

Business Operations Review

AmBank Group offers a comprehensive range of both conventional and Islamic financial solutions through our retail banking, wholesale banking, general insurance, life assurance and family takaful businesses.

Retail Banking

Retail Banking offers a comprehensive suite of financial solutions which are designed to be relevant and meet our customers' financial needs. This includes deposits, loans & financing, credit cards, wealth management, priority banking, insurance, small business banking, young professional solutions, foreign currency exchange and remittance services.

FY2016 Performance Review

In FY2016, we continued to climb the growth trajectory steadily by focusing efforts to achieve sales and service excellence in our core products and growth segments. Despite headwinds in the macro environment, our efforts delivered growth to garner a Profit Before Tax (PBT) of RM614 million.

Recognising our appeal in the mortgage space, one of the business focus in FY2016 was to further entrench ourselves in the primary and secondary mortgage market. Through a coordinated approach of strategic business partnerships and alignment of internal capabilities to enhance sales productivity, we recorded a double-digit growth of 13 per cent in mortgage loans. Auto finance loans also registered 15.5 per cent growth in disbursement as we re-orient our proposition towards higher value customer profiles, whilst credit cards grew three times in average monthly sign-ups.

While deposits had to fend from cautious market sentiment and a competitive pricing environment, we gained traction in growing our employer base of AmBank@Work solution and resulting Current Account and Savings Account (CASA) sign-ups. Deposits will continue to be a core agenda in FY2017 as we tap into our existing and new customer base to ensure everyone banks with AmBank.

Aligned with our aspiration to develop segment profitable propositions in FY2016, our TRUE products that comprise a suite of current account, savings account, debit and credit cards continue to appeal to the young professionals segment achieving 36,440 sign-ups a year after launch. We also made headway in growing the wealth business in the emerging affluent segment, with a positive uptake of our structured investment and Bancassurance products. We continue

to see results from our focused effort to grow Small Business Banking (SBB) with 93 per cent activation of current accounts, which lays the foundation for harvesting more profitability from this segment.

People capabilities continue to be paramount to drive the success of the Retail business. In FY2016, we continued to have programmes in place to embed strong service culture and values amongst our staff. This emphasis will carry through the coming year as we embark on realigning and developing our organisation to unlock talent, increase internal process efficiencies and ultimately enable our staff to bring the best to our customers with speed and relevancy.

In the coming financial year, we will strengthen the business by sharpening our approach to nurture customer relationships across their life cycle, build main bank relationships and enhance fee-based income and profitability. This will be done via an intense focus on target growth segments underpinned by compelling customer value propositions and our deposits, wealth, cards and merchant products.

Deposits

With conservative market sentiment coming out of the GST implementation and resulting price war in the deposits landscape, Current Account and Savings Account (CASA) reduced by 1.9 per cent year-on-year, constituting 25.4 per cent of total retail customer deposits. Overall, deposits held steady with a slight shortfall of 2.9 per cent and we held on to the Fixed Deposits (FD) base by reducing attrition rate to 3.2 per cent.

Focused initiatives were implemented to acquire new funds whilst retaining existing depositor base. These included tactical Fixed Deposit "Top Rate" promotions and quarterly retention campaigns. We also launched the FD simplification project that significantly reduced the turnaround time to open an account and deposit with AmBank.

Through business cocktails and campaigns, AmBank@Work solicited new employer sign-ups to grow by 53.6 per cent and saw increased average deposits balance. On top of these campaigns, we also deployed new ground troops to advocate for deposits within our distribution channels and drive higher acquisition.

Growing deposits, especially CASA utilisation amongst existing and new customer base, will be a key priority in FY2016. On-going process simplification initiatives will support this growth, as we look towards enhancing the customer experience with online deposit functionalities as part of our virtual banking aspirations.

Mortgage

Mortgage receivables registered a 13 per cent growth year-on-year as we focused our penetration in both primary and secondary markets. In tandem with launching competitive product packages, we improved the productivity of our sales force and realised efficiencies across the loan process by aligning support functions of credit processing and approval, risk, collection and lending operations. We also successfully established strategic tie-ups with key business partners by leveraging relationships with top developers, lawyers, valuers and real estate agents.

Asset quality continues to improve, with Gross Impaired Loans ratio decreasing from 2.21 per cent to 1.79 per cent in FY16. This improvement is attributed to the Bank's prudent risk-based pricing framework and business underwriting strategies targeting growth in better quality assets.

Our aspiration in FY2017 is to be the preferred bank for mortgages and Islamic financing by continuously driving improvement on process turnaround times and delivering superior customer experience.

Auto Finance

In FY2016, Auto Finance disbursements grew by 15.5 per cent and contributed a significant 37 per cent of total retail Profit Before Tax (PBT).

In line with our strategy to balance our Auto Finance portfolio with more selective loan acquisitions, we targeted sales in the new non-national vehicle segment that brought with it customers from the affluent and emerging affluent markets and healthier risk grades. A more rationalised and competitive interest rate pricing also induced better margins for new business underwritten in FY2016.

Our FY2017 focus will be on increasing our market presence within the target growth segments through product innovation, targeted campaigns, dealer incentive programmes and holistic retention initiatives. We also intend to capture market share on Motor Insurance by diversifying new application and renewal channels.

AmCards

Our commitment in supporting Bank Negara Malaysia's Payment Card Reform Framework led us to be among the first banks in Malaysia to deploy PIN-enabled cards compliant to global Europay, MasterCard and Visa (EMV) standards. With the newly PIN-enabled cards, we also concluded our final phase of integrating existing MBF branded cards into the AmBank Group brand, which were further enhanced with improved rewards and privileges for our valued cardmembers.

In a year where rewards and cardmember benefits were revised downwards due to intense pressure on interchange revenue, we maintained our rewards and benefits programme to offer the best rewards and travel benefits to our cardmembers. To date, our air miles conversion for Enrich, KrisFlyer, Asia Miles and AirAsia BIG remained as one of the most competitive travel rewards offering in the market.

In FY2016, aggressive acquisition programmes together with improved sales and support channels doubled new cards approved for the year.

In line with evolving digital consumer demands and market trends, AmBank Visa Checkout was also launched to provide a convenient, swift and secure mode of payment for our cardmembers. Recognising the emergence of e-commerce, we also entered into collaborations with household e-commerce merchants such as 11Street and GEMFIVE, amongst others, to provide attractive offers for our online savvy cardmembers.

We also defended our top three merchant acquirer position by focusing on multi-outlet merchants and executing key merchant engagement/anti-attribution programmes with value-added services.

FY2017 will see the full deployment of Chip & PIN enabled credit cards and merchant terminals, including MCCS compliant and PIN-enabled debit cards as part of the industry-wide requirement to migrate to PIN & PAY by 1 January 2017. We will also continue to innovate solutions for merchants and build collaborations with business partners to deliver growth and increase our market presence in the coming year.

Wealth Management

FY2016 saw our efforts to diversify fee-based income and grow wealth business in the emerging affluent segment bearing early fruit.

The pilot deployment of trained Insurance Specialists at strategic branches nationwide to provide customer centric financial planning and protection advisory



proved effective. In the coming year, we will continue to refine and extend the Insurance Specialists model nationwide to build our footprint in this area.

For investment, we continue to expand our portfolio of quality investment products by inking strategic partnerships with Maybank Asset Management and Amanah Saham Nasional Berhad (ASNB) to provide our customers a wider range of Investment Advisory Products. Sales of our structured investment products took flight and we acquired sales of RM1.2 billion in Dual Currency Investment and Equity Linked Products, which we sold through Relationship Managers (RM) under our AmSignature priority banking brand.

As part of our strategic priorities in FY2017 to grow our wealth business in target growth segments, we will focus on placing more wealth advisory talents/RMs within our branches and expand the number of priority banking centres to extend our reach to customers.

