2 and 3), depending on whether there has been an SICR since initial recognition. When making the assessment of a SICR, the Group and Company uses the change in the risk of default occurring over the expected life of the financial instrument instead of the change in amount of expected credit losses. To make the assessment, the Group and Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

- Mapping of external credit rating models

  The Group and Company utilises its existing external credit rating models to assign credit ratings to the individual instruments in its investment portfolio. Based on the Group and Company's review and testing, the following key features of the models that are consistent with and therefore comply with MFRS 9 requirements for the assessment of credit risk are as follows:

  (a) The ratings represent individual assessment of the credit risk of the financial instrument in question (as opposed to collective assessment);

  (b) The models cover fixed income instruments regardless of whether or not they are externally rated;

  (c) A wide range of current and historical information is considered, including published financial statements, qualitative information about an obligor's industry characteristics, competitive positioning, management, financial policy and financial flexibility;

  (d) In addition, forward-looking information is incorporated into the credit rating process; and

- Derivation of probability of default

  The Group and Company's current definition of default for debt instruments is when the borrower is unlikely to fulfil its credit obligations to the Group and Company on the scheduled payment dates. The Group and Company assessed the definition of default by considering the MFRS 9 definition of "credit impaired" which includes:

  (a) Significant financial difficulty of the issuer or the borrower;

  (b) A breach of contract, such as a default or a past due event;

  (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

  (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

  (e) The disappearance of an active market for the financial asset because of financial difficulties; or

  (f) The purchase or orgination of a financial asset at a deep discount that reflects the incurred credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (Cont'd)

MFRS 9 *Financial Instruments* ("MFRS 9") (Cont'd)

(ii) Impairment of financial assets (Cont'd)

- ECL measurement

  MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and Company decided to continue measuring the impairment on an individual transaction basis for financial assets that are deemed to be individually significant.

  There are three main components to measure ECL which are probability of default ("PD"), loss given default model ("LGD") and the exposure at default ("EAD").

The Group and Company relies on professional services provided by a credit rating agency to provide the default rate for all its debts instruments which incorporates all the requirements above.

Impairment of insurance/takaful receivables

The approach for impairment model for insurance/takaful receivables are more simplified as compared to the impairment model for financial assets. MFRS 9 includes the requirement or policy choice to apply the simplified approach that does not require entities to track changes in credit risk and the practical expedient to calculate ECLs on insurance/takaful receivables using a provision matrix with the usage of forward-looking information in determining of expected credit losses, including the use of macroeconomic information.

The total equity of the Group and Company is expected to increase by approximately 1% by applying the classification and measurement requirements.

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The Group and the Company does not expect a significant impact to the financial statements on applying the hedge accounting.

MFRS 15 *Revenue from Contracts with Customers* ("MFRS 15")

MFRS 15 was issued in 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group and the Company expects to apply MFRS 15 fully retrospective. Given that reinsurance, retakaful and takaful contracts are scoped out of MFRS 15, the Group and the Company expects the main impact of the new standard to be on the accounting for income from administrative and investment management services to related corporations. The Group and the Company does not expect the impact to be significant.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (Cont'd)

MFRS 16 *Leases* ("MFRS 16")

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company plans to assess the potential effect of MFRS 16 on its financial statement in the near future.

MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to MFRS 128)

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments require the full gain to be recognised when the assets are transferred to an associate or joint venture which meets the definition of a business as defined in MFRS 3 *Business Combinations*. Any gain or loss on assets transferred to an associate or joint venture that do not meet the definition of a business would be recognised only to the extent of the unrelated investors' interest in the associate or joint venture. The amendments are applied prospectively effective for periods beginning on or after 1 January 2016, with early application permitted.

On 31 December 2015, MASB announced to defer the effective date of the amendments, except for the amendments which clarify how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests, where early application still permitted. The deferment is in line with the IASB's recent decision which removed the requirement to apply Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) by 2016. The IASB's reason for making the decision to defer the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group and the Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (Cont'd)

Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Group and the Company has opted not to utilise the exemptions permitted under this Amendment and will fully adopt MFRS 9 effective on 1 January 2018.

MFRS 17 *Insurance Contracts*

MFRS 17 will replace MFRS 4 *Insurance Contracts* issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows);
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the takaful certificates to be recognised in statement of comprehensive income over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in statement of comprehensive income over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the participants will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the Income statements, but are recognised directly on the Statements of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance/takaful contracts and the nature and extent of risks arising from these contracts.

The Group and the Company has established a project team with assistance from consultants to plan and manage the implementation of MFRS 17 and is in the process of assessing the gaps and the financial implications for adopting the new standard.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements. Judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of AFS financial assets

The Group reviews its debt securities classified as AFS financial assets at each reporting date to assess whether they are impaired. The Group also records impairment charges on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) General reinsurance, takaful and retakaful businesses

The principal uncertainty in the general reinsurance, takaful and retakaful businesses arises from the technical provisions which include the estimation of premium/contribution and claim liabilities. Premium/contribution liabilities are recorded as the higher of UPR/UCR and URR while claim liabilities mainly comprise provision for claims reported and IBNER and IBNR claims.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium/contribution and claim liabilities will not exactly develop as projected and may vary from the projection.

The estimates of premium/contribution and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium/contribution and claim liabilities may vary from the initial estimates. The sensitivity of these assumptions and their impact to results and the equity position of the businesses are disclosed in Note 35(a)(iv), 35(b)(iv) and 35(d)(iv).

At each reporting date, the estimates of premium/contribution and claim liabilities are re-assessed for adequacy by the Appointed Actuaries and changes will be reflected as adjustments to these liabilities. The appointment of the actuaries is approved by BNM.

(b) Family takaful and retakaful businesses

The estimation of the ultimate liability arising from claims made under the family takaful and retakaful businesses is a critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the family takaful and retakaful funds will ultimately be required to pay as claims/benefits.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty (Cont'd)

(b) Family takaful and retakaful businesses (Cont'd)

For family takaful and retakaful contracts, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The family takaful and retakaful funds base the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the funds' unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

For those contracts that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However, epidemics as well as wide ranging changes to lifestyle, could result in significant changes to the expected future exposures. All of these will give rise to estimation uncertainties of the projected ultimate liabilities of the family takaful and retakaful funds. The sensitivity of the actuarial liabilities of the family takaful and retakaful funds to changes in assumptions are detailed in Note 35(c)(iii) and 35(e)(iii).

At each reporting date, these estimates are re-assessed for adequacy and changes will be reflected as adjustments to the liabilities by the Appointed Actuaries. The appoinment of the actuaries is approved by BNM.

(c) Expense Liabilities

The expense liabilities of the shareholder's fund consist of expense liabilities of the general takaful, general retakaful, family takaful and family retakaful fund which are based on estimations performed by qualified actuaries. The estimation methods are explained in Note 2.6. The qualified actuaries estimate the expected management expenses required to manage the contracts less any expected cash flows from future wakalah fee income based on the qualified actuaries' assumptions and observations of the actual experiences. The estimates of expense liabilities are therefore sensitive to various factors and uncertainties.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of expense liabilities may vary from the initial estimates. At each reporting date, the estimates of expense liabilities are re-assessed for adequacy by the appointed actuaries and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuaries is approved by BNM.

4. NET EARNED PREMIUMS/CONTRIBUTIONS

	Group	
	2018	**2017**
	RM'000	**RM'000**
(a) Gross earned premiums/contributions		
Insurance and takaful contracts	**2,216,703**	2,293,554
Change in premium/contribution liabilities	**34,960**	33,782
	2,251,663	2,327,336
(b) Premiums/contributions ceded to reinsurers/retakaful operators		
Insurance and takaful contracts	**(317,868)**	(347,812)
Change in premium/contribution liabilities	**(4,931)**	(1,020)
	(322,799)	(348,832)
Net earned premiums/contributions	**1,928,864**	1,978,504

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5. INVESTMENT INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets at FVTPL				
Dividend income:				
- quoted shares in Malaysia	**61**	63	**–**	–
- Shariah approved unit trust funds	**1,702**	2,409	**–**	–
HTM investments				
Interest/profit income	**27,546**	27,722	**50**	50
AFS financial assets				
Interest/profit income	**148,623**	113,851	**–**	–
Dividend income:				
- quoted shares in Malaysia	**6,731**	9,255	**–**	–
- unquoted shares in Malaysia	**103**	123	**–**	–
- real estate investment trusts in Malaysia	**–**	8,188	**–**	–
Loans and receivables				
Interest/profit income	**62,333**	64,164	**2,772**	3,839
Dividend income from associate	**–**	–	**400**	–
Rental income	**3,954**	5,887	**–**	–
Net amortisation of premiums on investments	**(5,094)**	(4,470)	**–**	–
Investment expenses	**(28)**	(34)	**–**	–
	245,931	227,158	**3,222**	3,889

6. NET REALISED GAINS/(LOSSES)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment				
Net realised (losses)/gains	**–**	(9)	**–**	6
Investment properties				
Net realised gains	**100**	–	**–**	–
Financial assets at FVTPL				
Quoted shares in Malaysia	**–**	(269)	**–**	–
Shariah approved unit trust funds	**4,949**	2,574	**–**	–
Net realised gains	**4,949**	2,305	**–**	–
AFS financial assets				
Quoted shares in Malaysia	**(4,473)**	(5,327)	**–**	–
Real estate investment trusts in Malaysia	**–**	126	**–**	–
Unquoted corporate debt securities	**630**	3,173	**–**	–
Government investment issues	**751**	1,082	**–**	–
Net realised losses	**(3,092)**	(946)	**–**	–
	1,957	1,350	**–**	6

7. NET FAIR VALUE GAINS/(LOSSES)

	Group	
	2018	2017
	RM'000	RM'000
Net fair value (losses)/gains on financial assets at FVTPL	**(487)**	2,987
(Impairment losses)/writeback of impairment losses on properties	**(251)**	86
Writeback of impairment losses/(impairment losses) on AFS financial assets	**12,178**	(3,147)
	11,440	(74)

8. FEE AND COMMISSION INCOME/(EXPENSES)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Management fees	**7,601**	7,501	**35,025**	31,728
Commission income	**32,541**	47,880	**–**	–
	40,142	55,381	**35,025**	31,728
Fee and commission expenses				
Commission expenses	**(427,469)**	(442,668)		
Brokerage	**(56)**	(639)		
	(427,525)	(443,307)		

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9. MANAGEMENT EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, bonus and other related costs	**99,376**	91,115	**23,746**	22,819
Short term accumulating compensated absences	**85**	–	**93**	–
Directors' remuneration and Group Shariah Committee ("GSC") members' remuneration (Note 10)	**9,048**	8,150	**3,720**	3,284
Pension costs - EPF	**12,027**	11,963	**2,630**	2,699
Social security costs	**1,239**	640	**130**	123
Retirement benefits	**335**	315	**139**	151
Auditors' remuneration:				
Statutory auditors of the Group				
- statutory audit	**1,400**	1,170	**115**	75
- audit-related	**80**	87	**8**	5
- other services	**501**	223	**5**	8
Component auditors of a foreign subsidiary	**48**	42	**–**	–
Depreciation of property, plant and equipment	**7,272**	8,069	**499**	644
Amortisation of intangible assets	**4,312**	3,260	**355**	290
Intangible asset written off	**613**	–	**38**	–
Agency expenses	**10,710**	6,843	**–**	–
Marketing and promotional costs	**10,981**	26,940	**399**	377
Electronic data processing costs	**13,276**	12,131	**–**	–
Office rental	**3,975**	4,208	**1,067**	1,392
Professional and legal fees	**18,650**	16,571	**1,589**	2,007
Contributions and donations	**1,220**	21	**10**	11
Tax on premium	**1,488**	–	**–**	–
Other management expenses	**41,353**	60,721	**1,002**	1,302
	237,989	252,469	**35,545**	35,187

10. DIRECTORS' AND GROUP SHARIAH COMMITTEE REMUNERATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Number of non-executive directors	**17**	17	**8**	10
Executive directors:				
Salaries and bonus	**3,717**	3,050	**1,328**	1,169
Pension costs - EPF and SOCSO	**736**	498	**341**	199
Benefits-in-kind	**178**	220	**68**	120
Fees	**292**	279	**–**	–
Others	**91**	95	**4**	6
	5,014	4,142	**1,741**	1,494
Non-executive directors:				
Fees	**2,329**	2,371	**844**	780
Others	**593**	562	**174**	146
Benefits-in-kind	**–**	38	**–**	38
	2,922	2,971	**1,018**	964
Group Shariah Committee members:				
Fees	**192**	232	**–**	–
Allowances	**69**	79	**–**	–
	261	311	**–**	–
Total executive directors' and GSC members' remuneration excluding benefits-in-kind	**5,097**	4,233	**1,673**	1,374
Total directors' and GSC members' remuneration excluding benefits-in-kind	**9,048**	8,150	**3,720**	3,284
Director of a subsidiary *:				
Salaries and bonus	**834**	837	**834**	837
Pension costs - EPF	**129**	126	**129**	126
Social security costs	**1**	1	**1**	1
Other allowances	**65**	20	**65**	20
Benefits-in-kind	**97**	55	**97**	55
	1,126	1,039	**1,126**	1,039

* Director of a subsidiary refers to management personnel who is employed by the holding company.

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10. DIRECTORS' AND GROUP SHARIAH COMMITTEE REMUNERATION (CONT'D)

The number of directors of the Company whose total remuneration, borne by the Company and Group, during the financial year fell within the following bands is analysed below.

	Number of Directors			
	Group		Company	
	2018	2017	2018	2017
Executive director:				
RM1,450,001 to RM1,500,000	**1**	1	**1**	1
Non-executive directors:				
RM1 to RM50,000	**1**	1	**1**	4
RM50,001 to RM100,000	**1**	1	**1**	–
RM100,001 to RM150,000	**2**	2	**5**	4
RM150,001 to RM200,000	**1**	1	**1**	2
RM200,001 to RM250,000	**1**	1	**–**	–
RM250,001 to RM300,000	**2**	2	**–**	–
RM300,001 to RM350,000	**2**	–	**–**	–
RM400,001 to RM450,000	**1**	1	**–**	–
RM450,001 to RM500,000	**1**	–	**–**	–
RM500,001 to RM550,000	**–**	1	**–**	–

10. DIRECTORS' AND GROUP SHARIAH COMMITTEE REMUNERATION (CONT'D)

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
Company						
2018						
Executive director:						
Mohd Din bin Merican	**1,328**	**–**	**341**	**68**	**4**	**1,741**
	1,328	**–**	**341**	**68**	**4**	**1,741**
Non-executive directors:						
Dato Sharkawi bin Alis	**–**	**142**	**–**	**–**	**16**	**158**
Hijah Arifakh binti Othman	**–**	**104**	**–**	**–**	**20**	**124**
Mustaffa bin Ahmad	**–**	**120**	**–**	**–**	**30**	**150**
Rosinah binti Mohd Salleh	**–**	**108**	**–**	**–**	**23**	**131**
Arul Sothy A/L Mylvaganam	**–**	**114**	**–**	**–**	**25**	**139**
Noor Rida binti Hamzah	**–**	**110**	**–**	**–**	**23**	**133**
Datuk Johar bin Che Mat (Appointed with effect from 1 October 2017)	**–**	**50**	**–**	**–**	**13**	**63**
George Oommen (Appointed with effect from 1 January 2018)	**–**	**21**	**–**	**–**	**5**	**26**
Megat Dziauddin bin Megat Mahmud (Resigned with effect from 30 June 2017)	**–**	**33**	**–**	**–**	**9**	**42**
Paisol bin Ahmad (Retired with effect from 24 August 2017)	**–**	**42**	**–**	**–**	**10**	**52**
	–	**844**	**–**	**–**	**174**	**1,018**
Total Directors' remuneration	**1,328**	**844**	**341**	**68**	**178**	**2,759**
Company						
2017						
Executive director:						
Mohd Din bin Merican	1,169	–	199	120	6	1,494
	1,169	–	199	120	6	1,494
Non-executive directors:						
Dato Sharkawi bin Alis	–	142	–	38	13	193
Megat Dziauddin bin Megat Mahmud	–	133	–	–	30	163
Paisol bin Ahmad	–	104	–	–	23	127
Hijah Arifakh binti Othman	–	99	–	–	18	117
Mustaffa bin Ahmad (Appointed with effect from 1 April 2016)	–	105	–	–	20	125
Rosinah binti Mohd Salleh (Appointed with effect from 1 January 2017)	–	24	–	–	4	28
Arul Sothy A/L Mylvaganam (Appointed with effect from 1 January 2017)	–	24	–	–	5	29
Noor Rida binti Hamzah (Appointed with effect from 1 January 2017)	–	24	–	–	6	30
Yusoff bin Yaacob (Resigned with effect from 1 January 2017	–	100	–	–	21	121
P. Raveenderen(Resigned with effect from 1 July 2016)	–	25	–	–	6	31
	–	780	–	38	146	964
Total Directors' remuneration	1,169	780	199	158	152	2,458

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11. OTHER OPERATING REVENUE/(EXPENSES)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other operating revenue				
Gains on foreign exchange	**269**	15,392	**–**	–
Reversal of impairment loss on other receivables	**–**	62	**–**	–
Reversal of impairment losses on insurance/takaful receivables	**20,565**	–	**–**	–
Non-operating interest income	**675**	399	**8**	18
Miscellaneous income	**16,562**	48,764	**144**	166
Net reversal of impairment loss on subsidiary (Note 17(ii))	**–**	–	**20,771**	–
	38,071	64,617	**20,923**	184
Other operating expenses				
Losses on foreign exchange	**(21,750)**	–	**–**	(24)
Impairment losses on insurance/takaful receivables	**–**	(9,558)	**–**	–
Allowance for impairment of other receivables	**(254)**	–	**–**	–
Miscellaneous expenses	**(890)**	(1,312)	**(208)**	(271)
	(22,894)	(10,870)	**(208)**	(295)

12. TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian income tax:				
Tax expense for the year	**47,596**	27,986	**564**	700
Under/(over) provision in prior years	**2,261**	1,908	**(382)**	–
	49,857	29,894	**182**	700
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 16)	**1,239**	(2,136)	**522**	(295)
	1,239	(2,136)	**522**	(295)
	51,096	27,758	**704**	405

12. TAXATION (CONT'D)

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Income tax on the Group's family takaful business is calculated at a preferential tax rate of 8% (2017: 8%). Income tax on the Group's offshore insurance/takaful business is calculated at a tax rate of 5% (2017: 5%) of the estimated assessable profit on the Group's offshore insurance/takaful business for the year. A reconciliation of income tax expenses applicable to profit/(loss) before zakat and tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company and of the Group is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(loss) before zakat and tax	**192,524**	98,928	**7,576**	(17,795)
Taxation at Malaysian statutory tax rate of 24%	**46,206**	23,743	**1,818**	(4,271)
Effects of different tax rate in respect of offshore insurance	**(70)**	(932)	**–**	–
Income not subject to tax	**(51,942)**	(60,091)	**–**	–
Expenses not deductible for tax purposes	**56,972**	64,413	**(732)**	4,676
Utilisation of prior years losses of the general and family retakaful funds	**–**	(283)	**–**	–
Over provision of deferred tax in prior year	**–**	(224)	**–**	–
Deferred tax assets not recognised	**–**	575	**–**	–
Under/(over) provision of tax in prior years	**2,261**	1,908	**(382)**	–
Share of results of associates	**(2,331)**	(1,351)	**–**	–
Tax expense/(income) for the year	**51,096**	27,758	**704**	405

Tax borne by participants

	Group	
	2018 RM'000	**2017 RM'000**
Current year's provision	**13,459**	17,168
Under provision of tax expense in prior years	**(1,531)**	74
Deferred tax relating to origination and reversal of temporary differences	**745**	(1,831)
Tax expense for the year	**12,673**	15,411

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13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Valuation/Cost						
At 1 April 2016	36,000	203,151	11,477	39,108	2,680	292,416
Additions	–	683	366	121	27	1,197
Disposals	–	–	(492)	(96)	(19)	(607)
Adjustments	–	(488)	(382)	–	–	(870)
Net revaluation surplus	800	3,195	–	–	–	3,995
Elimination of accumulated depreciation on revaluation	–	(5,122)	–	–	–	(5,122)
At 31 March 2017	36,800	201,419	10,969	39,133	2,688	291,009
Additions	–	91	347	445	372	1,255
Disposals	–	–	(22)	–	–	(22)
Net revaluation surplus	–	3,285	11	(11)	(5)	3,280
Elimination of accumulated depreciation on revaluation	–	(5,110)	–	–	–	(5,110)
Write-offs	–	–	–	(13)	–	(13)
At 31 March 2018	**36,800**	**199,685**	**11,305**	**39,554**	**3,055**	**290,399**
Accumulated depreciation and impairment loss						
At 1 April 2016	–	–	10,517	32,242	2,160	44,919
Depreciation charge for the year	–	5,122	279	2,341	327	8,069
Disposals	–	–	(492)	(79)	(18)	(589)
Elimination of accumulated depreciation on revaluation	–	(5,122)	–	–	–	(5,122)
At 31 March 2017	–	–	10,304	34,504	2,469	47,277
Depreciation charge for the year	–	5,269	535	1,241	227	7,272
Disposals	–	–	(20)	–	–	(20)
Write-offs	–	–	–	(13)	–	(13)
Elimination of accumulated depreciation on revaluation	–	(5,110)	–	–	–	(5,110)
Impairment loss during the year	–	249	–	–	–	249
At 31 March 2018	**–**	**408**	**10,819**	**35,732**	**2,696**	**49,655**
Net carrying amount						
At 31 March 2018	**36,800**	**199,277**	**486**	**3,822**	**359**	**240,744**
At 31 March 2017	36,800	201,419	665	4,629	219	243,732

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Revaluation of freehold land and buildings

Freehold land and buildings in Malaysia have been revalued based on valuations performed by accredited independent valuers having appropriate recognised professional qualification. The valuations are based on the income and comparison approaches and are effective on 31 March 2018.

