MALAYSIAN TAKAFUL REVIEW

In 2012, the Malaysian Family Takaful Division registered a 27.7% increase in total Gross Earned Contributions to RM209.1 million (2011: RM163.8 million), whilst the General Takaful Division recorded a 22.8% increase in total Gross Earned Contributions to RM152.9 million (2011: RM124.5 million).

The Shareholders' Fund of MAA Takaful recorded a marginal increase in Profit Before Taxation ("PBT") of RM16.3 million (2011 PBT: RM15.3 million), after taking into account a surplus of RM9.8 million (2011: RM8.1 million) transferred from the Family Takaful Fund and RM6.8 million (2011: RM6.1 million) transferred from General Takaful Fund.

The General Takaful Fund of MAA Takaful registered an impressive 48.3% increase in Surplus Before Taxation ("SBT") to RM10.1 million (2011 SBT: RM6.8 million) during the year under review. The improvement was contributed by improved claims ratio from 54.2% in 2011 to 40.6%, mainly from fire, motor and miscellaneous classes of business.

The Family Takaful Fund of MAA Takaful also recorded a higher SBT of RM19.0 million (2011 SBT: RM14.3 million) before the surplus transfer of RM9.8 million (2011: RM8.1 million) to the Shareholders' Fund. As provided in Section 16(3) of Takaful Act 1984, the board of directors of MAA Takaful has approved the distribution of surplus on the Family Takaful Fund amounting to RM19.6 million (2011: RM16.2 million) as recommended by the appointed actuary of the company. This distribution will be shared equally by the company (being the operator) and the Takaful participants in accordance with MAA Takaful's surplus distribution policy.

Once again, I am proud to announce that with three previous wins for the "Most Outstanding Takaful Product" under its belt, MAA Takaful was awarded with the "Most Outstanding Islamic Retail Product" for its Takafulink product, at the 9th Kuala Lumpur Islamic Finance Awards Ceremony held in 2012.

Moving into its sixth year of operations, MAA Takaful has continued with its measures to achieve optimised internal processes and systems, expanding its product offerings, and opening new branches, to ensure that customers benefit in terms of efficient services and superior products. As at end December 2012, MAA Takaful's network has grown, with a total of 8 branches.

MAA Takaful expects the operating environment in the Takaful Sector to remain positive, although there are major concerns over the imminent changes under the IFSA, and the mandatory sharing of losses of the Malaysian Motor Insurance Pool, as dictated by BNM. Nevertheless, MAA Takaful will continue with its efforts to roll out new innovative products, expand its customer base, recruit quality and productive agency force, and establish new branches and distribution channels, to ensure the long-term success of the division.

MALAYSIAN UNIT TRUST REVIEW

In 2012, the Malaysian Unit Trust Industry registered an expansion, with total Net Asset Value ("NAV") of funds under management increasing by 18.2% to RM294.9 billion (2011: RM249.5 billion), outperforming the FTSE Bursa Malaysia Kuala Lumpur Composite Index which advanced by 10.3%.

As at end of December 2012, the total number of funds under management by MAAKL Mutual Bhd ("MAAKL") grew to 27 with the launch of one new fund during the year under review, namely the MAAKL-HW Shariah Flexi Fund. During the year under review, the total NAV of Unit Trust funds managed by MAAKL increased by 17.2% from RM1.86 billion as at end December 2011 to RM2.18 billion as at end December 2012. As at end December 2012 MAAKL's market ranking in terms of market share stood at number 9 among a total of 41 Unit Trust Management Companies in the country.

As at end December 2012, the agency force of MAAKL stood at 1,538 agents (2011: 1,495 agents).

During the year, MAAKL continued to contribute positively to the results of the Group with a PBT of RM2.5 million (2011 PBT: RM 2.5 million), albeit with a lower initial service and management fee income of RM38.0 million (2011: 39.1 million).

MAAKL's funds performed well during the year, with the receipt of 2 awards at The Edge-Lipper Malaysia Fund Awards 2012, namely "Best Mixed Assets Fund Group" and "Best Mixed Asset MYR Flexible Fund, 3 Year Award" for the second consecutive year.

INTERNATIONAL INSURANCE REVIEW

MAA International Assurance Ltd ("MAAIA"), the Labuan based Offshore Insurance and investment arm of the Group, recorded a PBT of RM10.2 million (2011 PBT: RM12.9 million), mainly from the General Insurance fund income from a waiver of debt of RM14.9 million under a General Reinsurance Treaty commutation agreement entered into with MAA Assurance in 2011.

MAAIA's Life Insurance Division registered a small Loss Before Taxation ("LBT") of RM128,000 (2011 PBT: RM50.6 million). The profit in the preceding year arose from a full release of the insurance contract liabilities of RM48.3 million subsequent to the commutation of its Life Insurance Treaty with MAA Assurance in 2011. The commutation of both Life and General Insurance Treaties was effected following the sale of MAA Assurance to Zurich.

For the eighth consecutive year, the General Insurance business in Philippines contributed positively to the results of the Group with PBT of RM3.0 million (2011 PBT: RM5.9 million). The lower profit in 2012 was due mainly to higher claims ratio of 52.1% (2011: 48.0%) particularly from the motor and fire class of businesses, arising from catastrophic typhoons which hit Philippines during the year.

For the insurance business in Indonesia, MAAIA had disposed the Life Insurance business held under PT MAA Life Assurance ("PTMAAL") on 16 August 2012 for a total cash consideration of RM7.8 million with a gain on disposal of RM10.8 million for the Group. For the current period up to the completion of the sale, PTMAAL recorded a LBT of RM3.2 million.

The General Insurance business in Indonesia posted negatively to the results of the Group with a LBT of RM27.1 million (2011 LBT: RM24.5 million) resulted from substantial under reserve in claims, reinstatement premiums and higher agents' commission expenses. Towards this end, a detailed review has commenced over the General Insurance business operations in Indonesia to determine its business viability.

AUSTRALIAN MORTGAGE FINANCING REVIEW

The Group's 49% associated company in Australia, Columbus Capital Pty Ltd ("CCAU") commenced operations in 2006 to carry out the business of retail mortgage lending and loan securitisation. Over the years, despite the challenging market conditions faced by non-bank financial institutions in Australia, Columbus has continued to actively managed its existing mortgage portfolios and at the same time source acquisition opportunities to grow the operations. With fruitful efforts, Columbus has successfully completed the acquisition of the wholesale mortgage distribution business, Origin Mortgage Management Services which manages a portfolio of approximately AUD2.2 billion in residential mortgages ("Origin Portfolio") on 28 September 2012.

During the year, Columbus recorded a Loss After Taxation ("LAT") of RM6.4 million (2011 LAT: RM6.4 million). The loss arose mainly from lower interest revenue arising from reduction in its mortgage portfolio, as a result of certain portfolios maturity during the year. The acquisition of the Origin Portfolio, was only completed at the end of September 2012, is expected to contribute profits for the Group, in the following years.