True For Young Professionals

Nearly a year after the launch of the TRUE proposition and suite of products, we have seen a steady growth in our customer base with a total of 36,440 customers across TRUE products. This can be attributed to our innovative products and bundling according to the needs of the segment and successful campaigns to engage and promote to the target community. The success of TRUE demonstrates that when we apply a customer view to innovate products and services, we can carve a niche and extract value from the market.

Moving forward, TRUE by AmBank will focus on evolving the customer base through ongoing initiatives like TRUE@Uni and TRUE-i – an Islamic variant of the TRUE proposition – while enhancing our online platform for ease of application and a truly seamless digital experience.

Small Business Banking (SBB)

SBB initiated its five stages of transformation from July 2013 and is currently in the tail end of the “Entrench & Grow” phase where we now have the necessary foundation in place to be the bank of choice for Small Business Banking (SBB) customers. In FY2016, we continued with a liability-led strategy to deliver superior financial returns and customer experience to small businesses that chose to bank with us.

Some of the highlights for FY2016 include:

- Activation for Current Accounts (CA) acquired remained high at 93 per cent, while average balance grew by 6.7 per cent.
- Rolled out the Application Scorecard and Behavioural Scorecard to provide structure on the business lending guidelines and pre-requisites.

Being a target growth segment for Retail in FY2017, we will continue to appeal to new customers and strengthen existing relationships through innovative lending initiatives and propositions that save our SME customers time and money on their banking

partnership with AmBank. In addition, we will invest significant increased efforts to protect our existing base through the creation of an anti-attrition unit within SBB.

Retail Distribution

In FY2016, we continued with our transformation to become a high quality retail bank that provides superior customer experience. With this as our aim, we have committed to invest up to RM7.7 million to expand our cash deposit machines and Automated Teller Machine (ATM) network, and upgrade existing machines to ensure reliable performance to AmBank’s customers.

AmBank’s first two Bureau de Change (BDC) at Gateway@KLIA2 also continued to excel in providing ease and convenience to travellers and customers 24/7. In spite of a much higher target for FY2016, these two BDCs exceeded expectations to achieve 112 per cent of the targeted exchange volume. Following this success, we will review our plans to penetrate other key airport locations to expand our footprint in the travellers market.

Virtual Banking

At Retail Banking, we continue to expand the digitalisation of our banking solutions. In FY2016, we successfully deployed JomPay, Malaysia’s national bill payment eco-system, within our Internet/Mobile Banking and ATMs to provide customers access to an expansive list of billers. We also enabled Instant Transfer services as part of our Online Banking solution to benefit customers with truly “anyday, anywhere, anytime” real-time banking experiences.

Over the year, our Online and Mobile Banking subscriber bases have grown and online transactions continue to register 20 per cent year-on-year increase.

We also continue to leverage on social media as a platform for engaging with our customers and building our brand. As part of AmBank’s #LifeGetsFun photo-based contest to officiate our Instagram page, we garnered 1,500 photo entries and 1,300 followers to come up tops as the number one bank on Instagram for the period. This effort won us the Order of Excellence Award for Best Social Media or Word of Mouth Campaign at the 2015 Promotion Marketing Awards of Asia (PMAA) Dragons of Malaysia Awards.

We continue to embark on initiatives to increase consumer awareness and education on cybercrimes through the bank’s website, secured email and social media channels. Through initiatives to further improve online banking security, monetary losses throughout the year have declined.

In the coming years, Virtual Banking will continue to drive the digital roadmap to provide modern banking experiences to customers and improve our banking operational efficiency.

Islamic Banking

AmBank Islamic Berhad (Bank)'s strategic direction would be in tandem with the Group's. Whilst the Bank would continue to operate in its existing market segments, the Bank aspires to add further value to the Group by penetrating into niche market segments that were hitherto untapped by the Group. This would be in line with the Group's strategic intent of moving into under-penetrated segments or "whitespaces" that have not been served well. The Bank would also enhance the manner in which it serves the market via *inter alia* streamlined marketing efforts, simplified processes and documentation, and improved speed and responsiveness to its customers. In order to further compete in the increasingly challenging business environment, the Bank is embarking on initiatives to introduce Islamic specific offerings over the medium term.

As an Islamic bank, the adherence to Shariah norms and requirements is of the utmost importance. To this end, the Bank will continuously review the effectiveness of its Shariah governance framework and ensure that its business and operations comply with Shariah requirements. Given the increasingly complex operating environment, the Bank will also work more closely with the Group's independent control functions to ensure the effectiveness and integrity of the Bank's non-Shariah related compliance, risk management and internal audit functions.

Capacity building would be an integral focus of the Bank in order to have the right skills set, optimal level of resources and a succession plan. The Bank has revamped its training approaches whereby training modules are tailored to meet the specific requirements of the business. In addition, training on Islamic banking is provided in a systematic manner to ensure consistent and relevant delivery throughout the Group. These are vital to ensure the sustainability of the Bank's business and operations.

FY2016 Performance Review

The banking industry continued to face margin compression and weaker profitability amid slower economic growth, heightened competition for deposits and rising credit costs. Faced with these challenges, the Bank adopted a more prudent balance sheet management by growing its auto financing portfolio in a selective manner and controlling the growth of its wholesale banking portfolio. As part of the need to rebalance its financing book and create a more sustainable earnings stream, the Bank had focused on substantially growing its mortgage portfolio.

The challenging external environment was compounded by the Administrative Monetary Penalty (AMP) of RM49.7 million, imposed by Bank Negara Malaysia for regulatory breaches in respect of transactions that occurred in previous financial years. To prevent the recurrence of such major breaches, the Bank would be part of the Group's efforts to improve the Group's overall compliance programme.

Notwithstanding the challenging external environment and the need to manage the legacy regulatory breaches, the Bank managed to continuously improve the quality of its asset portfolio and implement its new strategy of prudent balance sheet management and strengthening its foundation, which resulted in the Bank achieving a commendable profit after tax, zakat and minority interests (PATZMI) of RM233 million. If the AMP were excluded, the Bank would achieve PATZMI of RM282 million, an increase in PATZMI by almost 20 per cent compared to the previous financial year.

To meet its business growth requirements and to have adequate buffer in light of the more challenging and complex economic environment, the Bank had raised RM250 million of Tier-II capital in December 2015.

Business Highlights

New Chief Executive Officer and Senior Management

After more than one year without a Chief Executive Officer (CEO), Eqhwan Mokhzanee joined the Bank as its CEO at the beginning of the financial year. One of his priorities was to recruit new talent into the Bank's management team as part of the Bank's on-going efforts to strengthen its human capital capabilities. Amongst the key recruitment included the Head of Wholesale Banking Department, Head of Distribution Management, Head of Shariah Review and Head of Shariah Risk Management.

Branding

In order to align the linkage of the Islamic brand under the umbrella brand of the AmBank Group, the AmIslamic Bank brand was rebranded to AmBank Islamic and the logo colours were harmonised with the AmBank Group brand colours of red and yellow on 18 May 2015. Correspondingly, the legal entity name was changed from AmIslamic Bank Berhad to AmBank Islamic Berhad.

In view of the rebranding exercise, the Bank continued to foster stronger brand recognition by making a presence in various national and international events namely:

- The 12th Kuala Lumpur Islamic Finance Forum (KLIFF) 2015
- The International Finance News (IFN) Conference in 2015
- The Sixth OIC World BIZ 2015

IFSA and Products

In compliance with the Islamic Financial Services Act 2013 (IFSA) that distinguishes Islamic deposit and investment products, all Islamic deposit products that adopted the Shariah contracts of *Mudarabah* and *Wakalah bi al-istithmar* were classified as investment products.

