



# AMMB Holdings

Letter to Shareholders  
Group streamlines  
operations to  
become a more  
focused financial  
institution

Notables  
Group achieves  
international  
and domestic  
recognition

Annual Report 2004



**AMMB Holdings Berhad**

(223035-V) (Incorporated in Malaysia)

AmBank Group

# Corporate Mission

“To entrench our position as a

**premier** financial services group

providing **innovative** products

and **services** to its customers”



## Cover Rationale

Maximising results for greater growth and increased efficiency is the substance of the AmBank Group's business.

Hence, new solutions are continually shaped by bringing together extraordinary resources, people and ideas with one goal in mind - prioritising customer service to provide innovative products and convenient services.



## 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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### 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
	<b>AS ORDINARY BUSINESS</b>	
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)
	<b>AS SPECIAL BUSINESS</b>	
	To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-	
7.	<b>Authority to Issue Shares Pursuant to the Company's Employees' Share Option Scheme II</b>  "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.	<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. 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**  
22<sup>nd</sup> 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.



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



*Yours sincerely,*

**Tan Sri Dato' Azman Hashim**  
Chairman

Kuala Lumpur  
12 August 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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**AmMerchant Bank**

# Philosophy

*The Strategies we follow and the actions we take are aligned to value creation for all stakeholders*



## AmBank Group Shared Values

### The AmBank Way - A Culture of Excellence and Professionalism

- **Customer Priority**  
Our clients are our reason for existence. We are committed to them and we will strive to provide outstanding service to all our customers.
- **Integrity**  
Integrity and honesty are paramount in everything we do when we conduct our business. We will treat all our business partners and competitors with unwavering grace and honour.
- **Speed and Creativity**  
We strive to be fearless, responsive and nimble in our approach to doing business. We are not afraid to pioneer new ideas and approaches.
- **Quality**  
Any output or deliverable we produce serves to represent the AmBank Group. We know we must never compromise on what we need to do to perpetuate the reputation of the Group.
- **Initiative**  
We are empowered to take responsibility for what we do, going the extra mile and applying sound judgement in the process.
- **Vision and Goal-Orientation**  
We are a winning team. Our victories and goals are achieved through a strong sense of purpose, ownership and commitment.
- **Teamwork**  
Teamwork is the essence of our success. We willingly come together in formal and informal teams, valuing our colleagues and cooperating wholeheartedly with them.
- **Open-Mindedness**  
The spirit of open communication is important to us. We will give and receive criticism constructively. We will always treat each other with respect and good humour.
- **Self-Realisation**  
We will coach, develop and mould our people to allow them to realise their highest potential. We will facilitate their ability to meaningfully contribute to the AmBank Group.

# In The Beginning...

## 1975

- AHB had its origins way back in 1975 with the incorporation of Arab-Malaysian Development Bank (now known as AmMerchant Bank Berhad).

## 1983

- Arab-Malaysian Development Bank changed its name to Arab-Malaysian Merchant Bank Berhad (AMMB).

## 1984

- AMMB acquired a general insurance company, Teguh Insurance Company Sdn Bhd and changed its name to Arab-Malaysian Insurance Berhad (AMIB) to reflect its new major shareholding.

## 1985

- AMMB acquired a life insurance company, Perima Assurance Bhd, and changed its name to Arab-Malaysian Eagle Assurance Berhad (AMEAB) (now known as AmAssurance Berhad). AMEAB was subsequently merged with AMIB in 1987. The merger enabled the composite company to offer both life and general insurance.

## 1986

- AMMB through a wholly-owned subsidiary company, Arab-Malaysian Securities Holding Sdn Bhd (AMSH) (now known as AmSecurities Holding Sdn Bhd) acquired majority interest in a stockbroking firm, Kris Securities Sdn Bhd (now known as AmSecurities Sdn Bhd).

## 1988

- AMMB assumed its listing status when the entire issued share capital of AMMB were quoted on the Kuala Lumpur Stock Exchange (KLSE). AMMB was the first merchant bank to be listed on the KLSE.

## 1991

- AHB was incorporated as the vehicle for the implementation of the corporate restructuring scheme of AMMB. Pursuant to the restructuring scheme, AMMB was delisted from the KLSE and became a wholly-owned subsidiary of AHB, which was subsequently listed on the KLSE on 13 February 1992 in place of AMMB.
- Subsequent to the restructuring scheme, AMMB transferred its entire investments in Arab-Malaysian Finance Berhad (AMFB) (now known as AMFB Holdings Berhad), Arab-Malaysian Credit Berhad, AMSH and Arab-Malaysian Assurance Berhad to AHB.

## 1992

- AHB listed its subsidiary AMFB on the KLSE.

## 1994

- AmBank Berhad (AmBank) (formerly known as Arab-Malaysian Bank Berhad) was incorporated to acquire the commercial banking business of the Malaysian branch of Bank of America (Asia) Limited, then operating under the name of Security Pacific Asian Bank Limited, Kuala Lumpur Branch (SPABL-KL). Simultaneous with the acquisition by AmBank of the business operations of SPABL-KL on 1 August 1994, AHB completed its acquisition of an 80.0% equity interest in AmBank.

## 1995

- Commenced offshore banking operations, through its wholly-owned subsidiary, AmInternational (I) Ltd, in Labuan.

## 1996

- Commenced future broking business, through AmFutures Sdn Bhd, which provides a full range of broking services of financial derivative instruments.
- AmAsset Management Sdn Bhd was incorporated to take over the portfolio funds management services business from AmMerchant Bank Berhad.

## 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 Berhad (MBF Finance) making it a wholly owned subsidiary of AMFB.

## 2002

- AHB completed the acquisition of minority stake in AmBank Berhad, representing 20.0% equity interest in AmBank Berhad.
- 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 to become AMFB Holdings Berhad to reflect its holdings company status.
- MBF Finance simultaneously underwent a corporate identity revamp and was renamed as AmFinance Berhad, in line with the Group's rebranding initiative. The image makeover ushers in a new era for the Company and enhances the Company's visibility in the consumer-financing arena.



## AMMB Holdings Berhad History



Another first for Arab-Malaysian Merchant Bank - acquired majority interest in a stockbroking firm



