

# Notice of Fifteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fifteenth 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, 9 August 2006 at 2.30 p.m. for the following purposes:

Item	Agenda	Resolution on Proxy Form
<b>As Ordinary Business</b>		
1.	To receive the Audited Accounts for the year ended 31 March 2006 and the Reports of the Directors and Auditors thereon.	(Resolution No. 1)
2.	To approve a first and final dividend of 5.0% less tax for the year ended 31 March 2006.	(Resolution No. 2)
3.	To approve payment of Directors’ fees for the year ended 31 March 2006.	(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 Datuk Dr Aris Othman	(Resolution No. 4)
	(b) Y Bhg Tan Sri Dato’ Mohd Ibrahim Mohd Zain	(Resolution No. 5)
	(c) Y Bhg Dato’ Izham Mahmud	(Resolution No. 6)
	(d) Puan Shalina Azman	(Resolution No. 7)
5.	To re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.	(Resolution No. 8)
<b>As Special Business</b>		
To consider and if thought fit, to pass the following resolution as Ordinary Resolution:		
6.	<b>Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965</b> “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)
7.	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 5.0% less tax for the financial year ended 31 March 2006, if approved by the shareholders at the Fifteenth Annual General Meeting, will be paid on 5 September 2006 to shareholders whose names appear in the Record of Depositors on 18 August 2006.

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 18 August 2006 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**  
(LS 0000902)

Group Company Secretary

Kuala Lumpur  
18 July 2006

### 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 the 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 Note on the 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 15th 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 Datuk Dr Aris Othman
- Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain
- Y Bhg Dato' Izham Mahmud
- Puan Shalina Azman

The details of the four 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.

# Letter to Shareholders



*Dear Shareholder,*

The financial year that has just ended on 31 March 2006 saw continuity amidst changes. We delivered on our commitment to shareholders by achieving higher profits, declaring higher dividends, and strengthening the capital position of the AmBank Group, whilst maintaining a prudent approach to risk.

We started the year with a new corporate structure, which reflects our multi-niche strategy in the financial services industry. We completed the implementation of the corporate reorganisation that we had embarked on in FY2005, namely:

- The listing of the investment banking operations under AmInvestment Group Berhad on 18 May 2005;
- The business merger of the Group's commercial banking and finance company operations into a single legal entity, AmBank (M) Berhad on 1 June 2005;



The Group's participation in SMIDEX 2006 (in conjunction with the ASEAN + 3 SME Convention 2006); AmBank Group employees (in red) with the Prime Minister, YAB Dato' Seri Abdullah Ahmad Badawi (second from left) and International Trade and Industry Minister, YB Dato' Seri Rafidah Aziz (far left).

## Our Commitment to Shareholders in Financial Year 2006

In our last Letter to Shareholders, we had detailed the targets for the financial year ended 31 March 2006, as well as current strategic initiatives that the Group was implementing to enhance shareholder value and place the AmBank Group in the league of leading financial institutions in the country. These objectives were:

- The establishment of a strategic alliance in the insurance business, with the Insurance Australia Group Limited acquiring a 30.0% equity in AmAssurance Berhad; and
- The commencement of Islamic banking operations by AmBank (M) Berhad through a separate wholly-owned subsidiary company, AmIslamic Bank Berhad on 1 May 2006.

This corporate reorganisation, whilst challenging at the beginning, proved to be a rewarding step for the Group. The streamlined operations have enabled us to gain meaningful market share by offering a comprehensive range of innovative products and quality services, as well as increasing the scale of our already strong franchise in the country.

We gained meaningful market share in all areas of our business activities, that is, retail banking, commercial lending, investment banking and insurance products – clear confirmation that our business model, post-reorganisation, is working and our strategic initiatives are gaining momentum.

- Improving asset quality and reducing the non-performing loans ratio to less than 10.0%;
- Improving productivity by reducing its overheads to income ratio to 36.0%;
- Reducing the funding cost by mobilising more demand deposits; and
- Improving customer service.

## Measuring Our Progress

For the financial year ended 31 March 2006, Group pre-tax profit improved by 44.2% to RM710.1 million. Net profit after tax and minority interests rose by 79.2% to RM365.5 million. This result represents a post-tax return on equity of 7.4%, a marked improvement from 4.6% registered in the previous year. Other operating income, a key metric for new business growth, was up 19.0% and the Group's other operating income to total income ratio, at 31.6%, has been consistently above 30.0% for

the last three years. Accordingly, the Group's net earnings per share were higher at 17.2 sen per share vis-à-vis 10.8 sen per share for the previous financial year.

The improved performance was mainly attributed to the strong growth in retail lending, decline in non-performing loans, increase in investment and trading income arising from expansion of treasury activities and improvement in general insurance premiums earned.

The improvement in profitability was however moderated by the rise in overhead expenses, some of which were one-off, relating to the transformation of the finance company into a commercial bank, as well as marketing expenses incurred in support of business expansion. Accordingly, the overheads to total income ratio stood at 41.0%, significantly higher than of our target of 36.0%.

