

# Operations Review

AmBank Group's solid momentum growth in financial year ended 31 March 2009 reflects the flawless execution of well-crafted strategies. We have delivered commendable profit growth over four quarters of FY 2009 against the background of deteriorating global, regional and domestic market performance, and intense banking industry competition.

**Retail Banking**

Retail Banking's strategy has been focusing on loans growth in viable product segments whilst maintaining attention to enlarge the deposit base particularly low-cost deposits. Whilst dynamically focusing on volume versus price trade offs, business growth was founded on continuous improvement to customer service excellence, expansion of distribution footprints and increased sales productivity, underpinned by proactive risk management, credit and asset quality management and improving efficiencies.

**Business Banking**

The Business Banking's growth agenda was centred on building sustainable asset base whilst proactively managing existing accounts to mitigate higher risk of default. Growth was targeted towards high-growth industry segments, with greater diversification into securing non-interest income, by building affinity and business rapport. Focus was geared towards financing for small and medium enterprises, deposits, trade and cash management services, forex and remittance, transactional banking and deposits.

**Investment Banking**

In spite of softening equity and capital markets last year, Investment Banking continued to harness business opportunities in the market by maintaining strong relationships with key clientele whilst repositioning its strategy to face market downturn. Main revenue streams originated from funds management and corporate finance, with capital markets and broking division providing contributions in early FY 2009.

**Relationship Banking And Regional Business**

The Relationship Banking and Regional Business was uniquely segmented in FY 2009 with the aspiration to deepen and expand corporate and institutional relationships to garner larger leads for financing and advisory businesses. The move to create this new business segment also provides greater specialisation in managing international businesses and asset (REITs) management.

**Markets Business**

The Markets business (primarily treasury and other fund-based activities) were transferred from AmInvestment Bank Berhad to AmBank (M) Berhad and AmIslamic Bank Berhad in the course of the financial year. In light of challenging market conditions, Markets division has stepped up its risk framework and execution. Focus was on reducing volatile exposures and diversifying revenues. With the technical expertise of ANZ, the forex, interest rate derivatives and commodities business unit was successfully established.

**Islamic Banking**

Islamic Banking lived up to its aspiration to become an Islamic bank of choice by ensuring high degree of value to its customers and stakeholders. During the financial year, its profits, loans and deposits recorded notable growth, with asset quality and cost efficiency ratios maintained at healthy levels. The growth was characterised by expansion of product and business alliances and strong retail segment.

**Insurance**

The tactical plan in FY 2009 revolved on diversification into bancassurance business, with various innovative bundled insurance products being launched. In addition, we have improved the efficiency of our agency force, marketing channels and branches, as well as the back-end operating platform. At the strategic level, the segregation of composite license between life and general insurance was concluded to extract greater synergies from our business partners.

Moving into the ensuing financial year ... *"Strength in the face of adversity – pillared by the sturdy execution of strategies on income diversification, risk management and cost management enhancement, will be the core operating theme, optimising AmBank Group's position for the economic recovery in the foreseeable future".*

**RETAIL BANKING**

The Retail Banking division maintained its key business strategies of growing assets in preferred segments which provide for long term viability and profitability and increasing focus on deposit-taking businesses. Business units were continuously reinvented and expanded where feasible to ensure customer needs are fulfilled and a strong relationship proposition is delivered, and to improve the Group's long-term profitability.









With the combined expertise of ANZ's resources and our intimate market knowledge, the focus within the business has been to improve all aspects ranging from product development, frontline services and processing efficiency. ANZ's international exposure and best practices have been leveraged upon in the areas of strategic development, financial management, risk management, distribution channel management and services innovation.





**Growth And Performance**

For FY 2009, the Retail Banking's profit after tax improved by 13.0% year on year, mainly driven by improved revenue of RM40mil (2.0%) and improved asset quality (lower provisions by 28.0%). Net lending grew 3.0% and total retail deposit growth was recorded at 15.0% (retail low-cost deposits being 9.0%). Additionally, fixed deposits saw an accelerated growth of 16.0% due to the clear favourable interest rate.

In FY 2009, Retail Banking was once again the largest contributor to the Group's pre-tax profits accounting for RM820.8mil. Auto financing and mortgage loans contributed approximately two thirds of total Retail revenue. Net non-performing loan ratios further improved to 3.1% (previous financial year at 3.2%) due to stronger credit risk management, credit scoring, collections and recoveries management.

Retail Banking's customer deposits increase of RM4.9 billion from the previous year was largely contributed by successful deposit garnering campaigns, introduction of new segment-based and repackaged products (including bundling and cross-selling to the AmBank Group's customer base), focus on salary crediting facility and acquisition of main bank customer relationships. All these deposit

Market Position & Focus	Products & Services	Distribution Channel	Medium Term Aspirations	Salient Highlights FY 2009
<b>DEPOSITS AND CUSTOMER SOLUTIONS</b>				
<ul style="list-style-type: none"> <li>Overall ranked sixth position in terms of total bank wide deposits (amongst local banks).</li> <li>Grow low cost deposits base.</li> <li>Enhance product suite.</li> <li>Acquire new main bank customers.</li> <li>Stronger focus on corporate deposits acquisition, especially operating accounts, by segment focused deposits sales.</li> <li>Focus on acquiring more salary crediting accounts to SMEs through our payroll services – e-AmBiz and Autopay.</li> </ul>	<p><b>Deposits (Conventional and Islamic) products:</b></p> <p><b>Transactional Deposits Savings</b></p> <ul style="list-style-type: none"> <li>Basic Savings</li> <li>Basic Savings-i</li> <li>AmGenius</li> <li>Savers' G.a.n.g</li> <li>Savers' G.a.n.g-i</li> <li>Family First Special Savings Account</li> </ul> <p><b>Current Account</b></p> <ul style="list-style-type: none"> <li>Basic Current Account</li> <li>Basic Current Account-i</li> <li>AmStar</li> <li>AmStar Extreme</li> <li>Family First Everyday Account</li> </ul> <p><b>Investment Deposits Fixed Deposits (FD)</b></p> <ul style="list-style-type: none"> <li>Conventional FD</li> <li>Mega FD</li> <li>Am50 Plus</li> <li>Interest Plus</li> <li>AmQuantum Investment</li> </ul>	<ul style="list-style-type: none"> <li>187 branches nationwide</li> <li>Dedicated deposit sales desk and team at each Regional Office.</li> <li>Total of 611 ATMs nationwide (including those located at 7-Eleven stores).</li> <li>Continued strong relationship management with Government bodies and key corporate clients.</li> </ul> 	<ul style="list-style-type: none"> <li>Grow low cost deposits to 20.0% of total deposits.</li> <li>Reduce cost of funds.</li> <li>Reduce customer attrition and dormancy through active customer relationship management initiatives.</li> <li>Build Top Rate as a brand identity for Fixed Deposit to ensure top of mind recall by customers.</li> </ul> 	<ul style="list-style-type: none"> <li>Launched all-in-one Family First financial solution which offers a full suite of products and services to meet every aspect of a family's financial needs.</li> <li>Relaunched and rebranded AmStar and AmStar Extreme account. AmStar Extreme (formerly known as e-AmStar) is an innovative deposit account aimed at providing great convenience and cost savings.</li> <li>Enhanced Salary Crediting Facility to AutoPay-WIN – a Windows-based programme. It is a no frills, user-friendly salary crediting facility. It gives customers the convenience of monthly salary crediting, and cash handling with improved security.</li> <li>Embarked on transformation initiatives to improve services (e.g. improved account opening turnaround time, offsite account opening process).</li> <li>Launched the Treasure Quest campaign to garner deposits.</li> </ul>
<b>AUTO FINANCING</b>				
<ul style="list-style-type: none"> <li>Premier auto financier with 21.0% market share (based on purchase of passenger cars as at 31 March 2009).</li> <li>Maintain product profitability.</li> <li>Focus on AmBank's accredited dealers via Dealer Management Programme.</li> </ul>	<ul style="list-style-type: none"> <li>Conventional auto financing.</li> <li>Islamic auto financing.</li> <li>Conventional refinancing schemes.</li> <li>Floor plan/floor stocking for dealers.</li> <li>Step-up repayment schemes.</li> <li>Interest subsidy scheme.</li> <li>Zero interest.</li> <li>Floating –rate auto financing.</li> <li>Balloon repayment scheme.</li> <li>KPUB financing scheme.</li> </ul>	<ul style="list-style-type: none"> <li>18 auto financing business centres and 21 hybrid branches nationwide.</li> <li>Strategic alliances with major franchise holders and vehicle companies in Malaysia.</li> <li>Relationships with more than 4,000 authorised dealers nationwide.</li> </ul>	<ul style="list-style-type: none"> <li>To achieve ROE of double digit.</li> <li>Maintain the premier position as the "preferred auto financier" in terms of passenger vehicles.</li> </ul> 	<ul style="list-style-type: none"> <li>Won the prestigious 2008 Frost &amp; Sullivan ASEAN Automotive Award (Automotive Finance Company of the Year – Malaysia) held on 26 June 2008.</li> </ul>
<b>MORTGAGE</b>				
<ul style="list-style-type: none"> <li>6th largest financier of housing loans amongst local banks, with 5.9% market share.</li> <li>Focus on mid to mid-high end property segments.</li> </ul> 	<ul style="list-style-type: none"> <li>AmBank home loan &amp; property loan – choice of term loan or overdraft with flexible and manageable repayment terms.</li> <li>AmBank HomeLink &amp; PropertyLink – combines a term loan with current account to help save on loan interest.</li> <li>Family First Home Solutions – Peace of mind with 5-year fixed rate. A similar Shariah-compliant programme is offered by AmIslamic Bank.</li> <li>AmIslamic Bank Home Financing – Shariah-compliant products with options of fixed or flexi rates.</li> </ul>	<ul style="list-style-type: none"> <li>Direct sales teams based across 8 regional business centres in major cities nationwide.</li> <li>187 branches nationwide with consumer lending specialists and personal bankers.</li> <li>Strategic alliances with major developers on property launches.</li> </ul>	<ul style="list-style-type: none"> <li>To be best-in-class and be amongst top 5.</li> <li>Achieve "Making Mortgages Simple". Deliver good customer experiences by streamlining key processes to improve staff productivity.</li> </ul>	<ul style="list-style-type: none"> <li>Expanded Direct Sales Teams nationwide and put stronger emphasis on branch sales.</li> <li>Embarked on transformation initiatives to simplify products, services and processes.</li> <li>Implemented risk-based pricing model to further emphasised on importance of loan quality and profitability.</li> </ul>
<b>CREDIT CARDS</b>				
<ul style="list-style-type: none"> <li>7th largest credit card financier with 7.7% market share.</li> <li>To increase product-holding ratio across AmBank and be 'card of choice' to our targeted segments.</li> <li>To be one of the leading EPP acquirers.</li> </ul> 	<ul style="list-style-type: none"> <li>Conventional credit cards (classic, gold, platinum).</li> <li>Islamic credit cards (classic, gold, platinum).</li> <li>Co-branded cards: RealRewards Gold MasterCard; Visa Samsung Imagine Visa Card; eCosway Platinum &amp; Gold MasterCard cards.</li> <li>Specialty cards: FIFA World Cup Cards; True Visa Card.</li> <li>Corp: Business Platinum MasterCard.</li> </ul> 	<ul style="list-style-type: none"> <li>Direct sales (in-house)</li> <li>AmBank branches nationwide</li> <li>Outsourced vendors</li> <li>Outbound telemarketing</li> </ul> 	<ul style="list-style-type: none"> <li>To improve revenue and profitability and be amongst the best.</li> </ul> 	<ul style="list-style-type: none"> <li>Launched Malaysia's first "No Frills Card" True Visa which offers low interest of 12.0% p.a. and fee based optional features. Available in both conventional &amp; Islamic.</li> <li>Launched co-branded credit card with eCosway.</li> <li>Added Gold RealRewards MasterCard to the family.</li> <li>Introduced Hilton 1-for-1 dining privileges and Plaza Premium Lounge into AmBank Platinum card.</li> <li>Associate sponsor for 11th Philips Astro Masters 2008.</li> <li>Launched two Balance Transfer/QuickCash campaigns – brought in more than RM200mil receivables.</li> <li>Introduced "I am Me" – newsletter bursting with review of latest ladies must-haves and privilege offers.</li> <li>Won an award for AmBank Business Platinum Card in the Best Business Programme category from MasterCard Worldwide.</li> </ul>