AMFB launches unique service for children



# Corporate Structure

Principal Businesses





# Corporate Structure

## Operating Subsidiaries And Associates As At 31 July 2004

Companies	Effective %	Companies	Effective %
<b>1. Investment Banking</b>			
AmMerchant Bank Berhad	100.00		
AmInternational (L) Ltd	100.00		
<b>2. Commercial Banking</b>			
AmBank Berhad	100.00		
<b>3. Finance</b>			
AMFB Holdings Berhad	64.30		
AmFinance Berhad	64.30		
<b>4. Stockbroking</b>			
AmSecurities Holding Sdn Bhd	100.00		
AmSecurities Sdn Bhd	100.00		
AmFutures Sdn Bhd	100.00		
AmResearch Sdn Bhd	100.00		
P.T. AmCapital Indonesia	60.00		
<b>5. Asset Management and Advisory Services</b>			
AmInvestment Services Berhad	70.00		
AmInvestment Management Sdn Bhd	70.00		
AMMB Consultant Sdn Bhd	100.00		
<b>6. Insurance</b>			
AmAssurance Berhad	65.94		
<b>7. Property and Investment Holding</b>			
AmProperty Trust Management Berhad	100.00		
Bougainvillea Development Sdn Bhd	64.30		
AmProperty Holdings Sdn Bhd	64.30		
<b>8. Trustee/Custody/Nominees</b>			
AmTrustee Berhad	72.86		
MBf Trustees Berhad	38.60		
AMMB Nominees (Tempatan) Sdn Bhd	100.00		
AMMB Nominees (Asing) Sdn Bhd	100.00		
AMSEC Nominees (Tempatan) Sdn Bhd	100.00		
AMSEC Nominees (Asing) Sdn Bhd	100.00		
AM Nominees (Tempatan) Sdn Bhd	100.00		
AM Nominees (Asing) Sdn Bhd	100.00		
MBf Nominees (Tempatan) Sdn Bhd	64.30		
South Johor Securities Nominees (Tempatan) Sdn Bhd	100.00		
<b>9. Credit Leasing</b>			
Arab-Malaysian Credit Berhad	100.00		
<b>10. Other Companies</b>			
AmEquities Sdn Bhd	100.00		
MBf Information Services Sdn Bhd	64.30		
MBf Equity Partners Sdn Bhd	64.30		
Natprop Sdn Bhd	64.30		
Malaysian Ventures Management Incorporated Sdn Bhd	59.00		
<b>11. Associated Companies</b>			
Fraser International Pte Ltd	49.00		
Fraser Securities Pte Ltd	49.00		
Fraser Financial Planners Pte Ltd	49.00		
Fraser-AMMB Research Pte Ltd	49.00		
Fraser Financial Services Pte Ltd	49.00		
Fraser Nominees (Private) Limited	49.00		
Malaysian Ventures (Two) Sdn Bhd	34.67		
Malaysian Ventures Sendirian Bhd	27.41		
			<i>(Under members' voluntary liquidation)</i>
<b>13. Dormant Companies</b>			
AmSecurities (HK) Limited	100.00		
AMMB Factors Sdn Bhd	100.00		
AMMB Labuan (L) Ltd	100.00		
AMCB Mezzanine Sdn Bhd	100.00		
AMMB Properties Sdn Bhd	100.00		
AmManagement Services Sdn Bhd	100.00		
South Johor Securities Nominees (Asing) Sdn Bhd	100.00		
Annling Sdn Bhd	64.30		
Arab-Malaysian Services Berhad	65.94		
Crystal Land Sdn Bhd	51.44		
Everflow Credit & Leasing Corporation Sdn Bhd	64.30		
AmCredit & Leasing Sdn Bhd	64.30		
			<i>(formerly known as Komewah Credit &amp; Leasing Sdn Bhd)</i>
Komuda Credit & Leasing Sdn Bhd	64.30		
Lekir Development Sdn Bhd	64.30		
Li & Ho Sdn Bhd	64.30		
Malco Properties Sdn Bhd	32.79		
MBf Nominees (Asing) Sdn Bhd	64.30		
MBf Property Trust Management Berhad	64.30		
Teras Oak Pembangunan Sdn Bhd	64.30		

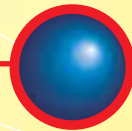


# Organisation Structure



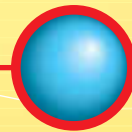
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## BOARD OF DIRECTORS



### Board Committees

Audit & Examination  
Remuneration  
Nomination  
Risk Management Committee of Directors  
Executive Committee of Directors



### Management Committees and Shared Services

Group Strategic Steering Committee  
Executive Risk Management Committee  
Group Information Technology Committee  
Group Arrears Committee  
Group Treasury  
Group Corporate Services  
Group Public Affairs  
Group Marketing  
Group Human Resources and Training  
Group Finance  
Group Secretariat and Legal

# Board of Directors

Y Bhg Tan Sri Dato' Azman Hashim	<i>Chairman</i>
Y Bhg Dato' Azlan Hashim	<i>Deputy Chairman</i>
Y A Bhg Tun Mohammed Hanif Omar	<i>Director</i>
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	<i>Director</i>
Y Bhg Tan Sri Datuk Dr Aris Othman <i>(appointed on 1 April 2004)</i>	<i>Director</i>
Y Bhg Tan Sri Datuk Clifford Francis Herbert <i>(appointed on 16 April 2004)</i>	<i>Director</i>
Y Bhg Dato' Izham Mahmud <i>(appointed on 16 October 2003)</i>	<i>Director</i>
Y Bhg Dato' Mohd Ibrahim Mohd Zain <i>(appointed on 16 April 2004)</i>	<i>Director</i>
Mr Cheah Tek Kuang	<i>Director</i>
Mr Soo Kim Wai	<i>Director</i>
Puan Shalina Azman <i>(appointed on 16 October 2003)</i>	<i>Director</i>
Y Bhg Dato' Mohd Tahir Haji Abdul Rahim <i>(resigned on 19 December 2003)</i>	<i>Director</i>
Y Bhg Dato' Malek Merican <i>(resigned on 6 May 2004)</i>	<i>Director</i>

# Corporate Information

## REGISTERED OFFICE

22nd Floor  
Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Telephone No: 03-2078 2633/44/55  
Facsimile No: 03-2031 6453  
Telex: MA 31167 & 31169 ABMAL  
Cable: ARABMAL

## REGISTRAR

Symphony Share Registrars Sdn Bhd  
*(formerly known as Malaysian Share Registration Services Sdn Bhd)*  
Level 26  
Menara Multi Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Malaysia  
Telephone No: 03-2721 2222  
Facsimile No: 03-2721 2530

## AUDITORS

Messrs Deloitte KassimChan  
*Chartered Accountants*

## PRINCIPAL BANKER

AmBank Berhad

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad  
*(13.02.92)*

## WEBSITE

[ambg.com.my](http://ambg.com.my)

Please e-mail your comments and enquiries to:

[gpa@ambg.com.my](mailto:gpa@ambg.com.my)



## GROUP COMPANY SECRETARY

Ravindra Kumar Thambimuthu

*LL B (Melbourne)*

*LL B (Hons)*

*LL M (London)*

*Dip Air & Space Law (London)*

# Profile of Directors

## **Y BHG TAN SRI DATO' AZMAN HASHIM**

*Executive Chairman until 30 June 2004*

*Non-Independent Non-Executive Chairman with effect from 1 July 2004*

Y Bhg Tan Sri Dato' Azman Hashim, a Malaysian, aged 65 was appointed to the Board on 15 August 1991 and has been the Chairman of AMMB Holdings Bhd (AHB) since 1991. He was the Executive Chairman of AHB from 1 April 2002 to 30 June 2004. Currently, he is the Non-Executive Chairman of the Company and serves as Chairman of the Company's Employees' Share Option Scheme Committee.

He sits as Chairman of the Board of several subsidiaries of AHB, namely AMFB Holdings Bhd, AmFinance Bhd, AmMerchant Bank Bhd, AmBank Bhd, Arab-Malaysian Credit Bhd, AmProperty Trust Management Bhd and AmAssurance Bhd.

Tan Sri Dato' Azman, a Chartered Accountant, a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined Bank Negara Malaysia and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the Board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmMerchant Bank Bhd.

Tan Sri Dato' Azman is the Executive Chairman of Arab-Malaysian Corporation Bhd and Chairman of AMDB Bhd, RCE Capital Bhd, Malaysian South-South Corporation Bhd, MCM Technologies Bhd and Pembangunan MasMelayu Bhd. He serves as a member on the Board of Cagamas Bhd and Multimedia Development Corporation Sdn Bhd.