Pursuant thereto, the Bank also relaunched a number of products to adopt the Shariah contracts of *Commodity Murabahah*, *Wadi'ah Yad Dhamanah* and *Wakalah bi al-Istithmar*. The products that were relaunched during the financial year were:



- **Term Deposit** Based on the Shariah contract of *Commodity Murabahah*, these included Term Deposit-i, Afdhal Term Deposit-i, Am50Plus Term Deposit-i, AmQuantum Term Deposit-i and ValuePlus Term Deposit-i. These products enable customers to enjoy fixed profit rates and at the same time, these deposits are guaranteed by the Malaysia Deposit Insurance Corporation (PIDM).
- **Family First Solution-i** The conversion from adopting the Shariah contract of *Mudarabah* (profit sharing) to *Wadi'ah Yad Dhamanah* (savings with guarantee) was carried out and subsequent thereto, the profit distribution based on a profit-sharing ratio would no longer be applicable but instead, the Bank may distribute *hibah* (gift) at the Bank's absolute discretion.
- **HomeLink and PropertyLink Investment Account-i** Based on the Shariah contract of *Wakalah bi al-Istithmar* (agency for investment) whereby the customer as the principal shall appoint the Bank as an agent for the purpose of investment where an indicative expected return rate will be made available and the actual returns, if any, will be automatically credited into the customer's new account(s) on a monthly basis.

In addition, the Bank had introduced the following products:

- **Restricted Profit Sharing Investment Account-i** Based on the Shariah contract of *Mudarabah* whereby investment account holders agree to participate in the specific financial / investments activities undertaken by the Bank and share the profit generated from the financing and/or investment activities based on an agreed profit sharing ratio.
- **Hire Purchase Variable Rate** Based on the Shariah contract of *Ijarah* and was reintroduced by the Bank subsequently to the enhancement to the Bank's systems.

Shariah Governance

The Bank further strengthened its Shariah governance framework by formally establishing three independent Shariah functions: Shariah Risk Management, Shariah Review and Shariah Research & Advisory. The Shariah Audit function is part of the Group Internal Audit Department.

With the strengthening of Shariah risk management capabilities, the Bank was able to conduct an enhanced Shariah risk management profiling exercise. Further thereto, the Bank has aligned the focus of Shariah review to the areas that have been identified by Shariah risk management to have significant risk of Shariah Non-Compliance (SNC). The objective was to identify any lapses in controls or processes that could lead to SNC incidents.

The Bank had also embarked on the review of a number of business areas to consciously identify weaknesses vis-à-vis Shariah requirements. As a result of the exercise, a number of transactions that originated in previous years were discovered to be Shariah non-compliant within the financial year. Pursuant to these incidents, the Bank has enhanced controls to mitigate against recurrences, including improvements in systems, documentation and process flows as well as manuals and guides. Moving forward, the Bank would draw from the lessons learnt from the review exercise to continue strengthening its processes to minimise the recurrences of SNC incidents.

Senior Management Oversight

To further strengthen the oversight by the Bank's senior management, the Bank had formally established AmBank Islamic's Heads of Department Committee and Oversight Committee. The Heads of Department Committee discusses the strategic, financial performance, human resource, industry development, product and other business and organisation matters. The Oversight Committee focuses on Shariah, risk management, compliance, internal audit, liquidity and other control issues.

Training Programme

The Bank also commenced implementing the 2016/2017 training programme endorsed by the Board. The training programme included a systematic and targeted training for board members, Shariah Committee members, management and staff of AmBank Group who are involved in Islamic banking business.

Corporate Social Responsibility

Similar to previous years, the Bank has maintained its commitment in serving the community through the distribution of business *zakat*. For the current financial year, a total business *zakat* amounting to RM1,411,036 was distributed, out of which RM380,400 was paid to state *zakat* collection centres whilst the balance of RM1,030,636 was distributed to eligible recipients such as associations, foundations and charity homes throughout Malaysia. Out of the RM1,030,636 distributed, RM250,000 was distributed to Yayasan Pelajaran Mara for the on-going Student Adoption Programme that is going into its fifth year of a planned 10-year programme.

Wholesale Banking

The Wholesale Banking aims to improve client centricity, efficiency and productivity through the new coverage and segmentation models. Through re-prioritising coverage by segments, the Relationship Management teams will be the single point of contact to enhance customer experience across sales, product solutions and servicing to achieve product excellence and clear segregation between product strategy and distribution. This will remove any duplicated functions in the business and support areas across the Group.

Wholesale Banking focuses on building and developing strong relationships with clients and provides wholesale banking services supported by a wide spectrum of commercial and investment banking products and services. Together with our product partners – consisting of Investment Banking, Markets and Transaction Banking divisions – we continuously strive for excellence in offering innovative, quality and differentiated products and services to the wholesale customers. This holistic platform services clients with end-to-end financial solutions from origination execution, through enhancing clients' share of wallet, acquire new clients, while diversifying and differentiating itself in the markets place, in line with the Group's strategic objectives.

Our Regional Business Centers ("RBCs") in Penang, Johor, Kota Kinabalu and Kuching continue to play a key role in the division's growth and together with an off-shore branch in Labuan, ensure that we have footprint across Malaysia as well as the Labuan International Business and Financial Centre.

Corporate Finance

The Corporate Finance Division provides an extensive range of corporate finance and advisory services comprising Mergers and Acquisitions (M&A), takeovers, Initial Public Offerings (IPO), restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuations and independent advisory services. We service a diverse spectrum of clientele from various sectors including construction, infrastructure, financial institutions, plantation, property development as well as oil and gas.

Our department facilitates seamless origination and execution of equity capital market transactions, bridging the connectivity between the client coverage teams and the product divisions.

In FY2016, the capital market saw the listing of 13 new companies on Bursa Malaysia Securities Berhad, of which AmInvestment Bank was involved in four of the issues in various roles. We were the Principal Adviser, Underwriter and Placement Agent for Ikhmas Jaya Group Berhad's RM296.4 million IPO with a retail oversubscription rate of 8.2 times as well as the Principal Adviser, Joint Underwriter and Joint Placement Agent for Pecca Group Berhad's RM267.0 million IPO with a retail oversubscription rate of 13.1 times. We were also the Joint Underwriter for the IPO of Malakoff Corporation Berhad and Red Sena Berhad, which raised RM2.7 billion and RM400.0 million respectively.

On the M&A front, notable deals include acting as the Principal Adviser (for IJM Land Berhad) for the RM1.9 billion privatisation of IJM Land Berhad by IJM Corporation Berhad via a members scheme of arrangement, the RM1.9 billion acquisition of real estate corporations by IOI Properties Group Berhad as well as the RM655.0 million disposal of oil palm plantation subsidiaries and land by Golden Land Berhad to Pontian United Plantations Berhad, a wholly-

owned subsidiary of Felda Global Ventures Berhad. We were also the Joint Adviser for the RM507.0 million acquisition of companies with land and development rights by Sunsuria Berhad.

We also acted as the Independent Adviser for the takeovers of OSK Property Holdings Berhad by OSK Holdings Berhad (RM234.0 million), Perdana Petroleum Berhad by Dayang Enterprise Holdings Berhad (RM729.0 million), Kulim (Malaysia) Berhad by Johor Corporation via a selective capital reduction and repayment exercise (RM2,260.0 million) as well as the management buyout and reverse takeover of Symphony House Berhad by Ranhill Holdings Berhad (RM860.0 million).

In terms of secondary fund raising deals, we acted as the Joint Principal Adviser, Joint Underwriter and Joint Placement Agent for Eco World Development Group Berhad's rights issue with warrants and private placement (RM1,400.0 million) as well as the Joint Adviser and Joint Underwriter for Sunsuria Berhad's rights issue with warrants (RM380.0 million). We were also the Joint Underwriter for the rights issue of Hong Leong Financial Group Berhad (RM1,100.0 million).

Moving forward, the Corporate Finance Division will continue to leverage on our full-fledged advisory services to enhance value for all stakeholders. We also seek to continue utilising our underwriting abilities to provide total solutions to our clients.