Market Position & Focus	Products & Services	Distribution Channel	Medium Term Aspirations	Salient Highlights FY 2009
<b>PREPAID CARDS</b>				
<ul style="list-style-type: none"> <li>Largest prepaid card issuer in the market.</li> </ul>	<ul style="list-style-type: none"> <li>NexG prepaid cards and co-branded cards – Cathay Cineplexes, iTalk, Smartlink, eCosway etc.</li> <li>Collectible - cards leveraging on priced properties like FIFA World Cup and UEFA .</li> <li>On-line registration via EDC.</li> <li>Card available balance on sales slip.</li> </ul>	<ul style="list-style-type: none"> <li>Direct marketing sales personnel.</li> <li>AmBank branches nationwide.</li> <li>More than 5,000 reload locations with ePay mainly at shopping complexes.</li> <li>Potentially more than 400 outlets of 7-Eleven in Klang Valley and POS Malaysia nationwide.</li> </ul>	<ul style="list-style-type: none"> <li>To improve revenue and profitability.</li> </ul> 	<ul style="list-style-type: none"> <li>Expanded retail sales channel to include Pos Malaysia over and above existing distribution channels.</li> <li>Rolled out real-time on-line registration at EDC terminals.</li> <li>Rolled out card available balance on sales slips.</li> <li>Cash reload convenience at numerous locations, including at convenient stores that operate 24/7.</li> <li>Aggressively expanding prepaid card applications to cover remittance, payroll and travel.</li> </ul>
<b>ASSET FINANCING AND SMALL BUSINESS</b>				
<ul style="list-style-type: none"> <li>To meet the financial needs of small and medium enterprises by providing a comprehensive range of financial packages.</li> <li>To increase our presence in commercial lending to Bumiputera companies under Bumiputera Development unit.</li> <li>To intensify our participation in BNM funded loans/CGC guaranteed loans.</li> <li>To promote micro financing under AmMikro unit.</li> </ul>	<ul style="list-style-type: none"> <li>Industrial HP</li> <li>Asset refinancing</li> <li>Overdraft</li> <li>Term loan</li> <li>Commercial property loan</li> <li>Trade financing</li> <li>Bank guarantee</li> <li>Block discounting</li> <li>CGC guaranteed loans</li> <li>BNM funded loans</li> <li>Micro credit financing</li> </ul>	<ul style="list-style-type: none"> <li>Marketing Officers based in eight regional hubs and desks nationwide.</li> <li>187 branches nationwide.</li> <li>Referrals from suppliers and business associates.</li> <li>Strategic marketing tie-up with established manufacturers/ distributors for micro financing.</li> </ul>	<ul style="list-style-type: none"> <li>To set best in class industry standards for equipment financing and to be a top supporter of CGC guaranteed loans.</li> </ul> 	<ul style="list-style-type: none"> <li>Continuous product development and innovation.</li> <li>Unsecured overdraft facility to AmBank Platinum car dealers, a structured lending programme offered to AmBank's panel dealers.</li> <li>Tie-up with Arab Malaysian Credit Berhad to promote industrial hire purchase (IHP) refinancing.</li> <li>Expanded distribution of AmMikro through nationwide branch network.</li> </ul>
<b>PERSONAL FINANCING</b>				
<ul style="list-style-type: none"> <li>Third largest financier with 8.0% market share.</li> <li>Focus on government, semi-government agencies, Royal Malaysian Police &amp; government linked companies employees.</li> </ul>	<ul style="list-style-type: none"> <li>Personal Financing based on Syariah concept of Bai-Al-Inah.</li> </ul>	<ul style="list-style-type: none"> <li>Direct marketing sales officers placed at all major towns nationwide.</li> <li>AmBank branches nationwide</li> <li>Strategic alliances with participating business partners.</li> <li>Third party distribution channels.</li> </ul>	<ul style="list-style-type: none"> <li>To make AmBank the preferred government servant personal financing bank by enlarging the government servant customers database.</li> </ul>	<ul style="list-style-type: none"> <li>18.0% growth in gross loans for FY 2009</li> <li>Excellent asset quality of portfolio with minimal NPLs.</li> </ul>
<b>RETAIL DISTRIBUTION</b>				
<ul style="list-style-type: none"> <li>After opening more branches in FY 2009, AmBank now has 187 branches and has moved from sixth position to fourth position in total number of branches nationwide.</li> <li>AmBank moved to third place in terms ATMs available within the MEPS network.</li> <li>Collaboration between AmBank and 7-Eleven will see an overall increase of 400 ATMs in 7-Eleven stores nationwide.</li> </ul> 	<ul style="list-style-type: none"> <li>Launch of Family First – an all-in-one financial solution for the mass consumer market which features a cash flow management solution designed to help families manage their finances with access to a range of tools, resources and services.</li> <li>Launch of new AmStar and AmStar Extreme account with one of the most convenient customer propositions in the market in terms of access to electronic banking channels.</li> </ul> 	<ul style="list-style-type: none"> <li>The partnership between AmBank and 7-Eleven has seen an increase in the number of ATM installations. To date, AmBank has more than 200 ATMs at selected 7-Eleven stores nationwide with a total of 611 ATMs nationwide.</li> <li>More than 20 Electronic Banking Centres were established in different regions nationwide</li> <li>New branches were opened in Pandan Indah, Jalan Klang Lama, Bandar Bukit Tinggi Klang, Bandar Mahkota Cheras and Bandar Menjalara; and two Sales and Service Kiosks in Kuching, Sarawak; The Spring and Boulevard Shopping Mall.</li> <li>Improvements were recently made to the look and feel of the online banking system which was also upgraded to a new platform. These changes have stimulated a 55.0% growth in the number of customer sign ups.</li> <li>A new mobile phone banking platform has been designed and is in pilot phase with live implementation scheduled for early FY 2010.</li> <li>The Sales Force Strategy project was initiated in view of creating a specialised workforce to focus solely on Consumer Lending, Wealth and Small Business. Upon completion, AmBank will have significantly increased the number of frontline revenue generating staff from historical levels.</li> </ul>	<ul style="list-style-type: none"> <li>In view of transforming our branch business from a service culture to sales and service culture, AmAzing Way sales and sales leadership program was designed to equip customer-facing staff with various essential skill sets. The key objective of the AmAzing Way is to improve needs based selling and cross-selling abilities.</li> </ul>	<ul style="list-style-type: none"> <li>AmBank Contact Centre bagged the Gold Award for Best Telemarketer and Best Mystery Shopper for Telemarketing on 10 October 2008 at the 9th CCAM Annual Contact Centre Awards.</li> <li>Branch sales productivity has improved significantly from historical levels and continues on an upward trajectory.</li> <li>A pilot Electronic Banking Centre model was set-up in Jalan Raja Chulan Branch in December 2008 with the objective of projecting an image of prestige for Self Service Banking with the latest technology installed.</li> <li>Introduction of AmLink Referral system in November 2008, allowing AmBank Group staff to participate in Lead Generating programme. This will help to increase the customer base in branches, thus increasing new sales opportunities.</li> <li>AmStar Extreme account, officially launched in December 2008 with the aim of providing extreme convenience to AmBank customers.</li> </ul>

initiatives combined offer a broad range of solutions that cater to different customer segments and lifecycle stage.

### Highlights And Achievements

Retail Banking counts, amongst its major highlights for FY 2009, the launch of its Family First Solution in September 2008. Aligned to its customer segmentation focus, this is an innovative financial solution designed to aid growing Malaysian families in financial planning. It encapsulates a holistic suite of financial products and services to meet consumers' dynamic needs, coupled with website, tools and resources akin to savings and budget planner to help families better manage finances. Family First aims to place AmBank brand as a family-oriented bank that cares for the well-being of the average Malaysian family, especially in current times of financial uncertainties.

