

# Profit from our Achievements

## Top Lead Manager 2003

- By Issues Value
- By Number of Issues
- By Issues Value (Islamic)
- By Number of Issues (Islamic)

### Best Bond House



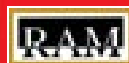
FinanceAsia

Country Awards  
- Malaysia

### Topped the League Table



Lead Managers Table  
(1st half of 2004)



Inaugural League Award 2004

Topped the League Table - market share of 24.5%



Equity Bookrunner League Table - Malaysia

Topped the League Table in 3 different categories



Bloomberg

Underwriter League Tables  
(1st half of 2004)

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**AmMerchant Bank**



## Chairman's Statement

The financial year ended 31 March 2004 had been an eventful one with numerous unexpected global events that reverberated through the world capital markets. The invasion of Iraq, continued instability in the West Asian region, terrorist bombings, armed insurgencies in the ASEAN region as well as the Severe Acute Respiratory Syndrome (SARS) breakout have increased the level of uncertainty in the world and in the region. As a result, the sentiments of the investment communities in the region and Malaysia turned cautious and apprehensive.

Under the circumstances, I am encouraged that the AmMerchant Bank Berhad Group ('AmMerchant Bank Group' or 'the Group') managed to improve its profit before tax by 14.5% to RM193.2 million for the financial year ended 31 March 2004 (FY 2004). Correspondingly, the Group's net profit was higher by 13.6% to RM135.1 million.

The Board of Directors is recommending a first and final ordinary dividend payment of 25.0% less tax amounting to RM36.0 million and a preference share dividend of 10.0% less tax amounting to RM7.2 million.

## THE YEAR THAT WAS

In the face of increased uncertainties, the Malaysian government instituted accommodative fiscal and monetary measures, some of which were short-term in nature, to bolster the domestic economy. It would appear that these measures achieved their desired effect as evidenced by a firm economic growth of 5.3% despite the challenging conditions. Furthermore, the smooth transition of political authority to the current government and the subsequent strong electoral victory by Barisan Nasional also helped the economy gather forward momentum. The newly elected government instituted new business friendly policies which increased confidence in the local economy and therefore spurred activities in the domestic capital markets, especially in the later half of the financial year. Taking advantage of these positive developments, the Group managed to finish the financial year on a firm note by achieving and maintaining market leadership in various sectors of the capital market.

One outstanding and high profile achievement for AmMerchant Bank was that its Debt Capital Markets team made a clean sweep of all four of the Rating Agency Malaysia's (RAM) Inaugural League Award 2004; being the **'Top Lead Manager 2003'** for the following award categories:

1. No. of Issues (17 issues);
2. Issue Value (RM8.42 billion);
3. No. of Islamic Issues (6 issues); and
4. Value of Islamic Issues (RM5.10 billion).



In addition, the Equity Capital Market's teams also led all other investment banks in initial public offerings (IPOs) across all the boards on Bursa Malaysia: Main Board, Second Board, MESDAQ and Labuan Financial Exchange (LFX) with 31 IPOs in FY 2004. In addition, AmMerchant Bank's Corporate Advisory team also advised 29 transactions valued at RM21.0 billion including the first leveraged buy-out transaction in Malaysia.



In the Group's funds management business, AmInvestment Services Berhad and AmInvestment Management Sdn Bhd (collectively referred to hereafter as 'AmInvest') managed to retain its top position in the institutional funds segment with a market-share of 17.5%. **AmInvest is also the largest fixed income fund manager for 2003** with RM2.2 billion invested in fixed income securities.

These awards and achievements were the result of the resources and effort put into transforming ourselves into a fully integrated investment banking group with strong domestic manufacturing and distribution capabilities. With the continued dedication of the AmMerchant Bank staff, I am confident that we will be able to consistently add shareholder value while contributing to the development of the domestic capital markets.



## THE ROAD AHEAD

In February 2004, the AMMB Holdings Berhad (AHB) Group announced a proposed corporate re-organisation that involves the listing of the investment banking arm of the AHB Group. This proposed listing exercise, part of a wider corporate re-organisation effort which includes the privatisation of the AMFB Holdings Berhad (AMFB), will bring greater recognition to the AHB Group's investment banking operations and allow AmMerchant Bank direct access to the capital markets to undertake the complete range of investment banking services and products for our clients' complete investment banking needs. Capitalisation will be an important factor in bringing deals to the market because the investment banking scene has become more competitive as a result of the increased financial sophistication of clients, new entrants to the investment banking arena (the universal brokers and foreign brokers) and globalisation pressures. Increased capital funds will enable the investment banking group to compete for deals from a position of strength and therefore be able to provide adequate and sustainable returns to shareholders.



## TECHNOLOGY AS AN ENABLER

As investment banking is essentially an information and knowledge based profession, the role of technology in the dissemination, utilisation and analysis of both financial and non-financial data is crucial in attaining competitive advantage over our rivals. The focus of our Information Technology (IT) investments is primarily directed towards the alignment of business needs through the development of the core business applications, risk management systems, process automation and efficient delivery channels.

The following are some of the IT initiatives that have been successfully implemented for the various lines of businesses under the investment banking group. A web-based Corporate Finance Compliance and Operations workflow system was introduced to improve execution efficiency and maintain high standards of regulatory compliance. The Group's brokerage and private banking business should soon see returns from the Brokerage Remisier System's facility that provides timely action oriented information and the tools to keep in close touch with clients. The Group's fund management business will be able to improve its client service levels by allowing clients seamless access to account information in a single statement with the implementation of the new unit trust account information system.

Moving ahead, we remain committed to using information technology as a valuable tool to complement the knowledge and intellectual capital of our staff in meeting our client's capital market needs and to enhance our competitive advantage.

## HUMAN CAPITAL

The Group has adopted a more contemporary view of our staff whereby each of our employee is considered a source of 'human capital' that the Group builds its business with. Over the years, the Group has developed a culture that encourages and rewards staff for hard work, creativity and teamwork. The collective experience and expertise of our staff remains the key differentiator in the investment banking industry, in which investment banking products and services are gradually commoditised as a result of increased competition. We have embarked on a new performance management system and profitability monitoring to ensure that the Group's performance is benchmarked against the industry as a whole and against our key competitors in order to be more responsive to the expectations of shareholders.

The challenges of new ideas and implementation of the various strategic initiatives to respond rapidly and flexibly to changes in customer needs, and the marketplace reflect the tremendous dedication and determination of the staff to build the foundation for the continued success of the Group. I take this opportunity to thank the staff for their commitment and contributions.