Notable IPOs For FY2016

 <p>IKHMAS JAYA GROUP BERHAD</p> <p>RM296M</p> <p>Principal Adviser, Underwriter and Placement Agent</p> <p>July 2015</p>	 <p>PECCA GROUP BERHAD</p> <p>RM267M</p> <p>Principal Adviser, Joint Underwriter and Joint Placement Agent</p> <p>April 2016</p>
 <p>MALAKOFF CORPORATION BERHAD</p> <p>RM9.0B</p> <p>Joint Underwriter</p> <p>May 2015</p>	 <p>RED SENA BERHAD</p> <p>RM500M</p> <p>Joint Underwriter</p> <p>December 2015</p>

Notable M&A Deals For FY2016

 <p>IJM LAND BERHAD</p> <p>RM1.98B</p> <p>Principal Adviser</p> <p>Privatisation</p> <p>April 2015</p>	 <p>IOI PROPERTIES GROUP BERHAD</p> <p>RM1.93B</p> <p>Principal Adviser</p> <p>Acquisition of real estate corporations</p> <p>January 2016</p>	 <p>GOLDEN LAND BERHAD</p> <p>RM655M</p> <p>Principal Adviser</p> <p>Disposal of oil palm plantation subsidiaries and land</p> <p>October 2015</p>	 <p>SUNSURIA BERHAD</p> <p>RM507M</p> <p>Principal Adviser</p> <p>Acquisition of companies with land and development rights</p> <p>June 2015</p>
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Notable Independent Adviser Roles For FY2016

 <p>OSK PROPERTY HOLDINGS BERHAD</p> <p>RM234M</p> <p>Independent Adviser</p> <p>Takeover offer</p> <p>October 2015</p>	 <p>PERDANA PETROLEUM BERHAD</p> <p>RM729M</p> <p>Independent Adviser</p> <p>Takeover offer</p> <p>August 2015</p>	 <p>SYMPHONY HOUSE BERHAD</p> <p>RM860M</p> <p>Independent Adviser</p> <p>Reverse takeover and management buyout</p> <p>February 2016</p>	 <p>KULIM (MALAYSIA) BERHAD</p> <p>RM2,260M</p> <p>Independent Adviser</p> <p>Selective capital reduction and repayment</p> <p>April 2016</p>
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Notable Fund Raising Deals For FY2016

 <p>ECO WORLD DEVELOPMENT GROUP BERHAD</p> <p>RM1.43B</p> <p>Joint Principal Adviser, Joint Underwriter, Joint Placement Agent</p> <p>Rights issue with warrants and private placement</p> <p>May 2015</p>	 <p>SUNSURIA BERHAD</p> <p>RM380M</p> <p>Joint Adviser, Joint Underwriter</p> <p>Rights issue with warrants</p> <p>July 2015</p>	 <p>HONG LEONG FINANCIAL GROUP BERHAD</p> <p>RM1.1B</p> <p>Joint Underwriter</p> <p>Rights issue</p> <p>December 2015</p>
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Capital Markets Group

The Capital Markets Group is focused on providing integrated financing solutions to our sovereign, corporate and institutional clients through our capabilities in fixed income, derivatives and credit solutions and advisory services. We strive to be the partner of choice among our clients to assist them in realising their business goals and supporting them in their long-term growth.

AmInvestment Bank continues to assert its leadership position as a dominant capital markets player despite challenging market conditions, extending our top

three position on the Bloomberg Underwriter Rankings for MYR-denominated Private Debt Securities (PDS) for the 13th consecutive year in 2015. Our track record of successfully executing deals in the volatile and challenging market environment is a testament to our unwavering commitment to provide service of the highest quality to our clients.

In 2015, the Malaysian economy expanded by 5 per cent amidst global market uncertainties underscored by the US Fed's consideration of the timing and quantum of Fed rate normalisation, economic slowdown in China, depressed oil prices and volatile

Ringgit exchange rate. The Malaysian economic growth is expected to moderate in 2016 with credible growth of 4.2 per cent supported by domestic activities and exports, complemented by a more stable currency and signs of improving sentiments.

Gross PDS issuances in 2015 amounted to RM78.2 billion, a marginal decline of 0.9 per cent in volume over the corresponding period in 2014. The majority of the new PDS issuances in 2015 comprised Government-Guaranteed & AAA-rated issuances (44 per cent), followed by AA-rated issuances (42 per cent), unrated issuances (11 per cent) and A-rated issuances (3 per cent).

Unrated bond issuances continue to gain prominence in the Malaysian market with the removal of mandatory bond rating requirement by January 2017. Drawing on our vast experience and expertise in syndication, the Capital Markets Group is committed to assist our clients to capitalise on this opportunity and in developing private placement strategies with a diversified investor base.

The Capital Markets Group is ideally positioned to meet the requirements of our clients as we provide a full suite of customised debt and capital financing solutions comprising PDS and *Sukuk* issuances, loan syndication, structured finance, capital and project advisory services and primary syndication and underwriting services. With a strong team comprising professionals experienced in finance, accounting, tax, actuarial, legal, credit rating, risk management, engineering and securities regulations, we offer our clients innovative and customised financing solutions that meet and exceed expectations.

During the year in review, AmlInvestment Bank was awarded, amongst others, the Project Finance Bank of the Year in Malaysia by The Asset Triple A Asia Infrastructure Awards 2015 and the Best Loan House in Malaysia by The Asset Triple A Country Awards 2015, a testimony of our capabilities in project financing and loan syndication space.

The Capital Markets Group continues to drive product innovation and efficiency in the market, as highlighted by our key transactions below:

Legend

PA Principal Adviser	LA Lead Arranger	LM Lead Manager
MLA Mandated Lead Arranger	MLAB Mandated Lead Arranger/Bookrunner	
JLA Joint Lead Arranger	JLM Joint Lead Manager	

Infrastructure And Project Financing

Prasarana Malaysia Berhad

JLA **JLM**

MYR3.055B GG Sukuk Issuance

- Wholly-owned by the Government of Malaysia as a conduit to facilitate, undertake and expedite public infrastructure projects: LRT, KL Monorail and bus operations.
- 2.6 times bid-to-cover ratio for the MYR3.055 billion *Sukuk* issuance.
- Tax remission enhanced the government-guaranteed *Sukuk*'s attractiveness to investors, thereby achieving optimum pricing for financing up to 25 years.

Jambatan Kedua Sdn Bhd

JLA **JLM**

MYR4.6B GG Sukuk Programme

- Integrated financing solutions from short-term funding with Revolving Credit Facilities since 2010 and long-term funding through the *Sukuk* issuance for the Penang Second Bridge Project.
- Well-executed book building strategy: Tightest spread for GG issuance since 2013; 40/43 basis points above MGS for 10/15 year tranche.
- 1.2 times bid-to-cover ratio for the MYR2.0 billion *Sukuk* issuance.

Entertainment/Hotels

GENM Capital Berhad

JLM

MYR5.0B MTN Programme

- Timely execution to access market liquidity: Bookbuilding process for the RM2.4 billion MTN issuance was carried out within a half-day period on 11 August 2015 with an upsize from the original RM2.0 billion.
- The issuance marks Genting's return to the local bond market after its debut issuance in 2012.

Investment Management

Valuecap Sdn Bhd

PA **LA** **LM**

MYR20B Redeemable Unsecured Bond Programme

- AmlInvestment Bank secured a sole mandate from Valuecap, a testament to AmlInvestment Bank being the execution house of choice.
- Efficient execution process: Thorough planning and well-executed process provided the Issuer with an opportunity to accomplish deal launch, financial close and pricing within a short timeline.

Construction

WCT Holdings Berhad

LM

MYR150.0M Sukuk Issuance

- An integrated and established engineering and construction player, Dec 2015's issuance marks WCT's return to the bond/*Sukuk* market after over a year.
- Preliminary engagement and understanding of the client's financing requirements leading up to the issuance enabled a swift time to market.

Energy

Sarawak Energy Berhad

JLM

MYR1.5B Sukuk Issuance

- Fourth Sarawak Energy issuance under the Sukuk Musharakah Programme.
- Capitalised on market appetite for long-tenured papers: the *Sukuk* was oversubscribed by over two times with the majority of the interest focused on the longer tenured papers.

Financial Institutions

Gulf Investment Corporation G.S.C.