As testament to its commitment in delivering best-in-class products and services, Retail Banking garnered the following awards and accolades during the course of the financial year:

- **Best Business Platinum Programme at MasterCard Asia/Pacific Middle East and Africa Awards 2008;**
- **Gold Award for "Best Contact Centre Telemarketer" (Individual Category) and Special Excellence Award for "Best Mystery Shopper Results for Telemarketing Contact Centre" at the Ninth CCAM Annual Contact Centre Awards 2008; and**
- **Automotive Finance Company of the Year (Malaysia) Award at the 2008 Frost & Sullivan ASEAN Automotive Awards in June 2008.**

Throughout FY 2009, Retail Banking has successfully rolled out regional roadshows to educate employees nationwide on AmBank Group's medium term aspirations ("MTA") and Retail Banking's agenda to contribute to the achievement of the goals. In addition, the regional



roadshows accorded the avenue for staff from different offices to meet and interact. Earlier this year, Retail Banking launched the AmHorizon programme to drive the business change and transformation across all business and operating functions, in the spirit of further awakening staff awareness and commitment towards attaining the objectives of the MTA.

### Key Success Factors

Trends in today's retail banking market provide evidence that Malaysian consumers are becoming more sophisticated and discerning in their banking needs. Likewise, service delivery expectations have moved from a traditional over the counter service model to a 24-hour, seven day a week business. This necessarily means that our customer service staff and transaction services need to be accessible through a variety of channels on an increasingly expanded basis with consistent service delivery at all touch points. To meet and exceed the growing expectations of our customers, Retail Banking division has made material investments in people, infrastructure, and systems, and is in the initial stage of a significant investment to enhance the Retail Banking's core system.

One critical success factor for the Retail Banking division is attributable to our ability to connect with our customers through an expanded branch and ATM footprint, a larger and more highly skilled sales force and convenient and simple to use distribution channels. Innovative products, compelling campaigns, continuous process improvements and technology investments have been made on an ongoing basis to exceed the expectations of our growing customer base.

Our branch network has expanded to 187 points of representation and we are now ranked fourth nationwide (from sixth only one year ago) in terms of number of branches. Likewise, a partnership unique in nature between AmBank and 7Eleven convenience stores adds significantly to our many existing avenues and contact points for customer service transactions. In this area, now with more than 611 ATMs, AmBank has similarly moved from sixth position to third position nationally in terms of the number of ATMs available for our customers. Branches, self-service terminals, call centre and e-channels are continuously being expanded and enhanced to provide extended reach, improve sales and elevate the quality of customer interaction and servicing.

Coupled with these investments in infrastructure we have also made significant progress in equipping our staff with leading edge training to enrich their skill-set levels in their respective job functions. With the current emphasis on superior service and fulfillment of customer needs, front-end staff are

continuously trained in various essential sales skills focused on leadership and diagnostic sales methodologies. This training is designed to ensure our staff firstly understand and then meet the needs of existing and potential customers more effectively.

In line with business growth, a structured risk management framework has been designed and built to dynamically support the end-to-end product and service delivery to the customer, whilst sustaining an acceptable quality portfolio of assets. Risk-based scoring has been automated and the retail collection unit has been fully centralised over the years, for all retail products. These efforts have also extended to improving our collections functions and portfolio risk management activities, which in turn have assisted our customers to manage their financial situations more effectively.

The Retail Banking enhancements emphasise the importance we place on best practice, product and service delivery to our customers. Retail Banking is relentless in continuing with its initiatives on product innovation, service excellence, channel enhancement, operations optimisation and human capital development. They ultimately result in a 'win' for the customer, a 'win' for our staff and a 'win' for AmBank and our stakeholders.

### Retail Banking Aspirations

We will continue to establish and grow Retail Banking products and services in targeted areas of profitability for the coming year. Our focus is to grow our business in identified and selected segments of the market where we can establish sustainable and superior levels of profitability and to support the Group key priority to grow deposits base. This will be achieved via delivering customer value propositions centering around the themes of friendliness, simplicity and convenience.

For financial year ending 31 March 2010 (FY 2010), Retail Banking's summary key strategic agenda are to:

- focus target market and portfolio base by product, with special emphasis on deposits;
- streamline distribution channels for productivity and efficiency;
- strengthen risk and sustain portfolio health;
- enhance customer service levels; and
- continue to build operational infrastructure for efficiency and capacity.

Whilst we are currently operating in tougher financial environment, Retail Banking is ever ready to engage scalable growth ahead to harness opportunities from the eventual economic upturn. Retail Banking is poised to be amongst the best.

## BUSINESS BANKING

Business Banking has been able to achieve good growth in its portfolio amidst adverse changes in the operating environment in FY 2009. Gross loan and advances grew by 19.5% year-on-year supported by a healthy growth in Islamic financing (32.0%).

The increase in the loan base has invariably contributed to a growth in total income by 42.0%. The collaboration with the Australia and New Zealand Banking Group ("ANZ") has yielded positive results as we witness an increase in cross-border trade and other cross-sell activities, culminating in fee income growth of 40.0% in this area alone. On the trade front, revenues have grown by 37.0% and the trade book size by 12.0%. This is despite general overall market decline in exports and imports.

As part of our regional expansion strategy, our business centres in the Southern Region have been bolstered with more marketing personnel. Business Banking has four regional business centres and twelve commercial business centres that are strategically located across the country. At this end, we witnessed an improved regional performance by 20.0% in loans growth.

Focus on the SME segment has been another strategy employed by the division. As at the end of the financial year, SME loans contributed more than 40.0% of the Business Banking portfolio and this has increased our market share to 6.0%.

Emphasis was also placed on improving the risk management of our portfolio where effort was spent on strengthening the credit assessment process and fine tuning the risk grading model. This has helped to improve the quality of our asset portfolio.

In addition, the upgrade of trade processing capabilities is underway to move into a new trade system. This new trade system will enable AmBank to move ahead more quickly and with more flexibility in managing future challenges via improved processing efficiencies to be derived from the system.

Moving forward, the division expects a more challenging operating environment in view of the global and domestic financial crisis. Our focus will be on managing the existing customer base and building a sustainable asset base. Efforts are being made to closely monitor our customers' performance and to have more regular communication with the customers to enable us to respond to their requests and react to market changes swiftly.

## Cash Management And Transactional Banking

Towards mid 2008, it was apparent that the impact of the financial crisis in the US was no longer confined to the US and Europe. With the global economic slowdown, the demand for our country's exports declined resulting in a cut back in production volumes. Companies were forced into managing their overall costs to ensure business sustainability and they further have to bear the burden of sourcing for funds with the tightening of credit in the market.

Despite these challenging times, AmBank's cash management division was still able to double its customer base and achieve a revenue growth of 91.0%.

The division expects further growth in the next financial year as more and more corporates seek cash management services in their quest to achieve cost reduction through process automation. Corporates are also resorting to cash management solutions to help improve their funds management through better forecasting of their cash flow requirements

















in their daily management of sales turnover.

AmBank's cash management solution offering is now extended to include foreign currency payments via foreign currency drafts or SWIFT wire. Other functionality enhancements also include the ability to assist our corporate customers in performing their account receivables reconciliation via automated invoice level matching. In anticipation of the current state of the economy, the AmBank Cash Management Solution Suite has incorporated two new services, Supplier Financing and Post Dated Cheque Discounting, to ensure the sustainability of our customers' businesses and assist them through the challenging economic times.

## INVESTMENT BANKING

The local capital market has not been spared from the global recession that was triggered by the financial meltdown which began since August 2007. The recessionary pressures continued into the beginning of 2009, spearheaded by the sharp contraction in the Bursa turnover

### Significant Corporate Finance Transactions In 2008-2009

 <p><b>IOI Corporation Berhad</b> Exchangeable Bond Issue</p> <p>USD600 million January 2008 Adviser &amp; Senior Co-Lead Manager</p>	 <p><b>Matrix International Bhd</b> Renounceable Two-Call Rights Issue</p> <p>RM207.99 million March 2008 Adviser</p>	 <p><b>Sarawak Oil Palms Bhd</b> Renounceable Rights Issue</p> <p>RM1123 million April 2008 Adviser</p>	 <p><b>PacificMas Berhad</b> Take-Over Offer by OCBC Capital (Malaysia) Sdn Bhd</p> <p>RM735.0 million April 2008 Independent Adviser</p>
 <p><b>Dayang Enterprise Holdings Berhad</b> IPO Market Capitalisation: RM510.4 million</p> <p>April 2008 Adviser, Managing Underwriter &amp; Placement Agent</p>	 <p><b>Luxchem Corporation Berhad</b> IPO Market Capitalisation: RM143.0 million</p> <p>June 2008 Adviser, Managing Underwriter &amp; Placement Agent</p>	 <p><b>Jati Cakerawala Sdn Bhd</b> Take-Over of Teknologi Tenaga Perlis Consortium Sdn Bhd</p> <p>RM448 million June 2008 Adviser</p>	 <p><b>Uzma Berhad</b> IPO Market Capitalisation: RM152.0 million</p> <p>July 2008 Adviser, Managing Underwriter &amp; Placement Agent</p>
 <p><b>Boustead Properties Berhad</b> Take-Over Exercise</p> <p>RM584 million August 2008 Independent Adviser</p>	 <p><b>Ranhill Utilities Berhad</b> Take-Over Exercise</p> <p>RM305.1 million August 2008 Independent Adviser</p>	 <p><b>IJM Land Berhad</b> Rights Issue with Warrants</p> <p>RM306.82 million September 2008 Adviser</p>	 <p><b>DRB-HICOM Berhad</b> Acquisition of Rangkat Positif Sdn Bhd</p> <p>RM720.0 million October 2008 Independent Adviser</p>
 <p><b>Malaysian Bulk Carrier Berhad</b> Cross-Border Acquisitions</p> <p>USD221 million December 2008 Adviser</p>	 <p><b>Lion Diversified Holdings Bhd</b> Rights Issue of ICULS</p> <p>RM327.46 million December 2008 Adviser</p>	 <p><b>VADS Berhad</b> Selective Capital Reduction and Repayment Exercise</p> <p>RM413 million February 2009 Independent Adviser</p>	 <p><b>Ranhill Berhad</b> Proposed Disposal of Water Assets and Corresponding Liabilities</p> <p>RM850 million Pending Completion Adviser</p>

volume during the entire second half of the financial year ended 31 March 2009 (FY 2009). In the wake of a credit and liquidity crunch, investors quickly became acutely risk-adverse. In response to this shift in investor appetite, most initial public offerings and bond issuance activities were put on hold.