The results were achieved in an increasingly competitive marketplace, and against economic uncertainties. The economic environment was challenging due to rising interest rates, lower trading volumes on Bursa Malaysia, higher oil prices and heightened geopolitical risks, although our economy proved its resilience with a GDP growth of 5.3% in 2005.

On behalf of the Board, I wish to thank the management and staff for contributing towards the improved performance of the Group.

## Dividends

Accordingly, in recognition of the improved performance and in line with our commitment to pass on value to shareholders, the Board of Directors is recommending a final dividend payment of 5.0% less tax, an increase from the 4.0% less tax, paid in FY2005. This will result in a payment of approximately RM76.7 million to shareholders, or 21.0% of the net profit after taxes and minority interests of RM365.5 million. This is consistent with our commitment of paying up to 25.0% of the net profits of the Group annually as dividends.



Tan Sri Dato' Azman Hashim (left) receiving the Rating Agency Malaysia (RAM) 'Malaysian Top Lead Manager 2004 (Corporate Sukuk Market)' Special Merit Award from the Deputy Prime Minister, YB Datuk Seri Najib Abdul Razak.

## Balance Sheet Growth

As a result of the transformation of the Group's finance company into a full-fledged commercial bank in June 2005 with a nationwide network of 170 branches and 233 ATMs, we are beginning to strengthen our balance sheet. During the year:

- Total assets increased by RM10.1 billion or 16.3% to RM72.3 billion, firmly consolidating the Group's position as the fifth largest banking group in the country.
- Total customer deposits mobilised rose by 13.0% or RM4.5 billion to RM38.9 billion as at March 2006.
- Net loans and advances expanded by 11.9% or RM4.8 billion to RM44.9 billion, the first time the Group has achieved double digit loans growth since the Asian financial crisis. The loans growth was mainly driven by higher disbursements of hire-purchase, residential mortgages and credit card financing.

(L-R): Mr Cheah Tek Kuang (Group Managing Director, AmBank Group), YBhg Dato' Azlan Hashim (Deputy Chairman, AmBank Group), Mr Michael Hawker (Chief Executive Officer, Insurance Australia Group), and Mr James Strong (Chairman, Insurance Australia Group) during the signing ceremony between Insurance Australia Group and AmAssurance.

- Loans to the SMEs registered an increase of RM1.3 billion to constitute 10.0% of the Group's total loans portfolio.
- Overall capital adequacy ratio improved to 13.94% with a Tier-1 capital ratio of 9.96%. With total risk weighted assets standing at RM54.63 billion, the capital funds are sufficient to support further asset growth of RM41.20 billion.
- Total shareholders' funds stood at RM5.03 billion, whilst capital funds, inclusive of subordinated debt, rose to RM7.62 billion.

## Improving Asset Quality

The Group's net non-performing loans (NPL) ratio, based on a three-month classification registered a sharp decline to 9.6% as at end-March 2006, compared to 13.8% a year ago.



The intensified recovery efforts under a centralised Group Rehabilitation Unit to restructure the corporate loans that were extended prior to the Asian financial crisis, the implementation of a centralised Retail Collections system coupled with the improved economic environment, have all contributed to a decline in the overall level of NPLs. The loan loss coverage has also improved from 32.2% to 36.7% as at end March 2006.

## Lower Funding Costs

The Group's total low cost deposits, comprising savings and demand deposits, rose by RM285.3 million to RM4.5 billion. Although we are increasing the number of retail and corporate current accounts, our progress in securing low cost funding is lagging our target, and therefore has yet to have a significant impact on reducing our cost of funding. We are hopeful that the pace of acquiring such funding sources will pick up significantly in the current financial year as the Group intensifies its marketing campaigns. Another key initiative to widen the Group's access to low cost funding is the launch of its cash management services in March 2006.

## Customer Service

The importance of excellent customer service in an intensely competitive financial services industry is the key to the AmBank Group staying ahead of the competition. The Group continues to commit significant resources in its pursuit to improve standards of customer service.

Starting with the Customer F.I.R.S.T campaign, AmBank has now established a separate Service Quality Improvement Unit, which is deploying the Six Sigma methodology to improve customer service at the branches and other business operations.

## Consolidating Our Market Position

### AmInvestment Group

Rising interest rates and lower trading volumes periodically affected activities in the capital markets. Despite these challenges, with a disciplined approach to managing expenses, risk and capital, the investment banking group achieved a net profit after tax of RM247.3 million, a 22.5% increase over the previous year, surpassing the profit forecast of RM240.8 million as set out in its initial public offering prospectus.

Good performance does not go unnoticed. Our emphasis on research and development and culture of innovation has once again enabled the Group to play an instrumental role in the development of the real estate investment trust industry, garnering top accolades for being a pioneer and the dominant player in 2005.

