



36

Corporate Governance

The Board is fully committed in ensuring that the principles and best practices are applied consistently in the Company and across the Group.

6

Letter to Shareholders

The Group has adopted five business 'pillars' based on a 'multi-niche specialist' approach.



**We worked hard.
We achieved!**

RAM Inaugural League Award 2004

- No.1 — Top Lead Manager 2003 by Number of Issues
- No.1 — Top Lead Manager 2003 by Issue Value
- No.1 — Top Lead Manager 2003 by Number of Issues (Islamic)
- No.1 — Top Lead Manager 2003 by Issue Value (Islamic)

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46

Managing Risks

Our approach to risk management and control continued to evolve during the year to reflect best practice.

74

Notables

AmMerchant Bank Berhad was ranked first in four categories.



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Notice of Thirteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of AMMB Holdings Berhad ("the Company") will be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 29 September 2004 at 10.00 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 4.0% 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 the following Directors who retire by rotation pursuant to Article 89 of the Company's Articles of Association: - (a) Y Bhg Tan Sri Dato' Azman Hashim (b) Mr Cheah Tek Kuang	(Resolution No. 4) (Resolution No. 5)
5.	To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association: - (a) Y Bhg Dato' Izham bin Mahmud (b) Puan Shalina Azman (c) Y Bhg Tan Sri Datuk Dr Aris Othman (d) Y Bhg Tan Sri Datuk Clifford Francis Herbert (e) Y Bhg Dato' Mohd Ibrahim bin Mohd Zain	(Resolution No. 6) (Resolution No. 7) (Resolution No. 8) (Resolution No. 9) (Resolution No. 10)
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. 11)
	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 Eighth Extraordinary General Meeting of the Company held on 21 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. 12)
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. 13)
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 4.0% less tax for the financial year ended 31 March 2004, if approved by the shareholders at the Thirteenth Annual General Meeting, will be paid on 21 October 2004 to shareholders whose names appear in the Record of Depositors on 6 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 6 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
6 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. 11 - 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. 12 - Authority to Issue Shares Pursuant to the Company's Employees' Share Option Scheme II**

Ordinary resolution no. 12, 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. 13 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

Ordinary resolution no. 13, 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 13th Annual General Meeting Of The Company

The Directors retiring by rotation pursuant to Article 89 of the Company's Articles of Association and seeking re-election are as follows: -

- Y Bhg Tan Sri Dato' Azman Hashim
- Mr Cheah Tek Kuang

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 Dato' Izhah bin Mahmud (appointed on 16 October 2003)
- Puan Shalina Azman (appointed on 16 October 2003)
- Y Bhg Tan Sri Datuk Dr Aris Othman (appointed on 1 April 2004)
- Y Bhg Tan Sri Datuk Clifford Francis Herbert (appointed on 16 April 2004)
- Y Bhg Dato' Mohd Ibrahim bin Mohd Zain (appointed on 16 April 2004)

The details of the seven 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 and Warrant Holding Structures of this Annual Report.



Notice of Nomination



Arab-Malaysian Corporation Berhad

(Company No. 1166-T)

28 July 2004

Board of Directors
AMMB 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, being a shareholder of AMMB Holdings Berhad ("AHB"), hereby give notice of our intention to nominate Messrs Ernst & Young for appointment as Auditors of AHB in place of the retiring Auditors, Messrs Deloitte KassimChan at the forthcoming Annual General Meeting of AHB.

Yours faithfully
For and on behalf of
ARAB-MALAYSIAN CORPORATION BERHAD

SOO KIM WAI
Managing Director

YAP CHOON SENG
Company Secretary

Our commitment to Malaysia and her vision

Building Businesses

mergers, acquisitions, restructuring, placements and fund raising.

Promoting Savings

fixed deposits, savings & current accounts, education & retirement plans and more.

Innovating Financial Services

funds management, investment, treasury, derivative and stockbroking services.