The income approach entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income.

The comparison approach entails critical analyses of recent sales and listing of comparable properties registered within the vicinity. The technique of the approach requires the establishment of a comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the differences between the subject property and those regarded as comparable.

Description of the fair value hierarchy for freehold land and buildings and the significant inputs used in the valuation are provided in Note 38.

Freehold buildings outside Malaysia have been revalued based on their value-in-use and a discount rate of 7% (2017: 7%) is applied, being the prevailing rental yield in the country where the buildings are located.

If the freehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Cost			
At 1 April 2016	15,596	175,289	190,885
Additions	–	225	225
Adjustments	–	(488)	(488)
At 31 March 2017	15,596	175,026	190,622
Additions	–	87	87
At 31 March 2018	**15,596**	**175,113**	**190,709**
Accumulated depreciation			
At 1 April 2016	–	39,192	39,192
Depreciation charge for the year	–	5,122	5,122
Reversal of impairment losses during the year	–	(86)	(86)
At 31 March 2017	–	44,228	44,228
Depreciation charge for the year	–	5,183	5,183
Disposals	–	–	–
Impairment losses during the year	–	247	247
At 31 March 2018	**–**	**49,658**	**49,658**
Net carrying amount			
At 31 March 2018	**15,596**	**125,455**	**141,051**
At 31 March 2017	15,596	130,798	146,394

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Revaluation of freehold land and buildings (Cont'd)

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company				
Cost				
At 1 April 2016	3,307	3,129	1,222	7,658
Additions	94	–	–	94
Disposals	(294)	–	(11)	(305)
At 31 March 2017	3,107	3,129	1,211	7,447
Additions	279	4	–	283
At 31 March 2018	**3,386**	**3,133**	**1,211**	**7,730**
Accumulated depreciation				
At 1 April 2016	2,769	1,816	1,056	5,641
Charge for the year	318	189	137	644
Disposals	(294)	–	(11)	(305)
At 31 March 2017	2,793	2,005	1,182	5,980
Charge for the year	291	183	25	499
At 31 March 2018	**3,084**	**2,188**	**1,207**	**6,479**
Net carrying amount				
At 31 March 2018	**302**	**945**	**4**	**1,251**
At 31 March 2017	314	1,124	29	1,467

14. INVESTMENT PROPERTY

	Group	
	2018 RM'000	2017 RM'000
At beginning of the year	**7,400**	7,400
Disposal during the year	**(7,400)**	–
At end of the year	**–**	7,400

The rental income and operating expenses in relation to the investment property are as disclosed below:

	2018 RM'000	2017 RM'000
Rental income	**277**	280
Operating expenses	**(70)**	(31)
	207	249

15. INTANGIBLE ASSETS

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Group			
Cost			
At 1 April 2016	3,358	45,460	48,818
Additions	3,562	7,914	11,476
Disposal	–	(204)	(204)
Reclassification	(601)	601	–
At 31 March 2017	6,319	53,771	60,090
Additions	5,093	8,923	14,016
Write off	(137)	(476)	(613)
Reclassification	(1,301)	1,301	–
At 31 March 2018	**9,974**	**63,519**	**73,493**
Accumulated amortisation			
At 1 April 2016	–	33,994	33,994
Amortisation for the year	–	3,260	3,260
Disposal	–	(204)	(204)
At 31 March 2017	–	37,050	37,050
Amortisation for the year	–	4,312	4,312
At 31 March 2018	**–**	**41,362**	**41,362**
Net carrying amount			
At 31 March 2018	**9,974**	**22,157**	**32,131**
At 31 March 2017	6,319	16,721	23,040
Company			
Cost			
At 1 April 2016	1,952	7,995	9,947
Additions	123	201	324
Disposal	–	(201)	(201)
Reclassification	(601)	601	–
Transfers to subsidiary	(1,351)	–	(1,351)
At 31 March 2017	123	8,596	8,719
Additions	36	63	99
Reclassification	(74)	74	–
Write-off	(38)	–	(38)
At 31 March 2018	**47**	**8,733**	**8,780**

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15. INTANGIBLE ASSETS (CONT'D)

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Company (Cont'd)			
Accumulated amortisation			
At 1 April 2016	–	6,706	6,706
Amortisation for the year	–	290	290
Disposal	–	(201)	(201)
At 31 March 2017	–	6,795	6,795
Amortisation for the year	–	355	355
At 31 March 2018	**–**	**7,150**	**7,150**
Net carrying amount			
At 31 March 2018	**47**	**1,583**	**1,630**
At 31 March 2017	123	1,801	1,924

16. DEFERRED TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	**8,738**	4,760	**3,333**	3,038
Recognised in:				
Income statement (Note 12)	**(1,239)**	2,136	**(522)**	295
Participants' funds	**(305)**	1,747	**–**	–
Recognised in other comprehensive income	**465**	95	**–**	–
At end of year	**7,659**	8,738	**2,811**	3,333
These comprise the following:				
Deferred tax assets	**18,343**	19,518	**2,811**	3,333
Deferred tax liabilities	**(10,684)**	(10,780)	**–**	–
	7,659	8,738	**2,811**	3,333

16. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

	Provisions and payables RM'000	Unabsorbed/ accelerated capital allowances RM'000	Impairment losses on loans and receivables RM'000	Premium contribution/ expense liabilities RM'000	Impairment losses on investments RM'000	AFS financial assets RM'000	Revaluation of land and buildings RM'000	Others RM'000	Total RM'000
Group									
2018									
At 1 April 2017	**979**	**467**	**2,402**	**5,135**	**3,755**	**(605)**	**(10,175)**	**6,780**	**8,738**
Recognised in:									
Income statement (Note 12)	**309**	**(242)**	**–**	**700**	**(1,686)**	**(4)**	**–**	**(316)**	**(1,239)**
Participants' fund	**–**	**–**	**(535)**	**(318)**	**–**	**555**	**(219)**	**212**	**(305)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**755**	**(290)**	**–**	**465**
At 31 March 2018	**1,288**	**225**	**1,867**	**5,517**	**2,069**	**701**	**(10,684)**	**6,676**	**7,659**
2017									
At 1 April 2016	472	437	3,157	2,631	3,467	(921)	(9,870)	5,387	4,760
Recognised in:									
Income statement (Note 12)	507	30	–	648	288	–	–	663	2,136
Participants' fund	–	–	(755)	1,856	–	137	(221)	730	1,747
Other comprehensive income	–	–	–	–	–	179	(84)	–	95
At 31 March 2017	979	467	2,402	5,135	3,755	(605)	(10,175)	6,780	8,738

	Unabsorbed capital allowances RM'000	Accelerated capital allowances RM'000	Impairment losses on loans and receivables RM'000	Others RM'000	Total RM'000
Company					
2018					
At 1 April 2017	**967**	**536**	**4**	**1,826**	**3,333**
Recognised in income statement (Note 12)	**(162)**	**(166)**	**–**	**(194)**	**(522)**
At 31 March 2018	**805**	**370**	**4**	**1,632**	**2,811**
2017					
At 1 April 2016	850	566	4	1,618	3,038
Recognised in income statement (Note 12)	117	(30)	–	208	295
At 31 March 2017	967	536	4	1,826	3,333

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16. DEFERRED TAXATION (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items of the Company and SSB as the probability of recognition cannot be determined with certainty given the lack of assessable profits in current and prior years.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Unutilised business losses	**14,290**	14,290	**6,168**	6,168
Other temporary differences:				
- net contribution and expense liabilities	**1,151**	1,151	**–**	–
- others	**298**	298	**–**	–
	15,739	15,739	**6,168**	6,168

17. INVESTMENTS IN SUBSIDIARIES

	Note	Company	
		2018 RM'000	**2017 RM'000**
Unquoted shares, at cost:			
In Malaysia			
At the beginning of the year		**907,000**	907,000
Additional investment during the year	40(c)	**93,106**	–
		1,000,106	907,000
Less:			
Redemption of investment in SSB	17(ii), 40(d)	**(102,000)**	–
Accumulated impairment losses		**–**	(69,665)
At the end of the year		**898,106**	837,335
Outside Malaysia			
At the beginning and end of the year		**6,370**	6,370
		904,476	843,705

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2018 %	2017 %
Malaysian Reinsurance Berhad ("MRE")	Malaysia	Underwriting of all classes of general reinsurance business and management of family and general retakaful business	**100**	100
Takaful Ikhlas * Berhad ("TIB")	Malaysia	Management of family, general and investment-linked takaful business	**100**	100
Sinar Seroja Berhad** (previously known as MNRB Retakaful Berhad)	Malaysia	Dormant company	**100**	100
MMIP Services Sdn. Bhd.	Malaysia	Management of the Malaysian Motor Insurance Pool which provides motor insurance to vehicle owners who are unable to obtain insurance protection for their vehicles	**100**	100
Malaysian Re (Dubai) Ltd.	Dubai, United Arab Emirates	Marketing and promotional activities and servicing of clients on behalf of MRE	**100**	100

* The Company required to split its general takaful license as required by the Islamic Financial Service Act ("IFSA 2013") before 1 July 2018. A new company were incorporated on 5 June 2017 as a wholly-owned subsidiary of TIB with a paid-up capital of RM2. The subsidiary would be the transferee of TIB's general takaful business assets and liabilities as part of the business transfer.

** The Company was principally engaged in the managing of general and family retakaful business until 30 November 2017. On 1 December 2017, the Company completed the transfer of its general and family retakaful business to MRE and surrendered its license on the same date. Subsequently a capital redemption exercise was carried out, resulting in a net reversal of impairment losses of approximately RM21 million as disclosed in Note 11.

18. INVESTMENTS IN ASSOCIATES

	Group 2018 RM'000	2017 RM'000
Unquoted shares in Malaysia, at cost	**77,615**	77,615
Share of post-acquisition retained profits	**23,288**	12,095
Share of post-acquisition AFS reserve	**1,880**	155
Post-acquisition foreign exchange translation reserve*	**36,226**	55,555
	139,009	145,420
Represented by share of net assets	**139,009**	145,420

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18. INVESTMENTS IN ASSOCIATES (CONT'D)

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares in Malaysia, at cost	**1,957**	1,957

* This is in respect of retranslation of the cost of the investment in Labuan Re at the rate of exchange prevailing at the reporting date.

Details of the associates which are all incorporated in Malaysia are as follows:

Name of associates	Year end	Principal activities	Proportion of ownership interest and voting power 2018 %	2017 %
Held by the Company:				
Motordata Research Consortium Sdn. Bhd.	31 December	Development and provision of a centralised motor parts price database for the Malaysian insurance industry	**40**	40
Held by Malaysian Re:				
Labuan Reinsurance (L) Ltd ("Labuan Re")	31 December	Underwriting of all classes of general reinsurance business	**20**	20

The financial statements of the above associates are not co-terminous with those of the Group. For the purpose of applying the equity method of accounting, the audited financial statements of the associates for the year ended 31 December 2017 and management financial statements to the end of the accounting period of 31 March 2018 have been used.

The summarised financial information of the associates are as follows:

	2018 RM'000	2017 RM'000
Assets and liabilities:		
Current assets	**2,060,606**	2,279,708
Non-current assets	**63,284**	62,894
Total assets	**2,123,890**	2,342,602
Current liabilities	**282,421**	69,881
Non-current liabilities	**1,149,341**	1,541,411
Total liabilities	**1,431,762**	1,611,292
Equity	**692,128**	731,310
Results:		
Revenue	**588,241**	710,716
Profit for the year	**36,403**	39,877

19. FINANCIAL ASSETS

The following table summarises the carrying values of financial assets of the Group and the Company:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At carrying value:				
Financial assets at FVTPL	**116,127**	123,467	**–**	–
HTM investments	**644,254**	695,426	**1,000**	1,000
AFS financial assets	**3,741,196**	3,384,744	**50**	50
Loans and receivables	**1,937,263**	1,934,933	**29,796**	105,388
	6,438,840	6,138,570	**30,846**	106,438
Malaysian government securities	**209,245**	206,314	**–**	–
Government investment issues	**1,673,892**	1,229,944	**–**	–
Debt securities	**2,317,789**	2,333,312	**1,000**	1,000
Equity securities	**126,501**	249,462	**–**	–
Unquoted shares	**44,796**	44,796	**50**	50
Shariah approved unit trust funds	**116,127**	119,592	**–**	–
Real estate investment trusts	**13,227**	20,217	**–**	–
Fixed and call deposits	**91,318**	79,648	**–**	–
Islamic investment accounts	**1,735,485**	1,727,724	**25,885**	97,633
Other loans and receivables	**110,460**	127,561	**3,911**	7,755
	6,438,840	6,138,570	**30,846**	106,438

	Group	
	2018	**2017**
	RM'000	**RM'000**
(a) Financial assets at FVTPL		
At fair value:		
Quoted shares in Malaysia		
Others	**–**	3,790
Warrants	**–**	85
Shariah approved unit trust funds	**116,127**	119,592
	116,127	123,467

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19. FINANCIAL ASSETS

		Group		Company	
		2018	**2017**	**2018**	**2017**
		RM'000	**RM'000**	**RM'000**	**RM'000**
(b)	**HTM investments**				
	At amortised cost/cost:				
	Malaysian government securities	**78,083**	78,308	**–**	–
	Unquoted corporate debt securities	**25,249**	75,274	**1,000**	1,000
	Government investment issues	**540,922**	541,844	**–**	–
		644,254	695,426	**1,000**	1,000
	At fair value:				
	Malaysian government securities	**77,404**	76,109	**–**	–
	Unquoted corporate debt securities	**25,723**	75,987	**1,009**	1,008
	Government investment issues	**539,508**	537,417	**–**	–
		642,635	689,513	**1,009**	1,008
(c)	**AFS financial assets**				
	At cost:				
	Unquoted shares in Malaysia [(i)]	**44,796**	44,796	**50**	50
	At fair value:				
	Malaysian government securities	**131,162**	128,006	**–**	–
	Unquoted corporate debt securities	**2,292,540**	2,258,038	**–**	–
	Quoted shares in Malaysia	**126,228**	245,241	**–**	–
	Warrants	**273**	346	**–**	–
	Real estate investment trusts	**13,227**	20,217	**–**	–
	Government investment issues	**1,132,970**	688,100	**–**	–
		3,741,196	3,384,744	**50**	50
(d)	**Loans and receivables**				
	At amortised cost/fair value:				
	Fixed and call deposits with licensed:				
	Commercial banks	**11,388**	79,648	**–**	–
	Foreign banks	**79,930**	–	**–**	–
	Islamic investment accounts with licensed:				
	Co-operative bank	**–**	129,611	**–**	–
	Islamic banks	**1,154,572**	1,266,063	**17,672**	25,207
	Investment banks	**114,090**	51,627	**–**	–
	Development bank	**466,823**	280,423	**8,213**	72,426
	Secured staff loans	**8,010**	9,684	**1,914**	1,838
	Amounts due from subsidiaries [(ii)]	**–**	–	**1,780**	5,494
	Income due and accrued	**68,821**	51,039	**41**	104
	Amount due from Insurance Pool accounts	**7,845**	4,406	**–**	–
	Other receivables and deposits	**25,784**	62,432	**176**	319
		1,937,263	1,934,933	**29,796**	105,388

The carrying amount disclosed above approximates fair value due to its relatively short term nature.

19. FINANCIAL ASSETS (CONT'D)

(d) Loans and receivables (Cont'd)

(i) The pertinent information of the investments in unquoted shares in Malaysia are as follows:

	Group 2018 RM'000	Group 2017 RM'000
- 27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%.	**28,283**	28,283
Less: Impairment loss	**(4,759)**	(4,759)
	23,524	23,524
20,000,000 redeemable preference shares of RM1.00 each of FPL	**20,569**	20,569
	44,093	44,093
- 820,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") of RM1.00 each, representing an equity shareholding of 4%.	**410**	410
- Others	**293**	293
	44,796	44,796

(ii) These amounts are non-trade in nature, unsecured, not subject to any interest/profit elements and repayable on demand.

20. INSURANCE/TAKAFUL CONTRACT LIABILITIES

	2018 Gross RM'000	2018 Reinsurance/ retakaful RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000
General reinsurance/takaful/retakaful funds (Note (a))	**2,537,293**	**(427,090)**	**2,110,203**	2,527,853	(462,804)	2,065,049
Family takaful/retakaful funds (Note (b))	**2,723,297**	**(51,163)**	**2,672,134**	2,580,122	(51,426)	2,528,696
Shareholder's funds (Note (c))	**59,355**	**–**	**59,355**	63,203	–	63,203
Total	**5,319,945**	**(478,253)**	**4,841,692**	5,171,178	(514,230)	4,656,948
(a) General reinsurance/takaful/retakaful funds						
Claim liabilities (Note (i))	**2,181,919**	**(371,072)**	**1,810,847**	2,137,519	(401,855)	1,735,664
Premium/contribution liabilities (Note (ii))	**355,374**	**(56,018)**	**299,356**	390,334	(60,949)	329,385
	2,537,293	**(427,090)**	**2,110,203**	2,527,853	(462,804)	2,065,049
(i) Claim liabilities						
At beginning of the year	**2,137,519**	**(401,855)**	**1,735,664**	2,078,963	(395,315)	1,683,648
Claims incurred in the current underwriting/accident year	**315,400**	**(94,787)**	**220,613**	318,535	(92,267)	226,268
Adjustment to claims incurred in prior underwriting/accident years due to changes in IBNR and PRAD	**54,845**	**21,908**	**76,753**	(25,381)	22,759	(2,622)
Movements in claims incurred in prior underwriting/accident years	**590,427**	**(3,115)**	**587,312**	750,488	(43,060)	707,428
Claims paid during the year	**(916,272)**	**106,777**	**(809,495)**	(985,086)	106,028	(879,058)
At end of the year	**2,181,919**	**(371,072)**	**1,810,847**	2,137,519	(401,855)	1,735,664

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20. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONT'D)

	2018 Gross RM'000	2018 Reinsurance/ retakaful RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000
(a) General reinsurance/takaful/retakaful funds (Cont'd)						
(ii) Premium/contribution liabilities						
At beginning of the year	**390,334**	**(60,949)**	**329,385**	424,116	(61,969)	362,147
Premiums/contributions written in the year	**1,560,267**	**(236,025)**	**1,324,242**	1,611,081	(266,909)	1,344,172
Premiums/contributions earned during the year	**(1,595,227)**	**240,956**	**(1,354,271)**	(1,644,863)	267,929	(1,376,934)
At end of the year	**355,374**	**(56,018)**	**299,356**	390,334	(60,949)	329,385
(b) Family takaful/retakaful funds						
Provision for claims reported by contract holders	**91,177**	**(14,516)**	**76,661**	97,193	(12,161)	85,032
Participants' Investment Fund ("PIF")	**2,366,126**	**–**	**2,366,126**	2,203,749	–	2,203,749
Participants' Risk Fund ("PRF")	**152,609**	**(36,647)**	**115,962**	182,473	(39,265)	143,208
Net asset value attributable to unitholders	**113,385**	**–**	**113,385**	96,707	–	96,707
	2,723,297	**(51,163)**	**2,672,134**	2,580,122	(51,426)	2,528,696
At beginning of the year	**2,580,122**	**(51,426)**	**2,528,696**	2,265,713	(39,896)	2,225,817
Net earned contributions	**611,303**	**(74,328)**	**536,975**	665,707	(74,735)	590,972
Net creation of units	**36,473**	**–**	**36,473**	11,526	–	11,526
Liabilities paid for death, maturities, surrenders, benefits and claims	**(285,547)**	**5,418**	**(280,129)**	(271,029)	1,699	(269,330)
Net cancellation of units	**(23,120)**	**–**	**(23,120)**	(27,183)	–	(27,183)
Benefits and claims experience variation	**(6,016)**	**(2,355)**	**(8,371)**	34,044	(8,693)	25,351
Fees deducted	**(214,541)**	**–**	**(214,541)**	(188,311)	–	(188,311)
Other revenue and expenses	**3,325**	**–**	**3,325**	1,357	–	1,357
Transfer to shareholder's fund	**(16,850)**	**–**	**(16,850)**	(13,405)	–	(13,405)
Increase in reserve	**38,148**	**71,528**	**109,676**	101,703	70,199	171,902
At end of the year	**2,723,297**	**(51,163)**	**2,672,134**	2,580,122	(51,426)	2,528,696

	2018 Gross/net RM'000	2017 Gross/net RM'000
(c) Shareholder's funds		
At beginning of the year	**63,203**	60,319
General takaful and retakaful funds:		
- Wakalah fee received during the year	**97,700**	98,456
- Wakalah fee earned during the year	**(103,815)**	(94,972)
- Movement in unearned wakalah fees	**(6,115)**	3,484
- Movement in provision for expense deficiency	**1,912**	1,912
Family takaful and retakaful funds:		
- Movement in provision for UER	**(2,926)**	(2,512)
Novation of SSB	**3,281**	–
At end of the year	**59,355**	63,203

21. INSURANCE/TAKAFUL RECEIVABLES

	Group	
	2018	2017
	RM'000	RM'000
Due contributions including agents' balances	**76,182**	106,450
Amounts due from brokers and ceding companies	**355,875**	264,058
Less: Allowance for impairment	**(13,753)**	(34,318)
	418,304	336,190

Offsetting insurance/takaful receivables and insurance/takaful payables

	2018	2017
	RM'000	RM'000
Gross amounts of recognised insurance/takaful receivables	**690,299**	502,549
Less: Gross amounts of recognised insurance/takaful payables set off in the statements of financial position	**(258,242)**	(132,041)
Net amounts of insurance/takaful receivables presented in the statements of financial position	**432,057**	370,508

Included in amounts due from brokers and ceding companies is an amount of RM533,027 (2017: RM221,660) due from an associate, Labuan Reinsurance (L) Ltd. The amount receivable is subject to settlement terms stipulated in the reinsurance contracts.

