BUSINESS OPERATIONS REVIEW

MALAYSIAN LIFE INSURANCE DIVISION REVIEW

For the nine (9) months ended 30 September 2011 prior to completion of the sale of MAA Assurance, the Malaysian Life Insurance Division recorded a total gross earned premiums of RM681.3 million (2010: 9 months ended 30 September: RM681.8 million; full year: RM1.0 billion).

The Malaysian 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 of RM174.5 million, a decrease of 49.7% over 2010 corresponding period of RM346.9 million (2010 full year: RM472.6 million). The decrease during the year under review was due mainly to net fair value loss on quoted equity securities of RM69.7 million compared to a net fair value gain of RM127.1 million in 2010 corresponding period.

The Malaysian Life Insurance Division recorded a surplus before taxation of RM82.1 million for the nine (9) months ended 30 September 2011 (2010: 9 months ended 30 September: RM20.0 million; full year: RM62.1 million). The higher surplus in 2011 was due mainly to higher recorded net total investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios.

Consistent with previous years, no transfer of surplus is made from the Life Insurance Fund to the Shareholders' Fund prior to completion of the sale of MAA Assurance to meet the capital requirements under RBC Framework.

MALAYSIAN GENERAL INSURANCE DIVISION REVIEW

For the nine (9) months ended 30 September 2011 prior to completion of the sale of MAA Assurance, the Malaysian General Insurance Division recorded a total gross earned premiums of RM346.9 million (2010: 9 months ended 30 September: RM390.4 million; full year: RM521.7 million). The decrease in gross earned premium during the year under review was due mainly to lower motor portfolio business underwritten. The portfolio mix in 2011 was approximately 54.2% motor and 45.8% non-motor (2010: 59.1% motor and 40.9% non-motor).

During the nine (9) months under review, the claims ratio improved to 59.1% compared to 64.1% in 2010 corresponding period. The improvement was the result of continuous strategic actions taken since previous years to move away from non-profitable business lines. Along with the improved claims ratio, the Division has also recorded a marginal 4.5% increase in net total investment income, gain or loss from realisation of investments and fair value changes of the investment portfolios of RM25.4 million (2010: RM24.3 million).

Riding mainly on the improved claims ratio, the Malaysian General Insurance Division recorded a profit before taxation of RM60.8 million, an improvement of 58.7% over 2010 corresponding period profit before taxation of RM38.3 million.

MALAYSIAN TAKAFUL DIVISION REVIEW

In 2011, the Malaysian Family Takaful Fund registered a total gross earned contributions of RM163.8 million (2010: RM157.4 million) mainly from investment-linked products, whilst the General Takaful recorded a total gross earned contributions of RM124.5 million (2010: RM99.5 million), mainly growth from motor, fire, marine, aviation and transit, and miscellaneous classes of business.

The Shareholders' Fund of MAA Takaful recorded a marginal increase in Profit Before Zakat and Taxation of RM7.5 million (2010: RM7.2 million), after taking into account a surplus of RM6.4 million (2010: RM3.4 million) transferred from the Family Takaful Fund.

The Malaysian General Takaful Fund turnaround from a Loss before Zakat and Taxation of RM5.8 million in 2010 to a Profit before Zakat and Taxation of RM6.8 million during the year under review. The improvement in results was contributed by improved claims ratio from 80.3% in 2010 to 54.2%, mainly from fire, motor and miscellaneous classes of business.

The Family Takaful Fund recorded a Surplus Before Zakat and Taxation of RM61.9 million (2010: RM66.0 million) before the surplus transfer of RM6.4 million (2010: RM3.4 million) to the Shareholders' Fund. As provided in the Section 16(3) of the Takaful Act 1984, the board of directors of MAA Takaful Berhad ("MAAT") has approved the distribution of surplus on the Family Takaful Fund amounting to RM12.8 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 MAAT's surplus distribution policy.

Once again, the Group announced that for the third consecutive year, MAAT was awarded with the "Most Outstanding Takaful Product" for its Takafulink product at the Eighth Kuala Lumpur Islamic Finance Awards Ceremony held in 2011.