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AmBank Group

Letter to Shareholders



Dear Shareholder,

The Group's results were generally satisfactory, with a net profit before tax of RM358.4 million for the financial year ended 31 March 2004, as compared with RM402.1 million the previous year. The lower profit before tax was expected as the Group raised its overall provision levels in view of the global uncertainties, as well as the higher overhead expenses, in particular spending on infrastructure, some of which are one-off relating to the on-going transformation of the Group's operations to compete in a more liberalised environment.

Accordingly, the Board of Directors is recommending a final dividend payment of 4.0% less tax which will result in a payment of approximately RM53.5 million to shareholders.

OUR COMMITMENT TO SHAREHOLDERS

In my Letter to Shareholders last year, we had highlighted that the best business strategy for a domestic banking group like ours would be to speedily and aggressively build a dominant position in retail banking, to complement the Group's traditional niche and dominance in investment banking, before full liberalisation brings extensive competition to our doorstep.

Further, we had also indicated that the Group has adopted a multi-niche strategy, as it aspires to compete in markets where we believe we can add distinct value and be a meaningful player, ranked among the best. Hence, while the Group's business activities will be concentrated in investment banking, retail and commercial banking, Islamic banking and insurance; it would aspire to have leadership position in key products, in each of these lines of businesses.

Effectively, the Group would either build on products that it has achieved a significant presence, or focus on products that would have substantial growth opportunities, taking into account the changes in customer demographics, demands and regulatory operating environment. In the medium term, following the implementation of various reorganisation initiatives, the Group will have developed more diversified and stable sources of revenue, as well as have the added advantage of ensuring a more sustainable performance and value for shareholders.

The challenge for the Group is to continue to create value by delivering strong and sustainable long term value to shareholders - not just this year and next year, but over the long term. The key to delivering this value starts with the fundamentals - having a genuine competitive advantage, ensuring good execution of strategy and continually factoring the long term into our decision making.



MEASURING OUR PROGRESS

We have accomplished much in the last year, although the earnings have yet to reflect the full impact of the steps that we have taken to lay the foundation for the future of the Group. With total assets rising to RM60.5 billion, we have firmly established our ranking as the fifth largest anchor-banking group in the country with a dominant presence in the investment banking and consumer financing markets.

Both the retail and investment banking businesses are reaping the benefits of focusing on the needs of our customers and building deeper, more profitable relationships with them, with an emphasis on providing complete banking solutions. In business banking and insurance business, we are making progress to build our presence, although at this time we have yet to achieve a leadership presence.

Retail and Commercial Banking

Despite the intense competition in retail lending, we are seeing good results from our sales and service program, put into place for the housing and car financing two years ago. Retail loans now account for 61.0% of the Group's total loans, as compared to 26.0% in 1999. Similarly, retail deposits too have risen from 30.0% of total funding in 2000 to 51.4% as at March 2004.

Our market share in car financing has risen to 24.9% in March, 2004, from 24.1% a year ago, as total loans increased to RM15.0 billion, clearly reinforcing our position as the preferred partner of the various car distributors in the country. In housing, our market share has risen from 5.7% to 5.8%, as loans disbursed rose by RM0.9 billion or 15.5%. Results are also just beginning to show in terms of a rise in market share in credit cards, insurance and wealth management, as well as contribution to higher fee income. In fact, the AmBank credit card has been one of the fastest growing, with cards in circulation rising to 223,800 cards as at March 2004, from just 83,300 cards a year ago.



Loans growth to the SMI sector rose 7.0% during the year. Now that we have reorganised the infrastructure and improved the processes, with the establishment of the Regional Business Centers and Commercial Business Centres, our next step is to complement the working capital and trade finance product range, with cash management services, that will put our customers in control of their day-to-day business banking needs.

Investment Banking

In investment banking, we continue to fast track our efforts to transform ourselves into a fully integrated investment banking group, with strong domestic manufacturing and distribution capability. The results of many of these efforts are just beginning to bear fruit.



In 2003, AmMerchant topped Rating Agency Malaysia's (RAM) League Tables 2003, with the origination of RM8.5 billion of corporate bonds, securing a market share of 20.0% of funds raised in the debt capital market, advised M&A transactions of nearly RM21.0 billion, and listed a record number of 30 companies on the Bursa Malaysia through initial public offerings. Our Funds Management Division is ranked No. 3 in the industry with total funds under management totaling RM5.2 billion as at March 2004.