In spite of the above challenges, we have maintained our market share in virtually every sector of our engagement in the capital market. We also took the opportunity offered by the lull in economic activities to streamline our internal infrastructure to improve productivity and expand our equity trading and distribution network both domestically and regionally where financially viable.

### Corporate Finance

The Corporate Finance division provides a full spectrum of equity capital raising and corporate advisory services. Widely regarded as one of the leading Corporate Finance houses in Malaysia, we consistently deliver innovative business and financial solutions which meet the corporate, capital and investment objectives of our valued clients.

Through our detailed market and industry knowledge and experience, we are able to analyse and structure transactions to maximise the value and ultimate outcome for our clients. We have in the past structured and executed scores of landmark deals in the market. We also have significant experience in executing both domestic and cross-border transactions in difficult market conditions and have demonstrated our ability in providing best-in-class solutions to complex assignments.

AmlInvestment Bank ("the Bank") operated in a more challenging operating environment during the year with uncertainties in market conditions. However, our experience and capability in structuring and executing prolific and demanding transactions, and our capability to distribute equity and equity-linked issues of various sizes and from various sectors, have helped deliver strong market share in some key products.

The Bank maintained its leadership position in the Initial Public Offerings ("IPOs") in Malaysia, where we successfully advised and listed four out of 13 companies during the year. We raised more than RM400 million in funds, accounting for 41.0% of the market share of IPOs in Malaysia. We also led the market in terms of the number of issues advised in the equity and equity-linked market with a market share of 23.0% during the period.

As a testament of our strengths in the capital markets, AmlInvestment Bank was accorded the following industry accolades:

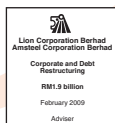
- **Best Privatisation Deal of the Year in Southeast Asia** at Alpha Southeast Asia's Second Annual Deal/Solution Awards 2008 as the Principal Adviser and Leader Arranger for the RM2.4 billion Privatisation of AmlInvestment Group Berhad and RM1.0 billion Renounceable Rights Issue.
- **Top 4 Asian Investment Bank for Asia Ex-Japan M&A Deals 2008** award by the Malaysian Investment Banking Association ("MIBA") and The Pinnacle Group International Pte Ltd in recognition of the number of Asian M&A deals achieved in the first quarter of 2008 based on the Thompson Financial League Tables.

We also advised TIME dotCom Berhad in its RM654.5 million deal with cellular provider Digi.Com Berhad, which won the **Innovative Deal of the Year** award by the Malaysian Mergers and Acquisitions Association.

Some of our prominent deals include:



Adviser to IOI Corporation Berhad ("IOI Corp") in the voluntary take-over offer of IOI Properties Berhad ("IOI Prop"). The voluntary offer was undertaken with the intention of providing IOI Corp with greater liberty to plan and decide on the future business direction of IOI Prop, improve operating synergies within the IOI Group via the consolidation of plantation and property businesses held under the IOI Group as well as to enable IOI Prop to leverage on the much stronger financial resources of IOI Corp to satisfy its substantial funding requirement in respect of on-going projects.



Adviser to Lion Corporation Berhad ("LCB") and Amsteel Corporation Berhad ("ACB") on their corporate and debt restructuring. The principal concept of the debt restructuring was to match the projected available cash flows of ACB/LCB to redemption/repayment obligations which were acceptable to the lenders of ACB/LCB. In conjunction with the above, an asset divestment programme was instituted to monetise the assets of ACB.



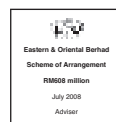
Adviser to TIME dotCom Berhad ("TdC") on the strategic business alliance between TdC and Digi.Com Berhad ("DiGi"). This win-win deal enabled DiGi to acquire TdC's third generation (3G) spectrum whilst allowing TdC to hold a strategic stake in DiGi and capitalise on DiGi's strength and experience in the telecommunications industry. This deal was named the most innovative deal under the Malaysian Mergers & Acquisitions Association awards.



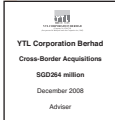
Adviser to a consortium of Middle Eastern and Malaysian investors known as Abu Dhabi-Kuwait-Malaysia Investment Corporation ("ADKM") and UBG Berhad ("UBG") on the strategic entry of ADKM into the Malaysian construction sector. The completion of the scheme transformed UBG from a cash rich shell into a construction group with two (2) listed entities – Putrajaya Perdana Berhad and Loh & Loh Corporation Berhad – under its wing with the benefit of two (2) strong shareholders, namely Cahya Mata Sarawak Bhd and Majestic Masterpiece Sdn Bhd coming together. The deal reflects the growing interest of West Asian investors in Malaysia and is a vote of confidence in the Malaysian economy.



Adviser to AmlInvestment Group Berhad ("AIGB") for the privatisation of AIGB by AMMB Holdings Berhad via a scheme of arrangement and capital reduction exercise. AIGB was valued at RM4.5 billion, representing 15.6% premium to AIGB's market value prior to announcement, 8.8% premium over five (5)-day volume weighted average price prior to announcement and 164.3% premium over the initial public offering price.



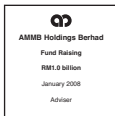
Adviser to Eastern & Oriental Berhad ("E&O") involving a members' scheme of arrangement to streamline E&O and E&O Property Berhad ("E&O Property") into a single listed entity. Creative options, namely full share swap, fixed combination option and maximised cash option, were provided to the minority shareholders of E&O Property to serve their varied investment objectives.



Adviser to YTL Corporation Berhad (“YTL”) on its cross-border acquisitions. YTL made inroads into Singapore’s real estate sector with the acquisition of interests in Starhill Global Real Estate Investment Trust (formerly known as Macquarie Prime Real Estate Investment Trust) (“MP REIT”) and Prime REIT Management Holdings Pte Ltd at a 49.0% discount to MP REIT’s net asset value per unit, 17.0% premium over its 30-day volume weighted average price and premium of 52.0% over the last traded price prior to announcement. Apart from providing stable earnings and good upside potential to YTL, YTL would also be well placed to tap into Singapore’s expanding real estate sector and promote the Starhill brand in the international market.



Adviser to Permodalan Nasional Berhad (“PNB”) for the privatisation of Malaysian Industrial Development Finance Berhad, a financial institution, via a take-over offer. It formed part of the rationalisation exercise undertaken by PNB in re-engineering the listed entities under its stable. It was completed with one of the lowest price-to-net tangible assets ratio amongst listed banking institutions for the last five (5) years.



Adviser to AMMB Holdings Berhad (“AHB”) in relation to the rights issue undertaken by AMMB in conjunction with the privatisation of AIGB valued at RM4.5 billion. The privatisation was part of a restructuring exercise for AHB to migrate to a universal banking platform. The rights issue was the second largest rights issue undertaken in 2008.



Issuance by AmlInvestment Bank Berhad of its first Zero Strike Call Warrants which complements its existing leveraged call warrants programme. The Berkshire Zero Strike offers local investors simple and affordable access to counters which may otherwise be expensive or difficult to access. Priced at RM1.00 each, it is the first such offering for investors in Asia.



Adviser, Managing Underwriter and Placement Agent to Sealink International Berhad (“Sealink”) on its IPO. Sealink, a major integrated service provider in both shipbuilding and chartering services, was listed in July 2008. It was one of the biggest public offerings in 2008. The IPO had a price-to-earnings per share of 12.5 times and was oversubscribed amidst heightened uncertainty in the capital markets and unfavourable market conditions.

Going forward, we expect to remain a leading provider of corporate finance and advisory services by capitalising on our strength as an innovative advisory partner and track record of superior execution with distribution capabilities.

With the rapid evolution of the capital markets and the requirements of our clients, we will continue to proactively monitor market trends and embrace opportunities to further enhance the development of the Malaysian capital markets and also fulfill our primary objective of providing outstanding client service.

### Equity Capital Markets

The Equity Capital Markets unit oversees the Bank’s distribution activities in the primary equity and equity-linked markets. It provides market intelligence support in the origination of primary market transactions and manages structuring, syndication, marketing and distribution. In addition, it also provides underwriting services for both IPOs and follow-on equity fund raising exercises and secondary placement.

A successful equity issuance/offering is a function of accurate pricing, effective distribution and market awareness of an issuer/company. We help our clients to achieve such success by leveraging our strengths in market intelligence, distribution network and frequent communication with the investment community. Our clients include corporates and individuals from Malaysia, Singapore and Indonesia that seek access to the regional equity capital markets.

### Debt Capital Markets

The Bank’s Debt Capital Markets team provides a wide range of innovative financing solutions via the Malaysian Debt Capital Markets and Islamic Capital Markets. With a proven track record in arranging Sukuk and Private Debt Securities (“PDS”) for project financing, asset-backed securitisation and structured financing, the team has consistently placed the Bank as a front-runner in the Bloomberg and Rating Agency Malaysia (“RAM”) league tables over the past 5 years.

The unfolding global financial crisis presented the Malaysian bond market with various challenges in 2008. Given rising credit concerns, the local bond market has seen total bond issuances being largely dominated by financial institutions and triple-A rated bonds. The total amount of PDS issued in 2008 stands at RM48.6 billion which is 11.0% less than the total PDS issued in 2007.

Notwithstanding the challenging market conditions in 2008 a, the Debt Capital Markets team completed 10 transactions in 2008, raising over RM6.0 billion PDS across a diversified portfolio of debt instruments and issuers catering to a wide spectrum of industry sectors including financial services, infrastructure and utilities and transportation.