The carrying amount disclosed above approximates fair value due to its relatively short term nature.

22. TAX RECOVERABLE

	Company	
	2018	2017
	RM'000	RM'000
Tax recoverable	**19,685**	–
Tax payable	**(2,055)**	(2,592)
	17,630	(2,592)

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to MNRB Holdings Berhad ("the Company") notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2008 to 2014, disallowing the interest expense that the Company had deducted as part of its business expense in arriving at the taxable profit.

The additional tax payable by the Company under the above-mentioned notices is RM13,575,720. IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,109,074 to the Company. This brings the total amount payable to IRB to RM19,684,794.

The Company disagrees with the additional assessment imposed by IRB for the above years of assessment and had submitted a notice of appeal by filing Form Q with the Special Commissioner of Income Tax on 6 October 2017.

Notwithstanding the appeal, the Company has paid the total amount payable of RM19,684,794.

Based on legal advice, the Company is of the view that there are strong justifications for its appeal and have treated the additional tax payment as tax recoverable.

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23. PARTICIPANTS' FUNDS

		Group	
		2018	**2017**
		RM'000	**RM'000**
Participants' funds comprise the following:			
Accumulated surplus (Note (a))		**209,939**	162,486
AFS reserves (Note (b))		**(3,412)**	(106)
Revaluation surplus (Note (c))		**41,335**	38,816
		247,862	201,196
(a)	**Accumulated surplus**		
	At beginning of the year	**162,486**	180,678
	Net surplus/(deficit) of the general and family takaful and retakaful funds	**62,274**	(12,708)
	Hibah paid and payable to participants during the year	**(14,821)**	(5,484)
	At end of the year	**209,939**	162,486
(b)	**AFS reserves**		
	At beginning of the year	**(106)**	2,635
	Net (loss)/gain on fair value changes	**(5,075)**	(3,101)
	Realised loss transferred to income statements	**1,201**	223
	Deferred tax on fair value changes	**568**	137
	Net change in AFS reserves attributable to participants	**(3,306)**	(2,741)
	At end of the year	**(3,412)**	(106)
(c)	**Revaluation surplus**		
	At beginning of the year	**38,816**	36,280
	Recognised in other comprehensive income	**2,738**	2,757
	Deferred tax on revaluation surplus	**(219)**	(221)
	Net change in revaluation surplus attributable to participants	**2,519**	2,536
	At end of the year	**41,335**	38,816

24. BORROWINGS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revolving Credit Facility	**320,000**	200,000	**320,000**	200,000
Sukuk Mudharabah Programme	**–**	120,000	**–**	120,000
	320,000	320,000	**320,000**	320,000

The salient terms and conditions of the borrowings of the Group and the Company are as follows:

(a) Revolving Credit Facility

On 17 March 2017, the Company entered into a RM320 million revolving credit facility ("said facility") agreement with AmBank (M) Berhad ("AmBank"). On 22 March 2017, the Company made a drawdown of RM200 million from the said facility. The facility carries a floating interest rate that is reviewed quarterly and has a tenure of 18 months, with the option of 6 months' extension at the discretion of the bank. The interest rate for the financial year ended 31 March 2018 was 4.82% (2017: 4.52%) per annum.

The proceeds from the drawdown were utilised towards redeeming the Islamic Commodity Murabahah Facility of the same amount from Standard Chartered Saadiq Berhad.

(b) Sukuk Mudharabah Programme

MNRB Holdings Berhad issued RM120 million of Sukuk to MIDF Amanah Investment Bank Berhad on 10 December 2012. It carries a fixed profit rate of 5.4% per annum, with final redemption date on 11 December 2017. This facility has been repaid off on 9 June 2017 by utilising the remaining RM120 million RC facilities entered into with AmBank Berhad.

25. INSURANCE/TAKAFUL PAYABLES

	Group 2018 RM'000	Group 2017 RM'000
Due to agents, brokers, retrocessionaires and retakaful operators	**270,444**	210,174

<u>Offsetting insurance/takaful receivables and insurance/takaful payables</u>

	Group 2018 RM'000	Group 2017 RM'000
Gross amounts of recognised insurance/takaful payables	**683,928**	379,361
Less: Gross amounts of recognised insurance/takaful receivables set off in the statements of financial position	**(413,484)**	(169,187)
Net amounts of insurance/takaful payables presented in the statements of financial position	**270,444**	210,174

Included in amounts due to brokers and retrocessionaires is an amount of RM231,382 (2017: RM216,664) due to an associate, Labuan Reinsurance (L) Ltd. The amount payable is subject to settlement terms stipulated in the reinsurance contracts.

The carrying amounts disclosed above approximate fair values due to their relatively short term nature.

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26. OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposit contributions	**42,283**	53,399	**–**	–
Outstanding commissions	**2,921**	5,173	**–**	–
Provisions	**35,717**	36,483	**6,791**	7,603
Amount due to subsidiaries (i)	**–**	–	**157**	4,616
Sundry payables and accruals	**144,824**	117,131	**2,027**	2,267
	225,745	212,186	**8,975**	14,486

(i) These amounts are non-trade in nature, unsecured, not subject to any interest/profit elements and repayable on demand.

The carrying amounts disclosed above approximate fair values due to their relatively short term nature.

27. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
At beginning of the year	**319,605**	213,070	**319,605**	213,070
Issuance of bonus shares	**–**	106,535	**–**	106,535
At end of the year	**319,605**	319,605	**319,605**	319,605

28. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the current financial year.

29. EARNINGS/(LOSS) PER SHARE

The basic and diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year by the number of ordinary shares in issue during the year.

	Group		Company	
	2018	2017	2018	2017
Net profit/(loss) for the year (RM'000)	**140,865**	71,170	**6,872**	(18,200)
Number/weighted average number of ordinary shares in issue ('000)	**319,605**	257,460	**319,605**	257,460
Basic and diluted earnings/(loss) per share (sen)	**44.1**	27.6	**2.2**	(7.1)

30. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of office premises. This lease is for a period of 5 years and subject to review every 2 years. There are no restrictions placed upon the Group by entering into this lease.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Future minimum rental payments:				
Not later than 1 year	**1,151**	3,815	**1,248**	1,248
Later than 1 year and not later than 5 years	**929**	6,166	**1,248**	–
	2,080	9,981	**2,496**	1,248

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its portfolio of self-occupied properties and investment property. These leases have remaining non-cancellable lease terms of between 5 and 10 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group	
	2018 RM'000	2017 RM'000
Future minimum rental receipts:		
Not later than 1 year	**3,078**	3,895
Later than 1 year and not later than 5 years	**1,407**	1,658
	4,485	5,553

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31. COMMITMENTS

The commitments of the Company and of the Group as at the financial year end are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Authorised and contracted for:				
- Intangible assets*	**11,869**	22,409	2	–
	11,869	22,409	2	–
Authorised but not contracted for:				
- Property, plant and equipment	**787**	1,850		
- Intangible assets*	**12,775**	–		
	13,562	1,850		

* Relating to purchases and enhancement of the computer system of the Company and the reinsurance/retakaful and takaful subsidiaries.

32. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company.

(a) The significant transactions with related parties are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income/(expenses):				
Transactions with subsidiaries:				
Management fees received	**–**	–	**35,025**	31,728
Rental paid	**–**	–	**(1,067)**	(1,392)
Interest income	**–**	–	**50**	50
Transactions with takaful funds of a subsidiary:				
Takaful contributions paid	**–**	–	**–**	(320)
Transactions with an associate, Labuan Reinsurance (L) Ltd:				
Net reinsurance inwards	**391**	361	**–**	–
Gross contributions	**6**	10	**–**	–
Retakaful outward contributions	**(3,139)**	(5,983)	**–**	–
Retakaful commission	**232**	87	**–**	–
Net dividend received	**–**	2,692	**–**	–
Claims recoveries	**3,400**	2,092	**–**	–

32. RELATED PARTY DISCLOSURES (CONT'D)

(a) The significant transactions with related parties are as follows: (Cont'd)

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Outstanding balances arising from the transactions above as at the reporting date have been disclosed in Notes 19(d), 21, 25 and 26 of the financial statements as well as on the face of the statements of financial position.

(b) The key management personnel compensations are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive directors:				
Fees	**2,506**	2,650	**844**	780
Others	**601**	644	**174**	146
Benefits-in-kind	**–**	38	**–**	38
Executive directors:				
Salaries and bonus	**3,717**	3,050	**1,328**	1,169
Pension costs - EPF	**747**	498	**341**	199
Social security costs	**–**	–	**–**	–
Allowances	**110**	–	**–**	–
Retirement benefits	**–**	–	**–**	–
Benefits-in-kind	**178**	220	**68**	120
Others	**77**	13	**4**	6
Director of a subsidiary:				
Salaries and bonus	**834**	837	**834**	837
Pension costs - EPF	**129**	126	**129**	126
Social security costs	**1**	1	**1**	1
Other allowances	**65**	20	**65**	20
Benefits-in-kind	**97**	55	**97**	55
Shariah Committee members:				
Fees	**192**	232	**–**	–
Meeting allowances	**69**	79	**–**	–
Other key management personnel's remuneration:				
Salaries and bonus	**11,978**	12,176	**4,140**	4,779
Pension costs - EPF	**2,366**	1,799	**668**	717
Social security costs	**15**	14	**8**	7
Allowances	**672**	511	**275**	51
Benefits-in-kind	**815**	509	**376**	442
	25,169	23,472	**9,352**	9,493

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33. SEGMENT INFORMATION

Group	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2018						
Results						
Net earned premiums/contributions	**–**	**1,168,951**	**735,490**	**24,423**	**–**	**1,928,864**
Interest/profit income	**3,675**	**98,827**	**130,974**	**5,076**	**(50)**	**238,502**
Other revenue	**57,959**	**32,343**	**69,644**	**163**	**(61,070)**	**99,039**
Net claims	**–**	**(760,720)**	**(514,684)**	**(32,841)**	**–**	**(1,308,245)**
Other expenses (i)	**(36,780)**	**(418,406)**	**(287,773)**	**(3,305)**	**60,615**	**(685,649)**
Depreciation	**(499)**	**(3,022)**	**(3,751)**	**–**	**–**	**(7,272)**
Amortisation	**(439)**	**(1,018)**	**(2,855)**	**–**	**–**	**(4,312)**
Finance costs	**(15,841)**	**(50)**	**–**	**–**	**50**	**(15,841)**
Share of results of associates	**592**	**9,120**	**–**	**–**	**–**	**9,712**
Operating (loss)/profit before deficit attributable to takaful participants, taxation	**8,667**	**126,025**	**127,045**	**(6,484)**	**(455)**	**254,798**
Deficit attributable to takaful participants	**–**	**–**	**(77,662)**	**15,388**	**–**	**(62,274)**
Operating (loss)/profit before taxation	**8,667**	**126,025**	**49,383**	**8,904**	**(455)**	**192,524**
Zakat	**–**	**–**	**(563)**	**–**	**–**	**(563)**
Taxation	**(704)**	**(39,908)**	**(11,056)**	**572**	**–**	**(51,096)**
Net (loss)/profit for the year	**7,963**	**86,117**	**37,764**	**9,476**	**(455)**	**140,865**
2017						
Results						
Net earned premiums/contributions	–	1,188,736	779,581	10,910	(723)	1,978,504
Interest/profit income	3,889	86,811	110,023	5,064	(50)	205,737
Other revenue	31,892	60,720	81,304	1,637	(32,597)	142,956
Net claims	–	(832,318)	(658,512)	(11,019)	(1,434)	(1,503,283)
Other expenses (i)	(34,522)	(397,707)	(301,400)	(12,306)	32,062	(713,873)
Depreciation	(644)	(3,070)	(4,352)	(3)	–	(8,069)
Amortisation	(290)	(830)	(2,019)	(121)	–	(3,260)
Finance costs	(18,120)	(50)	–	–	50	(18,120)
Share of results of associates	369	5,259	–	–	–	5,628
Operating profit/(loss) before surplus attributable to takaful participants, zakat and taxation	(17,426)	107,551	4,625	(5,838)	(2,692)	86,220
Surplus attributable to takaful participants	–	–	(4,064)	16,772	–	12,708
Operating profit/(loss) before zakat and taxation	(17,426)	107,551	561	10,934	(2,692)	98,928
Taxation	(405)	(18,241)	(9,148)	36	–	(27,758)
Net profit/(loss) for the year	(17,831)	89,310	(8,587)	10,970	(2,692)	71,170

33. SEGMENT INFORMATION (CONT'D)

Group	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2018						
Assets						
Segment assets [i]	**961,225**	**3,599,570**	**4,030,584**	**120,729**	**(916,116)**	**7,795,992**
Investments in associates	**1,957**	**129,876**	**–**	**–**	**7,176**	**139,009**
	963,182	**3,729,446**	**4,030,584**	**120,729**	**(908,940)**	**7,935,001**
Liabilities and Participants' funds						
Segment liabilities						
Participants' funds	**–**	**–**	**260,866**	**(13,004)**	**–**	**247,862**
Borrowings	**320,000**	**1,000**	**–**	**–**	**(1,000)**	**320,000**
Insurance and takaful contract liabilities	**–**	**2,037,525**	**3,168,225**	**114,195**	**–**	**5,319,945**
Other liabilities	**10,641**	**237,330**	**244,559**	**26,944**	**(10,281)**	**509,193**
	330,641	**2,275,855**	**3,673,650**	**128,135**	**(11,281)**	**6,397,000**
Equities						
Segment equities [i]	**632,541**	**1,453,591**	**356,934**	**(7,406)**	**(897,659)**	**1,538,001**
Total liabilities, participants' funds and equity	**963,182**	**3,729,446**	**4,030,584**	**120,729**	**(908,940)**	**7,935,001**
2017						
Assets						
Segment assets [i]	960,283	3,368,223	3,769,156	165,013	(851,515)	7,411,160
Investments in associates	1,957	75,968	–	–	67,495	145,420
	962,240	3,444,191	3,769,156	165,013	(784,020)	7,556,580
Liabilities and Participants' funds						
Segment liabilities						
Participants' funds	–	–	199,561	–	–	199,561
Borrowings	320,000	1,000	–	–	(1,000)	320,000
Insurance and takaful contract liabilities	–	2,041,209	3,028,299	103,305	–	5,172,813
Other liabilities	17,078	154,738	261,429	19,064	(7,569)	444,740
	337,078	2,196,947	3,489,289	122,369	(8,569)	6,137,114
Equities						
Segment equities [i]	625,162	1,247,244	279,867	42,644	(775,451)	1,419,466
Total liabilities, participants' funds and equity	962,240	3,444,191	3,769,156	165,013	(784,020)	7,556,580

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33. SEGMENT INFORMATION (CONT'D)

(i) Included in segment assets is a Qard granted to the general and family retakaful funds by the shareholder's fund of the retakaful division of reinsurance subsidiary, amounting to RM84.6 million (2017: RM84.6 million). Qard represents a loan to the general and family retakaful funds to make good any underwriting deficit experienced during a financial period. These balances, including the impairment losses recognised thereon amounting to RM72.1 million (2017: RM72.1 million), have been eliminated in full upon consolidation.

34. RISK MANAGEMENT FRAMEWORK

The Group Enterprise Risk Management ("ERM") Framework was established to determine the level of risk acceptable to the Group relating to its core operations by setting the appropriate Board approved limits for adherence by management, after taking into account the risk parameters, the nature, the size and the mix and complexity of business and operations. An enterprise risk management process is adopted to identify and evaluate key business risks that may affect the organisation and to establish and implement an appropriate system of internal controls to manage these risks while ensuring full and effective control over significant strategic, financial, organisational and compliance matters.

The Group ERM Framework aims to serve as a guide for the effective management of risk throughout the Group. The Framework is intended to provide guidance to the Group in performing its risk management roles and responsibilities and ultimately aims to support the achievement of the Group's strategic and financial objectives.

The primary objectives of the Group ERM Framework are as follows:

(i) Provides a single point of reference for managing risk of the Group in a systematic and structured way;

(ii) Embeds the Risk Management process and ensures it is an integral part of the Group's planning process at a strategic and operational level;

(iii) Facilitates effective risk oversight through a clear internal risk governance structure and responsibilities;

(iv) Helps create a risk awareness culture from a strategic, operational and individual perspective; and

(v) Standardises risk terminologies across the Group to facilitate a consistent and uniform approach in managing risk.

In pursuit of the above objectives, it is the Group's policy to adhere to good governance standards and implement best practices with regards to risk management principles. The Group also aims to uphold high standards of business practices in all its activities.

(a) Risk management governance

The Risk Management Governance structure is as follows:

(i) The Board had established a dedicated Board Committee known as the Risk Management Committee of the Board ("RMCB") to oversee the implementation of an enterprise-wide risk management framework. This is replicated at each of the main operating subsidiaries;

(ii) The Board had also established a dedicated Investment Committee to further oversee risks associated with investments and assets allocation. This is also replicated at each of the main operating subsidiaries;

(iii) The Operational Risk Management Committee ("ORMC"), which comprises the President & Group Chief Executive Officer and Senior Management, implements the risk management processes, provides assurance to the Board that the processes have been carried out effectively and inculcates a risk management culture on an enterprise-wide basis. The ORMC is also established at each of the main operating subsidiaries;

(iv) The Group Chief Risk Officer ("GCRO") and Risk Management Department established the infrastructure and facilitate the risk management processes in the Company and across the subsidiaries through the adoption of the Group ERM Framework;

(v) At the operational level, the implementation of risk management processes in the day to day operations of the Group is consistent with the Group ERM Framework;

(vi) The Line Managers of each department within the Group are responsible for using the various components of the Group ERM Framework as an integral part of the business processes and procedures.

34. RISK MANAGEMENT FRAMEWORK (CONT'D)

(a) Risk management governance (Cont'd)

In addition to the above, the Group has established Investment Policies at each main operating subsidiary to ensure proper risk management by investing in low-risk assets, deposits with licensed financial institutions, debt securities and other marketable securities. The Group investment strategy is towards capital preservation, return maximization and liquidity management.

Further, each main operating subsidiary had put in place the following policies to ensure proper risk management:

(i) Underwriting Policy where each subsidiary's underwriting strategy is to have an acceptable mix and spread of business portfolio by:

- observing underwriting guidelines and limits; and
- applying prudential standards in the assessment of security of its key retrocessionaires/retrotakaful/retakaful providers ("counterparties").

In this respect, each main operating subsidiary complies with the relevant regulatory guidelines in the underwriting of risks.

(ii) Claims Reserving Policy where claim liabilities are determined based on historical claims trends, existing knowledge of events, terms and conditions of policies/certificates and assessment of circumstances. Past experience with similar events, historical claims development trends, legislative changes, judicial decisions and economic conditions are particularly relevant in claims reserving.

(b) Capital management objectives, policies and approach

The Capital Management Plan ("CMP") is designed and implemented at the main operating subsidiaries to ensure an effective management of their respective capital and maximise the Group's value by optimising capital structure and enhancing capital efficiency.

Under the CMP, the main operating subsidiaries measure and monitor their respective capital position mainly via the Capital Adequacy Ratio ("CAR").