Tan Sri Dato' Azman is the Chairman of the Association of Merchant Banks in Malaysia, the National Productivity Corporation, East-Asia Business Council and the Pacific Basin Economic Council Malaysia, and the President of the Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and Non-Aligned Movement's Business Council. He is a Member of the APEC Business Advisory Council, The Trilateral Commission (Asia-Pacific Group), the Malaysian-British Business Council, the Malaysia-China Business Council, and UNESCAP Business Advisory Group. He is also the Leader of the ASEAN-Japanese Business Meeting (Malaysia Committee, Keizai Doyukai), Patron of the Malaysian Endurance Riding Society and is on the Board of Advisors, AIM Centre for Corporate Social Responsibility.



## Y BHG DATO' AZLAN HASHIM

*Non-Independent Non-Executive Deputy Chairman*

Y Bhg Dato' Azlan Hashim, a Malaysian, aged 62, joined the Board on 12 February 1992 and has been the Deputy Chairman of AHB since 1992. He is the Chairman of the Group Information Technology and Nomination Committees and a member of the Company's Audit and Examination, Remuneration and Employees' Share Option Scheme Committees.

He is also the Deputy Chairman of several subsidiaries of AHB, including AMFB Holdings Bhd, AmProperty Trust Management Bhd and AmAssurance Bhd, and sits as the Chairman on the Board of AmSecurities Sdn Bhd and AmInternational (L) Ltd.

Dato' Azlan, served the Malayan Railways from 1966 to 1971, where he was the Chief Accountant for two years. In 1972, he became a Partner of a public accounting firm, Azman Wong Salleh and Co., and was a Senior Partner there prior to joining the AMDB Bhd's Board in 1982.

Dato' Azlan is currently the Executive Vice-Chairman of Arab-Malaysian Corporation Bhd. He also serves on the Board of AMDB Bhd, Metrod (M) Bhd, Paramount Corporation Bhd, Sapura Motors Bhd, Kesas Holdings Bhd, Kumpulan Perangsang Selangor Bhd, Syarikat Permodalan & Perusahaan Selangor Bhd and Global Carriers Bhd.

Dato' Azlan is a Fellow of the Institute of Chartered Accountants (Ireland), Economic Development Institute (World Bank, Washington D.C. USA) and Institute of Bankers Malaysia. He is also a Certified Public Accountant.



## Y A BHG TUN MOHAMMED HANIF OMAR

*Senior Independent Non-Executive Director*

Y A Bhg Tun Mohammed Hanif Omar, a Malaysian, aged 65, was appointed to the Board of Directors on 6 May 1994 and is a member of the Company's Employees' Share Option Scheme Committee. He is also a director of AMFB Holdings Bhd and AmFinance Bhd.

He was the Inspector General of the Malaysian Police Force for 20 years until his retirement in January 1994. Tun Mohammed Hanif is also currently the Chairman of Park May Bhd and General Corporation Bhd, Deputy Chairman of Genting Bhd and Resorts World Bhd, and a Director of Fullmark Manufacturing Bhd. He has been the President of the Malaysian Institute of Management since 2002.

He received his BA from the then University of Malaya, Singapore in 1959, his LLB (Hons) from Buckingham University, United Kingdom in 1986 and his Certificate of Legal Practice (Hons) from the Legal Qualifying Board in 1987.





#### **Y BHG PROF TAN SRI DATO' DR MOHD RASHDAN HAJI BABA**

*Independent Non-Executive Director*

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Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba, a Malaysian, aged 68, joined the Board of Directors on 22 June 1996. He is the Chairman of the Audit and Examination, and Remuneration Committees, and a member of the Nomination Committee of the Company.

He also sits on the Board of AmMerchant Bank Bhd, AmBank Bhd and other companies including Arab-Malaysian Corporation Bhd, Unisem (M) Berhad and Computer System Advisers (M) Berhad.

Previously, Prof Tan Sri Dato' Dr Mohd Rashdan had served as the Executive Chairman of Kumpulan Guthrie Berhad from 1982 to 1987 and Telekom Malaysia Berhad from 1987 to 1995.

Prof Tan Sri Dato' Dr Mohd Rashdan graduated with a B. Sc. from the University of Reading (UK) and later obtained his PhD from the University of Leeds.

#### **Y BHG TAN SRI DATUK DR ARIS OTHMAN**

*Independent Non-Executive Director*

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Y Bhg Tan Sri Datuk Dr Aris Othman, a Malaysian, aged 59, was appointed to the Board of AHB and its subsidiary, AmMerchant Bank Berhad on 1 April 2004.

Tan Sri Datuk Dr Aris had served in various positions in the Economic Planning Unit, Prime Minister's Department from 1966 to 1986. From 1989 to 1999, Tan Sri Datuk Dr Aris was with the Ministry of Finance, during which he had served as Executive Director (South-East Asia Group) of the World Bank from 1991 to 1994 and Secretary General to the Treasury from 1998 to mid-1999. This was followed by a career in banking, where he had held the positions of Executive Chairman and Managing Director/Chief Executive Officer of Bank Pembangunan dan Infrastruktur Malaysia Berhad. He is currently the Chairman of Malaysia Airports Holdings Berhad.

Tan Sri Datuk Dr Aris holds a PhD in Development Economics and a M.A. in Political Economy both from Boston University, a M.A. in Development Economics from Williams College, Massachusetts, and a Bachelor of Arts (Honours) in Analytical Economics from University of Malaya.





#### **Y BHG TAN SRI DATUK CLIFFORD FRANCIS HERBERT**

*Independent Non-Executive Director*

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Y Bhg Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 62, was appointed to the Board of AHB on 16 April 2004.

Tan Sri Datuk Clifford joined the Malaysian civil service in 1964 as Assistant Secretary in the Public Services Department. From 1968 to 1975, he was the Assistant Secretary in the Development Administration Unit, Prime Minister's Department. Tan Sri Datuk Clifford served in the Ministry of Finance from 1975 to 1997, culminating as Secretary General to the Treasury. He had been a Board member of numerous statutory bodies and government related public companies.

Tan Sri Datuk Clifford is currently the Chairman of Percetakan Nasional Malaysia Berhad and a Board member of Resorts World Berhad, AmMerchant Bank Berhad and AmBank Berhad. Additionally, Tan Sri Clifford is also involved in several charitable organisations.

Tan Sri Datuk Clifford holds a Masters of Public Administration from University of Pittsburgh and a Bachelor of Arts (Honours) from the University of Malaya.



#### **Y BHG DATO' IZHAM BIN MAHMUD**

*Independent Non-Executive Director*

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Y Bhg Dato' Izhah bin Mahmud, a Malaysian, aged 63, was appointed to the Board of Directors of AHB on 16 October 2003. He is a member of the Audit and Examination, Nomination and Remuneration Committees of the Company.

Dato' Izhah joined the Malaysian civil service in 1965 and had served for almost a decade, mainly at the Federal Treasury. His career in merchant banking began in 1974 with Aseambankers Malaysia Berhad, where he later became the Managing Director, a position which he held for over 17 years.

He is currently the Executive Chairman of Delcom Services Sdn Bhd group of companies. His current directorships in public companies include AmMerchant Bank Berhad, Pearl Island Country Club Bhd, CNLT (Far East) Bhd, and Kinta Kellas Public Limited Company.