### Retail and Commercial Banking

During the financial year 2006, total retail loans expanded by nearly 17.9% or RM4.9 billion to RM32.0 billion. The Group remains the dominant hire-purchase financier in Malaysia with a hire purchase portfolio totaling RM23.1 billion, translating into a market share about 23.0%. The Group's mortgage business continues to expand to RM9.8 billion, whilst the credit cards-in-circulation have risen

to 446,000. The target of half a million cards in circulation is now within reach. During the year, the Bank launched the AmBank-RealRewards MasterCard, AmBank-RealRewards 2006 FIFA World Cup MasterCard, AmBank Platinum Card and AmBank Imagine Visa Card.

This rapid expansion in retail lending activities was made possible through the use of technology, the credit scoring models and the improvements in processes and procedures as customers continue to demand reductions in response times.

Taking advantage of the liberalisation of the exchange control regulations, the Group is capitalising on its entrenched franchise in investment and retail banking to introduce foreign currency products, innovative unit trust funds, private equity funds and real estate investment trusts.

### Insurance

We have also moved up the ranks in the insurance industry due to the 10.9% growth in new insurance premiums to RM653.9 million. In the general insurance industry, AmAssurance is ranked fifth, whilst in the life insurance industry, it is ranked eighth with a market share of 4.0%.

Considerable effort is also being made to implement the two-pronged strategy to expand our insurance business: product bundling of life and general insurance products to be sold to retail and corporate customers; and expansion of the agency network.

The strategic alliance with the Insurance Australia Group Limited, the largest insurance company in Australia, provides an opportunity for AmAssurance to further consolidate its position in the industry by leveraging on their expertise and skills.

## Into a New World Order

The persistently high commodity and energy prices will continue to fuel economic uncertainties in the global economy. Therefore, we foresee that the coming twelve months will remain very challenging for the banking industry. Nevertheless, we are confident that with our culture of innovation and prudent risk management, we should be able to forge ahead in these challenging times.

The Group is also preparing itself to compete with foreign financial institutions in view of the impending liberalisation of the financial services industry. The Group believes that it has an entrenched leadership position in various customer and product segments, extensive market experience and expertise, effective leadership, and considerable brand equity to mount an effective challenge to the entry of foreign competition.

In addition to the developments in the domestic markets, the Group has also implemented strategies to enhance the Group's regional operations, namely in Singapore and Indonesia, to strengthen its footprint in the region. We are finalising the

The Group continues to commit significant resources, in its pursuit of international standards of customer service.



(L-R): Tan Sri Dato' Azman Hashim (Chairman, AmBank Group), Encik Mohamed Azmi Mahmood (Managing Director, Retail Banking, AmBank (M) Berhad), Mr Jim Cheah (MasterCard International Vice President and Senior Country Manager, Malaysia and Brunei), and Perry Ong (General Manager, Card Services and LOC Department, AmBank (M) Berhad) launching the AmBank Platinum MasterCard.

acquisition of the remaining 51.0% equity interest in the Singaporean stockbroking operations of Fraser Securities, and also raising our equity stake in PT AmCapital Indonesia to 99%. The expansion will provide additional competitive advantages in terms of regional diversity and expanded reach in competing with the regional and global competitors.

### 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 programmes. Many of our directors and senior staff are also actively involved in the Councils of many national voluntary and charitable organisations.

### Our Priorities in Financial Year 2007

Although the economic environment going forward is very different, with moderating GDP growth and rising interest rates, we remain focused in FY2007 on achieving targets that are similar to that set in the previous financial year, namely, to improve:

- The return on equity and return on assets;
- The overall asset quality and reduce the non-performing loan ratio;
- The overall productivity and efficiency as measured by the overheads to income ratio; and
- The cost of funding by mobilising more demand and savings deposits from retail, corporate and institutional clients.

We will continue to improve our core competencies while looking for opportunities to take advantage of market trends and introduce innovative products to suit our customers' financial needs in these prevailing market conditions.



Mr Cheah Tek Kuang, Group Managing Director, AmBank Group (left) receives the "Most Innovative Islamic Financial Products" award from Minister of Finance II, YB Tan Sri Nor Mohamed Yacop (right).

Lending a helping hand to those in need have always been the Group's tradition. Throughout the financial year, the Group contributed unreservedly toward the charitable, education, cultural health and sports organisations mission to be caring corporate citizen.

### A Word of Appreciation

Our progress over the years would not have been possible without the trust and partnership of our clients, the commitment, dedication and integrity of our people; the guidance of Bank Negara Malaysia, the Securities Commission and Bursa Malaysia Securities Berhad, and most importantly the long standing support of our Shareholders.

I would also like to take this opportunity to convey my heartfelt gratitude to two of the Company's directors who retired during the year: Y Bhg Prof Tan Sri Dato' Dr Rashdan Haji Baba who has served the Board for close to a decade; and Y Bhg Tan Sri Dato' Lim Kok Wing who was appointed to the Board two years ago. Their contributions to the Group's progress are greatly appreciated.

I thank all of you for helping to make this year a success. As we set our course for the future, we remain excited about the opportunities and challenges ahead, and are optimistic about our prospects for growth.

*Yours sincerely,*

Tan Sri Dato' Azman Hashim  
Non-Executive Chairman

Kuala Lumpur  
30 June 2006