JLM

MYR450.0M Sukuk Issuance

- AmInvestment, AmBank and AmIslamic played multiple roles in this transaction: Originating the *Sukuk*, the sales and distribution process, and acting as the transaction agent for the commodity *Murabahah* contract under Bursa Malaysia's Suq Al-Sila' platform.
- AAA rating by RAM underscored by GIC's privileged position within the GCC, committed support from its shareholders and strengthening fundamentals.

Cagamas Berhad

LM

MYR1.5B Sukuk Issuance

- The leading issuer of AAA securities in Malaysia, Cagamas is the national mortgage company responsible for the purchase of housing loans from financial/non-financial institutions.
- Largest single tenor issuance by Cagamas in October 2015 – solely led managed by AmInvestment.

Consumer Financing

AEON Credit Service (M) Berhad

JLA JLM

MYR1.0B ICP Programme

- AEON Credit is principally engaged in the provision of easy payment schemes, personal financing schemes, and issuance of credit cards under the Visa and MasterCard brands.
- It is also one of the largest non-bank financiers of consumer durables in Malaysia with the largest merchant base and is a key player in motorcycle financing, responsible for about 21 per cent of the total motorcycles sold in 2014.

Sovereigns, Supras, Agencies

Danga Capital Berhad

JLM

MYR1.5B Sukuk Issuance

- A special-purpose vehicle established by Khazanah Nasional Berhad to raise onshore MYR-denominated financing.
- Largest MYR *Sukuk* issuance by Khazanah Group during 1Q16.
- Strong investor interest with two times bid-to-cover by over 30 investors.

Loan Markets

AmInvestment Bank continues to extend its top five position on the Bloomberg Underwriter Rankings for MYR-denominated Malaysia Loans Mandated Arranger for the year of 2015.

Compared to 2014, the Malaysian loan syndication market volume in 2015 dropped to USD12.9 billion, a 34 per cent reduction in volume compared to the same period in 2014 when USD19.6 billion in syndicated loan was raised (*source: Bloomberg Underwriter Rankings for Malaysia Loans Mandated Arranger*). However, the huge volume in 2014 was driven by the financing of a few significant foreign currency deals in oil & gas, FPSO and property sectors.

For 2015, the loan syndication business in Malaysia was largely driven by cross border transactions, with foreign currency denominated deals making up to 68 per cent of the total loan syndication market volume (*source: Bloomberg Underwriter Rankings for Malaysia Loans Mandated Arranger*). Growth was mainly driven by oil and gas-related businesses and real estate projects. These two sectors made up 60 per cent of the Malaysian loan syndication business in 2015.

The loan syndication business complements the bond market in meeting clients' large financing requirements, whether for corporate exercises such as mergers and acquisitions, to act as bridge financing or to finance capital expenditure needs.

AmInvestment Bank continues to gain recognition in the loan syndication market as it recently won the Best Loan House in Malaysia at The Asset Triple A Country Awards 2015 on 12 January 2016. The Best Loan House in Malaysia title was awarded to AmInvestment Bank for its solid presence in Malaysia's loan syndication market and its prominent role in arranging a number of deals to finance the country's key infrastructure projects. Some of the key transactions done in 2015 are highlighted below:

Oil & Gas

SapuraKencana TMC Sdn Bhd

MLA

USD1.4B (MYR6.0B equiv.)

Multicurrency Syndicated Islamic Facility

- Refinancing of existing USD2.2B Multicurrency Syndicated Islamic Facility into a facility with a longer tenor – the largest Islamic facility in Malaysia to date.
- The deal was arranged by 11 local and foreign financial institutions, of which AmBank Islamic Berhad is the second largest financier.
- SapuraKencana is the largest oil field services player in Malaysia with presence in various regions including Asia Pacific, India, Middle East, Latin America and Africa.

Manufacturing

CTRM Aero Composites Sdn Bhd (CTRM)

MLAB

MYR349M Syndicated Financing Facilities

- To part finance CTRM's Shariah-compliant capital expenditure and to finance imported/local purchases against the Bank's Letter(s) of Credit, Inwards Bills under Document against Payment/Acceptance & Local Inwards Bills/Direct Invoice.
- Its repayment capability is supported by its operating cash flows and strong order book.
- The structure is also supported by a corporate guarantee from DRB-Hicom Defence Technologies Sdn Bhd.
- CTRM is a manufacturing unit of CTRM Group, focusing on the manufacturing of composite components for both aerospace (composite aero structures) and non-aerospace segments.

Press Metal Sarawak Sdn Bhd

MLA

USD100M Syndicated Term Loan Facility (STL)

- To part finance Press Metal Bintulu Sdn Bhd (PM Bintulu)'s expansion plans, to pre-fund the debt service reserve account and payment of fees and expenses in relation to the STL.
- The STL is supported by a corporate guarantee from Press Metal Berhad, the leading aluminium producer and the only company with fully integrated upstream and downstream aluminium smelting and manufacturing operations in SEA.
- Proceeds from the STL will be on-lent to PM Bintulu to expand its production capacity at the Samalaju Plant from 320,000 tonnes p.a. to 640,000 tonnes p.a. through the construction of a duplicate plant alongside the existing plant.

Financial Institution

Orix Corporation and its subsidiaries

MLA

USD293M Multicurrency Revolving Credit Facility (RC)

- Refinancing of existing Multicurrency RC Facility of USD278.0M and for general working capital.
- The facility is a two-year RC (with option to extend) supported by a corporate guarantee from the parent, Orix Corporation (Japan), who is rated A- by Standard & Poors.
- This RC is meant for Orix Leasing Malaysia Berhad, the largest player in the domestic leasing industry with 40 years' track record, largely specialising in equipment financing to SMEs.

Real Estate

AmFIRST REIT

MLAB

MYR250.0M Syndicated Term Loan Facility

- Financing for the acquisition of a freehold three-storey hypermall building in Bukit Mertajam, Pulau Pinang (Mydin HyperMall).
- The proposed acquisition is meant to capitalise on the strong economic growth in Penang's retail segment and to provide a stable income stream for AmFIRST REIT.

Setia Federal Hill Sdn Bhd

LA

MYR1.07B Syndicated Term Loan Facility

- To part finance the development of Kompleks Institute Penyelidikan Kesihatan Bersepadu for the Ministry of Health in exchange for lands from the Government of Malaysia and to part finance the mixed development of Setia Federal Hill Project.
- The main source of repayment would be from the sale proceeds of the Setia Federal Hill Project via redemption sum.

AmInvestment Bank's Awards And Accolades



The Asset Triple A Infrastructure Awards 2015

- **Project Finance Bank of The Year (Malaysia)**
AmInvestment Bank Berhad
- **Oil and Gas Deal of The Year**
SapuraKencana TMC RM7.7B Multi-Currency Syndicated Islamic Term Financing Facility
- **Project Finance Deal of The Year**
SapuraKencana TMC RM7.7B Multi-Currency Syndicated Islamic Term Financing Facility
- **Best Oil and Gas Deal (Malaysia)**
SapuraKencana TMC RM7.7B Multi-Currency Syndicated Islamic Term Financing Facility
- **Best Transport Deal (Malaysia)**
DanalInfra Nasional Berhad RM21.0B Islamic Facilities comprise of:
 - Syndicated and Islamic Revolving Credit Facilities
 - Government Guaranteed Sukuk Programme



The Asset Triple A Country Awards 2015

Best Loan House, Malaysia
AmInvestment Bank

The Asset Triple A Islamic Finance Awards 2015

- **Best Corporate Sukuk**
Cagamas Berhad RM3.8B Multi-Tenor Sukuk
- **Best Bank Capital Sukuk**
AmBank Islamic Berhad RM200.0M Basel III Sukuk
- **Best REIT Sukuk**
KLCC Berhad RM3.0B Sukuk REIT



Bloomberg Underwriter Rankings 2015

MYR-denominated PDS and Sukuk – No. 3 with 17.9 per cent market share
Malaysia Loans Mandated Arranger – No. 4 with 9.5 per cent market share

Islamic Capital Markets

Islamic Capital Markets offers Islamic advisory services and a wide range of innovative Shariah-compliant financial and investment solutions that include sukuk origination, Islamic equity or equity related capital markets offerings, Islamic private equity, Islamic structured finance and Islamic syndicated financing. The division consists of an innovative team with Shariah expertise that acts as the single point of contact for other divisions within AmInvestment Bank in our drive to deliver innovative and end-to-end Islamic financial solutions. We have put in place the best industry practices to strengthen the Group's wide governance to ensure there is work transparency and strict compliance with Shariah requirements as guided by the parameters of Bank Negara Malaysia's Shariah Governance Framework.