Moving into its fifth year of operations, MAAT has continued with its measures to achieve optimised internal processes and systems, while expanding products offering and opening its new branches to ensure that customers attain ultimate benefits in terms of efficient services and superior products.

MAAT expects the operating environment in the takaful sector to remain challenging and competitive. Nevertheless, MAAT will continue with its effort to roll out new innovative products, expand its customer base, recruit quality and productive agency force and establish new branches and distribution channels.

MALAYSIAN UNIT TRUST DIVISION REVIEW

In 2011, the Malaysian unit trust industry registered an expansion with total Net Asset Value ("NAV") of funds under management increased by 10.0% to RM249.5 billion (2010: RM226.7 billion).

As at end of December 2011, the total number of funds under management by MAAKL Mutual Bhd ("MAAKL") grew from twenty five (25) in 2010 to twenty six (26) with the launch of one new fund during the year under review, namely the MAAKL-HDBS Shariah Progress Fund. During the year under review, the total NAV of unit trust funds under management of MAAKL increased marginally, from RM1.81 billion as at end December 2010 to RM1.86 billion as at end December 2011. As at end December 2011, MAAKL's market ranking in terms of market share has moved up a notch, from number 9 as at end December 2010, to number 8 as at end December 2011.

As at end December 2011, the agency force of MAAKL stood at 1,495 agents (2010: 1,212 agents). In enhancing its services to customers and agents, MAAKL launched the MAAKL Home Office Mobile application on iPad during the year under review to enable them to monitor their unit trust investments anytime and anywhere.

During the year, MAAKL continued to contribute positively to the results of the Group with an increase in Profit Before Taxation to RM2.5 million (2010: RM2.2 million).

INTERNATIONAL INSURANCE & UNIT TRUST DIVISION REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based offshore insurance and investment arm of the Group, recorded a lower total gross premium income of RM9.0 million (2010: RM52.9 million). The lower premium was due mainly to commutation of both its life and general reinsurance treaties with MAA Assurance during the year. MAAIA recorded a Profit Before Taxation of RM46.7 million (2010: RM9.4 million) before taking into account impairment allowance made on certain assets and investment in insurance subsidiary companies in Indonesia totaling RM33.8 million (2010: 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 consolidated the results of these subsidiary companies from the date of acquisition.

For the seventh consecutive year, the general insurance business in Philippines contributed positively to the results of the Group with Profit Before Taxation of RM6.4 million (2010: RM2.3 million). However, the life insurance business in Indonesia posted negatively to the results of the Group with a Loss Before Taxation of RM6.8 million (2010: RM8.2 million) while the general insurance business recorded a marginal Profit Before Taxation of RM0.3 million (2010: Loss Before Taxation of RM0.1 million). Both the Indonesia life and general insurance businesses went through operational consolidation to reduce non-profitable business portfolios during the year under review.

Since 2008, the Group has scaled down its operations in the unit trust business in the Philippines for costs containment and business non-viability. The Group has continued to look out for interested parties for the possibility of divestment of its investment in the unit trust business in the Philippines.

On another front, the Group's associated company, Columbus Capital Pty Ltd ("Columbus") which commenced operations in 2006 to carry out the business of retail mortgage lending and loan securitisation in Australia, recorded a Loss After Taxation of RM5.0 million in 2011 (2010: RM2.1 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.

Towards this end, Columbus is driving to move ahead; by actively sourcing for new mortgage portfolios it can acquire, in its bid to arraign economies of scale. Subsequent to 31 December 2011, Columbus had made a bid to acquire mortgage portfolios issued by other mortgage houses, totaling to approximately AUD2.2 billion (RM6.97 billion). Funding for the acquisition of such mortgage portfolios will be by way of bank loans, to be later repaid from the issuance of Collateralized Debt Obligation ("CDO") securities by Columbus. Should Columbus be successful in its bid, and should the mortgage industry in Australia remain as secure as it has been up until recently, the future of Columbus does appear to be very bright.