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Up-scaling towards commercial banking capabilities.



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Notice of Forty-first Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-First Annual General Meeting of AMFB Holdings Berhad ("the Company") will be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur on Monday, 27 September 2004 at 10.30 a.m. for the following purposes: -

Item	Agenda	Resolution on Proxy Form
	AS ORDINARY BUSINESS	
1.	To receive the Audited Accounts for the year ended 31 March 2004 and the Reports of the Directors and Auditors thereon.	(Resolution No. 1)
2.	To approve a first and final dividend of 10.0% less tax for the year ended 31 March 2004.	(Resolution No. 2)
3.	To approve payment of Directors' fees for the year ended 31 March 2004.	(Resolution No. 3)
4.	To re-elect as Director, Y Bhg Tan Sri Dato' Azman Hashim, who retires by rotation pursuant to Article 89 of the Company's Articles of Association.	(Resolution No. 4)
5.	To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association: - (a) Y Bhg Datuk Oh Chong Peng (b) Encik Sharkawi Bin Alis	(Resolution No. 5) (Resolution No. 6)
6.	To appoint Messrs Ernst & Young as the Auditors of the Company in place of the retiring Auditors, Messrs Deloitte KassimChan, and to authorise the Directors to determine their remuneration.	(Resolution No. 7)
	AS SPECIAL BUSINESS	
	To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-	
7.	Authority to Issue Shares Pursuant to the Company's Employees' Share Option Scheme II "THAT pursuant to the Company's Employees' Share Option Scheme II ("the Scheme") as approved at the Extraordinary General Meeting of the Company held on 17 September 1999, the Directors of the Company be and are hereby authorised, in accordance with Section 132D of the Companies Act 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."	(Resolution No. 8)
8.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 "THAT subject to the approvals from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors, may, in their discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum of the issued share capital of the Company for the time being."	(Resolution No. 9)
9.	To transact any other business of which due notice shall have been received.	

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the first and final dividend of 10.0% less tax for the financial year ended 31 March 2004, if approved by the shareholders at the Forty-First Annual General Meeting, will be paid on 19 October 2004 to shareholders whose names appear in the Record of Depositors on 4 October 2004.

A depositor shall qualify for entitlement only in respect of: -

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 4 October 2004 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Bhd on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Bhd.

By Order of the Board

RAVINDRA KUMAR THAMBIMUTHU
Group Company Secretary

Kuala Lumpur
3 September 2004

Notes:-

- (1) A shareholder of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy or an attorney need not be a shareholder of the Company. Under Section 149(1) of the Companies Act, 1965, if a proxy is not a shareholder, he must be an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.
- (2) An Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one proxy in respect of each securities account held with ordinary shares of the Company standing to the credit of the securities account. The proxy so appointed shall be the beneficial owner of the shares in the said securities account or a person as provided under Section 149(1) of the Companies Act, 1965.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- (4) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 22nd Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur **not less than 48 hours** before the time appointed for holding the Meeting.
- (5) **Explanatory Notes on the Resolutions**
 - (5.1) **Resolution No. 7 – Appointment of Auditors**

The Company has received a Notice of Nomination of Auditors pursuant to Section 172(11) of the Companies Act, 1965 for the appointment of Messrs Ernst & Young, who have given their consent to act as Auditors of the Company in place of the retiring Auditors. A copy of the Notice of Nomination is annexed in the following page of this Annual Report.
 - (5.2) **Resolution No. 8 - Authority to Issue Shares Pursuant to the Company's Employees' Share Option Scheme II**

Ordinary resolution no. 8, if passed, will enable the Directors of the Company, from the date of the General Meeting, to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme II. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.
 - (5.3) **Resolution No. 9 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

Ordinary resolution no. 9, if passed, will give the Directors of the Company, from the date of the General Meeting, authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding 10 percent of the issued share capital of the Company for the time being, as and when the need or business opportunities arise which the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.

Statement Accompanying Notice of Annual General Meeting

Directors Who Are Seeking Re-Election At The 41st Annual General Meeting Of The Company

A Director retiring by rotation pursuant to Article 89 of the Company's Articles of Association and seeking re-election is as follows: -

- Y Bhg Tan Sri Dato' Azman Hashim

The Directors who were appointed to the Board since the last Annual General Meeting, retiring pursuant to Article 97 of the Company's Articles of Association and seeking re-election are as follows: -

- Y Bhg Datuk Oh Chong Peng (appointed on 1 July 2004)
- Encik Sharkawi Bin Alis (appointed on 1 April 2004)

The details of the three Directors seeking re-election are set out in their respective profiles which appear in the Profile of Directors and their securities holdings in the Company and its subsidiaries are set out in the Shareholding Structure of this Annual Report.



