



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	GROUP			
	Individual Period		Cumulative Period	
	3 months ended 31-December-2004 RM'000	3 months ended 31-December-2003 RM'000	9 months ended 31-December-2004 RM'000	9 months ended 31-December-2003 RM'000
Operating Revenue	<u>180,178</u>	<u>177,178</u>	<u>539,849</u>	<u>523,427</u>
Surplus/(Deficit) from Shareholders' Fund	(2,598)	(3,699)	(10,028)	(8,773)
Surplus/(Deficit) transferred from General Reinsurance Revenue Accounts	31,156	32,469	88,910	89,023
Share of profits/(losses) of an associate company	914	2,878	6,421	9,721
Profit Before Tax	29,472	31,648	85,303	89,971
Taxation	(7,623)	(9,300)	(22,603)	(23,630)
Share of taxation of an associate company	-	-	-	-
Net Profit / (Loss) for the period	21,849	22,348	62,700	66,341
Earnings per share (sen):-				
• Basic	11.09	11.5	31.97	34.1
• Diluted	11.06	10.9	31.89	33.1

The Condensed Financial Statements are to be read in conjunction with the Annual Financial Report for the year ended March 31, 2004



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
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CONDENSED CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2004

	GROUP	
	As At 31 December 2004 RM'000	As At 31 March 2004 (Audited) RM'000
ASSETS		
Property, Plant and Equipment	9,497	11,270
Deferred tax assets	8,200	9,400
Investment in Associated Company	112,449	106,028
Investments	723,528	767,821
Deposits & Money Market	570,701	454,205
Loan receivables	16,737	16,534
Receivables	85,906	93,194
Cash and bank balances	3,819	993
TOTAL GENERAL REINSURANCE BUSINESS AND SHAREHOLDERS' FUND ASSETS	1,530,837	1,459,445
General Takaful Fund assets	19,427	8,770
Family Takaful Fund assets	19,871	7,806
TOTAL ASSETS	1,570,135	1,476,021
LIABILITIES		
Provision for outstanding claims	597,655	582,928
Payables	32,474	39,911
Taxation	21,968	18,257
TOTAL GENERAL REINSURANCE BUSINESS AND SHAREHOLDERS' FUND LIABILITIES	652,097	641,096
General Takaful Fund liabilities	5,472	1,218
Family Takaful Fund liabilities	2,587	606
Unearned Premium Reserves	230,790	212,707
TOTAL LIABILITIES	890,946	855,627
TAKAFUL PARTICIPANTS' FUND		
General Takaful	9,066	2,458
Family Takaful	11,755	926
	20,821	3,384
SHAREHOLDERS EQUITY		
Share Capital	199,996	195,934
Reserves	458,372	421,076
	658,368	617,010
TOTAL LIABILITIES, TAKAFUL PARTICIPANTS' & SHAREHOLDERS' FUNDS	1,570,135	1,476,021
Net Tangible Assets/Share (RM)	3.29	3.15

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the Annual Financial Report for the year ended March 31, 2004*



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
(The figures have not been audited)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2004**

	GROUP				
	Share Capital RM'000	RESERVES			Total RM'000
		Non-distributable Share Premium RM'000	Distributable Retained Profits RM'000	Translation Reserve on Consolidation RM'000	
As at April 1, 2004	195,934	73,181	309,553	38,342	617,010
Exercise of ESOS	4,062	7,570	-	-	11,632
Share of accumulated profits in associate	-	-	6,421	-	6,421
Profit before Tax	-	-	78,882	-	78,882
Statutory Taxation	-	-	(21,403)	-	(21,403)
Deferred tax assets/(liability)	-	-	(1,200)	-	(1,200)
Dividends	-	-	(32,974)	-	(32,974)
As at December 31, 2004	199,996	80,751	339,279	38,342	658,368

The Condensed Financial Statements are to be read in conjunction with the Annual Financial Report for the year ended March 31, 2004



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
(The figures have not been audited)

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2003**

	GROUP				
	Share Capital	RESERVES			Total
		Non-distributable Share Premium	Distributable Retained Profits	Translation Reserve on Consolidation	
RM'000	RM'000	RM'000	RM'000	RM'000	
As at April 1, 2003					
As previously stated	194,299	70,196	262,307	38,342	565,144
Prior year adjustments	-	-	12,000	-	12,000
As at April 1, 2003 (restated)	194,299	70,196	274,307	38,342	577,144
Preliminary expenses – New ESOS	-	(73)	-	-	(73)
Exercise of ESOS	1,041	1,947	-	-	2,988
Share of accumulated profits in associate	-	-	9,721	-	9,721
Net Profit for the Period	-	-	80,250	-	80,250
Statutory Taxation	-	-	(26,430)	-	(26,430)
Deferred tax assets/(liability)	-	-	2,800	-	2,800
Dividends	-	-	(39,942)	-	(39,942)
As at December 31, 2003	195,340	72,070	300,706	38,342	606,458