The CMP identifies certain trigger points of the CAR position and further describes a set of corrective action plans that will be implemented towards maintaining an adequate level of capital. It is intended that capital will be utilised more efficiently in a controlled manner so that the main operating subsidiaries will be able to manage their capital position above the respective internal target.

Capital management objectives

The main objective of capital management is to monitor and maintain, at all times, an appropriate level of capital to commensurate with the main operating subsidiaries' business operations and the resultant risk profile. The key objective of the CMP is to trigger appropriate action plans to be taken by the Board and the management of the main operating subsidiaries in the event of internal capital levels falling below the internal target requirement. This includes remedial actions that must be undertaken by the main operating subsidiaries' Board and management to improve the capital position.

Capital management policies

The key capital management policies are as follows:

(i) Ensure the Group has adequate capital to support its business objectives; and

(ii) Establish responsibility of the main operating subsidiaries' Board and management in developing an internal capital adequacy assessment process and setting capital targets which commensurate with its business operations and the resultant risk profile and control environment.

Approach to capital management

The main operating subsidiaries conduct stress tests in compliance with BNM's Policy Document on Stress Testing. The impact of the adverse scenarios on the capital position of the main operating subsidiaries is assessed on a quarterly basis, focusing on short to medium term views.

34. RISK MANAGEMENT FRAMEWORK (CONT'D)

(c) Regulatory framework

The Company and its main operating subsidiaries are required to comply with the Financial Services Act ("FSA") 2013 and Islamic Financial Services Act ("IFSA") 2013.

In line with the RBC Framework and RBCT Framework requirements on capital adequacy, the main operating subsidiaries actively manage their capital by taking into account the potential impact of business exposure on their business strategies, risk profiles and overall resilience.

In addition, the Company is required to comply with the Listing Requirements of Bursa Malaysia Securities Berhad's ("Bursa"), Capital Markets and Services Act 2007, Companies Act 2016 and other relevant Acts.

35. UNDERWRITING RISK

(a) General reinsurance/retakaful

(i) Nature of risk

The reinsurance/retakaful subsidiary principally underwrites all classes of general reinsurance/retakaful business. Risks under these contracts usually cover a twelve-month duration other than some long term contracts which may cover up to 3 years or more. The most significant risk arises from adverse claims development and occurrence of new catastrophe losses. These risks vary significantly in relation to economic conditions and territories from which the risks are underwritten.

The above risks are mitigated by diversification across a large portfolio of business to ensure a balanced mix and spread of business. Diversification through the implementation of underwriting strategies and claim management policies reduces the volatility of risks and improves the overall portfolio experience, and also ensures that its insurance contract liabilities are adequate.

The reinsurance/retakaful subsidiary also manages its risk exposure through the use of retrocession programmes which are reviewed annually by the ORMC and RMCB, and subsequently approved by the Board. Prudent standards are applied in placement of the reinsurance subsidiary's key retrocessionaires.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency of the general reinsurance/retakaful business under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume and investment environment.

35. UNDERWRITING RISK (CONT'D)

(a) General reinsurance/retakaful (Cont'd)

(ii) Concentration of risk by type of business

The table below measures the concentration of insurance/takaful contract liabilities by the main classes of business and by local and overseas risks:

	Gross RM'000	Retro-cession RM'000	Net RM'000
2018			
Fire	**916,854**	**(112,884)**	**803,970**
Motor	**371,547**	**(5,207)**	**366,340**
Marine	**319,134**	**(74,869)**	**244,265**
Miscellaneous	**526,092**	**(84,505)**	**441,587**
	2,133,627	**(277,465)**	**1,856,162**
Local	**1,205,811**	**(241,041)**	**964,770**
Overseas	**927,816**	**(36,424)**	**891,392**
	2,133,627	**(277,465)**	**1,856,162**
2017			
Fire	866,098	(72,905)	793,193
Motor	337,655	(4,679)	332,976
Marine	434,137	(176,269)	257,868
Miscellaneous	403,319	(38,116)	365,203
	2,041,209	(291,969)	1,749,240
Local	1,107,680	(229,377)	878,303
Overseas	933,529	(62,592)	870,937
	2,041,209	(291,969)	1,749,240

(iii) Reserving risk

The reinsurance/retakaful subsidiary's claim liabilities, and consequently some of the inputs used in determining its premium/contribution liabilities, are based upon previous claims experience, existing knowledge of events, the terms and conditions of relevant policies and interpretation of circumstances. Upon notification of a claim by its cedants or receipt of market loss event, the reinsurance subsidiary sets aside reserves to meet the expected ultimate loss arising from this claim. These claim reserves are updated periodically for further developments via advice from cedants.

At each reporting date, the reinsurance/retakaful subsidiary performs a test on the adequacy of its liabilities that is certified by the Appointed Actuary, for the purpose of ensuring that claim and premium liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income statement.

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35. UNDERWRITING RISK (CONT'D)

(a) General reinsurance/retakaful (Cont'd)

(iv) Impact on liabilities, profit and equity

Key assumptions

Liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant contracts and interpretation of circumstances. Particularly relevant are past experiences with similar cases, historical claims development trends legislative changes, judicial decisions and economic conditions.

The inherent uncertainties in estimating liabilities arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

Sensitivity analysis

The insurance/takaful contract liabilities are sensitive to various key factors which are both internal and external. External factors to which the reinsurance/retakaful subsidiary is sensitive to include:

(i) Claims practices of ceding companies;

(ii) Frequency and severity of claims incurred by cedants;

(iii) Changes in premium/contribution rates in insurance/retakaful and reinsurance/retakaful markets; and

(iv) Legislative and regulatory changes.

The sensitivity analysis was applied to the ultimate loss ratio of the reinsurance/retakaful subsidiary by increasing the said ratio of the two most recent underwriting years by 5%. The table below shows the impact on the reinsurance/retakaful subsidiary's gross and net claim liabilities, profit before tax and equity should the ultimate loss ratio be increased by 5%:

	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
	Increase/(decrease)			
2018				
Fire	**15,795**	**16,517**	**16,517**	**13,512**
Marine	**3,732**	**2,913**	**2,913**	**2,564**
Motor	**9,044**	**9,930**	**9,930**	**7,641**
Miscellaneous	**8,147**	**8,351**	**8,351**	**6,663**
	36,718	**37,711**	**37,711**	**30,380**
2017				
Fire	16,082	16,082	(16,082)	(13,401)
Marine	4,054	3,130	(3,130)	(2,790)
Motor	8,273	8,273	(8,273)	(6,367)
Miscellaneous	9,308	9,308	(9,308)	(7,613)
	37,717	36,793	(36,793)	(30,171)

* The impact on equity reflects the after tax impact.

This analysis assumes that other factors relevant, but not significant, to the valuation of claim liabilities remain constant.

35. UNDERWRITING RISK (CONT'D)

(a) General reinsurance/retakaful (Cont'd)

(v) Claims development table

The following tables show the estimate of cumulative ultimate incurred claims, including both claims provisions and IBNR for each successive underwriting year at each financial year end, along with cumulative claim payments to-date.

In setting provisions for claims, the reinsurance subsidiary relies on advice by its cedants and exercises discretion where the claim may develop more adversely than advised. An estimate will be made in the absence of a reported figure or in the event the loss is still preliminary and has not been fully assessed.

The estimates of the ultimate incurred claims are subject to a great deal of uncertainty in the early stages as claims are still being intimated and developed, particularly so for large and catastrophic claims. These uncertainties reduce over time as the claims develop and progress towards the ultimate cost.

The methodology used in the valuation of general reinsurance liabilities involves a more granular segregation of the business of the reinsurance subsidiary into specific portfolios with the intention of achieving greater accuracy in the estimation processs. For overseas business, the valuation of general reinsurance liabilities is performed based on territorial grouping of risks to better reflect the underwriting performance.

Gross general reinsurance/retakaful contract liabilities for 2018:

Underwriting year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Sub Total RM'000
At the end of underwriting year		640,777	653,195	678,781	755,249	709,990	736,158	695,227	790,114	
One year later		631,766	755,795	699,168	778,872	738,302	776,819	841,257	–	
Two years later		706,692	831,359	703,132	810,844	744,827	823,354	–	–	
Three years later		716,067	884,511	741,350	923,036	736,881	–	–	–	
Four years later		716,766	918,231	755,438	959,450	–	–	–	–	
Five years later		727,701	924,282	823,726	–	–	–	–	–	
Six years later		723,129	1,039,513	–	–	–	–	–	–	
Seven years later		756,466	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**3,253,028**	**760,526**	**1,045,029**	**819,445**	**960,491**	**732,987**	**807,785**	**789,977**	**546,986**	
At the end of underwriting year		78,371	74,108	48,231	66,414	50,464	48,141	50,779	47,943	
One year later		318,276	468,913	336,973	450,853	394,640	467,078	371,055	–	
Two years later		514,735	672,090	485,266	611,454	525,476	593,676	–	–	
Three years later		600,229	786,901	582,071	682,220	581,640	–	–	–	
Four years later		656,500	842,952	636,596	803,350	–	–	–	–	
Five years later		676,846	873,567	698,341	–	–	–	–	–	
Six years later		688,755	983,399	–	–	–	–	–	–	
Seven years later		724,966	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**3,191,895**	**724,966**	**983,399**	**698,341**	**803,350**	**581,640**	**593,676**	**371,055**	**47,943**	
Expected claim liabilities (a) - (b)	61,133	35,560	61,630	121,104	157,141	151,347	214,109	418,922	499,043	1,719,989

Other portfolios	65,442
Best estimate of claim liabilities	1,785,431
Claim handling expenses	8,236
Fund PRAD at 75% confidence interval	123,056
Gross general reinsurance/retakaful claim liabilities	1,916,723

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35. UNDERWRITING RISK (CONT'D)

(a) General reinsurance/retakaful (Cont'd)

(v) Claims development table (Cont'd)

Net general reinsurance/retakaful contract liabilities for 2018:

Underwriting year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Sub Total RM'000
At the end of underwriting year		579,366	565,450	646,500	745,438	705,370	703,964	863,017	783,471	
One year later		585,767	740,800	679,991	763,552	712,346	877,687	823,576	–	
Two years later		661,334	816,057	674,963	794,351	763,018	817,079	–	–	
Three years later		669,267	870,177	709,217	844,810	734,168	–	–	–	
Four years later		676,120	901,715	753,532	883,610	–	–	–	–	
Five years later		686,321	925,335	773,005	–	–	–	–	–	
Six years later		684,243	1,027,115	–	–	–	–	–	–	
Seven years later		715,326	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**3,097,138**	**714,927**	**1,025,341**	**769,759**	**876,743**	**724,006**	**801,080**	**776,024**	**542,731**	
At the end of underwriting year		67,655	73,515	47,742	66,414	50,464	48,141	50,779	47,943	
One year later		304,533	462,589	333,140	446,728	394,520	467,060	369,591	–	
Two years later		497,147	663,963	478,500	607,074	521,806	593,458	–	–	
Three years later		576,347	776,430	574,004	689,440	577,362	–	–	–	
Four years later		617,684	831,445	618,991	761,309	–	–	–	–	
Five years later		637,379	862,696	671,610	–	–	–	–	–	
Six years later		651,082	970,672	–	–	–	–	–	–	
Seven years later		683,814	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**3,043,414**	**683,814**	**970,672**	**671,610**	**761,309**	**577,362**	**593,458**	**369,591**	**47,943**	
Expected claim liabilities (a) - (b)	53,724	31,113	54,669	98,149	115,434	146,644	207,622	406,433	494,788	1,608,576

Other portfolios	(47,402)
Best estimate of claim liabilities	1,561,174
Claim handling expenses	8,236
Fund PRAD at 75% confidence interval	105,756
Less: Retrocession recoveries	(23,159)
Net general reinsurance/retakaful claim liabilities	1,652,007

35. UNDERWRITING RISK (CONT'D)

(a) General reinsurance/retakaful (Cont'd)

(v) Claims development table (Cont'd)

Gross general reinsurance/retakaful contract liabilities for 2017:

Underwriting year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub Total
At the end of underwriting year		573,070	640,777	653,195	678,781	755,249	709,990	736,158	695,227	
One year later		570,029	631,766	755,795	699,168	778,872	738,302	776,819	–	
Two years later		594,903	706,692	831,359	703,132	810,844	744,827	–	–	
Three years later		652,329	716,067	884,511	741,350	923,036	–	–	–	
Four years later		652,493	716,766	918,231	755,438	–	–	–	–	
Five years later		646,338	727,701	924,282	–	–	–	–	–	
Six years later		650,358	723,129	–	–	–	–	–	–	
Seven years later		645,001	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**2,599,226**	**644,541**	**721,966**	**920,226**	**748,781**	**867,554**	**722,921**	**711,208**	**410,483**	
At the end of underwriting year		92,156	78,371	74,108	48,231	66,414	50,464	48,141	50,779	
One year later		309,913	318,276	468,913	336,973	450,853	394,640	467,078	–	
Two years later		443,235	514,735	672,090	485,266	611,454	525,476	–	–	
Three years later		559,089	600,229	786,901	582,071	682,220	–	–	–	
Four years later		588,998	656,500	842,952	636,596	–	–	–	–	
Five years later		611,245	676,846	873,568	–	–	–	–	–	
Six years later		625,138	688,755	–	–	–	–	–	–	
Seven years later		627,433	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**2,572,668**	**627,433**	**688,755**	**873,568**	**636,596**	**682,220**	**525,476**	**467,078**	**50,779**	
Expected claim liabilities (a) - (b)	26,558	17,108	33,211	46,658	112,185	185,334	197,445	244,130	359,704	1,222,333

Other portfolios	516,095
Best estimate of claim liabilities	1,738428
Claim handling expenses	7,923
Fund PRAD at 75% confidence interval	131,298
Gross general reinsurance/retakaful claim liabilities	1,877,649

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35. UNDERWRITING RISK (CONT'D)

(a) General reinsurance/retakaful (Cont'd)

(v) Claims development table (Cont'd)

Net general reinsurance/retakaful contract liabilities for 2017:

Underwriting year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub Total
At the end of underwriting year		537,097	579,366	565,450	646,500	745,438	705,370	703,964	863,017	
One year later		546,681	585,767	740,800	679,991	763,552	712,346	877,687	–	
Two years later		571,196	661,334	816,057	674,963	794,351	763,018	–	–	
Three years later		612,397	669,267	870,177	709,217	844,810	–	–	–	
Four years later		616,692	676,120	901,715	753,532	–	–	–	–	
Five years later		618,874	686,321	925,335	–	–	–	–	–	
Six years later		627,928	684,243	–	–	–	–	–	–	
Seven years later		627,529	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**2,462,471**	**627,031**	**682,022**	**907,762**	**717,403**	**806,576**	**690,916**	**698,038**	**405,295**	
At the end of underwriting year		90,646	67,655	73,515	47,742	66,414	50,464	48,141	50,779	
One year later		304,865	304,533	462,589	333,140	446,728	394,520	467,060	–	
Two years later		428,388	497,147	663,963	478,500	607,074	521,806	–	–	
Three years later		540,244	576,347	776,430	574,004	689,440	–	–	–	
Four years later		569,110	617,684	831,445	618,991	–	–	–	–	
Five years later		590,930	637,379	862,696	–	–	–	–	–	
Six years later		604,618	651,082	–	–	–	–	–	–	
Seven years later		611,042	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**2,441,365**	**611,042**	**651,082**	**862,696**	**618,991**	**689,440**	**521,806**	**467,060**	**50,779**	
Expected claim liabilities (a) - (b)	21,106	15,989	30,940	45,066	98,412	117,136	169,110	230,978	354,516	1,083,253

Other portfolios	426,799
Best estimate of claim liabilities	1,510,052
Claim handling expenses	7,923
Fund PRAD at 75% confidence interval	108,895
Less: Retrocession recoveries	(46,390)
Net general reinsurance/retakaful claim liabilities	1,580,480

35. UNDERWRITING RISK (CONT'D)

(b) General takaful fund

(i) Nature of risk

The takaful subsidiary principally issues the following types of general takaful contracts: Motor, Fire, Personal Accident, and other Miscellaneous classes. The contracts are all pooled under the same Participants' Risk Fund ("PRF"). All participants pay a portion of contributions on the basis of tabarru' ("donation") into the PRF for the purpose of meeting claims for events or risks covered under the takaful contracts.

The risks are mitigated by diversification across a large portfolio of business and careful selection of risks. The variability of risks is designed to improve the portfolio experience by implementation of underwriting strategies and claim management policies which attempt to minimise losses.

The takaful subsidiary also manages its risk exposure by the use of retakaful arrangements. The retakaful treaty arrangements are reviewed annually by ORMC and RMCB, and approved by the Board.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency of the general takaful fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume and investment environment.

(ii) Reserving risk

The general takaful fund's claim liabilities, and consequently some of the inputs used in determining its contribution liabilities and expense liabilities, are based upon claims experience, existing knowledge of the events, the terms and conditions of relevant contracts and interpretation of prevailing circumstances. Upon notification of a claim, the takaful subsidiary sets aside case and technical reserves to meet the expected ultimate loss arising from this claim. These claim reserves are updated periodically taking into account the development of the claims.

At each reporting date, the takaful subsidiary performs a valuation of liabilities that is certified by the Appointed Actuary for the purpose of ensuring that claim and contribution liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income statement.

(iii) Concentration of risk by type of contracts

The table below sets out the concentration of takaful contracts liabilities by classes of business:

	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Fire	**68,489**	**(13,642)**	**54,847**
Motor	**263,453**	**(117,780)**	**145,673**
Personal Accident	**18,068**	**(31)**	**18,037**
Miscellaneous	**53,656**	**(18,172)**	**35,484**
	403,666	**(149,625)**	**254,041**
2017			
Fire	69,598	(15,623)	53,975
Motor	259,227	(109,304)	149,923
Personal Accident	15,122	39	15,161
Miscellaneous	57,065	(24,980)	32,085
	401,012	(149,868)	251,144

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35. UNDERWRITING RISK (CONT'D)

(b) General takaful fund (Cont'd)

(iv) Impact on liabilities, profit and equity (Cont'd)

Key assumptions

The principal assumption underlying the estimation of liabilities is that the general takaful future claims development will follow a pattern similar to the historical trend experience.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claims notification and reporting, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include delays in settlement.

Sensitivity analysis

The general takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and the general takaful fund. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, however, to demonstrate the impact due to changes in assumptions, only one individual factor is changed, while other assumptions are held constant. It should be noted that movements in these assumptions are non-linear.

The sensitivity analysis has been performed for the main classes of business which are Motor Act, Motor Others and Fire. Motor Act is analysed using changes in claim severity while Motor Others and Fire are analysed using changes in the expected ultimate loss ratio.

	Change in assumption of ultimate claims ratio	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on general takaful fund* RM'000
		← Increase/(decrease) →			
2018					
Motor Act Average Severity	**+10%**	**39,194**	**27,051**	**(27,051)**	**(20,559)**
Motor Others Expected Loss Ratio	**+10%**	**31,231**	**18,770**	**(18,770)**	**(14,265)**
Fire Expected Loss Ratio	**+10%**	**3,757**	**1,653**	**(1,653)**	**(1,256)**
2017					
Motor Act Average Severity	+10%	38,230	27,442	(27,442)	(20,856)
Motor Others Expected Loss Ratio	+10%	40,952	25,662	(25,662)	(19,503)
Fire Expected Loss Ratio	+10%	4,659	1,748	(1,748)	(1,328)

* The impact on general takaful fund reflects the after-tax impact.

The method used in performing the sensitivity analysis is consistent with the prior year.

35. UNDERWRITING RISK (CONT'D)

(b) General takaful fund (Cont'd)

(v) Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims reported and IBNR (including IBNER) for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the takaful subsidiary gives consideration to the probability and magnitude of future experience at best estimate level with a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience for an accident year is greatest when the claim is at an early stage of development.