He holds a Bachelor of Science (Honours) in Economics from Queen's University, Belfast, Northern Ireland and a Master of Arts in Economic Development from Vanderbilt University, USA.





### **Y BHG DATO' MOHD IBRAHIM BIN MOHD ZAIN**

*Independent Non-Executive Director*

---

Y Bhg Dato' Mohd Ibrahim bin Mohd Zain, a Malaysian, aged 61, joined the Board of Directors on 16 April 2004.

Upon his graduation in 1965, he was attached to University Technology Mara as a lecturer where he was later appointed a Director, a position which he holds to this present day. His career in banking includes positions he had held as Chief Executive of Amanah International Finance Bhd, Amanah Chase Merchant Bank Bhd, and Oriental Bank Bhd, and Chairman of Bank Kerjasama Rakyat (M) Bhd. He was also the former Chairman and Chief Executive Officer of Setron (Malaysia) Bhd. He was a past Board member of Penang Regional Development Authority and Tourist Development Corporation.

He is currently the Chairman of Pan Malaysia Holdings Bhd, Pan Malaysia Capital Bhd and Chemical Company of Malaysia Bhd, and serves as Deputy Chairman of Metrojaya Bhd. His directorships in other public companies include Pan Malaysian Industries Bhd, and K & N Kenanga Holdings Bhd.

Dato' Mohd Ibrahim graduated from the British Institute of Management and Institute of Marketing in United Kingdom, and holds a Masters in Business Administration from University of Ohio.

### **MR CHEAH TEK KUANG**

*Non-Independent Non-Executive Director*

---

Mr Cheah Tek Kuang, a Malaysian, aged 57, was appointed to the Board on 14 January 1994 and is a member of the Company's Group Information Technology Committee.

He is currently the Group Managing Director of AmMerchant Bank Bhd and its subsidiaries. He also sits on the Boards of various subsidiaries of the Company, including AMFB Holdings Bhd, AmBank Bhd and AmFinance Bhd.

He has been with AmMerchant Bank Bhd since 1978 and served in the Corporate Finance and Banking departments until 1987. Over the years, he held various positions. In 1994, he was promoted to Managing Director. Effective from January 2002, he became the Group Managing Director. Prior to that, he was with the Malaysian Industrial Development Authority. He also currently serves on the Board of Employees' Provident Fund and Bursa Malaysia Bhd, and is the Alternate Chairman of the Association of Merchant Banks in Malaysia.

Mr Cheah has a Bachelor of Economics (Honours) degree from the University of Malaya and is a Fellow of the Institute of Bankers Malaysia.







#### **MR SOO KIM WAI**

*Non-Independent Non-Executive Director*

---

Mr Soo Kim Wai, a Malaysian, aged 43, was appointed to the Board of Directors on 4 October 2002.

He is currently the Managing Director of Arab-Malaysian Corporation Bhd. He also sits on the Board of RCE Capital Bhd and MCM Technologies Bhd, and hold directorships in other private limited companies.

Mr Soo joined Arab-Malaysian Corporation Bhd in 1989 as Senior Manager, Finance and has since held various positions before he was promoted to his current appointment. Prior to that, he was with Plantation Agencies Sdn Bhd from 1985 to 1989, and in the accounting profession for five years with Deloitte KassimChan from 1980 to 1985.

Mr Soo is a Chartered Accountant (Malaysian Institute of Accountants) and a Certified Public Accountant (Malaysian Institute of Certified Public Accountants).



#### **PUAN SHALINA AZMAN**

*Non-Independent Non-Executive Director*

---

Puan Shalina Azman, a Malaysian, aged 37, joined the Board of Directors on 16 October 2003.

Puan Shalina first gained invaluable experience in the media industry when she was a Business Development Officer with RCE Capital Bhd (formerly known as Rediffusion Berhad) in 1990. From 1995 to 1999, she was with Arab-Malaysian Corporation Bhd as a Senior Manager, Corporate Planning. In January 2000, she rejoined RCE Capital Bhd as the Executive Director and became the Managing Director on 1 September 2000. She held the position until 31 July 2002, prior to assuming her current position as Deputy Group Managing Director of Arab-Malaysian Corporation Bhd. She remains a Non-Independent Non-Executive Director of RCE Capital Bhd until this present day. She also sits on the Board of MCM Technologies Bhd and holds Directorships in other private limited companies.

She holds a Bachelor of Science in Business Administration majoring in Finance and Economics from Chapman University in California and in 1993 she obtained her Masters in Business Administration from University of Hull in United Kingdom.



### Y BHG DATO' MOHD TAHIR HAJI ABDUL RAHIM

*Independent Non-Executive Director  
(Director from 12 February 1992 to 19 December 2003)*

---

Y Bhg Dato' Mohd Tahir Haji Abdul Rahim, Malaysian, aged 72 was the Senior Independent Non-Executive Director of the Company. He was the Chairman of the Company's Audit and Examination Committee. He additionally served on the Remuneration and Nomination Committees of the Company.

He had also served as a Director of AmMerchant Bank Bhd, AmBank Bhd, AMFB Holdings Bhd and AmFinance Bhd.

He started his career as an Assistant District Officer with the Johor Civil Service, Mersing in 1957 prior to joining the Malayan Civil Service, where he served until 1966. He was the General Manager of the Selangor State Development Corporation until 1975. Dato' Mohd Tahir obtained his BA (Hons) from the then University of Malaya, Singapore.

### Y BHG DATO' MALEK MERICAN

*Independent Non-Executive Director  
(Director from 15 August 1991 to 6 May 2004)*

---

Y Bhg Dato' Malek Merican, Malaysian, aged 70, first joined the Board as a Non-Independent Non-Executive Director.

He served the Malaysian Treasury for 15 years from 1958 and finally as the Deputy Secretary-General for the Finance, Economic and Tax divisions. Between 1969 and 1971, he was seconded as Alternate Executive Director representing 10 countries on the Board of the International Monetary Fund. He was the deputy at Aseambankers Malaysia Berhad and subsequently made the Managing Director from 1974 to 1979. Prior to joining AmMerchant Bank Bhd in 1982, he was the Group Director of Corporate Finance and Planning at Sime Darby Berhad. He resigned as the Managing Director of AmMerchant Bank Bhd in November 1989 and served as the Vice Chairman of Malayan United Industries Berhad and Managing Director of MUI Bank Berhad until 1990. Dato' Malek rejoined the Board of AmMerchant Bank Bhd in May 1990 and served until May 2004.

He currently serves on the Board of Pheim Emerging (M) Bhd and Pheim Unit Trusts Bhd.

Dato' Malek graduated from Cambridge University with a B.A. in Economics and a B. Litt Economics from Oxford University, United Kingdom.