Notice of Nomination



28 July 2004

The Board of Directors
AMFB Holdings Berhad
22nd Floor Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

NOMINATION OF NEW AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, AMMB Holdings Berhad, being a shareholder of AMFB Holdings Berhad ("AMFB"), hereby give notice of our intention to nominate Messrs Ernst & Young for appointment as Auditors of AMFB in place of the retiring Auditors, Messrs Deloitte KassimChan at the forthcoming Annual General Meeting of AMFB.

Yours faithfully
AMMB Holdings Berhad

A handwritten signature in black ink, appearing to read 'Cheah Tek Kuang'.

CHEAH TEK KUANG
Director

AMMB Holdings Berhad

(Incorporated in Malaysia) (223035-V)

Registered Office: 22nd Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

Postal Address: P.O. Box 10233, 50708 Kuala Lumpur, Malaysia.

Tel: (603)-2078 2633/44/55 **Fax:** (603)-2078 2842 **Telex:** MA 31167 & 31169 ABMAL **ambg.com.my**



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Letter to Shareholders

Dear Shareholders,

I am pleased to report that the AMFB Holdings Group recorded another year of sterling performance reporting a profit before tax (PBT) of RM420.0 million, an increase of 35.0%, as compared to RM311.2 million for the previous financial period. Similarly, the Group's profit after tax and minority interests expanded by 35.0% or RM116.5 million to RM450.7 million for FYE 31 March 2004. The Board of Directors is recommending a first and final dividend of 10.0% less tax, which will result in payments amounting to RM38.0 million to shareholders.

The higher profit was achieved on the back of stronger economic growth led by stronger consumer spending due to the Government's accommodative fiscal and monetary policies.

MALAYSIAN ECONOMIC PERFORMANCE 2003/2004

The increase in profits was in line with the expansion in the Malaysian economy at 5.3% growth against earlier projected growth of 4.2%, resulting in a stronger than expected loan demand. Although the first half of the year was very challenging, with the outbreak of the Iraq War and the Severe Acute Respiratory Syndrome (SARS) outbreak dampening sentiments across the globe, growth momentum picked up in the second part of the year, led by revival of growth in Japan and the Euro Zone, and better growth in the US. On the domestic front, sentiments improved following the smooth transition of leadership witnessed under the helm of the new Prime Minister and the resounding endorsement of the ruling party in the general elections held in March 2004.

Economic growth in Malaysia was broad-based and balanced across all the sectors, with strong domestic demand and export performance driving the growth. The growth was further supported by the Government's proactive measures such as the provision of an economic stimulus package, as well as accommodative monetary and fiscal policies.

Against the backdrop of improving economic conditions, gross operating profits of the banking system increased by 7.0% in 2003, with the finance company posting a growth of 9.7%, driven primarily by increased net interest income. The banking sector remained resilient and well capitalised with risk weighted capital ratio (RWCR) levels exceeding 13.0%, and the non-performing loans (NPL) ratio declining to 11.6%.

OUR FINANCIAL PERFORMANCE

Building on our market positioning as the premier finance company in Malaysia, net loans and other financings, expanded by 4.0% to RM25.9 billion for financial year ended 2004. However, housing loans increased 11.0% to RM4.8 billion, and hire purchase loans advanced to RM18.1 billion, up 9.0% from last financial year. Retail loans accounted for 77.0% of the total loans portfolio, an increase from 72.0% last year. Islamic banking products and services also saw a significant growth of 195.0%, contributing RM264.7 million, or 20.0% of the Group's income from lending. The growth was attributed to retail-based financing, with Islamic hire purchase making up 76.0% of total Islamic financing.

Total deposits from customers also increased by 4.0% to RM20.4 billion, with lower cost retail deposits accounting for nearly 73.0% of the total deposits. This favorable deposit mix helped us lower our cost of borrowings this year by 8.0%.

A NEW ERA IN CONSUMER FINANCING

AMFB has had an outstanding 40-year history in the finance industry, contributing significantly to the AmBank Group profits yearly. It is the largest finance company in Malaysia, with over RM30.0 billion in assets and a nationwide network of 184 branches.