Gross general takaful contract liabilities for 2018:

Accident year	Prior 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	488,391	146,833	108,384	141,258	176,571	174,218	190,776	195,415	
One year later	491,305	137,705	106,221	125,098	176,737	163,828	192,331	–	
Two years later	471,810	129,564	97,322	122,664	172,414	157,286	–	–	
Three years later	452,356	126,080	96,354	116,932	168,315	–	–	–	
Four years later	442,223	128,074	94,383	114,368	–	–	–	–	
Five years later	440,113	125,116	91,299	–	–	–	–	–	
Six years later	436,064	118,554	–	–	–	–	–	–	
Seven years later	439,591	–	–	–	–	–	–	–	
Current estimate of cumulative claims incurred	**439,591**	**118,554**	**91,299**	**114,368**	**168,315**	**157,286**	**192,331**	**195,415**	
At the end of accident year	281,268	48,586	41,992	52,965	72,433	70,093	80,611	82,190	
One year later	362,064	88,561	70,413	89,811	121,645	112,184	132,501	–	
Two years later	399,660	106,494	81,651	102,861	141,980	130,725	–	–	
Three years later	415,367	112,812	85,797	106,947	154,662	–	–	–	
Four years later	421,996	114,962	86,573	108,544	–	–	–	–	
Five years later	424,400	115,766	87,856	–	–	–	–	–	
Six years later	427,207	116,945	–	–	–	–	–	–	
Seven years later	427,518	–	–	–	–	–	–	–	
Cumulative payments to-date	**427,518**	**116,945**	**87,856**	**108,544**	**154,662**	**130,725**	**132,501**	**82,190**	
Gross general takaful contract Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**12,073**	**1,609**	**3,443**	**5,824**	**13,653**	**26,561**	**59,830**	**113,225**	**236,218**
Fund PRAD at 75%									**28,978**
Total									**265,196**

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35. UNDERWRITING RISK (CONT'D)

(b) General takaful fund (Cont'd)

(v) Claims development table (Cont'd)

Net general takaful contract liabilities for 2018:

Accident year	Prior 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	535,362	139,773	77,046	89,101	104,071	110,041	113,257	113,775	
One year later	529,210	126,239	74,561	80,459	102,643	100,341	113,434	–	
Two years later	511,605	119,387	66,794	77,240	97,354	96,034	–	–	
Three years later	486,268	111,481	65,723	73,895	94,702	–	–	–	
Four years later	477,899	108,094	64,087	73,044	–	–	–	–	
Five years later	481,396	107,016	61,523	–	–	–	–	–	
Six years later	404,527	103,742	–	–	–	–	–	–	
Seven years later	400,982	–	–	–	–	–	–	–	
Current estimate of cumulative claims incurred	**400,982**	**103,742**	**61,523**	**73,044**	**94,702**	**96,034**	**113,434**	**113,775**	
At the end of accident year	263,575	46,100	30,126	33,647	45,169	43,970	50,502	49,290	
One year later	338,047	81,315	50,073	56,856	71,475	69,156	79,164	–	
Two years later	371,266	96,004	57,352	64,848	82,078	80,147	–	–	
Three years later	379,463	100,812	59,537	68,204	86,274	–	–	–	
Four years later	388,271	102,091	58,440	69,343	–	–	–	–	
Five years later	390,340	102,298	59,117	–	–	–	–	–	
Six years later	389,265	102,716	–	–	–	–	–	–	
Seven years later	389,570	–	–	–	–	–	–	–	
Cumulative payments to-date	**389,570**	**102,716**	**59,117**	**69,343**	**86,274**	**80,147**	**79,164**	**49,290**	
Net general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. ALAE)	**11,412**	**1,026**	**2,406**	**3,701**	**8,428**	**15,887**	**34,270**	**64,485**	**141,615**
Fund PRAD at 75%									**17,225**
Total									**158,840**

35. UNDERWRITING RISK (CONT'D)

(b) General takaful fund (Cont'd)

(v) Claims development table (Cont'd)

Gross general takaful contract liabilities for 2017:

Accident year	Prior 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year	355,039	144,938	150,396	108,384	141,258	176,571	174,218	190,776	
One year later	362,919	146,833	140,864	106,221	125,098	176,737	163,828	–	
Two years later	348,678	137,705	132,409	97,322	122,664	172,414	–	–	
Three years later	337,187	129,564	125,201	96,354	116,932	–	–	–	
Four years later	323,668	126,080	122,030	94,383	–	–	–	–	
Five years later	319,933	128,074	121,553	–	–	–	–	–	
Six years later	317,966	125,116	–	–	–	–	–	–	
Seven years later	314,323	–	–	–	–	–	–	–	
Current estimate of cumulative claims incurred	**314,323**	**125,116**	**121,553**	**94,383**	**116,932**	**172,414**	**163,828**	**190,776**	
At the end of accident year	115,751	50,420	48,586	41,992	52,965	72,433	70,092	80,603	
One year later	230,848	95,957	88,561	70,413	89,811	121,645	114,362	–	
Two years later	266,108	113,767	106,494	81,651	102,861	142,406	–	–	
Three years later	285,893	120,230	112,812	85,797	106,856	–	–	–	
Four years later	295,136	121,948	114,962	86,897	–	–	–	–	
Five years later	300,048	122,917	115,530	–	–	–	–	–	
Six years later	301,483	123,250	–	–	–	–	–	–	
Seven years later	302,473	–	–	–	–	–	–	–	
Cumulative payments to-date	**302,473**	**123,250**	**115,530**	**86,897**	**106,856**	**142,406**	**114,362**	**80,603**	
Gross general takaful contract Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**11,850**	**1,866**	**6,023**	**7,486**	**10,076**	**30,008**	**49,466**	**110,173**	**226,948**
Fund PRAD at 75%									**32,922**
Total									**259,870**

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35. UNDERWRITING RISK (CONT'D)

(b) General takaful fund (Cont'd)

(v) Claims development table (Cont'd)

Net general takaful contract liabilities for 2017:

Accident year	Prior 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year	401,996	134,955	139,773	77,046	89,101	104,071	110,041	113,257	
One year later	400,407	131,893	126,239	74,561	80,459	102,643	100,341	–	
Two years later	397,317	125,246	119,387	66,794	77,240	97,354	–	–	
Three years later	386,359	117,605	111,481	65,723	73,895	–	–	–	
Four years later	368,664	114,721	108,094	64,087	–	–	–	–	
Five years later	363,178	119,321	107,016	–	–	–	–	–	
Six years later	362,074	116,615	–	–	–	–	–	–	
Seven years later	287,912	–	–	–	–	–	–	–	
Current estimate of cumulative claims incurred	**287,912**	**116,615**	**107,016**	**64,087**	**73,895**	**97,354**	**100,341**	**113,257**	
At the end of accident year	111,487	48,334	46,100	30,126	33,647	45,169	43,970	50,232	
One year later	215,241	91,364	81,315	50,073	56,856	71,475	71,142	–	
Two years later	246,684	106,958	96,004	57,352	64,848	82,060	–	–	
Three years later	264,308	112,300	100,812	59,537	67,602	–	–	–	
Four years later	267,163	113,938	102,091	60,280	–	–	–	–	
Five years later	274,333	114,787	102,534	–	–	–	–	–	
Six years later	275,553	115,050	–	–	–	–	–	–	
Seven years later	276,415	–	–	–	–	–	–	–	
Cumulative payments to-date	**276,415**	**115,050**	**102,534**	**60,280**	**67,602**	**82,060**	**71,142**	**50,232**	
Net general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. ALAE)	**11,497**	**1,565**	**4,482**	**3,807**	**6,293**	**15,294**	**29,199**	**63,025**	**135,162**
Fund PRAD at 75%									**20,022**
Total									**155,184**

35. UNDERWRITING RISK (CONT'D)

(c) Family takaful fund

(i) Nature of risk

The takaful subsidiary principally issues the following types of family takaful certificates: Ordinary Takaful Plans, Mortgage Takaful Plans, Group Takaful Plans and Investment-linked Takaful Plans. The certificates are segregated into 2 separate funds: Participants' Risk Fund ("PRF") and Participants' Investment Fund ("PIF").

The PRF is compulsory for all certificates and refers to the fund used to pool the portion of contributions paid by participants on the basis of tabarru' (donation) for the purpose of meeting claims on events/risks covered under the takaful certificates. Under the tabarru' contract, the fund is collectively owned by the pool of participants. In managing the PRF, the takaful subsidiary adopts an appropriate set of policies and procedures to ensure the availability of funds to meet takaful benefits when due.

The PIF refers to the fund in which a portion of the contributions paid by takaful participants for a takaful certificate is allocated for the purpose of savings and/or investment. The PIF is individually owned by participants. In managing the PIF, the takaful subsidiary adopts appropriate investment and management strategies to achieve returns that are in line with the participants' reasonable expectations and where relevant, to ensure the availability of funds for future tabarru' apportionment into the PRF. The investment risk exposure for the PIF is borne by the participants. For investment-linked takaful, the PIF refers to the unit fund(s).

Family takaful underwriting risk exists from the anti-selection process and inadequacy of PRF to meet future claims arising from family takaful certificates. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Other sources of risks include certificate lapses and certificate claims such as mortality and morbidity experience.

The takaful subsidiary utilises retakaful arrangements to manage the mortality and morbidity risks. Retakaful structures are set based on the risk appetite of the takaful subsidiary. The retakaful treaty arrangements are reviewed by the ORMC and RMCB, and approved by the Board.

The takaful subsidiary reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that appropriate policies, guidelines and limits are put in place to manage these risks.

The PIF is supported by the investment profit from the fund and the distribution surplus from PRF, if any. In the event of volatile investment climate and/or unusual claims experience, the investment profit and surplus distribution to the participants may reduce.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency of the family takaful fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns.

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35. UNDERWRITING RISK (CONT'D)

(c) Family takaful fund (Cont'd)

(ii) Concentration of risk by type of contracts

The table below shows the concentration of actuarial liabilities by type of contract:

	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Family takaful plans	**1,027,495**	**(6,453)**	**1,021,042**
Investment-linked takaful plans	**71,527**	**(6,654)**	**64,873**
Mortgage takaful plans	**1,136,960**	**–**	**1,136,960**
Group credit takaful plans	**187,928**	**(8,343)**	**179,585**
Others	**78,963**	**(7,161)**	**71,802**
	2,502,873	**(28,611)**	**2,474,262**
2017			
Family takaful plans	936,971	(7,023)	929,948
Investment-linked takaful plans	157,678	(8,339)	149,339
Mortgage takaful plans	986,984	–	986,984
Group credit takaful plans	199,774	(8,072)	191,702
Others	93,543	(9,477)	84,066
	2,374,950	(32,911)	2,342,039

(iii) Impact on liabilities, profit and equity

Key assumptions

Material judgement is required in determining the liabilities of the family takaful fund and in the selection of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

<u>Mortality and morbidity rates</u>

Assumptions are based on mortality rates as set out in the Product Documentation submitted to BNM. They reflect the historical experience and are adjusted, when appropriate, to reflect the participants' own experience. Assumptions are differentiated by gender, occupational class and product group.

An increase in mortality/morbidity will lead to a larger number of claims (as claims could occur sooner than anticipated), which will reduce the surplus from the PRF and subsequently reduce profits for the shareholders in terms of lower surplus administration charge income. To the extent that the actual mortality/morbidity incidence rate is worse than that priced for the expected surplus arising in the PRF would be lower, leading to lower surplus administration charge income. If the poor experience persists, the PRF may go into deficit, requiring the shareholders to provide qard. This is mitigated with adequate retakaful arrangements as well as contract design (in some circumstances) that builds in repricing mechanisms.

35. UNDERWRITING RISK (CONT'D)

(c) Family takaful fund (Cont'd)

(iii) Impact on liabilities, profit and equity (Cont'd)

Key assumptions (Cont'd)

Discount rates

Family takaful liabilities of credit-related products, for examples, Mortgage Reducing Term Takaful ("MRTT") and Group Credit Takaful ("GCT") are determined as the sum of the discounted value of the expected benefits less the discounted value of the expected tabarru' (risk charge) that would be required to meet these future cash outflows. The valuation of liabilities will be discounted to valuation date using the government investment issues zero coupon spot yields which are obtained from the Bond Pricing Agency Malaysia as prescribed in the valuation guidelines.

The assumptions that have significant effects on the financial position and financial performance of the family takaful fund are listed below:

Type of business	Mortality and morbidity rates	2018 Discount rates	2017 Discount rates
Credit related products and individual regular contribution plans	Base mortality [1], adjusted for retakaful rates [2]	GII discount rate	GII discount rate
Others	Base mortality [1]	N/A	N/A

[1] These rates are obtained from the various industry mortality and morbidity experience tables that were used to determine the contribution rates.

[2] Retakaful rates are derived from the fund's retakaful arrangements with respect to the MRTT and GCT business.

Sensitivity analysis

The analysis below is performed on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and financial results of the family takaful fund. Correlations of assumptions will have significant effects in determining the ultimate family takaful liabilities. However, to demonstrate the impact due to changes in assumptions, only individual assumptions are changed, while other assumptions are held constant. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

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35. UNDERWRITING RISK (CONT'D)

(c) Family takaful fund (Cont'd)

(iii) Impact on liabilities, profit and equity (Cont'd)

Sensitivity analysis (Cont'd)

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on (loss)/profit before tax RM'000	Impact on family takaful fund* RM'000
		Increase/(decrease)			
2018					
Mortality/morbidity	**+ 10%**	**54,662**	**21,126**	**(21,126)**	**(21,126)**
Discount rates	**+ 1%**	**(10,876)**	**(11,675)**	**11,675**	**11,675**
2017					
Mortality/morbidity	+ 10%	44,687	13,007	(13,007)	(13,007)
Discount rates	+ 1%	(13,433)	(11,998)	11,998	11,998

* The impact on the family takaful fund reflects the after tax position which is presumed to be nil as the family takaful fund is taxed only on investment income.

The method used and significant assumptions made in deriving sensitivity information did not change from those used in the previous year.

(d) Family retakaful fund

(i) Nature of risk

The family retakaful business principally consists of Individual Family Retakaful Plans, Group Family Retakaful Plans and Retakaful Individual Facultative.

The actual experience of mortality and morbidity is reviewed to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Family retakaful underwriting risk relates to the pricing and loss ratios arising from family retakaful products. The risks arise when actual claims experience is different from the assumptions used in setting the yearly renewable rates for retakaful products. Deviations in actual claims experience compared to the assumptions used may be due to deviations in actual mortality and morbidity experience.

Mortality and morbidity risks are further managed through retrotakaful arrangement.

Stress testing is performed on a quarterly basis. The purpose of the stress testing is to test the solvency of the family retakaful fund under various scenarios. These scenarios are based on regulatory guidelines and simulate drastic changes in major parameters such as new business volume, investment environment and mortality/morbidity patterns.

35. UNDERWRITING RISK (CONT'D)

(d) Family retakaful fund (Cont'd)

(ii) Concentration of takaful contract liabilities

The business of the family retakaful fund is derived from Malaysian and overseas risks. Liabilities of the family retakaful are mainly spread within Malaysia, Brunei and Indonesia.

The table below sets out the concentration of takaful contract liabilities by local and overseas exposures:

	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Local	**11,280**	**(8,036)**	**3,244**
Overseas	**4,582**	**–**	**4,582**
	15,862	**(8,036)**	**7,826**
2017			
Local	8,932	(5,564)	3,368
Overseas	2,340	(790)	1,550
	11,272	(6,354)	4,918

(iii) Impact on liabilities, profit and equity key assumptions

Material judgement is required in determining the liabilities and the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Sensitivity analysis

The family retakaful fund's claim liabilities are sensitive to changes in loss ratios.

The sensitivity analysis was applied to the ultimate loss ratio of the family retakaful fund by increasing the said ratio by 20%. The table below shows the impact on the family retakaful fund's gross and net liabilities, profit/(loss) before tax and family retakaful fund should the ultimate loss ratio be increased by 20%:

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on (loss)/profit before tax RM'000	Impact on family takaful fund* RM'000
		Increase/(decrease)			
2018					
Loss ratio	**-20%**	**6,805**	**1,947**	**1,947**	**1,667**
Loss ratio	**+20%**	**(41,609)**	**(26,791)**	**(26,791)**	**(20,746)**
2017					
Loss ratio	-20%	(4,415)	(2,603)	2,603	2,603
Loss ratio	+20%	18,710	13,017	(13,017)	(13,017)

* The impact on the family retakaful fund reflects the after tax impact which is presumed to be nil based on the current tax position of the fund.

The method used in performing the sensitivity analysis is consistent with that of the prior year's.

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36. FINANCIAL RISK

Transactions in financial instruments may result in the Group and the Company assuming financial risks. These include credit risk, liquidity risk and market risk. This note presents information about the Group's and the Company's exposure to each of the above risks and the Group's and the Company's objectives, policies and processes for measuring and managing such risks.

The following tables summarise the financial assets and financial liabilities of the Group and the Company by their classification, including their carrying values and fair values, which are considered by management in monitoring and managing of its financial risks:

Group	2018 Carrying value RM'000	2018 Fair value RM'000	2017 Carrying value RM'000	2017 Fair value RM'000
Financial and insurance/takaful assets				
Financial assets at FVTPL (Note 19)	**116,127**	**116,127**	123,467	123,467
HTM investments (Note 19)	**644,254**	**642,635**	695,426	689,513
AFS financial assets (Note 19)	**3,741,196**	**3,741,196**	3,384,744	3,384,744
Loans and receivables:				
Loans and receivables * (Note 19)	**1,937,263**	**1,937,263**	1,934,933	1,934,933
Insurance/takaful receivables *	**418,304**	**418,304**	336,190	336,190
Reinsurance/retakaful assets	**478,253**	**478,253**	514,230	514,230
Cash and bank balances	**142,099**	**142,099**	99,905	99,905
	7,477,496	**7,475,877**	7,088,895	7,082,982
Financial and insurance/takaful liabilities				
Insurance/takaful contract liabilities	**5,319,945**	**5,319,945**	5,171,178	5,171,178
Other liabilities:				
Borrowings *	**320,000**	**320,000**	320,000	320,000
Insurance/takaful payables *	**270,444**	**270,444**	210,174	210,174
Other payables *	**190,028**	**190,028**	175,703	175,703
	6,100,417	**6,100,417**	5,877,055	5,877,055

* The carrying values of these loans and receivables, insurance/takaful receivables and other liabilities approximate their fair values due to their short term nature.

36. FINANCIAL RISK (CONT'D)

Company	2018 Carrying value RM'000	2018 Fair value RM'000	2017 Carrying value RM'000	2017 Fair value RM'000
Financial assets				
HTM investments (Note 19)	**1,000**	**1,009**	1,000	1,008
AFS financial assets (Note 19)	**50**	**50**	50	50
Loans and receivables * (Note 19)	**29,796**	**29,796**	105,388	105,388
Cash and bank balances	**408**	**408**	3,416	3,416
	31,254	**31,263**	109,854	109,862
Financial liabilities				
Borrowings *	**320,000**	**320,000**	320,000	320,000
Other payables * (Note 26)	**2,184**	**2,184**	6,883	6,883
	322,184	**322,184**	326,883	326,883

* The carrying values of these loans and receivables, insurance/takaful receivables and other liabilities approximate their fair values due to their short term nature.

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36. FINANCIAL RISK (CONT'D)

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of counterparties to meet their contractual obligations.

Credit risk includes the following major elements:

(i) An investment credit risk which is the risk of financial loss arising from a change in the value of an investment due to a rating downgrade, default, or widening of credit spreads. Changes in credit spreads are largely driven by the different economic cycles and operating cycles while the less liquid securities tend to be priced at a wider spread. The liquidity of the securities is directly determined by its bid-to-ask spread.

(ii) A derivative counterparty risk which is the risk of financial loss arising from a derivative counterparty's default, or the deterioration of the derivative counterparty's financial position. As at the reporting date, the Group did not transact in derivatives and was not exposed to this risk; and

(iii) Reinsurance/retakaful/takaful counterparty risk which is the risk of financial loss arising from the default or deterioration of the solvency position of the counterparties.

The Group is exposed to investment credit risk on its investment portfolio, primarily from investments in corporate bonds. A creditworthiness assessment for new and existing investments is undertaken by the Group in accordance with the Investment Policy as approved by the Investment Committee. In addition, the credit ratings of the bond portfolio are regularly monitored and any downgrade in credit ratings will be evaluated to determine the required actions. As at the reporting date, the Group's bond portfolio has no material exposure below investment grade.

The Group is exposed to reinsurance/retakaful/takaful counterparty risks of three different types:

(i) as a result of recoveries owing from the counterparties for claims/benefits;

(ii) from amounts due from ceding companies; and

(iii) as a result of reserves held by the counterparties which would have to be met by the reinsurance/retakaful and takaful subsidiaries in the event of default.

Management of credit risk

In order to manage and mitigate credit risk, the following policies and procedures were set in place:

(i) Investment policies prescribe the minimum credit rating for bonds that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of bonds in order to reduce the potential impact that may arise from individual companies defaulting;

(ii) Counterparty limits are set for investments and cash deposits to ensure that there is no concentration of credit risk;

(iii) The Group's investment portfolio is managed to ensure diversification and focuses on high quality investment grade bonds with good fundamentals. For the financial year ended 31 March 2018, the credit rating of the Group's fixed income portfolio was dominated by securities rated AAA as determined by Rating Agency Malaysia ("RAM") and/or Malaysian Rating Corporation Berhad ("MARC"); and

(iv) To mitigate reinsurance/retakaful/takaful counterparty risk, the Group will give due consideration to the credit quality of the counterparties. To facilitate this process, a list of acceptable counterparties based on their rating is maintained within the Group. The Group regularly reviews the financial security of its counterparties.

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying assets according to the credit ratings of counterparties. Unearned premium and contribution reserves and reserves for unearned wakalah fees have been excluded from the analysis as they are not contractual obligations.