*None of the Directors have any family relationship with other Directors or substantial shareholders of the Company, except as disclosed herein.*

*Tan Sri Dato' Azman Hashim and Dato' Azlan Hashim are brothers. Puan Shalina Azman is the daughter to Tan Sri Dato' Azman Hashim. Tan Sri Dato' Azman Hashim is the Executive Chairman and a deemed substantial shareholder of Arab-Malaysian Corporation Bhd, which in turn is a substantial shareholder of AHB. Tan Sri Dato' Azman Hashim is a director of Slan Sdn Bhd and Ginagini Sdn Bhd, which are his family-owned companies. These companies are deemed substantial shareholders of AHB by virtue of their interests in Arab-Malaysian Corporation Bhd. Dato' Azlan Hashim is the Executive Vice Chairman, while Prof Tan Sri Dato' Dr Mohd Rashdan and Mr Soo Kim Wai are director and Managing Director of Arab-Malaysian Corporation Bhd respectively. Puan Shalina Azman is the Deputy Group Managing Director of Arab-Malaysian Corporation Bhd.*

*None of the Directors have been convicted for offences within the past 10 years. None of the Directors have any conflict of interest with the Company other than as announced or set out in Note 37 to Financial Statements under "Significant Related Party Transactions And Balances".*

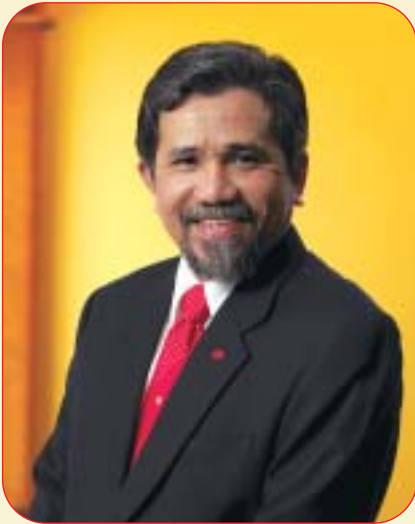
**CHEAH TEK KUANG**  
Group Managing Director,  
AmMerchant Bank Berhad



**MOHAMED AZMI MAHMOOD**  
Managing Director,  
AmFinance Berhad



**Y BHG DATO' JAMES LIM CHENG POH**  
Chief Executive Officer/Managing Director,  
AmBank Berhad



◀ **MUSTAFA MOHD NOR**  
Managing Director,  
AmSecurities Sdn Bhd



**NG LIAN LU** ▶  
Chief Executive Officer,  
AmAssurance Berhad

# Management



**KOK TUCK CHEONG**  
Executive Director,  
AmMerchant Bank Berhad



**PHILIP CHANG**  
Executive Director,  
AmSecurities Sdn Bhd



**MAHDI MURAD**  
Executive Director,  
AmFinance Berhad



**SIM HOW CHUAH**  
Senior General Manager,  
AmBank Berhad



**KAMALUL ARIFIN  
OTHMAN**  
Chief Executive Officer,  
AmProperty Trust  
Management Berhad

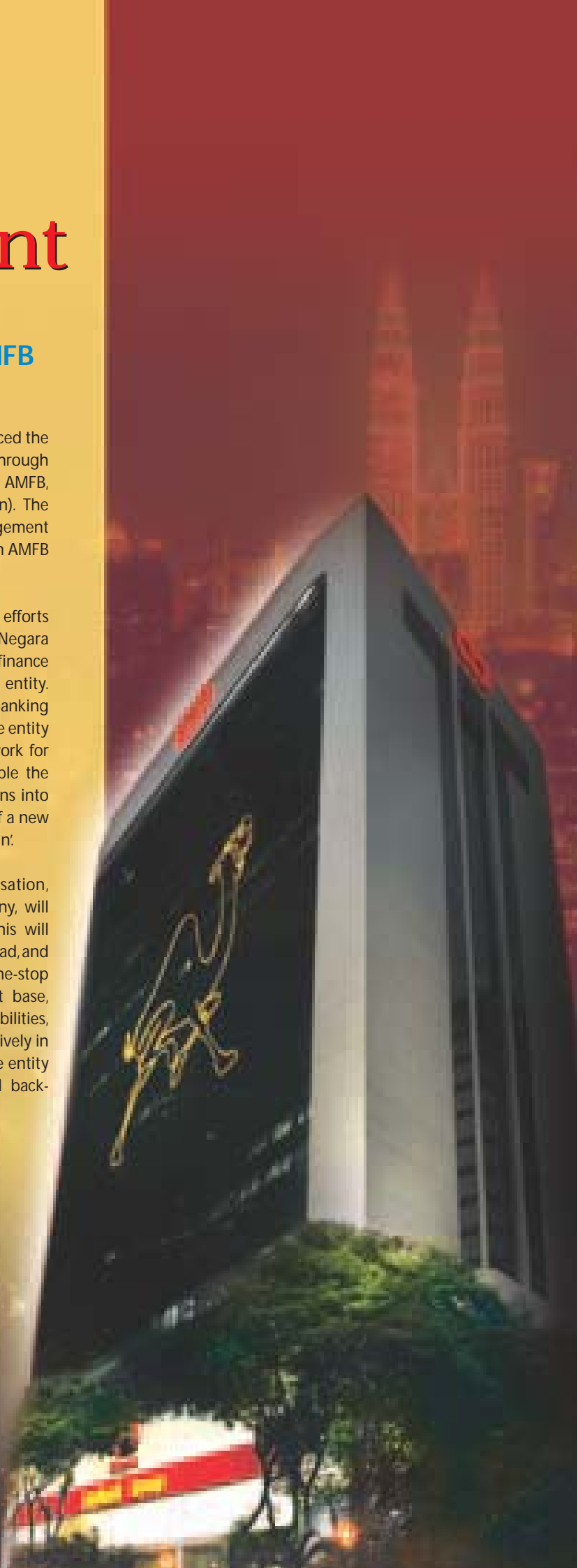
# Corporate Development

## PROPOSED PRIVATISATION OF AMFB HOLDINGS BERHAD

On 27 February 2004, AMMB Holdings Berhad (AHB) announced the proposed privatisation of AMFB Holdings Berhad (AMFB) through the acquisition by AHB of the remaining ordinary shares in AMFB, not already owned by AHB (Proposed AMFB Privatisation). The Proposed AMFB Privatisation involves a scheme of arrangement pursuant to section 176 of the Companies Act, 1965, between AMFB and its shareholders other than AHB.

The Proposed AMFB Privatisation is an integral part of AHB's efforts in meeting the specific initiative announced by Bank Negara Malaysia on the merger of the commercial banking and finance company businesses within a banking group into a single entity. Pursuant to the Financial Sector Masterplan, which allows banking groups to operate as one-stop financial centres and as a single entity holding multiple licences, the legal and regulatory framework for the banking industry had been amended recently to enable the merger of commercial bank and finance company operations into one single entity within a banking group and the creation of a new banking entity called 'banking and finance company' or 'Bafin'.

Upon the completion of the Proposed AMFB Privatisation, AmFinance Berhad, AMFB's wholly-owned finance company, will effectively become a wholly-owned subsidiary of AHB. This will facilitate the merger of AHB's commercial bank, AmBank Berhad, and AmFinance Berhad into a single entity and operate as one-stop financial centres. With the single entity's enlarged asset base, increased scale of operations and improved financing capabilities, the banking arm of AHB will be able to compete more effectively in the increasingly competitive environment. Further, the single entity will benefit from cross-selling opportunities, consolidated back-office processing and branch operations rationalisation.



## PROPOSED LISTING OF THE INVESTMENT BANKING GROUP

In tandem with the Proposed AMFB Privatisation, AHB had on 31 May 2004 announced the proposed listing of its investment banking group via a newly incorporated company, AmlInvestment Group Berhad (Proposed Listing of AIGB). The Proposed Listing of AIGB will entail the following:

- a) an internal reorganisation involving the transfer of AHB's entire interests in the component companies of AHB involved in the investment banking operation to AmlInvestment Group Berhad (AIGB);
- b) an offer for sale/restricted issue of an aggregate of 40.0% of the enlarged issued and paid-up share capital of AIGB to the shareholders of AHB, directors of AHB, directors and employees of AIGB and/or its Malaysian-incorporated subsidiary and associated companies, business associates of AHB which have contributed to the success of the AHB group of companies; and
- c) the listing of the entire issued and paid-up capital of AIGB on the Main Board of the Bursa Malaysia Securities Berhad.