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MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	GROUP	
	9 months ended 31-December-2004 RM'000	9 months ended 31-December-2003 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	85,680	89,971
Adjustment for:		
Non-cash items	(48,696)	(11,438)
Non-cash operating items	(6,420)	(49,398)
Profit from operation before changes in operating assets and liabilities	30,564	29,135
Net change in current assets	(104,277)	78,794
Net change in current liabilities	22,505	(20,751)
Cash operating items	78,016	(43,362)
Net cash generated from operating activities	26,808	43,816
CASH FLOW FROM INVESTING ACTIVITIES	(2,640)	(5,640)
CASH FLOW FROM FINANCING ACTIVITIES	(21,342)	(37,027)
CASH AND BANK BALANCES		
Net increase during the period	2,826	1,149
Cash and bank balances at the beginning of the period	993	1,434
Cash and bank balances at the end of the period	3,819	2,583

The Condensed Financial Statements are to be read in conjunction with the Annual Financial Report for the year ended March 31, 2004



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
(The figures have not been audited)

PART A – NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

A1. Basis of Preparation

The interim financial report has been prepared in accordance with MASB 26 on “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The figures have not been audited.

The interim financial report should be read in conjunction with the Group’s most recent audited financial statements for the year ended March 31, 2004.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended March 31, 2004.

A2. Disclosure on Qualification of Audit Report

The Audit Report on the Group’s preceding annual financial statements was not qualified.

A3. Seasonal or Cyclical Factors

The operation of the Group is not affected by any seasonal factors. With regards to cyclical factors, the performance of the Group is directly correlated with the economic performance of the Country.

A4. Unusual Item Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There was no unusual item affecting assets, liabilities, equity, net income or cash flows for the current financial year to date.

A5. Changes In Estimates

There were no material changes in estimates used in the preparation of this interim financial report.



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED DECEMBER 31, 2004 *(The figures have not been audited)*

A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

During the current financial year to date, the Group increased its issued and fully paid up share capital from RM195.934 million to RM199.996 million as a result of issuance of 4.062 million new ordinary shares of RM1.00 each to eligible staff who had exercised their options under the Employees Share Option Scheme (“ESOS”) of Malaysian National Reinsurance Berhad (“MNRB” or “the Company”).

A7. Dividend Paid

- i) A final dividend of 10% or 10 sen (comprising 6% less 28% tax and 4% Tax-Exempt) for the financial year ended March 31, 2004 amounting to RM16.4 million was paid on August 16, 2004.
- ii) An interim dividend of 10% or 10sen (comprising 6% less 28% tax and 4% Tax-Exempt) for the financial year ended March 31, 2005 amounting to RM16.6 million was paid on December 23, 2004.

A8. Segmental Reporting

The Group is principally engaged in the underwriting of all classes of general reinsurance business and the operation of general takaful and family takaful business. The subsidiary, Takaful Ikhlas Sdn. Bhd., (“Takaful Ikhlas”) commenced its core operation as a takaful operator on July 2, 2003. However, no segmental information is provided in this report as the results of the subsidiary are immaterial on a group-wide basis.

A9. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any change from the previous annual financial statements.

A10. Subsequent Event

There were no significant subsequent events from December 31, 2004 to the date of this report other than that disclosed under Note B8 below.



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
(The figures have not been audited)

A11. Changes in the Composition of the Group

Pursuant to the proposed corporate restructuring of MNRB that was announced on August 22, 2003, MNRB had, on September 10, 2004, acquired the two (2) subscriber shares at a par value of RM1.00 each in Malaysian Reinsurance Berhad ("Malaysian Re), representing the entire issued and paid-up share capital of Malaysian Re for a total cash consideration of RM2.00.

In addition to the above, MNRB had, on December 27, 2004, subscribed for an additional 49 million ordinary shares of RM1.00 each in Takaful Ikhlas for cash via internally generated funds. With the above subscription by MNRB, the issued and paid up capital of Takaful Ikhlas now stands at RM100 million, comprising 100 million ordinary shares of RM1.00 each.

Other than the above, there were no changes in the composition of the Group during the current financial year to date.

A12. Contingent Liabilities or Contingent Assets

There is no contingent liability or asset as at the date of the issue of this report. For the purpose of this paragraph, Contingent Liabilities or Assets do not include those arising from the contract of reinsurance or takaful operation.



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
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**PART B – ADDITIONAL INFORMATION REQUIRED BY THE
LISTING REQUIREMENTS OF BURSA MALAYSIA**

B1. Review of Performance

For the nine (9) months period ended December 31, 2004, the Group recorded a revenue of RM539.8 million, 3.1% higher than RM523.4 million for the same period in the preceding year. This was mainly due to a slight increase in the gross premium written and an increase of about 33% in investment income due mainly to the higher profits from sale of investment and an exceptional dividend paid by a public listed company that the Company has invested in.