36. FINANCIAL RISK (CONT'D)

(a) Credit Risk (Cont'd)

The table below provides information regarding the credit risk exposures of the Company and of the Group by classifying assets according to the credit ratings of counterparties. Unearned premium and contribution reserves and reserves for unearned wakalah fees have been excluded from the analysis as they are not contractual obligations.

Credit exposure by credit rating for 2018

Group	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved equities	–	–	–	116,127	–	116,127
HTM investments						
Malaysian government securities	78,083	–	–	–	–	78,083
Unquoted corporate debt securities	25,003	–	246	–	–	25,249
Government investment issues	540,922	–	–	–	–	540,922
AFS financial assets						
Unquoted shares in Malaysia	–	–	–	44,796	–	44,796
Malaysian government securities	131,162	–	–	–	–	131,162
Unquoted corporate debt securities	967,535	1,325,005	–	–	–	2,292,540
Quoted shares in Malaysia	–	–	–	126,501	–	126,501
Real estate investment trusts	–	–	–	13,227	–	13,227
Government investment issues	1,132,970	–	–	–	–	1,132,970
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	–	91,318	–	–	–	91,318
Islamic investment accounts with licensed:						
Islamic banks	17,672	1,126,128	–	–	10,772	1,154,572
Investment banks	–	114,090	–	–	–	114,090
Development bank	8,213	321,319	–	–	137,291	466,823
Secured staff loans	–	–	–	–	8,010	8,010
Income due and accrued	–	–	–	–	68,821	68,821
Amount due from Insurance Pool accounts	–	–	–	–	7,845	7,845
Other receivables and deposits	–	–	–	–	25,784	25,784
Reinsurance/retakaful assets	–	183,603	–	–	238,633	422,236
Insurance/takaful receivables	–	47,679	–	–	370,625	418,304
Cash and bank balances	–	130,331	–	–	11,767	142,098
	2,901,560	3,339,473	246	300,651	879,548	7,421,478

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36. FINANCIAL RISK (CONT'D)

(a) Credit Risk (Cont'd)

Credit exposure by credit rating for 2018 (Cont'd)

Company	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	–	1,000	–	–	–	1,000
AFS financial assets						
Unquoted shares in Malaysia	–	–	–	50	–	50
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	17,672	–	–	–	–	17,672
Development banks	8,213	–	–	–	–	8,213
Secured staff loans	–	–	–	–	1,914	1,914
Amounts due from subsidiaries	–	–	–	–	1,780	1,780
Income due and accrued	–	–	–	–	41	41
Other receivables and deposits	–	–	–	–	176	176
Cash and bank balances	–	408	–	–	–	408
	25,885	1,408	–	50	3,911	31,254

Credit exposure by credit rating for 2017

Group	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	–	–	–	3,790	–	3,790
Warrants	–	–	–	85	–	85
Shariah approved unit trust funds	–	–	–	119,592	–	119,592
HTM investments						
Malaysian government securities	78,308	–	–	–	–	78,308
Unquoted corporate debt securities	75,028	–	246	–	–	75,274
Government investment issues	541,844	–	–	–	–	541,844
AFS financial assets						
Unquoted shares in Malaysia	–	–	–	44,796	–	44,796
Malaysian government securities	128,006	–	–	–	–	128,006
Unquoted corporate debt securities	824,238	1,433,800	–	–	–	2,258,038
Quoted shares in Malaysia	–	–	–	245,241	–	245,241
Warrants	–	–	–	346	–	346
Real estate investment trusts	–	–	–	20,217	–	20,217
Government investment issues	688,100	–	–	–	–	688,100

36. FINANCIAL RISK (CONT'D)

(a) Credit Risk (Cont'd)

Credit exposure by credit rating for 2017 (Cont'd)

Group (Cont'd)	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	–	79,648	–	–	–	79,648
Islamic investment accounts with licensed:						
Co-operative bank	–	129,611	–	–	–	129,611
Islamic banks	–	1,189,835	–	–	76,228	1,266,063
Investment banks	–	51,627	–	–	–	51,627
Development bank	–	162,497	–	–	117,926	280,423
Secured staff loans	–	–	–	–	9,684	9,684
Income due and accrued	–	–	–	–	51,039	51,039
Amount due from Insurance Pool accounts	–	–	–	–	4,406	4,406
Other receivables and deposits	–	–	–	–	62,432	62,432
Reinsurance/retakaful assets	–	240,768	3,989	–	208,524	453,281
Insurance/takaful receivables	–	81,269	3,486	–	251,435	336,190
Cash and bank balances	–	94,965	–	–	4,940	99,905
	2,335,524	3,464,020	7,721	434,067	786,614	7,027,946

Company	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	–	1,000	–	–	–	1,000
AFS financial assets						
Unquoted shares in Malaysia	–	–	–	50	–	50
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	–	25,207	–	–	–	25,207
Investment banks	–	72,426	–	–	–	72,426
Secured staff loans	–	–	–	–	1,838	1,838
Amounts due from subsidiaries	–	–	–	–	5,494	5,494
Income due and accrued	–	–	–	–	104	104
Other receivables and deposits	–	–	–	–	319	319
Cash and bank balances	–	3,416	–	–	–	3,416
	–	102,049	–	50	7,755	109,854

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36. FINANCIAL RISK (CONT'D)

(a) Credit Risk (Cont'd)

Movement of allowance for impairment losses on receivables

	Group		
	Individually impaired RM'000	**Collectively impaired RM'000**	**Total RM'000**
2018			
At beginning of the year	**8,222**	**26,096**	**34,318**
(Reversal of impairment losses)/impairment losses for the year	**(1,009)**	**(19,556)**	**(20,565)**
At end of the year	**7,213**	**6,540**	**13,753**
2017			
At beginning of the year	14,525	10,235	24,760
(Reversal of impairment losses)/impairment losses for the year	(6,303)	15,861	9,558
At end of the year	8,222	26,096	34,318

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient cash resources available to meet its payment obligations without incurring material additional costs.

As part of its liquidity management strategy, the Group has in place a framework capable of measuring and reporting on:

(i) daily cash flows;

(ii) minimum liquidity holdings;

(iii) the composition and market values of investment portfolios, including liquid holdings; and

(iv) the holding of liquid assets in the respective reinsurance, retakaful and takaful funds.

In order to manage the liquidity of the reinsurance/retakaful/takaful funds, the investment mandate requires that a certain proportion of the fund is maintained as liquid assets. Accordingly, the Group is required to maintain a minimum holding of low risk assets between 10% and 15% and no maximum limit on its placements in fixed and call deposits.

Maturity Profiles

The table below summarises the maturity profile of the assets and liabilities of the Group and of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance and takaful contract liabilities and reinsurance and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance/takaful liabilities. Unearned premium and contribution reserves and reserves for unearned wakalah fees have been excluded from the analysis as they are not contractual obligations.

36. FINANCIAL RISK (CONT'D)

(b) Liquidity Risk (Cont'd)

Maturity profiles for 2018

Group	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved unit trust funds	116,127	–	–	–	116,127	116,127
HTM investments						
Malaysian government securities	78,083	3,277	13,115	93,014	–	109,406
Unquoted corporate debt securities	25,249	6,070	3,744	22,914	–	32,728
Government investment issues	540,922	21,248	515,990	81,656	–	618,894
AFS financial assets						
Unquoted shares in Malaysia	44,796	–	–	–	44,796	44,796
Malaysian government securities	131,162	5,202	29,816	138,337	–	173,355
Unquoted corporate debt securities	2,292,540	278,746	1,128,124	1,806,760	–	3,213,630
Quoted shares in Malaysia	126,501	–	–	–	110,826	110,826
Real estate investment trusts	13,227	–	–	–	13,227	13,227
Government investment issues	1,132,970	49,773	261,969	1,446,444	–	1,758,186
Loans and receivables						
Fixed and call deposits with licensed commercial banks	91,318	35,951	43,446	–	–	79,397
Islamic investment accounts with licensed:						
Islamic banks	1,154,572	1,201,808	–	–	–	1,201,808
Investment banks	114,090	114,198	–	–	–	114,198
Development bank	466,823	474,867	–	–	–	474,867
Secured staff loans	8,010	3,548	4,462	–	–	8,010
Income due and accrued	68,821	68,821	–	–	–	68,821
Amount due from Insurance Pool accounts	7,845	7,845	–	–	–	7,845
Other receivables and deposits	25,784	25,784	–	–	–	25,784
Reinsurance/retakaful assets	422,236	141,188	190,457	67,042	23,549	422,236
Insurance/takaful receivables	418,304	417,880	424	–	–	418,304
Cash and bank balances	142,098	141,842	–	–	–	141,842
Total financial and insurance assets	7,421,478	2,998,048	2,191,547	3,656,167	308,525	9,154,287
Borrowings	(320,000)	(329,881)	–	–	–	(329,881)
Insurance/takaful contract liabilities	(4,905,216)	(824,466)	(1,303,117)	(2,664,579)	(123,056)	(4,915,218)
Insurance/takaful payables	(270,444)	(244,710)	(10,629)	(1,944)	(3,283)	(260,566)
Other payables	(190,282)	(190,282)	–	–	–	(190,282)
Total financial and insurance liabilities	(5,685,942)	(1,589,339)	(1,313,746)	(2,666,523)	(126,339)	(5,695,947)
Surplus/(deficit)	1,735,536	1,408,709	877,801	989,644	182,186	3,458,340

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36. FINANCIAL RISK (CONT'D)

(b) Liquidity Risk (Cont'd)

Maturity profiles for 2018 (Cont'd)

Company	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	**1,000**	**50**	**198**	**1,120**	**–**	**1,367**
AFS financial assets						
Unquoted shares in Malaysia	**50**	**–**	**–**	**–**	**50**	**50**
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	**17,672**	**17,708**	**–**	**–**	**–**	**17,708**
Development banks	**8,213**	**8,220**	**–**	**–**	**–**	**8,220**
Secured staff loans	**1,914**	**1,914**	**–**	**–**	**–**	**1,914**
Amounts due from subsidiaries	**1,780**	**1,780**	**–**	**–**	**–**	**1,780**
Income due and accrued	**41**	**41**	**–**	**–**	**–**	**41**
Other receivables and deposits	**176**	**176**	**–**	**–**	**–**	**176**
Cash and bank balances	**408**	**408**	**–**	**–**	**–**	**408**
Total financial assets	**31,254**	**30,297**	**198**	**1,120**	**50**	**31,664**
Borrowings	**(320,000)**	**(329,880)**	**–**	**–**	**–**	**(329,880)**
Other payables	**(8,975)**	**(8,975)**	**–**	**–**	**–**	**(8,975)**
Total financial liabilities	**(328,975)**	**(338,855)**	**–**	**–**	**–**	**(338,855)**
(Deficit)/surplus	**(297,721)**	**(308,558)**	**198**	**1,120**	**50**	**(307,192)**

Maturity profiles for 2017

Group	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	3,790	–	–	–	3,790	3,790
Warrants	85	–	–	–	85	85
Shariah approved unit trust funds	119,592	–	–	–	119,592	119,592
HTM investments						
Malaysian government securities	78,308	3,277	13,115	96,516	–	112,908
Unquoted corporate debt securities	75,274	47,979	8,865	28,785	–	85,629
Government investment issues	541,844	21,246	290,406	329,392	–	641,044
AFS financial assets						
Unquoted shares in Malaysia	44,796	–	–	–	44,796	44,796
Malaysian government securities	128,006	5,142	19,885	151,808	–	176,835
Unquoted corporate debt securities	2,258,038	117,497	586,122	2,416,767	–	3,120,386
Quoted shares in Malaysia	245,241	–	–	–	245,241	245,241
Warrants	346	–	–	–	346	346
Real estate investment trusts	20,217	–	–	–	20,217	20,217
Government investment issues	688,100	29,296	198,135	781,579	–	1,009,010

36. FINANCIAL RISK (CONT'D)

(b) Liquidity Risk (Cont'd)

Maturity profiles for 2017 (Cont'd)

Group (Cont'd)	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	79,648	79,886	–	–	–	79,886
Islamic investment accounts with licensed:						
Co-operative bank	129,611	130,261	–	–	–	130,261
Islamic banks	1,266,063	1,272,229	–	–	–	1,272,229
Investment banks	51,627	51,701	–	–	–	51,701
Development bank	280,423	284,395	–	–	–	284,395
Secured staff loans	9,684	3,650	6,034	–	–	9,684
Income due and accrued	51,039	51,039	–	–	–	51,039
Amount due from Insurance Pool accounts	4,406	4,406	–	–	–	4,406
Other receivables and deposits	62,432	62,432	–	–	–	62,432
Reinsurance/retakaful assets	453,281	173,368	197,703	61,727	20,483	453,281
Insurance/takaful receivables	336,190	329,136	7,054	–	–	336,190
Cash and bank balances	99,905	99,905	–	–	–	99,905
Total financial and insurance assets	7,027,946	2,766,845	1,327,319	3,866,574	454,550	8,415,288
Borrowings	(320,000)	(133,572)	(204,557)	–	–	(338,129)
Insurance/takaful contract liabilities	(4,719,276)	(897,078)	(1,202,595)	(2,488,304)	(131,299)	(4,719,276)
Insurance/takaful payables	(210,174)	(182,766)	(25,382)	(2,026)	–	(210,174)
Other payables	(175,703)	(175,703)	–	–	–	(175,703)
Total financial and insurance liabilities	(5,425,153)	(1,389,119)	(1,432,534)	(2,490,330)	(131,299)	(5,443,282)
Surplus	1,602,793	1,377,726	(105,215)	1,376,244	323,251	2,972,006
HTM investments						
Unquoted corporate debt securities	1,000	50	198	1,169	–	1,417
AFS financial assets						
Unquoted shares in Malaysia	50	–	–	–	50	50
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	25,207	25,334	–	–	–	25,334
Investment banks	72,426	72,657	–	–	–	72,657
Secured staff loans	1,838	1,838	–	–	–	1,838
Amounts due from subsidiaries	5,494	5,494	–	–	–	5,494
Income due and accrued	104	104	–	–	–	104
Other receivables and deposits	319	319	–	–	–	319
Cash and bank balances	3,416	3,416	–	–	–	3,416
Total financial assets	109,854	109,212	198	1,169	50	110,629
Borrowings	(320,000)	(133,572)	(204,557)	–	–	(338,129)
Other payables	(6,883)	(6,883)	–	–	–	(6,883)
Total financial liabilities	(326,883)	(140,455)	(204,557)	–	–	(345,012)
(Deficit)/surplus	(217,029)	(31,243)	(204,359)	1,169	50	(234,383)

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36. FINANCIAL RISK (CONT'D)

(c) Market Risk

Market risk is the risk of loss arising from a change in the values of, or the income from, financial assets. A risk of loss also arises from volatility in asset prices, interest/profit rates, or exchange rates. Market risk includes the following elements:

(i) Equity price risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from stock market dynamics impacting equity prices;

(ii) Foreign exchange risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from a movement of or volatility in exchange rates; and

(iii) Interest/profit rate risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from variability in interest/profit rates.

Equity price risk

Equity price risk is the risk that the fair value or future cash flow of a financial instrument fluctuates because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity risk exposures relate to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The equity price risk policy requires the Group and its main operating subsidiaries to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits as stipulated by BNM. The Group complied with such limits as stipulated by BNM during the financial year and had no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity (inclusive of the impact on other comprehensive income). The correlation of variables have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, changes in variables are considered individually. It should be noted that movements in these variables are non-linear.

The equities under the investment-linked fund were excluded from the sensitivity analysis as the risks associated with the fluctuations in market prices of the equities are borne by the participants.

Sensitivity analysis

	Changes in market indices	Impact on profit before tax RM'000	Impact on equity* RM'000
2018			
Group			
Price	**+ 5%**	**–**	**5,993**
Price	**- 5%**	**(7,494)**	**(9,352)**
2017			
Group			
Price	+ 5%	194	11,410
Price	- 5%	(2,789)	(11,410)

* The impact on equity reflects the after tax impact.

Management is of the opinion that the Company is not subject to significant equity price risk and, hence, a sensitivity analysis has not been performed.

36. FINANCIAL RISK (CONT'D)

(c) Market Risk (Cont'd)

Sensitivity analysis (Cont'd)

Foreign exchange risk/currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset and/or liability will fluctuate because of movements in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally because of its foreign currency denominated underwriting revenues (such as premiums/contributions) and expenses (such as claims/benefits and commission expenses).

The Group has a foreign exchange risk management plan in place and is continuously enhancing its risk mitigation measures.

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on gross and net claims liabilities, profit before tax and equity. The sensitivity analysis was applied to the Company's gross and net claim liabilities and assets denominated in foreign currencies.

	Change in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		← Increase/(decrease) →			
2018					
Foreign currency	**+5%**	**30,482**	**30,482**	**(13,902)**	**(13,207)**
2017					
Foreign currency	+5%	44,969	44,969	(33,207)	(31,659)

The method used in performing the sensitivity analysis is consistent with the prior year.

Interest/profit rate risk

The Group is exposed to interest/profit rate risk as follows:

(i) fair values of fixed interest/profit-bearing assets would move inversely to changes in interest/profit rates; and

(ii) future cash flows of variable interest/profit-bearing assets would move in direct proportion to changes in rates.

The earnings of the Group are affected by changes in market interest/profit rates due to the impact such changes have on interest/profit income from cash and cash equivalents, including investments in fixed/Islamic deposits. The fixed income portfolio is inversely related to interest/profit rates and, hence, it is the source of portfolio volatility.

The Group manages its interest/profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest/profit rate movements.

The nature of the Group's exposure to interest/profit rate risk and its objectives, policies and processes for managing interest/profit rate risk have not changed significantly from the previous financial year.

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36. FINANCIAL RISK (CONT'D)

(c) Market Risk (Cont'd)

Interest/profit rate risk (Cont'd)

Sensitivity analysis

A change of 25 basis points ("bp") in interest/profit rates at the reporting date would have increased/(decreased) the value of the portfolio of fixed-income investment by the amounts shown below.

	Changes in variable	Impact on equity * RM'000
2018		
Group		
Interest/profit rates	**+25 bp**	**(42,962)**
Interest/profit rates	**-25 bp**	**42,962**
2017		
Group		
Interest/profit rates	+25 bp	(43,881)
Interest/profit rates	-25 bp	43,881

* The impact on equity reflects the after tax impact.

37. OTHER RISKS

(a) Property Investment Risk

Property investment risk is the risk associated with the Group's investment in property or real estate for own occupancy, investment or rental purpose. Operational manuals are put in place to describe the responsibilities in relation to the management of properties.

The financial risk arising from a delinquent or loss of tenants are managed at the outset through careful selection of properties with high tenancy including tenants with long term tenancies and a continuous maintenance and upgrade of facilities.

(b) Operational Risk

Operational risk is the risk of loss resulting from inadequate or ineffective or failed internal resources (people, processes and systems), or from external events. Operational risk is inherent in all activities of the Group, and can encompass transverse multiple activities. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches, as well as employee health and safety hazards. Operational risk may result in direct financial losses and indirect financial losses due to reputational damage. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework, and by monitoring and responding to potential risks, the Group is able to minimise risks to an acceptable level. Controls include effective segregation of duties, effective access controls, authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, including the use of internal audit.

(c) Shariah Risk

Shariah risk is defined as potential Shariah non-compliance that contributes to adverse reputation, financial losses and opportunity costs resulting from ineffective governance, incompetent employees and improper transactional and operational execution. The Group mitigates such risk by initiating, monitoring and responding to a robust Shariah Risk Management Framework.

The Framework is guided by the Shariah Governance Framework issued by BNM.

37. OTHER RISKS (CONT'D)

(d) Compliance Risk

Compliance risk is the risk of legal and regulatory sanctions, which the Group may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.

The Group monitors all compliance aspects in observing regulatory requirements. In this respect, it has developed a Group Compliance Management Framework and other relevant internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.