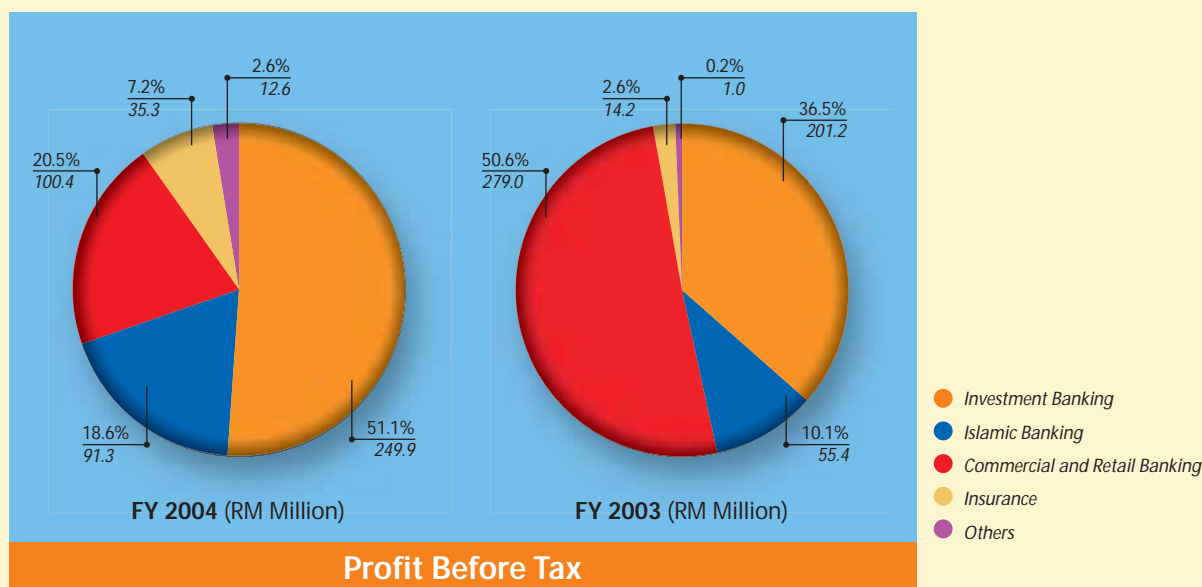
The Proposed Listing of AIGB, which is inter-conditional with the Proposed AMFB Privatisation, is part of AHB's continuing efforts to streamline its core activities namely banking (comprising business and retail banking, merchant banking and finance company business), stockbroking and insurance, and is expected to bring greater recognition and unlock shareholder value. The Proposed Listing of AIGB will also enable AHB to capitalise on the demand of investors for quality initial public offers to maximise returns for its shareholders and at the same time, provide AHB with the requisite funding to finance the Proposed AMFB Privatisation.

The Proposed Listing of AIGB will also provide the shareholders of AHB with the opportunity to participate in the equity of its investment banking group, AIGB, and to benefit from any potential capital gains arising from the future appreciation in value of AIGB.

The Proposed AMFB Privatisation and Proposed Listing of AIGB are expected to be completed by the last quarter of 2004.



# Group Financial Review



## PROFIT BEFORE TAX

FY 2004 : RM358.4 million (- RM43.7 million - 10.9%)  
 FY 2003 : RM402.1 million

The Group's profit before tax was lower arising from a few factors. Firstly, the Group's Islamic banking business registered very strong growth and its income more than doubled to RM337.2 million. As a result, the Group had registered a higher transfer to a profit equalization reserve account of RM47.9 million (as compared to RM6.4 million for FY 2003), as it is a Bank Negara Malaysia (BNM) requirement to maintain a certain level of returns for depositors. Secondly, the higher premium income from the Group's insurance business of RM445.8 million for FY 2004 (FY 2003: RM291.8 million), had resulted in a higher transfer to the life insurance fund of RM172.8 million (FY 2003: RM91.3 million). In addition, the strong growth in the Group's insurance business had also resulted in higher claims of RM177.8 million (FY 2003: RM106.8 million). Thirdly, an additional amount of RM18.2 million in handling fees paid to

motor vehicle dealers for hire purchase loans and financing approved and disbursed after 1 January 2004 was fully expensed off in the income statement for FY 2004 as a result of the change in the accounting treatment on handling fees. Fees that were disbursed before 1 January 2004 continue to be amortised over the tenure of the hire purchase loans. Fourthly, the Group had provided RM37.0 million for the out-of-court total settlement in respect of the legal suits relating to the Highland Tower tragedy. Taking these factors into consideration, the Group's reported pre-tax profit was not reflective of its actual performance.

The largest contributor to the Group's PBT for FY 2004 was the investment banking business, followed by commercial and retail business and the Islamic banking business.

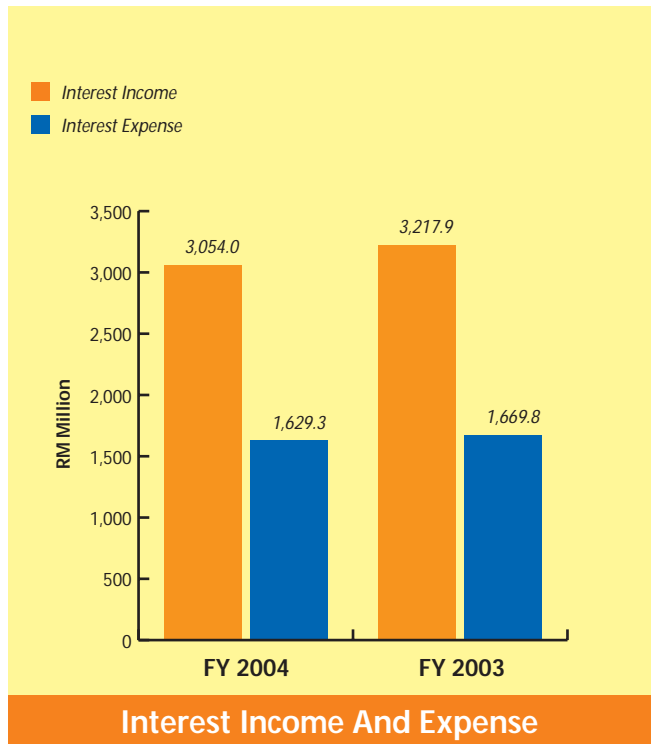
FINANCIAL RATIOS	FY 2003	FY 2004
Earnings per share – net		
- Basic	17.5 sen	14.0 sen
- Fully diluted	17.5 sen	13.2 sen
Post-tax return on average shareholders' funds	8.6%	5.9%
Post-tax return on average total assets	0.7%	0.7%
Net tangible assets per share	210.9 sen	205.8 sen
Gross dividend rate	3.3%	4.0%
Dividend payable/paid	RM36.1 million	RM53.5 million

## NET INTEREST INCOME

FY 2004 : RM1,424.8 million (- RM123.3 million - 7.9%)  
 FY 2003 : RM1,548.1 million

The Group's narrower net interest income was about 8% lower primarily due to financing margins despite the modest growth in loans and financing. In addition, corporations were by passing the banking system and going directly to the debt capital markets. Total funds raised in 2003 in the debt capital markets debt totalled approximately RM43.0 billion.