The year 2004 marks the beginning of a new era. On 27 February 2004, the holding company announced a proposal to privatise AMFB, which is now pending your approval and that of the regulatory authorities. Upon the completion of the privatisation exercise, AMFB will effectively become a wholly owned subsidiary of the AmBank Group. This will facilitate the merger of the AmBank Group's commercial bank and finance company operations to operate as a single entity. The privatisation and subsequent merger will enable us to rationalise operations to achieve economies of scale and realise synergies as part of our overall strategy to improve our service to customers and maintain an edge in an increasingly competitive environment.

The merged entity will hold a composite commercial banking and finance company (Bafin) license and will be able to offer, under one-stop financial centers, a wide array of financial service and products previously not available to meet the needs of our customers. It will have an enlarged asset base, increased scale of operations and improved financing capabilities. Not only can we benefit from increased cross-selling opportunities but we will also be able to realise greater operational efficiency and cost savings from the consolidation of back-office processing and rationalisation of the branch network.



In addition to expanding our retail and commercial banking business, one of our strategic priorities this year is building a stronger base in retail deposits and savings to further lower our funding costs. Marketing programmes are now being drawn up to realise this objective.

We are also structuring a better sales and distribution model, which will entail reorganising our resources, rationalising our sales force compensation and innovation of products and services. This will enable us to be more effective in tapping into our existing customer base and network for revenue opportunities.

OUTLOOK

At the macro level, Bank Negara Malaysia has projected a GDP growth of 6.0% to 6.5% for 2004. This appears achievable, as evidenced by the relatively rapid GDP expansion of 7.6% for the first quarter of 2004. Growth momentum is expected to be sustained for the rest of the year as a result of the revival of corporate investments, sustained consumption and improving external trade.

The outlook for the banking sector is positive. The overall optimistic economic outlook, the low interest rate environment and a stable job market is expected to boost consumer spending, important ingredients for a consumer finance provider like us.

Nevertheless, there are serious challenges ahead. These include the intensifying competition among players in the banking industry resulting in the erosion of income caused by narrowing interest spreads. The key to succeeding in this environment lies not in price cutting but in product and service differentiation. In this regard, we are constantly devoting our attention to understanding and meeting our customers' needs. Indeed, our efforts in this area have not gone unnoticed; we are honoured to be voted recently as the "most innovative in responding to customer needs" by the Far Eastern Economic Review this year. We are confident that our aspirations and strategies to provide innovative products and services will place us in good stead to benefit from the improved economic environment.



APPRECIATION

Looking back over the past year, amidst executing the integration of MBF Finance's operations into our Group, we have managed a noteworthy financial performance. We would not have been able to achieve this, had it not been for our employees, who remained dedicated and persevering for whom I am thankful.

We welcome two new Board members, namely Datuk Oh Chong Peng and Encik Sharkawi Alis who were appointed this year. I would also like to take this opportunity to thank Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba and Dato' Mohd Tahir Haji Abdul Rahim who retired during this financial year from the Board. I am immensely grateful for their contributions.

We are also grateful to the various regulators who have assisted and provided us with their wisdom and guidance, specifically Bank Negara Malaysia, the Ministry of Finance and the Securities Commission.

Finally, I am also thankful to all shareholders and customers for their continuing support and confidence in us.



Yours sincerely,

A handwritten signature in black ink, appearing to be 'Azman Hashim'.

Tan Sri Dato' Azman Hashim
Chairman, AmBank Group
12 August 2004

1964

- Malaysian Industrial Finance Corporation Limited (MIFCL) was incorporated in Malaysia.

1977

- MIFCL became Arab-Malaysian Finance Berhad (AMFB), a reflection of the 70.0% stake AMMB Holdings Berhad (AHB) acquired in the equity of MIFCL.

1982

- AHB acquired a further 30.0% stake, making AMFB a fully-owned subsidiary of AHB.

1990

- AMFB took over First Malaysia Finance Berhad under a rescue scheme approved by the Ministry of Finance. Overnight, the acquisition increased AMFB's branch network from 26 to 55 branches and broadened its customer base.

1992

- AMFB assumed its listing status when the entire issued and paid-up capital of the Company of 150,000,000 shares was quoted on the Bursa Malaysia Securities Berhad (then known as Kuala Lumpur Stock Exchange or KLSE).

1998

- In line with the Government's plan to consolidate the industry to withstand the challenges of increased liberalisation and globalisation, AMFB acquired the assets and liabilities of Abrar Finance Berhad.