Our landmark transactions issued in 2008 include the following:

- Penerbangan Malaysia Berhad**  
 Islamic Medium Term Notes Programme of up to RM2.2 billion in Nominal Value Guaranteed by the Federal Government of Malaysia. This transaction is the inaugural Ringgit issuance by the national airlines’ aircraft lessor and represents the first Government Guaranteed issue of 2009.
- Syarikat Prasarana Negara Berhad**  
 RM2.0 billion issuance of Nominal Value Government-Guaranteed Sukuk Ijarah. This transaction, a winner of Alpha South East Asia’s Best Islamic Financing Deal of the Year in Southeast Asia 2008, represents one of the largest sukuk issues in the Malaysian Debt Capital Markets in 2008 and serves to deepen the market for Government Guaranteed Islamic Securities.
- Al-‘Aqar Capital Sdn Bhd**  
 Up to RM300.0 million Nominal Value Islamic Commercial Papers (“CP”)/ Islamic Medium Term Notes (“MTN”) Programme. Winner of numerous awards including the Islamic Finance News for the Real Estate Deal of the Year for 2008 and Most Innovative Deal by Euromoney Islamic Finance Awards 2008, this transaction sets the benchmark for future issues of Islamic securities by other REITs as well as spearheads the introduction of a new asset class in the Islamic Securities market in Malaysia.
- Pinnacle Tower Sdn Bhd**  
 Islamic Financing facilities comprising an Islamic Medium Term Notes Programme of up to RM400.0 million and Islamic Commercial Papers Programme of up to RM50.0 million. This AAOIFI-compliant transaction

employs an innovative Islamic structure based on the Shariah principles of Musyarakah with an underlying Ijarah transaction and supports the government's initiative to develop more internationally acceptable Islamic principles.

**• Cagamas Berhad**

Issuances of RM2,035 million under the RM20.0 billion Islamic/Conventional Commercial Paper Programme and RM40.0 billion MTN Programme. This transaction, which included the issue of RM1.82 billion conventional MTNs and RM215.0 million Islamic MTNs represented the second largest issue made by this prolific issuer of bonds/Islamic securities in 2008.

**• Sabah Development Bank Berhad**

RM500.0 million Nominal Value CP Programme and RM1.0 billion Nominal Value MTN Programme with the aggregate outstanding CPs and/or MTNs not exceeding RM1.0 billion in Nominal Value. This transaction heralds the sole issue by a development financial institution in 2008 and represents one of the few issues by a Sabah issuer.

In the face of the global financial crisis and economic downturn, the outlook of the Debt Capital Markets business in 2009 remains stable, underscored by strong liquidity in the Malaysian financial system of over RM250 billion coupled with high national savings.

Total Ringgit debt of up to RM141 billion is expected in 2009, comprising RM91 billion Malaysian Government Securities ("MGS")/ Government Investment Issues ("GI") and up to RM50 billion PDS. With the proposed establishment of the Financial Guarantee Institution ("FGI") under the second Stimulus Plan, we expect issuances in 2009 to be dominated by FGI-backed bonds alongside triple-A rated bonds and government-guaranteed bonds.

**Accolades And Awards Accorded In 2008**



**IFR Asia Awards 2008**  
Best Malaysia Capital Markets Deal – Binariang GSM Sdn Bhd



**Alpha South East Asia Deal Awards 2008**  
Best Islamic Financing Deal of the Year – Syarikat Prasarana Negara



**Asiamoney Awards 2008**  
Best Deal of the Year in Malaysia – Binariang GSM Sdn Bhd



**Islamic Finance Awards 2008**  
Real Estate Deal of the Year – Al-'Aqar Capital Sdn Bhd



**No. 3 on Bloomberg's Underwriter League Table 2008 for Malaysia Domestic Bonds** – By Volume



**No. 2 on Bloomberg's Underwriter League Table 2008 for Malaysian Ringgit Islamic Bonds** – By Volume



**No. 2 on RAM Lead Managers' League Table 2008** – By Number of Issues



**No. 2 on RAM Lead Managers' League Table 2008 for Sukuk Issues** – By Number of Issues



**No. 3 on RAM Lead Managers' League Table 2008 for Sukuk Issues** – By Issue Value



**Blueprint Awards 2009**  
New Real Estate Benchmark Deal – Al-'Aqar Capital Sdn Bhd

**Islamic Capital Markets**

The year 2008 had provided both opportunities and challenges to the Islamic capital markets sector. Global market turmoil, recession worries and widening credit spreads all made their presence felt in the domestic bond market and the sukuk market has not been spared from it. The local sukuk market had contracted more than 70.0% in 2008 in terms of actual and prospective issuance value, contrary to the initial view that the industry would remain largely insulated from the slump. Notwithstanding, going forward, despite the bearish view on the economy, the Bank is optimistic on the Islamic finance outlook given the strong support from the government to promote Malaysia as an international Islamic financial hub added by the overall projected spending under the budget and the financial stimulus package.

The Bank has always been in the league as a leading Islamic investment banking solutions provider in the local Islamic capital market scene. The team comprises dedicated and experienced professional personnel which provides internal Shariah advice to the Bank's strategic business units on consultative basis from time to time. In addition, the team strives to maintain the highest standards of Shariah-compliant procedures in our products and services offerings within the industry. Whilst the development of sukuk has slowed down in the overall market, there have been potential new business lines to be tapped from, such as, the Islamic private equity and trust funds.

After the launch of the Malaysia International Islamic Financial Centre ("MIFC") in August 2006, there have been many initiatives introduced to create a vibrant, innovative and competitive international Islamic financial services industry in Malaysia. In our effort to promote the MIFC, the Bank had during the financial year participated in several

**Significant DCM Transactions Completed In 2008 – Q1 2009**

 <b>Putrajaya Holdings Sdn Bhd</b> Sukuk Musyarakah Medium Term Notes Programme of up to RM1,500.0 Million April 2009 Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager	 <b>Khazanah Nasional Berhad</b> RM10.0 Billion Multi-Currency Islamic Securities Programme through Danga Capital Berhad April 2009 Joint Principal Adviser/Joint Lead Arranger	 <b>Penerbangan Malaysia Berhad</b> RM2,200 Billion Islamic Medium Term Notes Programme Guaranteed by the Government of Malaysia March 2009 Joint Principal Adviser and Joint Lead Arranger	 <b>Cagamas Berhad</b> RM2,070.0 Million Conventional and Islamic Medium Term Notes Issuance March 2009 Joint Lead Manager/Joint Bookrunner	<b>Pinnacle Tower Sdn Bhd</b> RM400.0 Million Islamic Medium Term Notes Programme and RM50.0 Million Commercial Papers Programme March 2009 Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager	 <b>Khazanah Nasional Berhad</b> RM2,000.0 Million Placement under RM10.0 Billion Sukuk Musyarakah Facility August 2008 Joint Primary Subscriber
 <b>Cagamas Berhad</b> RM2,035.0 Million Conventional and Islamic Medium Term Notes Issuance October 2008 Joint Lead Manager/Joint Bookrunner	 <b>Berjaya Infrastructure Sdn Bhd</b> RM400.0 Million Medium Term Notes Programme October 2008 Principal Adviser/Lead Arranger/Lead Manager	 <b>Khazanah Nasional Berhad</b> RM1,000.0 Million Placement under RM10.0 Billion Sukuk Musyarakah Facility July 2008 Primary Subscriber	 <b>Syarikat Prasarana Negara Berhad</b> RM2,000.0 Million Government Guaranteed Sukuk Ijarah May 2008 Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager/Joint Bookrunner	 <b>Sabah Development Bank Berhad</b> RM500.0 Million CP Programme and RM1,000.0 Million MTN Programme with aggregate outstanding CPs and/or MTNs not exceeding RM1,000.0 Million April 2008 Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager	



MIFC roadshows together with the regulators (i.e. the Securities Commission, Bank Negara Malaysia and Malaysian Industrial Development Authority) and selected Islamic financial institutions to Perth, Sydney, Kuwait and Saudi Arabia.

The Bank is aided by both our internal Group Shariah Committee and our highly distinguished independent Shariah Advisers who are world-renowned Islamic scholars and are well versed in both local and global Shariah standards. The Bank continues to offer our existing and prospective clients a wide spectrum of innovative Shariah-compliant products that are closely aligned with their financing objectives.

For FY 2009, the Bank completed a total of 4 Islamic transactions comprising sukuk and syndicated deals which amounted to over RM4.8 billion in value. For the record, in FY 2009, the sukuk transactions applied various Shariah principles which include Musyarakah, Ijarah and Murabahah to satisfy local and for some, international acceptance. Despite the contraction in the sukuk market and the tougher economic conditions, we managed to place ourselves among the top three primary market leaders with a market share of 6.8%.

Some of the Bank's notable Islamic transactions during FY 2009 include the following:

- Syarikat Prasarana Negara Bhd – RM2.0 billion Sukuk Ijarah Government Guaranteed**  
 Joint Principal Adviser and Joint Lead Arranger for the above issuance. The Sukuk was oversubscribed by over 2.86 – 3.81 times on the 7-15 year tenure despite uncertainties and volatility in the local and international bond markets.
- Pinnacle Tower Sdn Bhd – RM450.0 million Islamic Commercial Papers/ Islamic Medium Term Notes Programme**  
 Joint Principal Adviser and Joint Lead Arranger for the above issuance. The deal has marked another innovation in the Islamic capital market as the structure has applied the Shariah principle of Musyarakah with an underlying Ijarah arrangement.
- Penerbangan Malaysia Berhad – RM2.2 billion Murabahah Medium Term Notes Programme Government Guaranteed**  
 Joint Principal Adviser and Joint Lead Arranger for the above Sukuk issuance. Being government guaranteed papers, this has been over subscribed by 4.25 times and priced at 49 basis points above the Malaysian Government Securities.

## Outlook For The Islamic Capital Market

In the local front, we expect that the sukuk issuance will be well supported by the strong liquidity in the Malaysian financial system and also the impact from the government pump-priming activities. Malaysia has the liquidity and size of market to remain a significant player in the global sukuk market. In addition, global sukuk issuance for the next few years is expected to resume momentum once some semblance of normalcy returns to the global financial markets, fuelled by the massive investment and financing needs of the Gulf economies and emerging markets in Asian countries. In the short-term period, the impact of the global credit and liquidity crisis will still be seen although it might not be as severe as before.