Going forward, the Group is focused on increasing its low cost funding to improve net interest income.



## INCOME FROM ISLAMIC BANKING BUSINESS

FY 2004 : RM337.2 million (+ RM187.4 million + 125.1%)  
 FY 2003 : RM149.8 million

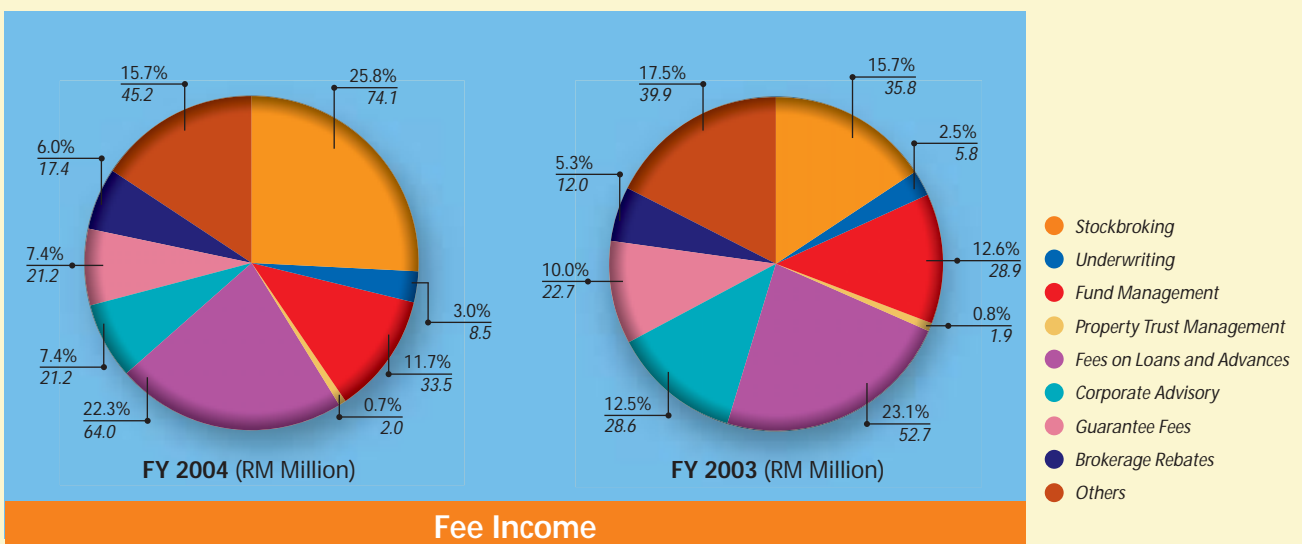
The Group's gross financing assets almost doubled to RM6.9 billion as at FY 2004 (FY 2003: RM3.7 billion). In tandem with this increase, income too doubled a RM337.2 million. Of this, RM170.0 million was due to financing activities, with the balance from the debt capital markets and treasury operations.

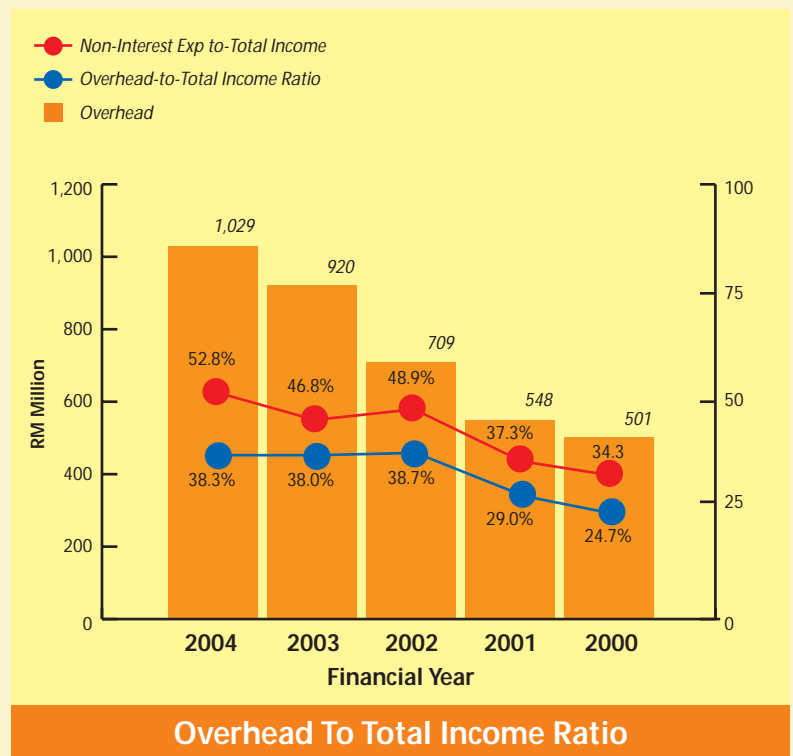
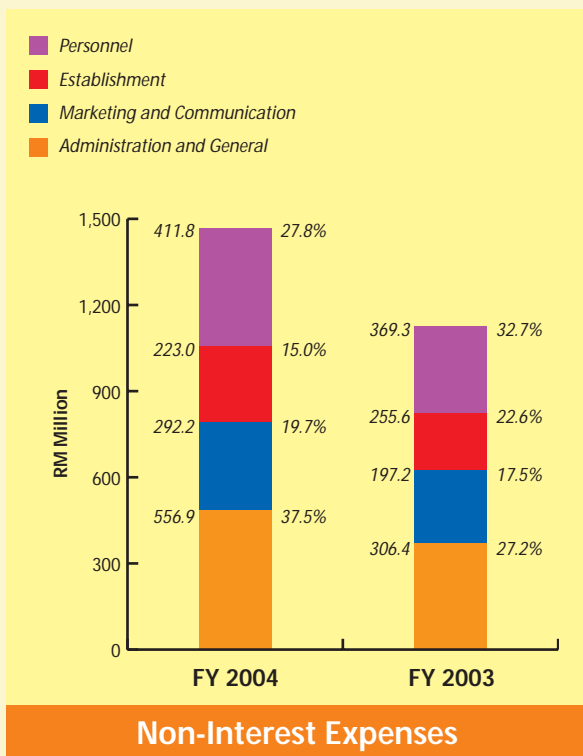
## NON-INTEREST INCOME

FY 2004 : RM944.7 million (+ RM220.8 million + 30.5%)  
 FY 2003 : RM723.9 million

The growth in non interest income is primarily due to the RM154.0 million increase in premium income from the life and general insurance businesses. The Group's insurance businesses registered a premium income of RM445.8 million (as compared to RM291.8 million in FY2003) as a result of cross-selling and bundling of retail products.

Brokerage fees and commissions almost doubled to RM74.0 million for FY 2004 as compared to RM35.8 million for the previous year primarily due to increased stock market activities especially in the second half of 2003. The Group managed to maintain its non-interest income to total income (inclusive of income from Islamic banking business) at about 35.0%.





## NON-INTEREST EXPENSES

FY 2004 : RM1,484.0 million (+ RM355.5 million +31.5%)  
 FY 2003 : RM1,128.5 million

The largest component of non-interest expense remains personnel/staff costs, which comprise primarily staff salaries, bonuses and benefits, and was higher by 11.5% or RM42.6 million. The personnel costs were higher as the Group had to increase the Group's headcount, especially those with specialist skills and competencies required to build up the Group's various core businesses.