Islamic Banking

The Islamic banking services too continue to broaden the Group's income base through a wide range of financing and deposit products. Total assets expanded to RM8.1 billion, whilst total financing outstanding rose to RM6.5 billion, as customers continue to take advantage of the fixed rate funding option to hedge their finance cost over the tenure of the credit facilities. AmMerchant also topped RAM's League Table of Lead Managers for Islamic bonds arranging RM6.1 billion of Islamic private debt securities in 2003, a further affirmation of our leadership position.

Insurance

Total insurance premiums rose by 52.8% to RM445.8 million, the second consecutive year of strong growth, thereby raising its rankings to No. 7 in the life insurance business and No. 4 in the general insurance industry. This was primarily attributed to the introduction of asset protection and investment products, as well as the expansion in the agency sales force and the implementation of banc assurance, as well as product bundling with retail banking products. Although the strong premium growth is impacting the Group's results due to the transfer to actuarial reserves for the life insurance fund, the insurance business would contribute to the Group's long term sustainable growth, once we have overcome the new business strain.

STRENGTHENING OUR BALANCE SHEET

We also continue to strengthen our balance sheet in terms of asset quality and capital position. The improved economic environment coupled with the intensified recovery efforts under a centralised Group Rehabilitation Unit, has resulted in the overall level of net non-performing loans declining to 10.9%, from 11.5% a year ago. Most

of the non-performing loan accounts relate primarily to loans extended prior to the Asian crisis, and are collateralised by real estate. The significant investment in credit risk management and the development of credit scoring models are proving to be timely in enhancing our ability to evaluate and approve new credit facilities.

We have also moved to a more optimal capital structure, with an overall capital adequacy ratio of 12.7%, and a Tier-1 capital ratio of 8.3%. With total risk weighted assets standing at RM45.8 billion, the capital funds are sufficient to support further asset growth of nearly RM27.2 billion. The Group's total shareholders' funds stand at RM4.1 billion, whilst capital funds, inclusive of subordinated debt, rose to RM5.85 billion.

TECHNOLOGY AND PROCESSES

Our continuing investments in technology and the re-engineering of business processes have enabled the Group to manage its growth in a dynamic environment, and to deliver its products and services in an efficient and cost effective manner.

The focus of the IT investments is primarily directed towards the alignment of business needs through the development of the core business applications, risk management, office automation systems and alternate delivery channels, such as on-line banking, mobile banking, and 24-hour electronic banking centers in order to further improve customer service and productivity. In order to further improve efficiency and services, as well as reduce costs, we are also actively reviewing the feasibility of centralising and outsourcing of some of the back office processing. This would enable the Group to shift its focus to further develop its business and improve its competitiveness.



Serving the Community

We commend our staff for their efforts in serving the communities in which the Group operates. During the year the Group continued to play its part in the development of our community and the progress of the country with its monetary and non-monetary support to various charitable, educational and cultural programs. Many of our directors and senior staff are also actively involved on the Councils of many national voluntary and charitable organisations.

People

We believe that over the years, the Group has developed a culture that encourages and rewards staff for hard work, creativity and team work. In order to further enhance employee satisfaction, we have embarked this year on developing a new performance management system and profitability tracking. The challenges of new ideas and implementation of the various strategic initiatives to respond rapidly and flexibly to changes in customer needs and the market place, reflect the tremendous dedication and commitment by the staff to build the foundation for the continued success and sustained future growth of the AmBank Group. I take this opportunity to thank the staff for their commitment and contributions.

Corporate Governance

Our reputation and the trust of our clients are our most precious assets. We continue to review our business practices to ensure that they adhere to the highest standards of corporate governance. The foundation of the Group's corporate governance framework includes a majority of independent board members who have the requisite expertise and experience to provide guidance and counsel to the Group. The Group also has in place internal controls and risk management systems as well as professional and capable senior management personnel for the day-to-day running of the Group's numerous businesses.

