BUSINESS OPERATIONS REVIEW

MALAYSIAN LIFE INSURANCE REVIEW

The Life Insurance Division posted a drop of 9.1% in total gross earned premiums to RM1.0 billion (2009: RM1.1 billion), largely from reduction in single premium business, in particular Fixed Dividend Endowment plan ("FDE") and group business. The contraction in FDE's premium was the result of MAA's strategy to wind down the sale of this capital intensive plan for better liquidity management. However, MAA recorded a 56.8% growth in first year premium due to increase in the sales of investment-linked plans.

The Life Insurance Division also recorded a net total investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios amounted to RM472.6 million, a 15.7% improvement over 2009 of RM408.6 million. The improvement was due mainly to higher interest income from the bonds portfolio and gain from realisation of quoted equity securities, coupled with write back of impairment allowance on certain commercial loans made in previous years on the back of loan recovery made.

Consistent with 2009 to meet the capital requirements under RBC Framework, no transfer of surplus is made from the Life Insurance Fund to the Shareholders' Fund during the year under review.

Moving forward, MAA will focus on revenue growth through product innovation particularly investment-linked plans and distribution creation via recruiting, training and retaining quality agents.

MALAYSIAN GENERAL INSURANCE REVIEW

The General Insurance Division recorded a commendable growth of 25.2% in total gross earned premiums to RM521.7 million (2009: RM416.6 million). Both motor business and non-motor premiums increased by 38.5% to RM292.9 million (2009: RM211.5 million) and 11.6% to RM228.8 million (2009: RM205.1 million) respectively.

During the year under review, the claims ratio improved to 65.3% (2009: 68.3%). The improvement was the result of continuous strategic actions taken since previous years to move away from non-profitable business lines. Notwithstanding the improved claims ratio, the Division has recorded a lower net total investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios amounted to RM36.5 million (2009: RM45.2 million). This lower income was mainly due to disposal of some investment assets by the General Insurance Division totaling RM85.0 million to the Shareholders' Fund during the year under review to settle the inter-fund owing.

Riding on the higher total gross earned premiums and improved claims ratio, the General Insurance Division of MAA turned-around from an underwriting loss of RM7.9 million in 2009 to making an underwriting profit of RM13.8 million in 2010. For the year under review, the General Insurance Division recorded a profit before taxation of RM55.5 million, an impressive 48.0% improvement over 2009 profit before taxation of RM37.5 million.

MALAYSIAN TAKAFUL INSURANCE REVIEW

In 2010, the Family Takaful Fund registered a total gross earned contributions of RM157.4 million (2009: RM84.7 million) mainly from investment-linked products, whilst the General Takaful Fund recorded a total gross earned contributions of RM99.5 million (2009: RM59.9 million), mainly growth from motor, personal accident and miscellaneous classes of business.

In its fourth full year of operations, the Shareholders' Fund of MAA Takaful recorded a two fold increase in profit before zakat and taxation to RM7.2 million (2009: RM3.1 million), after taking into account a surplus of RM3.4 million (2009: RM1.6 million) transferred from the Family Takaful Fund.

The General Takaful Fund recorded a higher loss before taxation of RM5.8 million (2009: loss before taxation of RM1.3 million). The higher loss was due mainly to increase in claims ratio from 63.4% in 2009 to 80.3%, mainly from fire, motor and miscellaneous classes of business.

As provided in Section 16(3) of the Takaful Act 1984, the board of directors of MAA Takaful has approved the distribution of surplus on the Family Takaful Fund amounting to RM6.8 million as recommended by the appointed actuary of the company. This distribution will be shared equally by the company (being the operator) and the participants in accordance with MAA Takaful's surplus distribution policy.

We are proud to announce that in August 2010 MAA Takaful was awarded with the "Most Outstanding Takaful Product" for its Takafulink product at the Seventh Kuala Lumpur Islamic Finance Awards Ceremony, the second consecutive year that the company has won the award for one of its products.

Moving into its fourth year of operations, MAA Takaful has intensified its measures to achieve optimised internal processes and systems, while expanding product offering to ensure that customers attain ultimate benefits in terms of efficient services and superior products.

MAA Takaful expects the operating environment in the takaful sector to remain challenging and competitive, with the granting of four (4) new family takaful licences by the Minister of Finance in 2009/2010. Nevertheless, MAA Takaful will continue with its effort to roll out new innovative products, expand its customer base, recruit quality and productive agency force and establish new distribution channels.

MALAYSIAN UNIT TRUST REVIEW

In 2010, the Malaysian unit trust industry registered an expansion with total Net Asset Value ("NAV") of funds under management increased by 18.3% to RM226.8 billion (2009: RM191.7 billion). Meanwhile, the value of assets under management by fund managers grew by 12.1% during the year under review.

As at end of December 2010, the total number of funds under management of MAAKL Mutual (the unit trust management company of the Group") grew from twenty four (24) in 2009 to twenty five (25) with the launch of one new fund during the year under review, namely MAAKL Indonesia Equity Fund. During the year under review, the total NAV of unit trust funds under management of MAAKL Mutual increased by 15.4% from RM1.6 billion as at end December 2009 to RM1.8 billion as at end December 2010, an increase which is in line with the 19.3% gain in FMB KLCI and the unit trust industry performance during the year. Towards this, MAAKL Mutual's market ranking in terms of market share has improved from 10 as at end December 2009 to 9 as at end December 2010. As at end December 2010, the agency force of MAAKL stood at 1,212 agents (2009: 1,175 agents).

During the year, MAAKL Mutual continued to contribute positively to the results of the Group with a two fold increase in profit before taxation to RM2.2 million (2009: RM1.1 million).

BUSINESS OPERATIONS REVIEW
(continued)

INTERNATIONAL OPERATIONS REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based offshore insurance and investment arm of the Group, turned-around to record an operating profit before taxation of RM9.4 million (2009: loss before taxation of RM1.8 million) before taking into account impairment allowance made on certain assets and investment in insurance subsidiary companies in Indonesia totaling RM32.6 million during the year under review. Nevertheless, the impairment allowance on investment in such insurance subsidiary companies will not have any impact on the Group's results since the Group has already included the results of these subsidiary companies from the date of acquisition.

For the sixth consecutive year, the general insurance business in the Philippines contributed positively to the results of the Group with profit before taxation of RM2.1 million (2009: RM1.2 million). However, both the life and general insurance businesses in Indonesia posted negatively to the results of the Group with losses before taxation of RM8.2 million and RM0.1 million respectively. The loss by the life insurance business was mainly due to non-profitable business underwritten during the year.

Since 2008, the Group has scaled down its operations in the unit trust business in the Philippines for cost containment and business non-viability. Towards this end, the Group has been on the lookout for interested parties for possibility of divestment of its investment in the unit trust business in the Philippines.

The Group's associated company, Columbus Capital Pty Ltd ("CCAU") which commenced operations in 2006 to carry out the business of retail mortgage lending and loan securitisation in Australia, recorded a loss before taxation of RM2.1 million in 2010 (2009: profit before taxation of RM6.6 million). The loss arose mainly from lower interest revenue arising from reducing mortgage portfolios as a result of maturity of certain portfolios during the year. Nevertheless, CCAU has moved ahead to actively sourcing for new mortgage portfolios during the year. CCAU packaged mortgage loans but does not take on the credit risk as the loans are insured by S&P (AA rated insurers).