2015 Performance Highlights

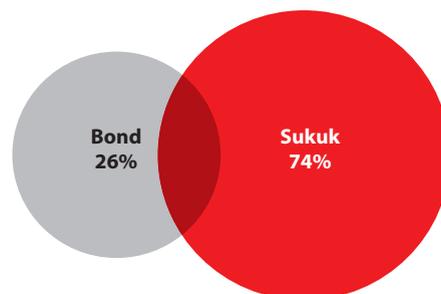
2015 was a tough year for the Group overall due to slower financing (loan) growth and increase in credit/financing costs. Some corporate customers/ issuers in certain segments such as construction, oil and gas, wholesale and retail trade, automotive and non-residential property were facing greater earnings pressure and had been delaying their capital expenditure due to various factors such as lesser disposable income per household, the Ringgit's depreciation, and decline in commodity prices such as crude and palm oil. Despite operating in such a challenging and volatile business environment, as at 31 March 2016, the Division managed to complete eight new deals with total facility size of RM15.4 billion. AmInvestment Bank continued to be recognised as a prominent player in the sukuk market, ranking in fourth position in Bloomberg's MYR Sukuk Underwriter League Table 2015, garnering a market share of 13.8 per cent with a value of RM7.5 billion.

All sukuk transactions arranged and participated by AmInvestment Bank were issued under the Shariah principles of Murabahah (via Tawarruq arrangement, leveraging on Bursa Malaysia Suq Al-Sila' commodity trading platform) except for the Sukuk Wakalah issuance by Gulf Investment Corporation. Going forward, there will likely be more sukuk issuances based on the Shariah principles of Wakalah and Ijarah in Malaysia due to the extension of tax incentives given on the upfront costs for these Shariah principles until 2018 as announced in the Budget 2016.

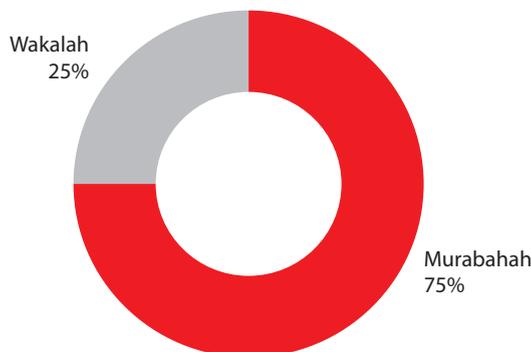
Completed Projects

Sukuk Deals	
Jambatan Kedua Sdn Bhd	RM4.6B Government Guaranteed Sukuk Murabahah Programme
AEON Credit Services Sdn Bhd	RM1.0B Islamic Commercial Papers Programme
Prasarana Malaysia Berhad	RM5.0B Government Guaranteed Sukuk Murabahah Programme
Gulf Investment Corporation	RM450.0M issuance from its existing RM3.5B Sukuk Wakalah Programme
Islamic Syndicated Financing Deals	
CTRM Aero Composites Sdn Bhd	RM130.0M Syndicated Murabahah Tawarruq Term Financing-i
Penang Port Sdn Bhd	RM1.23B Syndicated Commodity Murabahah Term Financing-i Facility
SapuraKencana TMC Sdn Bhd	Syndicated Term Financing-i of up to RM1.0B
Perbadanan Tabung Pendidikan Tinggi Nasional	RM2.0B Government Guaranteed Syndicated Revolving Credit-i Facility

Sukuk VS Bonds



Sukuk Issuance In 2015 By Shariah Principles



Following our dominance in the Islamic finance space, the Assets Triple A has accorded nine new awards to AmInvestment Bank for the year 2015. Islamic Capital Markets' strengths in product innovation have been evident though our first rated Basel III-compliant sukuk by AmBank Islamic Berhad, the landmark deal that won the Best Bank Capital Sukuk category from The Assets Triple A Islamic Finance Awards 2015. We also bagged four awards for the SapuraKencana TMC syndicated Islamic financing transaction, which was recognised as the largest Islamic facility in Malaysia to date.

We remain a strong promoter of the Islamic capital markets sector and through selective sponsorship and industry training, we support the profiling efforts initiated by both Securities Commission as well as Bank Negara Malaysia under the Malaysia International Islamic Finance Centre (MIFC) initiatives. As a demonstration of our commitment, in 2015, we sponsored some significant events in the industry including the 6th OIC World Biz-Business & Investment Zone Exhibition and Conference 2015, Kuala Lumpur Islamic Finance Forum 2015 (KLIFF), and IFN Forum Asia 2015.

The Division also actively participated in sharing of thoughts and knowledge towards further development of the Islamic capital markets via our forums with regulators and Islamic associations or bodies like the Malaysian Investment Banking Association (MIBA), Islamic Banking and Finance Institute Malaysia (IBFIM), and International Shariah Research Academy (ISRA).

Malaysia Sukuk Market Snapshot

For 2015, Ringgit sukuk issuances in the local market totalled RM54.0 billion, which is 12.8 per cent lower than last year's total of RM62.0 billion. The performance was dragged down by uncertainties in the market, which resulted in lacklustre fundraising activities. Percentage of sukuk versus conventional bonds fell to 69 per cent based on data extracted from Bloomberg, due to several large issuances by conventional financial institutions such as Maybank, Cagamas, Alliance, OSK and also out of the RM20.0 billion Bonds Programme by ValueCAP during the year. However, for 2016, we anticipate Ringgit sukuk issuances will surpass issuances in 2015 with more funding requirements from infrastructure and utilities sectors that are expected to continue to dominate in the year 2016. Local investors remain supportive of the debt/Islamic capital markets because of the expected volatility in the equity market that may compel investors to switch to a safer asset class.

Islamic Capital Markets Going Forward

We expect the economic headwinds will continue in 2016; hence, our key strategic priorities to face this challenge as well as to remain competitive amongst our peers are as follows:

- Maintain AmInvestment Bank as a key player in Islamic capital markets and Islamic syndications
- Position AmInvestment Bank as a top three bank for sukuk issuances in various league tables
- Emphasise on client needs and solutions driven through retained focus on expanding or creating product variation and innovation
- Deepen our engagement with the regulator as well to continue as an active supporter to MIFC's initiatives in developing Malaysia as an international marketplace for Islamic finance
- Strengthen teamwork or collaboration between other divisions within the AmBank Group towards increasing productivity, efficiency and cost-effectiveness in line with the leveraging model adopted by the Group

Awards And Accolades In 2015



The Asset Triple A Islamic Finance Awards 2015

- **Best Corporate Sukuk**
Cagamas Berhad RM3.8B Multi-Tenor Sukuk
- **Best Bank Capital Sukuk**
AmIslamic Bank Berhad RM200.0M Basel III Sukuk
- **Best REIT Sukuk**
KLCC Berhad RM3.0B Sukuk REIT



The Asset Triple A Infrastructure Awards 2015

- **Project Finance Bank of the Year (Malaysia)**
AmInvestment Bank Berhad
- **Oil and Gas Deal of the Year**
SapuraKencana TMC RM7.7B Multi-Currency Syndicated Islamic Term Financing Facility
- **Project Finance Deal of the Year**
SapuraKencana TMC RM7.7B Multi-Currency Syndicated Islamic Term Financing Facility
- **Best Oil and Gas Deal (Malaysia)**
SapuraKencana TMC RM7.7B Multi-Currency Syndicated Islamic Term Financing Facility
- **Best Transport Deal (Malaysia)**
Danainfra Nasional Berhad RM21.0B
Islamic Facilities comprise of:
 - Syndicated and Islamic Revolving Credit Facilities
 - Government Guaranteed Sukuk Programme

Global Markets

During the period under review, the disparity of growth between the USD and the rest of the world caused extreme volatility in global rates and foreign exchange markets. Falling oil prices as well as devaluation of the Chinese Yuan contributed to the volatility of USDMYR as well as local interest rates. During the period under review, USDMYR traded to a high of 4.4565 before closing at 3.8995 in March 2016. Reversal of sentiment was mainly attributed to the dovish tone of the Fed on expectations of interest rates hike, BNM's SRR cut in December 2015 as well as recovery of oil prices.