38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS

(a) Consolidated income statement by fund for the year ended 31 March 2018

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Gross earned premiums/ contributions	1,288,445	281,073	647,776	25,709	9,896	(1,236)	2,251,663
Premiums/contributions ceded to reinsurers/ retakaful operators	(119,494)	(118,031)	(74,328)	(3,431)	(7,751)	236	(322,799)
Net earned premiums/ contributions	1,168,951	163,042	573,448	22,278	2,145	(1,000)	1,928,864
Investment income	119,735	16,609	112,903	2,629	885	(6,830)	245,931
Net realised (losses)/gains	(51,651)	(317)	5,031	–	–	48,894	1,957
Net fair value (losses)/gains	10,003	905	204	–	–	328	11,440
Fee and commission income	384,137	27,778	114	3	–	(371,890)	40,142
Other operating revenue	76,302	2,517	28,914	181	22	(69,865)	38,071
Other revenue	538,526	47,492	147,166	2,813	907	(399,363)	337,541
Gross claims and benefit paid	(737,182)	(169,673)	(274,242)	(13,203)	(11,305)	3,786	(1,201,819)
Claims ceded to reinsurers/ retakaful operators	37,193	73,995	(578)	(625)	5,996	(3,786)	112,195
Gross change in contract liabilities	(29,203)	(5,326)	(138,585)	(19,769)	(10,079)	15,387	(187,575)
Change in contract liabilities ceded to reinsurers/ retakaful operators	(31,527)	1,670	(1,945)	(926)	1,682	–	(31,046)
Net claims and benefits	(760,719)	(99,334)	(415,350)	(34,523)	(13,706)	15,387	(1,308,245)

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38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D)

(a) Consolidated income statement by fund for the year ended 31 March 2018 (Cont'd)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Fee and commission expenses	(427,358)	(91,683)	(231,391)	(10,026)	(322)	333,255	(427,525)
Management expenses	(281,507)	–	–	–	–	43,518	(237,989)
Finance costs	(15,891)	–	–	–	–	50	(15,841)
Other operating expenses	(42,586)	–	(253)	(412)	7	20,350	(22,894)
Changes in expense liabilities	3,848	–	–	–	–	–	3,848
Tax borne by participants	–	(2,826)	(9,914)	75	(11)	3	(12,673)
Other expenses	(763,494)	(94,509)	(241,558)	(10,363)	(326)	397,176	(713,074)
Share of results of associates	–	–	–	–	–	9,712	9,712
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants and taxation	183,264	16,691	63,706	(19,795)	(10,980)	21,912	254,798
(Surplus)/deficit attributable to takaful participants	–	(16,691)	(63,706)	19,795	10,980	(12,652)	(62,274)
Operating profit before taxation	183,264	–	–	–	–	9,260	192,524
Zakat	(563)	–	–	–	–	–	(563)
Taxation	(51,096)	–	–	–	–	–	(51,096)
Net profit for the year attributable to equity holders of the Parent	131,605	–	–	–	–	9,260	140,865

38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D)

(a) Consolidated income statement by fund for the year ended 31 March 2017

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Gross earned premiums/ contributions	1,322,565	311,870	677,233	10,428	11,102	(5,862)	2,327,336
Premiums/contributions ceded to reinsurers/ retakaful operators	(133,829)	(131,354)	(74,735)	(2,746)	(7,874)	1,706	(348,832)
Net earned premiums/ contributions	1,188,736	180,516	602,498	7,682	3,228	(4,156)	1,978,504
Investment income	120,133	14,739	97,665	2,908	1,165	(9,452)	227,158
Net realised gains	(740)	(171)	2,522	(217)	(44)	–	1,350
Net fair value (losses)/gains	(260)	(200)	73	322	111	(120)	(74)
Fee and commission income	365,960	28,541	3,735	485	–	(343,340)	55,381
Other operating revenue	36,049	–	36,666	615	4	(8,717)	64,617
Other revenue	521,142	42,909	140,661	4,113	1,236	(361,629)	348,432
Gross claims and benefit paid	(826,405)	(149,197)	(259,980)	(9,923)	(11,049)	439	(1,256,115)
Claims ceded to reinsurers/ retakaful operators	46,946	59,707	(5,938)	1,248	7,637	(1,873)	107,727
Gross change in contract liabilities	(42,693)	(19,613)	(315,536)	(13,022)	1,127	16,772	(372,965)
Change in contract liabilities ceded to reinsurers/ retakaful operators	(10,166)	20,071	11,974	(3,365)	(444)	–	18,070
Net claims and benefits	(832,318)	(89,032)	(569,480)	(25,062)	(2,729)	15,338	(1,503,283)

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38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D)

(a) Consolidated income statement by fund for the year ended 31 March 2017 (Cont'd)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Fee and commission expenses	(442,282)	(102,694)	(201,716)	(3,512)	(459)	307,356	(443,307)
Management expenses	(315,518)	6,905	11,930	–	–	44,214	(252,469)
Finance costs	(18,170)	–	–	–	–	50	(18,120)
Other operating expenses	(2,715)	(250)	–	(615)	(1,434)	(5,856)	(10,870)
Changes in expense liabilities	(2,884)	–	–	–	–	–	(2,884)
Tax borne by participants	–	(8,055)	(7,381)	15	–	10	(15,411)
Other expenses	(781,569)	(104,094)	(197,167)	(4,112)	(1,893)	345,774	(743,061)
Share of results of associates	–	–	–	–	–	5,628	5,628
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants, zakat and taxation	95,991	30,299	(23,488)	(17,379)	(158)	955	86,220
(Surplus)/deficit attributable to takaful participants	–	(30,299)	23,488	17,379	158	1,982	12,708
Operating profit/(loss) before zakat and taxation	95,991	–	–	–	–	2,937	98,928
Taxation	(27,758)	–	–	–	–	–	(27,758)
Net profit/(loss) for the year attributable to equity holders of the Parent	68,233	–	–	–	–	2,937	71,170

38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D)

(b) Consolidated statement of financial position by fund as at 31 March 2018

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	124,926	–	–	–	–	115,818	240,744
Investment properties	–	–	115,818	–	–	(115,818)	–
Intangible assets	32,131	–	–	–	–	–	32,131
Deferred tax assets	20,822	2,426	–	66	–	(4,971)	18,343
Investments in subsidiaries	904,477	–	–	–	–	(904,477)	–
Investments in associates	131,833	–	–	–	–	7,176	139,009
Financial assets at FVTPL	–	–	116,127	–	–	–	116,127
HTM investments	240,757	57,342	316,283	19,108	11,764	(1,000)	644,254
AFS financial assets	1,539,454	209,299	1,986,079	15,779	4,174	(13,589)	3,741,196
LAR	1,599,316	154,905	350,281	43,610	(1,550)	(209,299)	1,937,263
Reinsurance/retakaful assets	257,559	149,625	43,127	19,906	8,036	–	478,253
Insurance/takaful receivables	331,267	30,407	44,206	13,995	2,080	(3,651)	418,304
Tax recoverable	27,291	–	–	(21)	7	–	27,277
Cash and bank balances	43,132	27,589	70,175	203	1,000	–	142,099
Total assets	5,252,965	631,593	3,042,096	112,646	25,511	(1,129,811)	7,935,000

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38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D)

(b) Consolidated statement of financial position by fund as at 31 March 2018 (Cont'd)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Liabilities and Participants' funds							
Participants' funds	–	120,253	129,131	–	–	(1,522)	247,862
Borrowings	321,000	–	–	–	–	(1,000)	320,000
Insurance/takaful contract liabilities	2,096,878	403,666	2,730,440	95,828	15,919	(22,786)	5,319,945
Insurance/takaful payables	207,529	18,105	33,287	10,971	4,203	(3,651)	270,444
Other payables	164,961	89,138	146,947	5,847	5,389	(186,537)	225,745
Deferred tax liabilities	13,981	–	1,013	–	–	(4,310)	10,684
Provision for taxation	–	431	1,278	–	–	–	1,709
Provision for zakat	610	–	–	–	–	–	610
Total liabilities and participants' funds	2,804,959	631,593	3,042,096	112,646	25,511	(219,806)	6,396,999
Equity							
Share capital	1,224,211	–	–	–	–	(904,606)	319,605
Reserves	1,223,795	–	–	–	–	(5,399)	1,218,396
Total equity attributable to equity holders of the Parent	2,448,006	–	–	–	–	(910,005)	1,538,001
Total liabilities, participants' funds and equity	5,252,965	631,593	3,042,096	112,646	25,511	(1,129,811)	7,935,000

38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D)

(b) Consolidated statement of financial position by fund as at 31 March 2017

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	127,954	–	–	–	–	115,778	243,732
Investment properties	7,400	–	115,778	–	–	(115,778)	7,400
Intangible assets	23,040	–	–	–	–	–	23,040
Deferred tax assets	9,742	3,098	–	–	–	6,678	19,518
Investments in subsidiaries	843,705	–	–	–	–	(843,705)	–
Investments in associates	77,924	–	–	–	–	67,496	145,420
Financial assets at FVTPL	761	898	121,808	–	–	–	123,467
HTM investments	261,384	71,746	331,689	19,143	12,464	(1,000)	695,426
AFS financial assets	1,654,482	226,761	1,493,788	17,749	5,171	(13,207)	3,384,744
LAR	1,297,622	118,383	607,278	45,585	7,890	(141,825)	1,934,933
Reinsurance/retakaful assets	291,969	149,868	45,072	20,967	6,354	–	514,230
Insurance/takaful receivables	224,824	37,422	60,865	7,597	7,594	(2,112)	336,190
Tax recoverable	28,575	–	–	8	5	(13)	28,575
Cash and bank balances	39,837	10,519	49,364	146	39	–	99,905
Total assets	4,889,219	618,695	2,825,642	111,195	39,517	(927,688)	7,556,580

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

38. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D)

(b) Consolidated statement of financial position by fund as at 31 March 2017 (Cont'd)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Liabilities and Participants' funds							
Participants' funds	–	119,327	81,541	3,900	3,008	(6,580)	201,196
Borrowings	321,000	–	–	–	–	(1,000)	320,000
Insurance/takaful contract liabilities	2,104,412	401,012	2,578,850	85,632	9,637	(8,365)	5,171,178
Insurance/takaful payables	124,969	30,710	42,780	8,203	5,624	(2,112)	210,174
Other payables	127,467	60,965	119,124	13,475	21,248	(130,093)	212,186
Deferred tax liabilities	2,169	–	1,412	(15)	–	7,214	10,780
Provision for taxation	2,933	6,681	1,935	–	–	(13)	11,536
Provision for zakat	64	–	–	–	–	–	64
Total liabilities and participants' funds	2,683,014	618,695	2,825,642	111,195	39,517	(140,949)	6,137,114
Equity							
Share capital	1,233,105	–	–	–	–	(913,500)	319,605
Reserves	973,100	–	–	–	–	126,761	1,099,861
Total equity attributable to equity holders of the Parent	2,206,205	–	–	–	–	(786,739)	1,419,466
Total liabilities, participants' funds and equity	4,889,219	618,695	2,825,642	111,195	39,517	(927,688)	7,556,580

39. FAIR VALUES OF ASSETS

MFRS 7 Financial Instruments: Disclosures ("MFRS 7") requires the classification of financial instruments measured at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. MFRS 13 Fair Value Measurement requires similar disclosure requirements as MFRS 7, but extends to include all assets and liabilities measured at fair value and/or for which fair values are disclosed. The following levels of hierarchy are used for determining and disclosing the fair value of the Group and the Company's assets:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

The fair values of the Group and Company's assets are determined as follows:

(i) The carrying amounts of financial assets, such as loans and receivables, insurance/takaful receivables and cash and bank balances, are reasonable approximation of their fair values due to the relatively short term maturity of these balances;

(ii) The fair values of quoted equities are based on quoted market prices as at the reporting date;

(iii) The fair values of Malaysian government securities, government investment issues and unquoted corporate debt securities are based on indicative market prices from the Bond Pricing Agency of Malaysia ("BPAM");

(iv) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date; and

(v) Freehold land and buildings and investment property have been revalued based on valuations performed by accredited independent valuers having appropriate recognised professional qualification. The valuations are based on the income and comparison approaches. In arriving at the fair value of the assets, the valuers had also taken into consideration the future developments in terms of infrastructure in the vicinity of the properties.

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

39. FAIR VALUES OF ASSETS (CONT'D)

Description of significant unobservable inputs:

	Valuation technique	Significant unobservable inputs	Range
2018			
Property, plant and equipment			
Office building	Income approach	Yield	6.0% to 6.25%
		Rental per square foot	RM4.30 to RM4.96
	Comparison approach	Sales price per square foot for similar properties	RM512 to RM1,175
2017			
Property, plant and equipment			
Office building	Income approach	Yield	6.0% to 6.25%
		Rental per square foot	RM4.60
	Comparison approach	Sales price per square foot for similar properties	RM641 to RM1,150
Investment property			
Shoplots	Income approach	Rental per square metre	RM2.00

A significant increase or decrease in the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value.

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

39. FAIR VALUES OF ASSETS (CONT'D)

As at the reporting date, the Group and the Company held the following assets that are measured at fair value and/or for which fair values are disclosed under Levels 1, 2 and 3 of the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2018				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	–	–	36,800	36,800
Buildings	–	–	199,277	199,277
	–	–	236,077	236,077
(b) Investment property	–	–	–	–
(c) Financial assets at FVTPL				
Quoted shares in Malaysia	–	–	–	–
Warrants	–	–	–	–
Shariah approved unit trust funds	116,127	–	–	116,127
	116,127	–	–	116,127
(d) AFS financial assets				
Malaysian government securities	–	131,162	–	131,162
Unquoted corporate debt securities	–	2,292,540	–	2,292,540
Quoted shares in Malaysia	126,228	–	–	126,228
Warrants	273	–	–	273
Real estate investment trusts	13,227	–	–	13,227
Government investment issues	–	1,132,970	–	1,132,970
	139,728	3,556,672	–	3,696,400
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	–	77,404	–	77,404
Unquoted corporate debt securities	–	25,723	–	25,723
Government investment issues	–	539,508	–	539,508
	–	642,635	–	642,635

NOTES TO THE **FINANCIAL STATEMENTS**

31 March 2018

39. FAIR VALUES OF ASSETS (CONT'D)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	–	–	36,800	36,800
Buildings	–	–	201,419	201,419
			238,219	238,219
(b) Investment property	–	–	7,400	7,400
(c) Financial assets at FVTPL				
Quoted shares in Malaysia	3,790	–	–	3,790
Warrants	85	–	–	85
Shariah approved unit trust funds	119,592	–	–	119,592
	123,467	–	–	123,467
(d) AFS financial assets				
Malaysian government securities	–	128,006	–	128,006
Unquoted corporate debt securities	–	2,258,038	–	2,258,038
Quoted shares in Malaysia	245,241	–	–	245,241
Warrants	346	–	–	346
Real estate investment trusts	20,217	–	–	20,217
Government investment issues	–	688,100	–	688,100
	265,804	3,074,144	–	3,339,948
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	–	76,109	–	76,109
Unquoted corporate debt securities	–	75,987	–	75,987
Government investment issues	–	537,417	–	537,417
	–	689,513	–	689,513
Company				
2018				
Assets for which fair values are disclosed:				
HTM investments				
Unquoted corporate debt securities	**–**	**1,009**	**–**	**1,009**
2017				
Assets for which fair values are disclosed:				
HTM investments				
Unquoted corporate debt securities	–	1,008	–	1,008

40. SIGNIFICANT EVENTS

a) Transfer of general and family retakaful business

On 1 December 2017, the business transfer of the general and family retakaful businesses between 2 subsidiaries, Malaysian Reinsurance Berhad and Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad) was completed.

b) Splitting of family and general takaful business licences

In accordance with the requirements of the Islamic Financial Service Act 2013 ("IFSA 2013") a takaful operator that carries on both classes of family and general takaful businesses must take steps to split the businesses under separate legal entities before 1 July 2018.

A new company was incorporated on 5 June 2017 as a wholly-owned subsidiary of TIB to take over its general takaful business once the necessary approval has been obtained from BNM.

c) Subscription of additional shares in subsidiaries

On 25 January and 12 February 2018, the Company subscribed for 40,000,000 and 53,106,421 additional ordinary shares in TIB and MRE respectively Cash consideration of RM40,000,000 and RM53,106,421 was paid for the additional shares in TIB and MRE respectively.

d) Redemption of investment in Sinar Seroja Berhad

On 5 February 2018, MNRB received a capital repayment from SSB amounting to RM102 million as further described in Note 17(ii). The reduction of share capital of SSB was confirmed by the Registrar of Companies on the same date.

ANALYSIS OF **SHAREHOLDINGS**

as at 22 June 2018

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	389	7.71	5,361	0.00
100 - 1,000	372	7.37	183,939	0.06
1,001 - 10,000	3,071	60.85	10,505,550	3.29
10,001 - 100,000	1,036	20.53	31,349,375	9.81
100,001 to less than 5% of issued shares	204	4.04	101,328,623	31.70
5% and above of issued shares	2	0.04	176,231,300	55.14
Total	**5,074**	**100.00**	**319,604,148**	**100.00**

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares Held Through Own Name	No. of Shares Held Through Nominees	%
1.	Dato Sharkawi Bin Alis	–	–	–
2.	Mohd Din Bin Merican	–	–	–
3.	Mustaffa Bin Ahmad	–	–	–
4.	Hijah Arifakh Binti Othman	–	–	–
5.	Rosinah Binti Mohd Salleh	–	–	–
6.	Arul Sothy Mylvaganam	–	–	–
7.	Noor Rida Binti Hamzah	–	–	–
8.	Datuk Johar Bin Che Mat	–	–	–
9.	George Oommen	–	–	–

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares Held Through Own Name	No. of Shares Held Through Nominees	%
1.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera*	135,500,000	–	42.40
2.	Permodalan Nasional Berhad	40,731,300	–	12.74

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM BUMIPUTERA*	135,500,000	42.40
2.	PERMODALAN NASIONAL BERHAD	40,731,300	12.74
3.	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT ASIA (EX JAPAN) QUANTUM FUND (4579)*	11,436,300	3.58
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AM INV)*	4,705,300	1.47
5.	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (LIFE PAR)*	4,575,273	1.43
6.	JOHAN ENTERPRISE SDN. BHD.	3,345,000	1.05
7.	CIMB GROUP NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR DBS BANK LTD (SFS)*	2,817,500	0.88
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCE BERHAD (PAR-220082)*	2,374,800	0.74
9.	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SHANMUGAM A/L THOPPALAN (8069535)*	2,356,000	0.74
10.	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND*	2,329,150	0.73
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT - HW FLEXI FUND (270519)*	2,248,500	0.70
12.	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)*	2,183,900	0.68
13.	NEOH CHOO EE & COMPANY, SDN. BERHAD	2,160,000	0.68
14.	OLIVE LIM SWEE LIAN	1,642,000	0.51
15.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB ISLAMIC TRUSTEE BERHAD FOR AFFIN HWANG SELECT DIVIDEND FUND*	1,545,800	0.48
16.	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	1,451,650	0.45
17.	LIEW SWEE MIO @ LIEW HOI FOO	1,335,000	0.42
18.	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES*	1,167,050	0.37
19.	CHUA HIN BEE	1,050,000	0.33
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *AFFIN HWANG ASSET MANAGEMENT BERHAD FOR MSIG INSURANCE (MALAYSIA) BHD (210236)*	1,033,000	0.32

ANALYSIS OF **SHAREHOLDINGS**

as at 22 June 2018

No.	Name of Shareholders	No. of Shares	%
21.	THONG SU-F'NG	966,300	0.30
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *AFFIN HWANG ASSET MANAGEMENT BERHAD FOR LEMBAGA TABUNG ANGKATAN TENTERA (210232)*	960,000	0.30
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SONG SOON HEE (470272)*	855,000	0.27
24.	GAN HONG HU	840,000	0.26
25.	PROMSERV SDN.BHD.	808,600	0.25
26.	SYNERGY MOTION SDN. BHD.	765,000	0.24
27.	HSBC NOMINEES (ASING) SDN BHD *TNTC FOR LSV EMERGING MARKETS SMALL CAP EQUITY FUND, LP*	759,300	0.24
28.	CARTABAN NOMINEES (TEMPATAN) SDN BHD *SSBT AFM FUND SAGS FOR UNIVERSITI MALAYA*	747,900	0.23
29.	AMANAHRAYA TRUSTEES BERHAD *AMTOTAL RETURN*	687,400	0.22
30.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *KAF TACTICAL FUND*	677,000	0.21
	TOTAL	**234,054,023**	**73.23**

LIST OF **PROPERTIES**

31 March 2018

Address	Date of Acquisition	Date of Revaluation	Description of Properties	Tenure/Existing Use/Age of Buildings	Land Area (sq. ft.) Build-up Area (sq. ft.)	Net Book Value as at 31/3/2018 (RM)
Self Occupied Properties						
Ikhlas Point, Tower 11 Avenue 5, Bangsar South No. 8, Jln Kerinchi 59200 Kuala Lumpur	26 September 2008	31 March 2018	1 unit of 11 storey intermediate office building	Leasehold/office premise/rented out/ 10 years	strata	40,535,000
Ikhlas Point, Tower 11A Avenue 5, Bangsar South No. 8, Jln Kerinchi 59200 Kuala Lumpur	26 September 2008	31 March 2018	1 unit of 10 storey corner office building	Leasehold/office premise/occupied/ 10 years	strata	72,173,000
No. 17, Lorong Dungun Damansara Heights 50490 Kuala Lumpur	17 February 1995	31 March 2018	1 unit of 12 storey building with 2 storey basement car park	Freehold/ office premise/ rented out/ 23 years	61,300/ 366,409	116,087,000
Lot 528, Section 6 Kuching Town Land District No. 11C, Jalan Kulas 93732 Kuching, Sarawak	7 October 2010	31 March 2018	4 storey intermediate terraced shophouse	Leasehold/office premise/occupied/ 8 years	Not applicable/ 1,200	1,870,000
Manchester Tower Apartment 2406, Dubai Marina Dubai, UAE	28 July 2008	31 March 2018	1 unit of apartment	Freehold/occupied by staff/10 years	Not applicable/ 1,011	1,207,988
Apt. 507 Marina Diamond 5 Dubai Marina Dubai, UAE	29 July 2008	31 March 2018	1 unit of apartment	Freehold/occupied by staff/10 years	Not applicable/ 1,084	1,302,068
Yansoon 4, Apartment 204 Burj Khalifa, Dubai Downtown, UAE	30 September 2010	31 March 2018	1 unit of apartment	Freehold/occupied by staff/8 years	Not applicable/ 1,475	1,661,946
PT 483, Jalan Jambatan Sultan Yahya KB waterfront, Seksyen 17 15000 Kota Bahru, Kelantan	31 January 2013	31 March 2018	3 storey shophouse	Leasehold/office premise/occupied/ 5 years	Not applicable/ 4,680	1,240,000
Total Self Occupied Properties						**236,077,002**