### Achievements – League Tables



- No.3 on RAM Lead Managers' League Table 2008 (Islamic) – Issue Value
- No.2 on RAM Lead Managers' League Table 2008 (Islamic) – Number of Issues.

#### Bloomberg

- No.2 on Bloomberg's Underwriter League Table 2008 (Value of Malaysian Ringgit Islamic Bonds)

### Achievements – Other Islamic Awards And Accolades



#### 2nd Annual Deal Awards of Alpha South East Asia

– Best Islamic Financing Deal of the Year (Syarikat Prasarana Negara Berhad – RM2.0b Sukuk Ijarah Government Guaranteed)



#### IFR Asia Awards 2008

– Malaysia Capital Market Deal Award (Binariang GSM Sdn Bhd – RM15.35b Sukuk Musyarakah)



#### Islamic Finance News Deal Awards 2008

– Real Estate Deal of the Year (Al-'Aqar Capital – RM300m Sukuk Ijarah)

#### ASIAMONEY

#### Asiamoney Deals of the Year

– Country Deal of the Year- Malaysia (Binariang GSM Sdn Bhd – Sukuk Musyarakah)

### Structured Finance

Structured Finance offers alternative and integrated fundraising solutions. Whilst our clients benefit from such comprehensive customised solutions which assist them in raising both equity and debt, they also get the opportunity to tap into our array of alternative funding sources – both in Malaysia and in the region. In a short span of less than three years, Structured Finance has successfully undertaken and coordinated the following strategic initiatives:

- Advising and arranging mezzanine funding for companies undertaking capital restructuring;
- Advising and arranging private equity and debt funding for companies undergoing business reorganisation and transformation;
- Advising and arranging private equity investments for property development in Malaysia and Asian region;
- Advising and arranging distressed retail and corporate loans disposal to special purpose funds; and
- Advising and arranging bank capital for full-fledged and quasi financial institutions.

Our team is expected to continue to assist our clients in enhancing and tapping their shareholder value – whether for purposes of spearheading growth, leapfrogging into the regions or salvaging restructured or distressed assets.

### Equities Trading

The period under review saw the meltdown of the financial markets in the US, triggering the economic and financial crisis on a global scale.

Against this economic environment, the Kuala Lumpur Composite Index (“KLCCI”) dropped by 375 points or about 30.0% to end at 873 points as at 31 March 2009. Turnover on Bursa Malaysia declined sharply by about RM600 billion or 56.0% to RM470 billion for the period corresponding to our financial year ended 31 March 2009.

This resulted in the stockbroking industry players struggling to break even. Our market share of 8.2% was about the same as the previous financial year while pretax profit was reduced to RM18.7 million against RM80.2 million of the previous period.

In line with the Group's Medium Term Aspirations (“MTA”), continued efforts are being made to increase the revenue base and to manage operating costs without sacrificing the quality and level of our services.

We have improved our equity derivatives product range and also enabled our salespersons to cross-sell the wide range of financial products offered by the Group.

Continued investment in our research division will remain our top priority as we believe high quality research products and services will underpin the success of our business.

We have extended the reach of our services to our institutional and retail clients via electronic trading and this will be an increasing contribution to our business.

During the year, the Bank established stockbroking services at its branches in Penang, Kuching and Johor Bahru and this will ensure better geographical coverage and services to our clients.

All the above initiatives have strengthened the core of the equities division and will place us on a strong position to face the challenging times ahead.

With the lower interest rates and economic stimulus packages introduced by the Malaysian government and many other countries throughout the world, there are signs of a possible economic recovery in 2010 and this would be positive for the equities trading division in the coming financial year.

### Futures Broking

The Kuala Lumpur Composite Index ("FKLI") spot month contract decreased in total volume traded between 2007 and 2008 (2.2 million vs 2.1 million). The FKLI was at the peak of a strong bull-run last year when the highest price registered was 1,536.0 before tumbling down to as low as 803.5 when the global financial crisis started to bite towards the later part of the year.

Crude Palm Oil Futures third month contract ("FCPO") on the other hand saw a 12.5% increase in volume to 1.8 million contracts traded in 2008. The CPO commodity was tracking the crude oil prices that spiraled to more than USD140 per barrel before tumbling down below USD40 later in the year, which was the reason the volatility for 2008 was higher than the previous year.

On 5 September 2008, Bursa Malaysia launched the USD Crude Palm Oil Futures contract but the cash settled instrument failed mainly due to lack of liquidity. Market makers were non-existent and underlying participants shunned away from a contract with a large bid/offer spread.

Out of the 19 registered futures brokers with Bursa Malaysia, AmFutures was ranked second and seventh for FKLI and FCPO respectively; we recorded a market share of 16.0% for FKLI and 5.0% for FCPO. In December, we were the first broker to launch Direct Market Access ("DMA") to our retail clients for Bursa Malaysia products and we will continue to strive by offering Specified Foreign Futures Exchanges products by the third quarter of 2009. Eventually, when Bursa launches Equity DMA, we will combine the platforms and offer clients one login to multiple global product groups.

### Equity Derivatives

AmInvestment Bank aims to be at the forefront of the equity derivatives market in Malaysia. Our equity derivatives desk develops and issues instruments such as warrants, structured products, exchange-traded funds, and over-the-counter options in order to provide investors with a broader range of investment instruments.

We launched our zero strike call warrants programme in March 2009 with the successful offering of RM100 million Berkshire Zero Strikes ("Berkshire ZS"). The Berkshire ZS, priced at RM1 each, gives investors simple and affordable access to the performance of Berkshire Hathaway Inc. shares. We are also proud to be advisers and market-makers for Malaysia's first two exchange traded funds ("ETFs"), the ABF2 and the FBM30etf. Additionally, we focus on client solutions, customising equity-structured products to meet specific objectives of clients for enhanced income, and financing or principal protection.

In addition, our work on hybrid securities enables the Bank to meet the increasingly complex funding requirements of corporations. Noteworthy deals in 2008 include our roles as Joint Lead Manager for Khazanah's USD550 million Paka Capital Exchangeable Sukuk and Senior Co-Lead Manager for IOI's USD600 million Exchangeable Bonds.

We are committed to increasing market awareness through investor education and market liquidity by establishing our market making franchise for listed and over-the-counter ("OTC") products.

### Funds Management

The Funds Management Division ("FMD") offers funds management services on domestic and regional equities, bonds and global sukuku. Our business philosophy is to be the preferred investment solutions provider for our retail and institutional clients.

The division is made up of three entities; AmInvestment Services Bhd, AmInvestment Management Sdn Bhd and our latest endeavour, AmIslamic Funds Management Sdn. Bhd.

We formalised two decades of in-house Islamic funds management expertise into this new institution in order to focus and develop the business further across Asia and beyond. One notable effort during the year was the launch of Malaysia's first master/feeder fund structure (AmNamaa Asia Pacific Equity Growth based in USD and its feeder called Namaa Asia Pacific Equity Growth based in Ringgit) under the purview of Malaysian Islamic Finance Centre ("MIFC").

Over the years, FMD has been recognised as the premier Malaysian Bond Funds Management House and we have received numerous accolades as testament. We won for the second time, the Best Bond Group at the Edge-Lipper Funds Award 2009 (for the period ended 31 December 2008). In the same ceremony, AmDynamic Bond won Best Bond Malaysian Ringgit fund: 3-Year category for the fourth consecutive year and the 5-Year category. AmBon Islam took the Best Bond Malaysian Ringgit Islamic Fund: 3-Year category twice in a row. Failaka Islamic Fund Awards acknowledged AmBon Islam as the best performing Malaysia Islamic Bond Fund (3-Years) recently.

During the 12 months to 31 December 2008, which was an extremely challenging period for financial markets worldwide, four of our flagship funds were among the top ten unit trust funds in the industry. Topping that list was our AmDual Opportunities-Capital Protected, which recorded a one-year performance of 16.0%. The other three funds in the list were our bond exchange-traded-fund, ABF Malaysia Bond Index Fund which recorded a one year growth of 7.70%, followed by AmDynamic Bond of 6.44% and AmBond of 4.29%.

We are a leading private asset manager with RM16 billion assets under management as at 31 March 2009; contributed equally from both retail and institutional clients. We are ranked the second largest unit trust fund manager with a market share of 12.0%. We are among the top three asset managers for institutional investors with a market share of 13.0%.

We launched eight unit trust funds for the year. We have introduced investment products in line with investors' needs in view of current adverse market conditions. Almost all assets classes are adversely affected under current market conditions. We offer funds which would effectively protect investors' capital and at the same time provide better than fixed deposit returns. We also continued to focus on longer tenure capital-protected funds with options linked to underlying market conditions/trend and consistent in-flows from Treasury Solution Facility funds. FMD manages a total of 45 unit trust funds and numerous discretionary mandates currently.

## Private Banking



AmPrivate Banking offers a diversified range of products and services (both local and foreign) to its high net worth clients.

Our investment services include:

- Cash management solutions
- Direct investments (advisory)
- Managed investments (discretionary portfolio)
- Wealth protection and advisory (estate planning)
- Financing

During the year, assets under management grew to RM3.3 billion, our fifth year of consecutive growth. Profitability growth slowed due to a migration towards lower volatility products. However, we still managed to grow our income by 19.0% during the financial year.

Our dedicated team of private client managers work hand in hand with the clients to meet their investment objectives and attitude towards risks. The clients have a choice of either managing the investment portfolio on their own (on an advisory basis) or leaving the investment making decisions to our fund managers (discretionary mandate). Whichever option is selected, the clients will be made aware of the varied methods of managing and safeguarding their assets with the primary aim of optimising the returns.

AmPrivate Banking's advisory model gives investors access to some of the most advanced and highly regarded names in money management. Our open architecture partnership model encompasses the skills of world-class specialist investment managers. We have carefully selected these managers for their unique investment philosophy and proprietary investment process so as to benefit our clients.