THE ROAD AHEAD

Corporate Re-organisation

In anticipation of the legislative changes that would eventually enable a single legal entity to hold both a finance company and commercial bank license, the Group had in 2003 commenced on the integration of the business activities of AmBank and AmFinance. In addition to reconfiguring the branch network to support a more diversified customer base and commercial banking activities, centralisation of the business and support functions to enable us to further realise the benefits of cross-selling and achieve economies of scale.



Source: The Edge, Thursday, 26 February 2004.

Following the amendments to the banking legislation in January, 2004, the Group announced on 27 February 2004, the proposed corporate re-organisation, which is currently pending your approval as well as the regulators. This involves the listing of the Group's investment banking group, the privatisation of AMFB Holdings Berhad (AMFB), and subsequently, the merger of AmBank and AmFinance to create an enlarged commercial bank with total assets of RM44.6 billion. The merger of the bank and finance company forms a critical component of the Group's overall strategic intent to emerge as a larger and stronger financial services provider.

The proposed listing of the investment banking group, under a new company known as AmInvestment Group Berhad, would bring greater recognition to the Group's investment banking operations, and further unlock shareholder value as it allows AMMB Holdings Berhad (AHB) to capitalise on the demand of investors for quality initial public offerings. The proposed listing of the investment banking group, also provides an opportunity for the shareholders of both AHB and AMFB to participate in its equity, as well as benefit from any potential capital gains arising from the appreciation in the value of the listed shares.

Prospects for the Financial Year 2005

It is heartening to note that in 2004 the economy is firmly back on the growth track, with the country expected to register a Gross Domestic Product (GDP) growth of between 6.0% to 6.5%, despite global uncertainties. In fact, the economy expanded by 7.6% during the first quarter of 2004, and overall sentiment is rather bullish, particularly as the Government has implemented various initiatives to boost foreign investment, to improve the efficiency of the domestic marketplace and to enhance the competitiveness of domestic enterprises. The long term effects of such measures will contribute positively to the Malaysian economy.



Against a more positive economic backdrop, we are confident that if we remain focused in each of our lines of businesses on three key overall strategies: building deeper, more profitable customer relationships by structuring a better sales and distribution model, optimising the use of both shareholder and human capital, and building on our core strengths, we can maintain a position of strength. This will sustain us through the inevitable challenges that lie ahead.

A Word of Appreciation

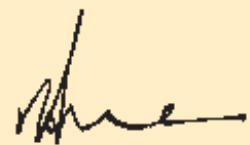
Despite these challenges, we believe that the Group is well equipped to maintain our position of strength and take advantage of new opportunities and to scale greater heights. We thank our customers, business associates, bankers, Bank Negara Malaysia, Securities Commission and the Government of Malaysia for providing continued guidance and support.

I would also like to take this opportunity to extend my sincere thanks to the Board of Directors, in particular, Dato' Mohd Tahir Haji Abdul Rahim and Dato' Malek Merican who retired this year, after more than a decade with the Board. I am immensely grateful for their contributions. I would also like to welcome five new Board members: Tan Sri Datuk Dr Aris Osman @ Othman, Tan Sri Datuk Clifford Francis Herbert, Dato' Izham Mahmud, Dato' Mohd Ibrahim Mohd Zain and Puan Shalina Azman, as well as Dato' James Lim Cheng Poh, the new Managing Director of AmBank Berhad.

Our transformation and excellent achievements are a result of the concerted and continued effort and contribution of the Board, the management team and the staff. I am grateful for the tireless commitment and contributions of our employees who have made the AmBank Group what it is today.

In closing, we reaffirm our commitment to our shareholders, of further enhancing the value of their investment in the AmBank Group.

Yours sincerely,



Tan Sri Dato' Azman Hashim
Chairman

Kuala Lumpur
12 August 2004



Source: New Straits Times, Wednesday, 3 March 2004.



We worked hard. We achieved!



Picture courtesy of The Straits Times

RAM Inaugural League Award 2004

No.1 — Top Lead Manager 2003 by Number of Issues

No.1 — Top Lead Manager 2003 by Issue Value

No.1 — Top Lead Manager 2003 by Number of Issues (Islamic)

No.1 — Top Lead Manager 2003 by Issue Value (Islamic)

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