The division underwent re-alignment in September 2015, which saw the formation of Capital Markets Group and Global Markets to demarcate between primary and secondary activities; where all secondary market activities are housed under Global Markets, including Equity Derivatives. Our dedicated multi-product sales team focuses on managing and building client relationships and delivery of product solutions across all asset classes, and is further supported by trading and various support teams, namely research, quantitative analytics and business management.

This is further evidenced by being awarded the Best FX Bank for Corporates & Financial Institutions for the fourth consecutive year by Alpha South East Asia. Such accolades have placed AmBank Group in the frontline for FX, derivatives and fixed income business. In support of the Malaysian Government's initiative to become a leading Islamic financial hub, Global Markets continues to place emphasis on developing innovative Islamic FX and derivatives products as part of the comprehensive product suite.

Awards Won In FYE16



For the fourth consecutive year, Alpha Southeast Asia has awarded AmBank the Best FX Bank for Corporates & Financial Institutions at the Ninth Annual Alpha Southeast Asia Best Financial Institution Awards 2015 ceremony in recognition of our ability to provide efficient and effective FX solutions and services to meet the needs of our wide-based customer segments.

Going forward, Global Markets will continue to build on the earlier momentum of enhancing collaboration by leveraging on the Group's distribution channels and relationships for effective cross-selling efforts as well as to continuously provide substantive, integrated and client-led business underpinned by a full suite of product offerings.

Funds Management

AmInvest is the brand for the Funds Management Division (FMD) with more than 36 years of funds management expertise, encompassing both conventional and Shariah-compliant mandates and specialising in active Asian equities, active global *sukuk* and smart beta global equities.

FMD's total assets under management grew at a commendable 8 per cent over a five-year compound annual growth rate (CAGR). Our Shariah-compliant subset CAGR was 18 per cent over the same period, underlying the huge interest in Shariah-compliant products. Total fund size as at March 2016 was RM36.2billion.

We manage 82 unit trusts, nine private retirement schemes (PRS) and 86 institutional mandates.

Company Accolades

It has been another bumper year for gathering awards and we managed to win 15 awards within the financial year from across the globe.

We have won many repeated awards over the years recognising the company continuously for industry excellence. We won The Investment Management Company of the Year, Malaysia by World Finance from London for the fifth consecutive year. We also won, for the third consecutive year, both the Best Pension Fund Manager and the Best Institutional Fund House, Malaysia by Asia Asset Management, Hong Kong.

We are proud to defend the Best Islamic Asset Management House of the Year, Malaysia title for the second year, given at The Asset Triple A Islamic Finance Awards, Hong Kong. We received the Islamic Fund House of the Year, Malaysia title by Acquisition International, United Kingdom.

On the fund performance specifically, we received numerous awards across asset classes, underlying the expertise of our investment managers. We won the Best Asean Equity Fund 2016 given by the 2016 International Fund Award and Best Equity ASEAN, 3 Years by the Edge & Thomson Reuters Lipper Fund Awards 2016 (The Edge) for our AmAsean Equity fund. Our AmCumulative Growth fund won Best Equity Asia Pacific ex Japan, 10 Years given by The Edge. AmDynamic Bond won the Best Bond Malaysian Ringgit, 10 Years, at the same event. Our AmDynamic Sukuk won the The Best Thematic Fund Performance given at the IFN Islamic Investor Awards 2015.

Fund Launches and Fund Performance

AmInvest successfully launched four new unit trust funds, two conventional and two Shariah-compliant funds.

AmASEAN Equity fund performance is the most notable as this Shariah-compliant fund came out tops in both the conventional and Shariah-compliant rankings for the three-year period and won numerous awards in doing so.

During the year, ABF Malaysia Bond Index exchange traded fund had grown to become the largest exchange traded fund in Malaysia where the fund grew to RM1.4 billion from RM0.7 billion during the year from foreign institutional interests. This demonstrated that having the right product will attract investors at the appropriate time.

Going Forward

AmInvest shall continue to pursue growth with our institutional unit trust agents and distributors with renewed vigor as part of our mission to be the preferred investment solutions provider of choice, offering products that fit into funds platforms, financial planning advisory menus, retirement solutions and institutional investors both domestic and globally.

Transaction Banking

Transaction Banking offers a full suite of trade finance and cash management services. The department offers customised and value added end-to-end solutions to improve working capital cycles and process efficiency for our business/corporate clients. Trade services include domestic sales and purchase financing, import and export financing, structured trade, and trade advisory as well as Islamic trade solutions.

Our cash management services are specifically designed to relieve clients from the routine business of receivables and payables, freeing them to focus on growing their business. Solutions offered include payment solutions, liquidity management, collection solutions, as well as electronic invoice presentation and payment. Both services are supported by an extensive suite of around-the-clock web-based business channels capable of both enquiry and transaction functions.

These include e-AmBiz for cash management and our AmTrade platform for trade services. Transaction Banking continued to adopt best practices and enhance technological platforms for better customer experience. Overall improvements in product solution efficiency is a key strategic area for us to garner sticky funds in view of the pending BASEL III requirements as well as promoting Islamic trade finance and services activities.

Private Banking

AmPrivate Banking is a division of AmInvestment Bank Bhd. It is set up primarily to service high net worth Malaysian clients with unique investment banking propositions.

These propositions are expressed via investment advisory, security dealing and fund management services, and executed using capital market, investment and banking products and services. We complement the AmBank Group's expertise and resources with customised solutions to meet our clients' investment needs. Products and services originated within the AmBank Group are channeled across to private banking clients, who may also choose from a suite of other investment providers under AmPrivate Banking's open architecture platform.

Our private bankers serve clients located throughout Malaysia, offering them access to domestic and foreign exposures in equities, bonds, currencies and alternatives. Complementing our private bankers' advisory services are in-house fund managers that offers discretionary portfolio management.

General Insurance

AmGeneral Insurance Berhad ("AmGeneral Insurance") is founded on a combined business of two former entities, AmG Insurance Berhad ("AmG") and Kurnia Insurans (Malaysia) Berhad ("KIMB") with the acquisition of KIMB by AmBank Group and IAG International Pty Ltd ("IAG") in September 2012. With our strengthened market position, AmGeneral Insurance stands as a pillar of the industry, representing stability and strength with exceptional product offering, distribution and customer service.

Operating under its two well-known and trusted brands, AmAssurance and Kurnia, the company generates business from a comprehensive range of general insurance solutions distributed through a network of 32 AmAssurance and Kurnia branches, servicing 7,000 agents and dealers, as well as through AmBank's branches nationwide.

Financial Performance

AmGeneral Insurance Berhad (AmGeneral Insurance) reported a profit after tax (PAT) of RM192.8 million for FY2016 (FY2015: RM240.0 million). The PAT was impacted by lower investment income as well as higher claims, which was largely caused by disallowance of input tax credit under the goods and services tax (GST).

Highlights Of The Year

In September 2015, AmGeneral Insurance relocated its head office to Menara Shell, Kuala Lumpur, to further support its increasing Klang Valley customers and business partners at a more centralised location. This move signifies our effort to make AmGeneral Insurance a great place to work by promoting an open, engaging, collaborative and agile working environment.

FY2015 was a challenging year due to the highly competitive market conditions and low consumer sentiment of the economy with weaker currency and implementation of the GST last year.