AmPrivate Banking has added Miri in Sarawak to its stable of branches which are currently located in Penang, Johor Bahru, Kuching and Kota Kinabalu.

## RELATIONSHIP BANKING AND REGIONAL BUSINESS

Relationship Banking is a new division which focuses on deepening and expanding corporate and institutional banking relationships with the Group's corporate clients, as well as offering of a wider spectrum of the Group's commercial banking and investment banking products.

Relationship Banking provides clients with high quality comprehensive financial solutions, which include but are not limited to lending, debt and equity capital markets, trade and cash management, foreign exchange and derivatives, offshore market solutions, as well as advisory and investment products.

The division is staffed with various teams with diversified experience, concentrating on niche client groups and specific sectors. The division is further supported by Regional Business Centres ("RBCs") in Penang, Johor, Kota Kinabalu, Kuching and Labuan to ensure that the Group has a footprint across Malaysia.

This division focuses primarily on building and developing strong relationships with government-linked corporations ("GLC"), government and state-owned entities, foreign multi-national companies, financial institutional groups, conglomerates and large corporates which require a wide range of banking and capital market solutions. The division works closely with other divisions within the Group to structure value-added financial solutions for the Group's clients. With the increase in the coverage of banking solutions by this division, the Relationship Banking teams are able to increase coverage of clients in various sectors. In addition, by marketing various products and services that the Group offers, this division also plays a pivotal role in cross-selling the products and services of the Group.

Going forward, the broad strategies of the division will be to diversify and differentiate, in line with the Group's strategic objectives. In addition, the division has well-documented asset writing strategies to provide it with clear direction during the current financial market conditions as well as to manage the Group's risk appetite.

## Offshore Banking

Pursuant to the Group's internal restructuring to streamline its financial services business, AmBank (M) Bhd, Labuan Offshore Branch ("AmBank-LOB") was set up to assume the business of AmInvestment Bank, Labuan Offshore Branch ("AmInvestment-LOB"). As a result, the Group's offshore banking operations in the Labuan International Business and Financial Centre comprises AmBank-LOB, AmInvestment-LOB and AmInternational (L) Ltd ("AMIL"). The internal restructuring also resulted in the transfer of ownership of AMIL from AmInvestment Bank Bhd to AmBank (M) Bhd.

As in previous years, we focused on providing foreign currency financing solutions to Malaysian corporations venturing abroad. These included financing for cross-border acquisitions

in Singapore and joint venture projects in India, China and Indonesia. We also provided financing to Malaysian corporations in the oil and gas industry as well as the plantation sector. Despite tight liquidity in the USD market we managed to book USD150m in new credit facilities during the year, representing a net loan increase of 106.0%. At the same time, our non-performing loans declined to zero.

## AmFraser Securities Pte Ltd, Singapore

In a year of significant business challenges, AmFraser Securities Pte Ltd ("AmFraser") continued to expand its business initiatives in Singapore and developed growth opportunities in regional markets. The traditional stockbroking sales force expanded during the year with the strengthening of retail equity broking services complemented by strong advances in its enhanced Internet trading portal [www.amfraser.com.sg](http://www.amfraser.com.sg). It specialises in online equities trading in Singapore, Malaysia and the United States stock markets. In the year ahead, AmFraser targets improvements in business technology, processes and its stable backroom support team, positions it well to take advantage of new and developing business conditions.

Close rapport with AmInvestment Bank (Malaysia) continues to benefit the drive for larger market participation in corporate finance, equity capital markets and wealth management activities. The institutional research unit collaborated well with AmResearch (Malaysia) in the dissemination of research publications of both markets to institutional and retail clients, and provided strong support for the Institutional Sales unit.

AmFraser aims to build on last year's structural improvements within the organisation and to make further inroads into priority clients' business on both sides of the causeway and in the regional marketplace.

## PT AmCapital Indonesia

PT AmCapital Indonesia ("AmCI") is a fully licensed investment bank and has been in operation in Indonesia since 1995. AmCI provides a full range of investment banking services including fixed income, asset management and research besides its core business of equity sales and trading.

AmCI's in-depth knowledge and experience of the Indonesian market served as a platform for Malaysian and foreign investors to participate in the ever growing Indonesian capital market. The Asset Management unit has been aggressively working closely with AmInvestment Bank (Malaysia) to line up

several suitable products to be launched and introduced into the Indonesian market. The unit implemented a new IT system to support future activities as well as recruiting experienced and capable staff in every area including operations, compliance, investment and marketing.

Our turnover on equity broking business for the financial year ended 31 March 2009 has reached IDR 15.4 trillion, equivalent to a market share of 0.92% of the entire Jakarta Stock Exchange's turnover. We are ranked number 32 out of a total of 119 active stockbrokers.

Our Fixed Income unit is supported by experienced dealers specialising in government and corporate bonds trading. Our main clients are banks, pension funds, and asset management companies. AmCI ranked top 10 in government bond trading among the securities firms in Indonesia.

The recent global financial crisis has resulted in negative investment sentiment and dwindling equity market volume. Nevertheless, AmCI will continue to focus on exploring new products and investment ideas and serving local and foreign investors better.

### **AmCapital (B) Sdn Bhd**

AmlInvestment Bank Group's latest regional office, AmCapital (B) Sdn Bhd, was officially opened on 11 May 2009. It will tap into the vast potential of both the Brunei market as well as regional players in meeting a rapidly growing interest in funds management, Islamic finance, and corporate advisory, with access to the vast resources, expertise, and award-winning experience of AmlInvestment Bank Group.

### **Am ARA REIT Managers Sdn Bhd**

Am ARA REIT Managers Sdn Bhd ("Am ARA"), the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST") has completed a revaluation exercise of its six investment properties namely Bangunan AmBank Group, Menara AmBank, AmBank Group Leadership Centre, Menara Merais, Kelana Brem Tower and The Summit Subang USJ during the financial year ended 31 March 2009.

Following the revaluation, AmFIRST's assets under management ("AUM") has increased from RM837 million previously to RM980 million, representing a rise of 17 per cent. The revaluation of five of AmFIRST's investment properties was to ascertain the current market values of AmFIRST's AUM and to comply with Clause 10.03 of the Securities Commission's REIT Guidelines. The revaluation on The Summit Subang USJ, meanwhile, was in line with the Financial Reporting Standard 140.

During the year under review, AmFIRST has undertaken various enhancement and upgrading works on all of its properties to attract quality tenants, earn better rental and retain high occupancy rates, especially for its three top properties namely Bangunan AmBank Group, Menara AmBank and AmBank Group Leadership Centre, which are located within the Kuala Lumpur Golden Triangle. AmFIRST's three office buildings in the Golden Triangle area currently achieved occupancy rates in excess of 90 per cent.

Listed on 21 December 2006, AmFIRST which is managed by Am ARA, is currently one of the larger commercial space REITs in Malaysia with 2.3 million sq ft (inclusive of The Summit Hotel) of net lettable area. It aims to diversify its property portfolio through investment in income-producing real estate, which is primarily used for commercial, retail and/or office purposes.

Am ARA was incorporated in Malaysia on 20 April 2006 and is wholly-owned by Am ARA REIT Holdings Sdn Bhd. Am ARA REIT Holdings is 70.0% owned by AmlInvestment Group Berhad ("AIGB") and 30.0% owned by ARA Asset Management (Malaysia) Limited. AIGB is a wholly-owned subsidiary of AMMB Holdings Berhad while ARA Asset Management (Malaysia) Limited is a wholly owned subsidiary of Singapore-based ARA Asset Management Limited, an affiliate of the Cheung Kong Group of Hong Kong.

### **Private Equity**

Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI"), a wholly-owned subsidiary of AmlInvestment Group Berhad, is the private equity division of AmlInvestment Group. MVMI is the first venture capital/private equity fund in Malaysia and was set up in 1984.

MVMI currently manages a RM100 million country fund called AmPrivate Equity, our third private equity fund. MVMI has invested RM34.1 million on behalf of AmPrivate Equity. The investments are in the logistics sector, energy services sector and resource-based sector. These are sectors which will and are expected to enjoy and sustain healthy growth rates in the medium term.

MVMI will continue to seek out and invest in well-managed investee companies that run sustainable businesses and are capable of yielding good returns to investors of AmPrivate Equity. MVMI makes equity investments in the following sectors: logistics services, energy services, environmental services, business services, financial services, resource-based manufacturing, value-added manufacturing in key growth industries and promising IT companies with proven track record.

Our joint venture with the Konzen Group was formalised on 28 July 2008 with the incorporation of AmKonzen Water Investments Management Pte Ltd in Singapore ("AmKonzen"). AmKonzen will manage a proposed USD320 million water-focused sector fund. The fund, to be called the Asia Water Fund, will invest in water assets in the region's booming water sector, primarily in China and including South East Asia. The fund aims to become a key platform for the financing of Asian water infrastructure out of Singapore and create assets for investors who are keen to invest in the Asian water sector. The fund's objective is to provide strong, predictable and sustainable return to investors. Investments will include new and existing water plants, as well as companies with innovative and proven water technologies. As part of our growth strategy, MVMI intends to set up additional sector-focused funds and regional funds that will provide acquisition and growth capital for South East Asian companies that wish to expand regionally.

Our Asia Water Fund as well as the proposed sector and regional funds will provide MVMI a regional platform to grow its private equity funds management business into a sustainable franchise with tangible brand value to shareholders and investors.

### **Trustee Services**

AmTrustee Berhad was incorporated on 28 July 1987 and is registered as a trust company under the Trust Companies Act, 1949. The Trustee commenced operations in March 1992 and offers "Innovative and Affordable Trustee Services". It provides comprehensive conventional and Islamic corporate and private trust services.

The services offered include roles as trustee for retirement funds, unit trust funds, REITs and debentures, stakeholders, custodial services, will-writing and the setting up of trust accounts for individuals, family members and institutions.

### **MARKETS BUSINESS (Group Treasury, Fixed Income Trading And Treasury Derivatives)**

Following the strategic investment by Australia and New Zealand Banking Group Limited ("ANZ") in AMMB Holdings Bhd ("AHB" or the "AmBank Group"), together with our wholly-owned commercial banking arm, AmBank (M) Bhd ("AmBank"), we have on 28 August 2008 entered into a Technical Services Agreement ("TSA") with ANZ to accelerate the expansion and development of the foreign exchange, interest rate and commodities derivatives business of the AmBank Group.