The Group's Profit Before Tax of RM85.3 million is 5.2% lower than the RM90.0 million recorded in the same period last year mainly due to the losses incurred by the subsidiary, Takaful Ikhlas, which commenced business in July 2003.

B2. Review of Current Quarter Profitability Against Preceding Quarter

The Group's Profit Before Tax for the current quarter remained almost similar at RM29.5 million, compared to RM29.4 million recorded during the preceding quarter ended September 30, 2004.

B3. Current Year Prospects

Barring unforeseen circumstances, the Directors expect the Group's performance in the current financial year ending March 31, 2005 to be satisfactory.

B4. Explanatory Note for Variance from Profit Forecast

Not Applicable - no profit forecast was issued by the Group during the period.



MALAYSIAN NATIONAL REINSURANCE BERHAD

(COMPANY NO. 13487-A)

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
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B5. Taxation

	GROUP			
	Individual Period		Cumulative Period	
	3 months ended 31-December-2004 RM'000	3 months ended 31-December-2003 RM'000	9 months ended 31-December-2004 RM'000	9 months ended 31-December-2003 RM'000
Profit before tax	29,472	31,648	85,303	89,971
Current tax:				
Current tax charge (as previously reported)	(8,023)	(11,300)	(21,403)	(26,430)
Deferred tax:				
Relating to timing differences	400	2,000	(1,200)	2,800
Profit after tax	21,849	22,348	62,700	66,341
<i>Effective tax rate</i>	25.9%	29.4	26.5%	26.3%

The Group's effective tax rates are lower than the statutory tax rates due to no taxes being estimated for the associate company. The associate is a company incorporated in Labuan, hence the Group's share of the associate's tax is immaterial.

B6. Profit/(Loss) on sale of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties during the quarter.

B7. Quoted Securities

The Group's activities are regulated by the Insurance Act 1996, Takaful Act 1984, Offshore Insurance Act 1990 and are subject to supervision by Bank Negara Malaysia. The particulars of investment in quoted securities or any purchase or disposal of quoted securities are therefore, not required.



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**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED DECEMBER 31, 2004**
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B8. Status of Corporate Proposals

Pursuant to the proposed corporate restructuring of MNRB that was announced on August 22, 2003, the High Court of Malaya had, on January 6, 2005, granted an Order approving the “Scheme for Transfer” of the reinsurance business from MNRB to Malaysian Re.

The proposed corporate restructuring is expected to be completed by the end of the current financial year.

B9. Borrowings / debt securities

There were no borrowings or debt securities as at the end of the reporting period.

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with material off balance sheet risk as at the date of the issue of this quarterly report.

B11. Material Litigations

There was no pending material litigation since the last annual balance sheet date up to the date of issue of this quarterly report.

B12. Dividends

- (a) The Board of Directors at its meeting held on February 22, 2005 had declared a second interim dividend;
- (i) The percentage / amount per share: 10 % or 10 sen (comprising 6% / 6 sen less 28% tax and 4% / 4 sen tax-exempt);
 - (ii) The previous corresponding period: 10% or 10 sen (6% or 6 sen less 28% tax and 4% or 4 sen tax-exempt);
 - (iii) The date payable: March 30, 2005;



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**INTERIM FINANCIAL REPORT
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- (iv) Entitlement to dividends will be determined on the basis of the record of the depositors as at March 16, 2005;
- (v) A depositor shall qualify for entitlement only in respect of:-
 - Shares transferred into the Depositors' Security Account before 4.00pm on March 16, 2005 in respect of ordinary transfers; and
 - Shares bought on the Bursa Malaysia on a cum entitlement basis according to the rules of the Bursa Malaysia.
- (b) Dividends paid for the current financial year to date are as disclosed under Note A7 above.

B13. Earning Per Share (EPS)

Basic EPS

The basic EPS of the Company is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

Diluted EPS

In a diluted earning per share calculation, the share options are assumed to have been exercised into ordinary shares. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's share for the period) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the "unpurchased" share to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the net profit.



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	GROUP			
	Individual period		Cumulative period	
	3 months ended 31-December-2004 RM'000	3 months ended 31-December-2003 RM'000	9 months ended 31-December-2004 RM'000	9 months ended 31-December-2003 RM'000
Net profit for the period (RM'000)	21,849	22,348	62,700	66,341
Weighted average number of ordinary shares in issue ('000)	196,959	194,960	196,125	194,557
Assumed exercise of share options ('000)	2,395	2,612	4,062	2,612
Weighted average number of ordinary shares for diluted EPS ('000)	197,458	197,572	196,623	197,169
Basic EPS (sen)	11.09	11.5	31.97	34.1
Diluted EPS/Diluted Loss Per Share (sen)	11.06	10.8	31.89	33.1

By Order of the Board

NORAZMAN BIN HASHIM (MIA 5817)

LENA BTE ABD LATIF (LS 8766)

Company Secretaries

Kuala Lumpur

Dated: February 22, 2005