Despite these market challenges, AmGeneral Insurance continued to lead in the motor insurance segment as the number one motor insurer with 17.7 per cent, and is second in overall market share based on Net Premium (ISM statistics as at YTD March 2016). The Company is gaining momentum in other classes of insurance and is seeing results in its strategic corporate initiatives.

During the year under review, AmGeneral Insurance placed focus in creating a stronger customer-centric foundation on which to build a balanced portfolio of products that will best serve the needs of its growing customer base with ever-changing expectations. At the same time, AmGeneral Insurance also ensures that necessary support is given to its huge number of agents that represent both its retail brands, AmAssurance and Kurnia Insurans.

One of these initiatives is centred on policy renewals and providing agents and partners with a host of services that help them connect with customers on their policy reminders. This includes short message service (SMS), mail and an Outbound Call Centre, which make contact with about 150,000 customers per month to assist in driving renewals with their agents.

AmGeneral Insurance has also developed the first-ever white label online insurance platform in the industry called Agent Portal Services (APS) where customers are able to purchase insurance online from their trusted agents via AmGeneral Insurance's platform. To date, over 700 agent portals are activated to facilitate online renewals. The Company's online insurance sales experienced a double-digit growth from 2015 to 2016, which exceeded the insurance industry's average of six to seven per cent.

To simplify the claims process for customers, AmGeneral Insurance launched a new and improved Kurnia and AmAssurance One Touch App where customers are able to request for immediate accident and roadside assistance, submit claims information, and connect with their preferred agent. The mobile app achieved approximately 17,000 downloads thus far.

Also part of the claims process enhancement, AmGeneral Insurance introduced its Specialist Windscreen Repairers who are able to fix or replace customers' windscreens in the matter of hours, with no upfront payment and with a two-year guarantee on the workmanship – the first in the industry.

In line with AmGeneral Insurance's purpose to help make Malaysia a safer place with great insurance solutions and its ambition to be The Most Trusted Insurer in the country, the Company has embarked on a series of road safety campaigns to raise awareness on the importance of being safe on the road and to encourage a positive change in drivers' behaviour.

AmGeneral Insurance was the main sponsor of the KL City Grand Prix. This association elevated our relationship with the motor industry and provided us with a unique opportunity to promote our #PassionForSafety campaign through the expertise of professional motor sports, featuring the Kurnia AmAssurance Mercedes SLS GT3 race car and professional tips on road safety.

In conjunction with the General Insurance Day on 17 October last year, AmGeneral Insurance joined forces with the General Insurance Association of Malaysia (PIAM) to raise awareness for road safety where employees and the public were able to pledge their support and share safety messages on the pledge board and social media.

On 30 March 2016, AmGeneral Insurance launched AutoGen Club that recognises the support and contribution of their loyal partners. AutoGen Club benefits are designed to empower partners to become

key insurance solution providers to their customers through the provision of Fast Claims Services and Enhanced Motor Underwriting Guide to meet the needs of their partners and customers.

AmGeneral Insurance also signed a partnership agreement with Opal Auto Mart (Opal) to be the exclusive underwriter for the auto warranty sold under Opal's lifestyle programme that covers both reconditioned and used cars. Opal is the largest extended warranty service provider and administrator for used and reconditioned cars in Malaysia with over 200 specialist workshops nationwide.

On the education front, AmGeneral Insurance signed a Memorandum of Understanding (MoU) with Universiti Kebangsaan Malaysia (UKM) in November last year on an internship programme to sponsor four final-year actuarial science students from UKM's School of Mathematical Sciences. This collaboration is in line with the aspiration of Tan Sri Azman Hashim, who is also the Chairman of Asian Institute of Chartered Bankers (AICB) championing the FSTEP programme, to nurture a pool of new talents to meet the demands of the Malaysian financial services industry. The MoU was signed by Tan Sri Azman Hashim, Chairman of AmBank Group and Professor Datuk Dr. Noor Azlan Ghazali, Vice Chancellor of UKM.

Moving Forward

With the three-year strategic plan in place, AmGeneral Insurance will continue to fulfil key initiatives to grow its top line and to focus on our customers and employees. The Company's preparations for liberalisation are well on track, and we are confident that it's ready to take the lead and compete when the market opens up.

Life Assurance

FY2016 Highlights

To better serve the needs of Malaysians and to add on to the existing range of AmMetLife products, three new products – ProtectSecure Prime, HealthCare Choice and ProtectCare Extra were launched in 2015.

ProtectSecure Prime and HealthCare Choice were launched in August 2015 followed by ProtectCare Extra in December 2015.

ProtectSecure Prime is a traditional non-participating limited premium payment whole life plan which is a bancassurance product distributed through AmBank branches nationwide.

HealthCare Choice is a yearly renewable non-participating medical plan distributed through our agency sales channel. We have also made HealthCare Choice available as a rider, attachable to investment-linked regular premium plans.

ProtectCare Extra is a traditional non-participating regular premium 20-year term plan distributed through our telemarketing sales channel.

From a corporate perspective, the new corporate headquarters of AmMetLife Insurance Berhad was launched on 11 January, 2016. The new corporate premise is strategically located at Menara 1 Sentrum which is right in the heart of Kuala Lumpur's Central Business Division, the latest premier business area in the city.

With this move, we are now easily reachable to all Malaysians. This convenient location which houses our new business premise is our commitment to serve the needs of our customers in the long term.

Performance

In line with our multi-channel strategy, Agency and Employee Benefits have contributed strongly to the growth of New Business over the previous year with a registered growth of 24%. We will continue to grow our Bancassurance Channel as we work with AmBank to tap into the network of bank branches across Malaysia.

Family Takaful

AmMetLife Takaful Berhad (AmMetLife Takaful) (50% plus 1 share held by AmBank Group) offers a comprehensive range of takaful solutions distributed by its authorised takaful agents and bank branches nationwide. We aim to create a customer-centric and modern takaful operator in Malaysia based on a deep and respectful knowledge of Shariah principles and values.

FY2016 Highlights

On 14 May 2015, Mohamad Salihuddin Ahmad was appointed as Chief Executive Officer (CEO) of AmMetLife Takaful Berhad. As CEO, Mohamad Salihuddin will be responsible for executing a transformation strategy to achieve profitable growth, accelerate shareholder return, as well as ensuring the operational effectiveness of the AmMetLife Takaful business in Malaysia.

11 January 2016 marked an important milestone for AmMetLife Takaful with the launch of the new corporate headquarters. The new corporate premise is strategically located at Menara 1 Sentrum which is right in the heart of Kuala Lumpur's Central Business Division, the latest premier business area in the city.

In relation to the Company's gross contribution for the financial year ended 2016, AmMetLife Takaful surpassed the target, primarily contributed by credit related products and Group Employee Benefits. However, it is marginally lower against last year due to non-renewable large sized group term Takaful schemes. Whilst the Bancatakaful channel recorded an improved performance, the Agency channel completed the financial year with a lower achievement as opposed to the target set.

In line with the regulatory requirement to maintain the Capital Adequacy Ratio above the Individual Target Capital Level, the share capital was increased by

RM30mil through a non-renounceable rights issue of 30mil new ordinary shares of RM1.00 each at an issue price of RM1.00 per share. The 30mil new shares are fully subscribed by AmBank Group (50%) and MetLife (50%).

Moving Forward

AmMetLife Takaful will implement a number of strategic initiatives to improve the performance and market position. A five-year business plan has been developed to outline the strategies required to promote growth in term of business and the development of the direct channel i.e. e-Channel. The e-Channel is an innovative direct channel business which will promote simple term products via an online platform, this is in-line with the Life Insurance and Family Takaful Framework issued by Regulators. By embracing and leveraging the digital platform, the e-Channel is able to supplement the distribution by Bancatakaful and Agency by providing 'warm' leads for intermediaries to provide a more comprehensive Takaful solution to the potential participants. By developing the direct channel, the company is expecting to generate consistent regular businesses in the next five years to become the preferred Takaful provider.