The TSA represents another significant milestone in the roll out of the strategic initiatives which will contribute considerable value-add as part of AmBank Group's strategic partnership to develop a sustainable and viable business for foreign and local customers of AmBank Group and its subsidiary companies. This will be through leveraging ANZ's technical skills, processes and know-how in areas relating to sales and trading, risk, product development and systems. This is expected to fast-track the exponential growth of the AmBank Group's market share in the expanding market for foreign exchange, interest rate and commodities derivatives products.

To reflect the changes that are taking place, the division's present conventional reference i.e. Group Treasury consisting of conventional and Islamic banking will be renamed Markets Business. This will thus represent the merger of our existing treasury activities together with our collaborative partnership business in forex and derivatives.

In the midst of current extreme rate volatility, liquidity and credit markets concerns, it has undoubtedly been a challenging operating environment. As crude oil prices rose sharply, sparking inflationary fears, pressure was exerted on trading in both government and corporate bonds. It is crucial to ensure a sustainable strong volume growth, and maintain a liquid balance sheet and strong asset quality which is of paramount importance in the intensely competitive and uncertain marketplace.

In tandem with the rapidly growing Islamic banking markets, the Islamic Treasury unit too played its role in managing the investment needs of our clients.

## ISLAMIC BANKING

For FY 2009, Amlslamic Bank Berhad ("Amlslamic") has once again continued to build on the strong growth achieved in the previous two financial years. In an increasingly competitive environment, its pre-tax profit rose to RM213 million while total assets expanded to RM14 billion as at end-March 2009. Total financing was reported at RM11 billion, which accounted for 69.6% of total assets due to the continued demand for financing in the Retail and Business Banking segments.

### Product And Business Development

As part of the initiatives to further expand our comprehensive range of products, the following programmes were rolled out:

- In November 2007 – Fully Secured Financing Cashline-i was introduced for individuals against General Investment Account-i ("GIA-i") available at all branches and regional offices.

- For the second year, Amlslamic Personal Financing-i "Win-a-Car Contest" was rolled out, in June 2008.

- In July 2008, a partnership with Takaful Ikhlas Sdn Bhd and the FWU Group (a German-based international finance services company) was forged, to market a Takaful and investment-linked product under the Amlslamic brand, named AmHigh Takaful Investment-Linked Plan.

- Active Commodities Islamic Negotiable Instrument of Deposit ("NID-i") was launched in August 2008.

- Amlslamic True Card-i, a "no frills" card was launched, in November 2008.

- In January 2009, Family First Islamic Solution, an all-in-one Shariah-compliant financial solution for families was introduced.

- A variable rate home financing facility called Flexi Home Financing-i was introduced in February 2009.

### Strategic Partnership Between AmBank Group And Australia And New Zealand Banking Group ("ANZ")

- Opportunities to leverage on the international expertise, best practices and capabilities of ANZ.
- Amlslamic Bank mapped out goals and aligned them to the Group's Medium Term Aspirations ("MTA").

### Amlslamic Branding For The Group

In conjunction with the International Currency Business Unit ("ICBU") license granted by Bank Negara Malaysia ("BNM") to Amlslamic, the Group is now adopting the brand name of "Amlslamic" in order to create and build a brand that is relevant and preferred for Islamic banking and finance both locally and globally. "Amlslamic" shall be known as the promoting brand for all the Group's Islamic products and services such as retail banking, business banking, investment banking, funds management and ICBU products.

### The ICBU Initiatives

The Amlslamic ICBU is now fully operational under the wings of the Group's investment banking ICBU. Both Amlslamic and the Group's ICBUs are now operating foreign currency denominated businesses since July 2007.

### Marketing And Promotions

Representing the Group, Amlslamic participated in Bank of Zambia Islamic Banking Conference, held in Zambia (on 20-21 October 2008), as well as IAS – AEI (Islamic Area Studies – Asia Europe Institute) International Conference on

Islamic Area Studies, held at Nikko Hotel, Kuala Lumpur on 22-24 November 2008.

### Strategic Focus And Initiatives For FY 2010

The strategic initiatives that will be rolled out in FY 2010 include:

- Expanding the ICBU business by leveraging on ANZ for international exposure/market accessibility.
- Opening more Amlslamic Bank branches where viable.
- Finalising the development of the equity business model/structure based on the Musharakah concept.
- On-going product development, business tie-ups and dealings.
- Strengthening of Amlslamic corporate branding.

### INSURANCE

Effective 1 December 2008, AmAssurance (previously known as AmAssurance Berhad) has split into two specialist companies, following the acquisition of a 30.0% stake in AmLife Insurance Berhad ("AmLife") by a UK-listed life and pensions company known as Friends Provident plc ("FP") and a 49.0% stake in AmG Insurance Berhad ("AmG") by Insurance Australia Group Limited ("IAG"), a general insurance group with operations in Australia, New Zealand, the United Kingdom and Asia.

For the financial year ended 31 March 2009, AmAssurance achieved total premiums of RM546.1 million or 30.0% growth for life insurance and RM585.8 million or 7.4% increase for general insurance despite the tough conditions of the economic slowdown. The astonishing growth under AmLife was contributed by our agency and bancassurance channels which registered commendable growth of 27.0% or RM61 million and 65.0% or RM65 million respectively.

### AmLife Insurance Berhad

#### Financial Performance

AmLife secured its strong double-digit growth of 23.0% in new business premium to RM109 million compared to the previous year. For the financial year under review, AmLife's total life policyholders' fund (inclusive of investment-linked funds) achieved a commendable growth of 19.0% to RM1.8 billion.

During the year, AmLife's asset size grew to RM2 billion, an increase of 20.0% compared to the previous year. For FY 2009, a pre-tax profit of RM214 million was recorded, registering a growth of 5.0%.



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### Tactical Initiatives

With a series of marketing strategies and product launches, AmLife moved up two ranks and ranked eighth in market share for the industry this year:

- Launch of AmAsia Star in May 2008, a 100.0% secured capital guaranteed fund with up to 125.0% insurance protection that rode on the upside potential gains from Asia's property, equity and currencies growing trend;
- Launch of our first women's product in May 2008 – AmBeautiful that rewards policyholders during good and bad times throughout their different stages in life;
- AmPreferred Medicare, launched in July 2008 to provide comprehensive coverage towards hospitalisation and surgical needs; and
- Launch of AmLifestyle and AmMedicare Plus in October 2008 – AmLifestyle is a flexible plan that allows customers to have more control on their plan based on changes in lifestyle needs over time; while AmMedicare Plus is an individual hospital and surgical rider attachable to any available investment-linked plans.

### AmG Insurance Berhad

#### Financial Performance

For the financial year ended 31 March 2009, AmG registered a 10.0% growth in net earned premiums to RM492.6 million and RM27.6 million in net profit.

As at 31 December 2008, AmG ranked the fifth in Malaysia with a market share of 5.3% and maintained its position as the second largest motor insurance underwriter in the country.

#### Tactical Initiatives

Some of the notable initiatives for the AmG businesses throughout the financial year include:

- Launch of AmBeauty in May 2008, a comprehensive protection plan that protects 'women on the go' as well as their babysitter or maid; and
- A new anti vehicle theft solution, AmAct was launched on 8 September 2008 in partnership with B'Smart Technology Sdn Bhd and Proton Edar Dealer Association ("PEDA").

#### Customer Proximity

To become the top insurer preferred for service, AmAssurance aims to ensure that all its customers and business partners can easily transact business with its personnel on a daily basis.

To this end, AmAssurance launched its own internal call centre on 8 August 2008 to provide instant services to its customers on a wide range of requests. On top of that, various contact channels such as AmAlert SMS, website, fax and email systems were also set up to ensure that AmAssurance is accessible to its customers.

#### Corporate Social Responsibility

Apart from achieving solid financial performance, the corporate social responsibility ("CSR") framework constitutes an inherent part of AmAssurance's DNA. We broadened the scope of involvement in our nationwide road safety CSR campaign "Drive Safely. We Care" to all fellow road users. In 2008, AmAssurance collaborated with the Ministry of Transport to feature emergency help line numbers and AmAssurance contact points printed at the back of 10 million road tax display stickers.

In September 2008, "Drive Safely. We Care" was held for the second year running at the three most popular Rest and Relax ("R&R") spots along PLUS highway, namely Tapah, Gurun, Pagoh and also Berjaya Times Square shopping mall in Kuala Lumpur to remind the public at large on the importance of road safety. An array of exciting activities plus

Red Bull energy drinks and car fragrance goody bags were given out to energise all visiting drivers and passengers alike at the R&R; road users experienced activities that touched the five senses of *sight, touch, hearing, taste and smell.*

#### Gaining Global Acclaim

With strong brand presence in the industry, AmAssurance was honoured with two significant awards in 2008, namely the Asia Pacific Outstanding Entrepreneurship Awards 2008 by Enterprise Asia, an independent organisation for entrepreneurship for our continuous business growth, best practices, investment in people as well as publicity efforts; and the Superior Company Category, Best Business of the Year Awards 2007 from Deputy Minister of Housing and Local Government, YB Datuk Robert Lau Hoi Chew on 13 October 2008.

Another noteworthy achievement was our success in being nominated for the Corporate Social Responsibility Awards 2008 by Asian Insurance Review.

#### Looking Ahead

Despite the potential challenges in the year ahead, we are hopeful that the new cabinet line-up will be rolling out more strategic plans to boost the country's economic conditions and improve consumer sentiments, which will transform into growth opportunities in the overall market.

Nonetheless, with the commencement of the strategic partnership with FP and IAG, we are optimistic that FY 2010 will continue to yield reasonable growth in new business premiums for both AmLife and AmG. In the coming financial year, AmAssurance will compositely focus on expanding its agency force to 6,000-strong and leverage on technological advancements to drive the company towards a paperless working environment whilst maximising productivity.