GROUP's **OFFICES**

MNRB HOLDINGS BERHAD
12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2096 8000
Fax : +603 2096 7000
Website : www.mnrb.com.my
Email : enquiry@mnrb.com.my

MALAYSIAN REINSURANCE BERHAD
12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2096 8000
Fax : +603 2096 7000
Website : www.malaysian-re.com.my
Email : enquiry@malaysian-re.com.my

TAKAFUL IKHLAS BERHAD
9th Floor, IKHLAS Point
Tower 11A, Avenue 5, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603 2723 9999
Fax : +603 2723 9998
Website : www.takaful-ikhlas.com.my
Email : ikhlascare@takaful-ikhlas.com.my

MMIP SERVICES SDN BHD
6th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : +603 2080 6000
Fax : +603 2080 6001
Website : www.mnrb.com.my/mssb/
Email : mmip.secretariat@malaysian-re.com.my

MALAYSIAN RE (DUBAI) LTD
Unit 101, Level 1
Gate Village 4, The Gate District
Dubai International Financial Centre
P. O. Box 506571
Dubai, United Arab Emirates
Tel : +971 4 3230388
Fax : +971 4 3230288
Website : www.mnrb.com.my/malaysianre-dubai/
Email : enquiry@mnrb.com.my

TAKAFUL IKHLAS BRANCHES

HEAD OFFICE / KUALA LUMPUR
Ikhlas Point
Tower 11A, Avenue 5, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603 2723 9668
Fax : +603 2711 8140

SELANGOR
No. 97, 97-1 & 97-2, Jalan Mahogani 5/KS7
41200 Klang, Selangor
Tel : +603 3323 1144
Fax : +603 3323 1444

KEDAH
No. 57, Jalan Lagenda 3, Lagenda Heights
08000 Sungai Petani, Kedah
Tel : +604 422 8100
Fax : +604 422 3100

KELANTAN
PT 483, Jalan Jambatan Sultan Yahya
KB Waterfront, Seksyen 17
15000 Kota Bharu, Kelantan
Tel : +609 746 1000
Fax : +609 747 9100

JOHOR
No. 32, 32-01 & 32-02 Jalan Setia Tropika 1/1
Taman Setia Tropika
81200 Johor Bahru, Johor
Tel : +607 232 7180
Fax : +607 232 7185

SARAWAK
528 Section 6, KTLD No. 11C
Kuching Town Land District (KTLD)
No. 11C, Jalan Kulas
93400 Kuching, Sarawak
Tel : +6082 251 300
Fax : +6082 251 310

SABAH
Dewan Bandaraya Kota Kinabalu (DBKK)
No. D-G-8 (D-9-1), Level 1, Block D
Harbour City Sembulan, Jalan Pantai Baru
88100 Kota Kinabalu, Sabah
Tel : +6088 447 110
Fax : +6088 447 130

MELAKA
No. 10, Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka
Tel : +606 286 3100
Fax : +606 288 3100

PAHANG
B284, Ground & 1st Floor, Jalan Beserah
25300 Kuantan, Pahang
Tel : +609 567 0700
Fax : +609 567 1700

PERAK
No. 11A, 1st Floor, Persiaran Greentown 9
Pusat Perdagangan Greentown
30450 Ipoh, Perak
Tel : +605 243 0300
Fax : +605 243 1300

TERENGGANU
Lot PT 3593, Ground Floor
Jalan Sultan Zainal Abidin
20000 Kuala Terengganu, Terengganu
Tel : +609 631 8170
Fax : +609 631 8171

NEGERI SEMBILAN
538, Ground & 1st Floor, 539, 1st Floor
Jalan Bandar Senawang 16
Pusat Bandar Senawang
70450 Seremban, Negeri Sembilan
Tel : +606 677 5600
Fax : +606 677 5362

PUTRAJAYA
No. 12, Jalan Diplomatik, P15 Presint 15
62050 Putrajaya
Tel : +603 8861 5660
Fax : +603 8890 5100

NOTICE OF 45TH **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth (45th) Annual General Meeting ("AGM") of MNRB Holdings Berhad ("MNRB" or "the Company") will be held at the Auditorium, 3rd Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, on Thursday, 13 September 2018 at 10.00 a.m. for purpose of transacting the following business:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and the Auditors thereon.	**Please refer to Explanatory Note (i)**
2. To re-elect the following Directors, each of whom retires by rotation pursuant to Article 86 of the Company's Constitution and being eligible, have offered themselves for re-election:-	
(i) Dato Sharkawi Alis	**Ordinary Resolution 1**
(ii) Mustaffa Ahmad	**Ordinary Resolution 2** **[Please refer to Explanatory Note (ii)]**
3. To re-elect the following Directors, who retire in accordance with Article 92 of the Company's Constitution and, being eligible, have offered themselves for re-election:-	
(i) Datuk Johar Che Mat	**Ordinary Resolution 3**
(ii) George Oommen	**Ordinary Resolution 4** **[Please refer to Explanatory Note (ii)]**
4. To approve the payment of Directors' Fees amounting to RM2,620,900 for the financial year ended 31 March 2018.	**Ordinary Resolution 5** **[Please refer to Explanatory Note (iii)]**
5. To approve the payment of Directors' benefits (excluding Directors' fees) payable to the Directors for the period from 14 September 2018 until the conclusion of the next AGM in 2019.	**Ordinary Resolution 6** **[Please refer to Explanatory Note (iv)]**
6. To reappoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 7**
7. To transact any other business for which due notice shall have been given.	

By Order of the Board

NORAZMAN HASHIM (MIA 5817)
LENA ABD LATIF (LS 8766)
Company Secretaries

Kuala Lumpur
31 July 2018

NOTE:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint proxy(ies) to attend and vote in his behalf. A proxy need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

2. (i) A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Authorised Nominee") may appoint at least one proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

   (ii) Notwithstanding the above, an exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy, and only one (1) proxy shall be entitled to vote.

4. Where a member is an exempt Authorised Nominee as defined under Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

5. An Instrument appointing a proxy(ies) shall be in writing, and in the case of an individual shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a Corporation shall be either given under its common seal or signed on its behalf by its attorney or an officer of the Corporation so authorised.

6. An Instrument appointing a proxy(ies) must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, not less than forty-eight (48) hours before the time set for the Annual General Meeting or any adjournment thereof.

7. Only members registered in the Record of Depositors as at 6 September 2018 shall be eligible to attend the AGM or appoint proxy(ies) to attend and vote on his/her behalf.

8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM are to be voted by poll.

NOTICE OF 45TH ANNUAL GENERAL MEETING

Explanatory Notes

(i) Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 March 2018

This item on the Agenda is meant for discussion only. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

(ii) Ordinary Resolution 1, 2, 3 and 4 – Re-election of Directors who retires pursuant to Article 86 and Article 92 of the Company's Constitution

Article 86 provides that one-third (1/3rd) of the Directors of the Company for the time being, or if their number is not three (3) or a multiple of three (3) then the nearest one-third (1/3rd) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election, save and except for the Chief Executive Officer, whose eligibility for re-election shall be subject to the prior written approval of Bank Negara Malaysia. Pursuant thereto, Dato Sharkawi Alis and Mustaffa Ahmad are standing for re-election as Directors of the Company.

Article 92 provides that any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. Pursuant thereto, Datuk Johar Che Mat and George Oommen who were appointed on 1 October 2017 and 1 January 2018, respectively are standing for re-election as Directors of the Company.

(iii) Ordinary Resolution 5 – Directors' Fees

Pursuant to Section 230(1) of Companies Act 2016, any fees and benefit payable to the directors of listed company and its subsidiaries shall be approved at a general meeting. Accordingly, shareholders' approval is sought at this AGM for the payment of the Directors' fees, as follows:-

(a) For the Company and its subsidiaries (Board):

Directors' Fees (Per Annum)	Chairman	Directors
MNRB	RM130,000	RM70,000
Malaysian Reinsurance Berhad	RM80,000	RM70,000
Takaful Ikhlas Berhad	RM80,000	RM70,000
Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad)	RM40,000	RM30,000
Malaysian Re (Dubai) Ltd	RM30,000	RM20,000

(b) For the Company, Malaysian Reinsurance Berhad and Takaful Ikhlas Berhad (Committees of the Board):

Directors' Fees (Per Annum) Committees of the Board	Chairman	Directors
• Risk Management • Audit	RM22,000	RM17,000
• Remuneration • Nomination • Investment	RM17,000	RM12,000

The Directors' fees which are subject to the approval of the shareholders of the Company at the 45th Annual General Meeting do not include salaries, benefits and emoluments of the Executive Director which he receives by virtue of and pursuant to his Contract of Service.

(iv) <u>Ordinary Resolution 6 – Directors' Benefits (excluding Directors' fees)</u>

The Directors' Benefits (excluding Directors' fees) payable to the Chairman and Directors with effect from 14 September 2018 until the conclusion of the next AGM in 2019 of the Company and its subsidiaries comprises benefit in kind and other emoluments as set out below:-

<table>
<tr><th></th><th>Chairman</th><th>Directors</th></tr>
<tr><td rowspan="2"><u>Benefits in kind:</u></td><td>Non-Independent Non-Executive Chairman of the Board of MNRB: -
• Company car and driver.
• Petrol (incurred basis).</td><td></td></tr>
<tr><td colspan="2">• Medical benefits on incurred basis.
• Directors' & Officers Liability Insurance coverage.
• Other claimable expenses incurred in the course of carrying out their duties.</td></tr>
<tr><td><u>Emolument:</u>
Meeting allowance (per meeting)</td><td colspan="2">RM1,250</td></tr>
</table>

Payment of the Directors' Benefits will be made by the Company as and when incurred if the proposed Ordinary Resolution 6 is passed at the 45th AGM of the Company. In determining the estimated total amount of benefits for the Directors for the period from 14 September 2018 until the conclusion of the next AGM in 2019 of the Company, the Company takes into consideration amongst others, the number of scheduled meetings of the Board and Board Committees.

STATEMENT ACCOMPANYING **NOTICE OF ANNUAL GENERAL MEETING**

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of persons who are standing for election as Directors (excluding Directors standing for re-election)

   No individual is seeking election as a Director at the 45th AGM.

2. A statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   No general mandate was sought for the issuance of securities at the last AGM of the company.

ADMINISTRATIVE **DETAILS**

For the 45th Annual General Meeting

DAY/DATE : THURSDAY, 13 September 2018 @ 10.00 AM

VENUE : AUDITORIUM, 3RD FLOOR, BANGUNAN MALAYSIAN RE, NO. 17, LORONG DUNGUN, DAMANSARA HEIGHTS, 50490 KUALA LUMPUR

PARKING

- MNRB provides free parking ONLY at Bangunan Malaysian Re. However, the number of parking bays available is on first come basis and subject to availability.
- Shareholders are encouraged to use the SG. BULOH – KAJANG LINE Mass Rapid Transit (MRT) and disembark at the Semantan Station, which is about 7 minutes walking distance to the venue of the AGM.

REGISTRATION

- Registration will start at 8.00 a.m. and will remain open until the conclusion of the AGM or such time as may be determined by the Chairman of the meeting.
- Please read the signage placed around Bangunan Malaysian Re as to where you should register yourself for the meeting and join the queue accordingly.
- Please produce your original MyKAD during registration for verification and ensure that you collect your MyKAD thereafter.
- After verification and registration, you will be given an identification wristband. No person will be allowed to enter the Auditorium without wearing the identification wristband.
- Please note that you are not allowed to register on behalf of another shareholder/proxy, even with the original MyKAD or Passport of that other shareholder/proxy.

REFRESHMENTS

- Each registered shareholder/proxy/corporate representative who is present will be given one (1) packed meal or meal voucher only upon registration on a first come basis, irrespective of the number of shareholders he/she represents.

COMPLIMENTARY/DOOR GIFT

- Door gift or complimentary gift may be given out during the AGM at the sole discretion of the Board of Directors and based on the following:-

Category	Number of Gift
Shareholder	1 gift subject to a minimum of 1,000 shares
Shareholder + proxyholder	1 gift subject to a minimum of 1,000 shares
Proxyholder	1 gift subject to a minimum of 1,000 shares

VOTING PROCEDURE

- The voting at the AGM will be conducted via e-polling. Symphony Share Registrars Sdn. Bhd. is appointed as Poll Administrator to conduct the polling process whilst Deloitte Enterprise Risk Services Sdn. Bhd. is appointed as the Independent Scrutineer to verify the results of the poll.
- Please follow the instructions given for the e-polling process.

ANNUAL REPORT 2018

- The Annual Report 2018 is available on our website www.mnrb.com.my and also at www.bursamalaysia.com under Company Announcements of MNRB Holdings Berhad.

PERSONAL BELONGINGS

- Please take care of your personal belongings whilst at the AGM venue. The organiser will not be held responsible for any missing or lost item.

ADMINISTRATIVE **DETAILS**

For the 45th Annual General Meeting

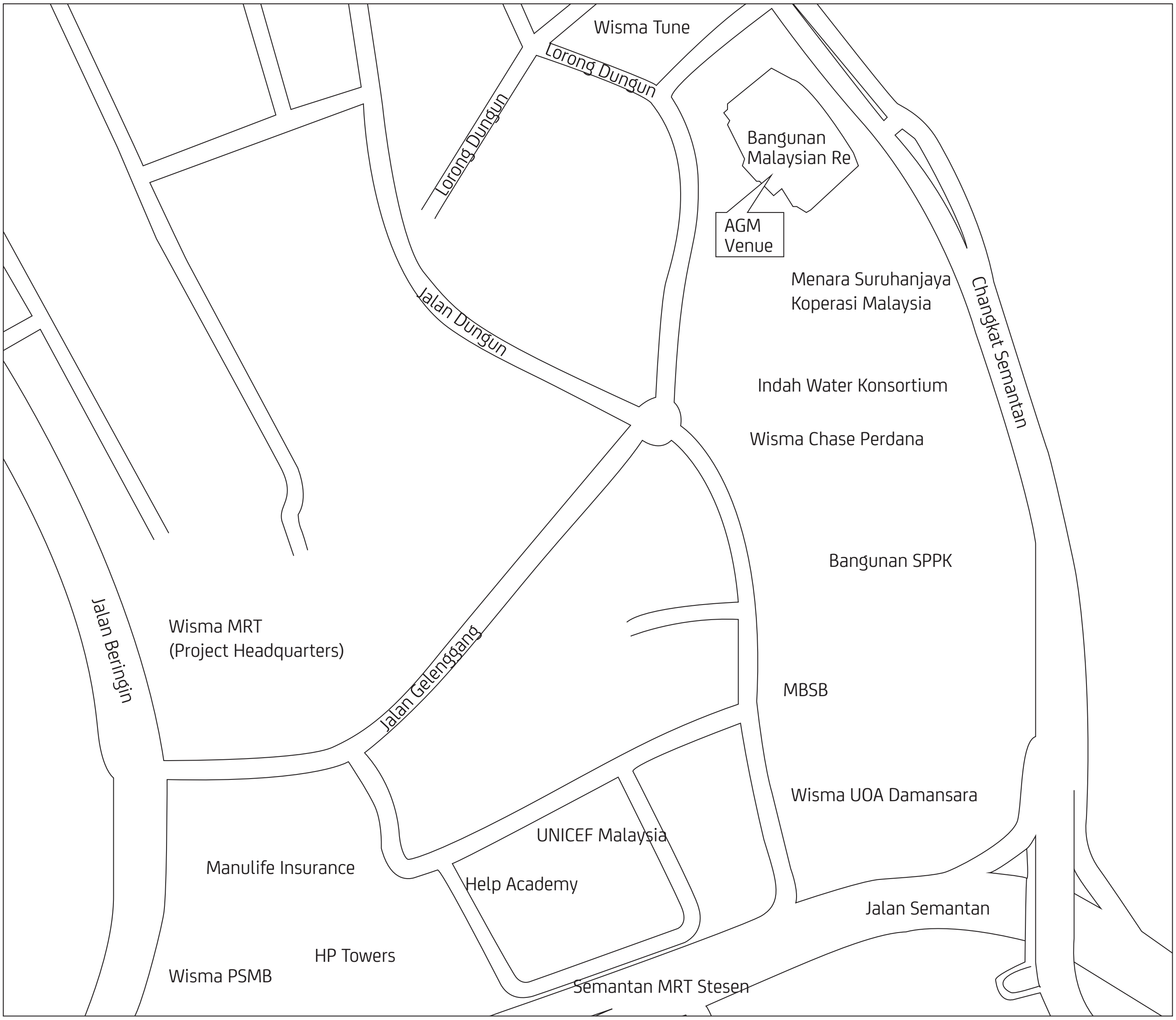
ENQUIRY

- If you have any enquiry relating to the administrative details of the AGM, please contact the following during office hours:

Encik Norazman Hashim Tel: +603 2096 7118 *Company Secretary*	Puan Lena Abd Latif Tel: +603 2096 7190 *Company Secretary*

- If you have any enquiry relating to the registration and proxy form, please contact our Share Registrar during office hours:

Tel (Help Desk)	:	+603 7849 0777
Fax	:	+603 7841 8151/8152
E-mail	:	ssr.helpdesk@symphony.com.my



PROXY **FORM**

MNRB HOLDINGS BERHAD
(13487-A)

No. of Share Held:	
CDS Account No.:	

I/We____ MYKAD No./Passport No./Company No.__________________
(Full name in BLOCK LETTERS as per MYKAD/Passport/Certificate of Incorporation)

of ____
(Address in full)

being a member of MNRB HOLDINGS BERHAD ("the Company"), hereby appoint ______________________________
(Full name in BLOCK LETTERS as per MYKAD/Passport)

____________________________________ MYKAD No./Passport No. ____________________________

of ____
(Address in full)

or failing him/her____________________________________ MYKAD No./Passport No. ________________________
(Full name in BLOCK LETTERS as per MYKAD/Passport)

of ____
(Address in full)

Or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Auditorium, 3rd Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur on Thursday, 13 September 2018 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of Annual General Meeting.

AGENDA			
To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and Auditors thereon			
No.	**Resolution**	**For**	**Against**
	ORDINARY BUSINESS		
1.	To re-elect Dato Sharkawi Alis, who retires pursuant to Article 86 of the Company's Constitution		
2.	To re-elect Mustaffa Ahmad, who retires pursuant to Article 86 of the Company's Constitution		
3.	To re-elect Datuk Johar Che Mat, who retires pursuant to Article 92 of the Company's Constitution		
4.	To re-elect George Oommen, who retires pursuant to Article 92 of the Company's Constitution		
5.	To approve the payment of Directors' fees for the financial year ended 31 March 2018		
6.	To approve the payment of Directors' benefits (excluding Directors fees) payable to the Directors for the period from 14 September 2018 until the conclusion of the next Annual General Meeting in 2019		
7.	To reappoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to fix their remuneration		

(Please indicate with a cross (X) in the space provided whether you wish your votes to be cast for or against the resolutions above. In the absence of specific instructions, your proxy will vote or abstain as he/they may think fit.)

Dated __________day of ________________ 2018.

____
Signature

NOTE:

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint proxy(ies) to attend and vote in his behalf. A proxy need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Authorised Nominee") may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Notwithstanding the above, an exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy, and only one (1) proxy shall be entitled to vote. Where a member is an exempt Authorised Nominee, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each omnibus account it holds. An Instrument appointing a proxy(ies) shall be in writing, and in the case of an individual shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a Corporation shall be either given under its common seal or signed on its behalf by its attorney or an officer of the Corporation so authorised. An Instrument appointing a proxy(ies) must be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, not less than forty-eight (48) hours before the time set for the Annual General Meeting or any adjournment thereof. Only members registered in the Record of Depositors as at 6 September 2018 shall be eligible to attend the AGM or appoint proxy(ies) to attend and vote on his/her behalf. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM are to be voted by poll.

1st Fold

STAMP

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

2nd Fold

MNRB HOLDINGS BERHAD
(13487-A)

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50490 Kuala Lumpur

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Fax: (603) 2096 7000
E-mail: enquiry@mnrb.com.my

www.mnrb.com.my