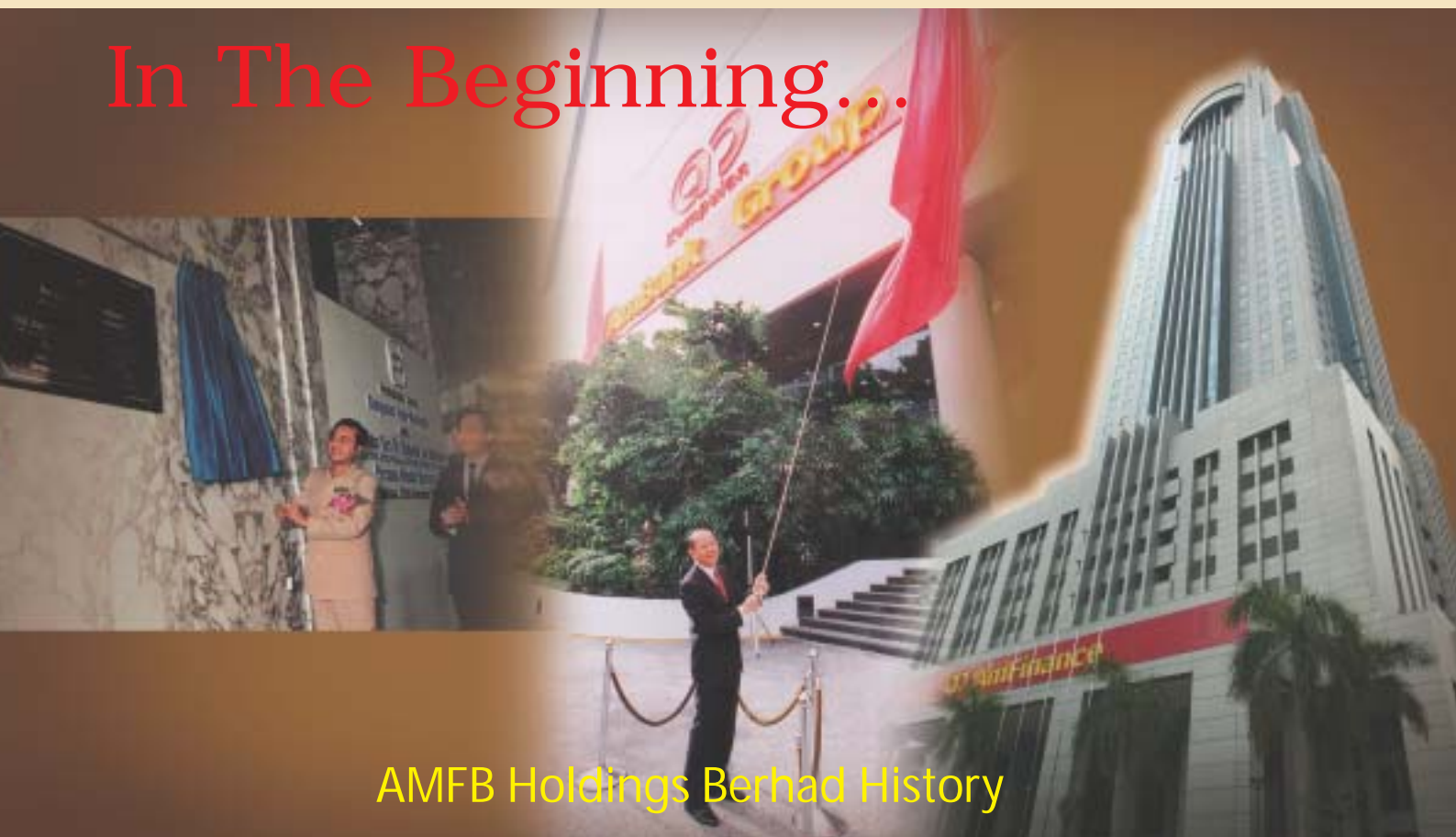
2001

- AMFB successfully acquired MBf Finance making it a wholly-owned subsidiary of AMFB.

2002

- AMFB's business was vested into MBf Finance which marked the creation of the country's largest finance company in terms of asset size and branch network. AMFB was renamed as AMFB Holdings Berhad to reflect its holdings company status.
- MBf Finance simultaneously underwent a corporate identity revamp and was renamed AmFinance Berhad (AmFinance), in line with the AmBank Group's re-branding initiative. The image makeover ushered in a new era for AmFinance and strengthened its foothold in the market through branding.

In The Beginning...



AMFB Holdings Berhad History