Marketing and communications expenses increased by RM95.0 million due to the expansion in hire purchase business, and general advertising.

The transfer to insurance funds and claims were also higher by RM81.5 million and RM71.0 million respectively as a result of strong growth in insurance premiums.

## LOAN & FINANCING LOSS & ALLOWANCES

FY 2004 : RM865.6 million  
 (- RM21.7 million - 2.5%)  
 FY 2003 : RM887.3 million

The Group continued to set aside provisions for the non-performing loans, to build the loan loss cover. The Group's loans and financing loss & allowances were lower on account of higher recovery of bad debts. For FY 2004, the Group recovered RM296.3 million which is 118.3% higher than the recovery of the previous financial year.

The Group has fully provided for the value impairment on amounts recoverable from Danaharta in relation to the non-performing loans sold in FY 2004 this amounted to RM80.6 million.

RM MILLION	FY 2003	FY 2004
General allowance	11.4	9.9
Specific allowance – net	869.5	1,066.5
Danaharta amortisation	137.8	80.6
Bad debts written off	4.3	3.7
Bad debts recovered	(135.7)	(296.3)
Loss on disposal of loan assets	-	1.2
<b>Net charge</b>	<b>887.3</b>	<b>865.6</b>

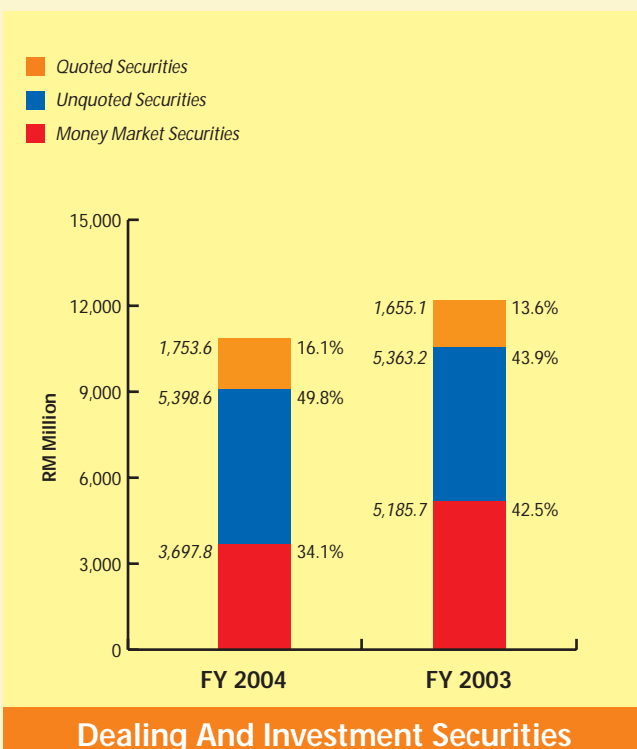
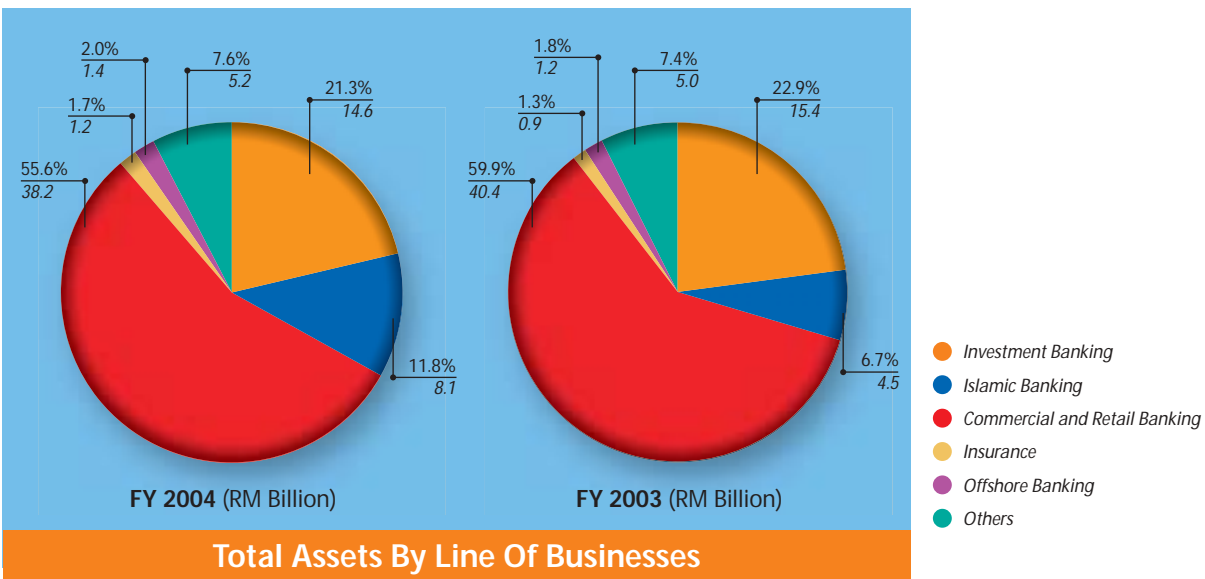


## TOTAL ASSETS

FY 2004 : RM60,478.6 million (+RM1,761.9 million +3.0%)

FY 2003 : RM58,716.7 million

Net loans, advances and financing remain the largest component of total assets at 63.8% of total assets for FY 2004 (FY 2003: 64.9%). Although the Group's cash and short term funds increased by approximately 59.8% or RM2.5 billion, this increase was offset by the lower dealing securities held by the Group. The Group increased its investments securities by RM765.4 million or 13.8% to RM6.3 billion to take advantage of attractive interest income offered by these securities.



## DEALING & INVESTMENT SECURITIES

FY 2004 : RM10,850.0 million (-RM1,354.0 million - 11.1%)

FY 2003 : RM12,204.0 million

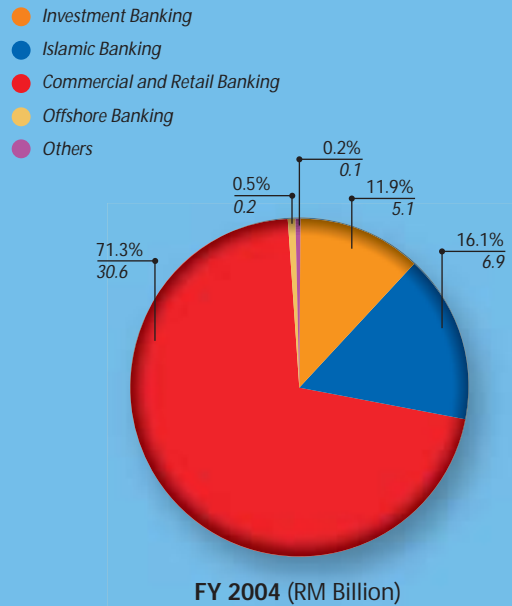
The Group's dealing securities declined from RM6.2 billion as at 31 March 2003 to RM3.8 billion as at 31 March 2004, as the Group took the opportunity to reduce its holdings.

This decline was substantially offset by the RM1.0 billion increase in investment securities to RM7.0 billion as the Group increased its holding of securities which provided attractive yields.

## LOANS, ADVANCES & FINANCING

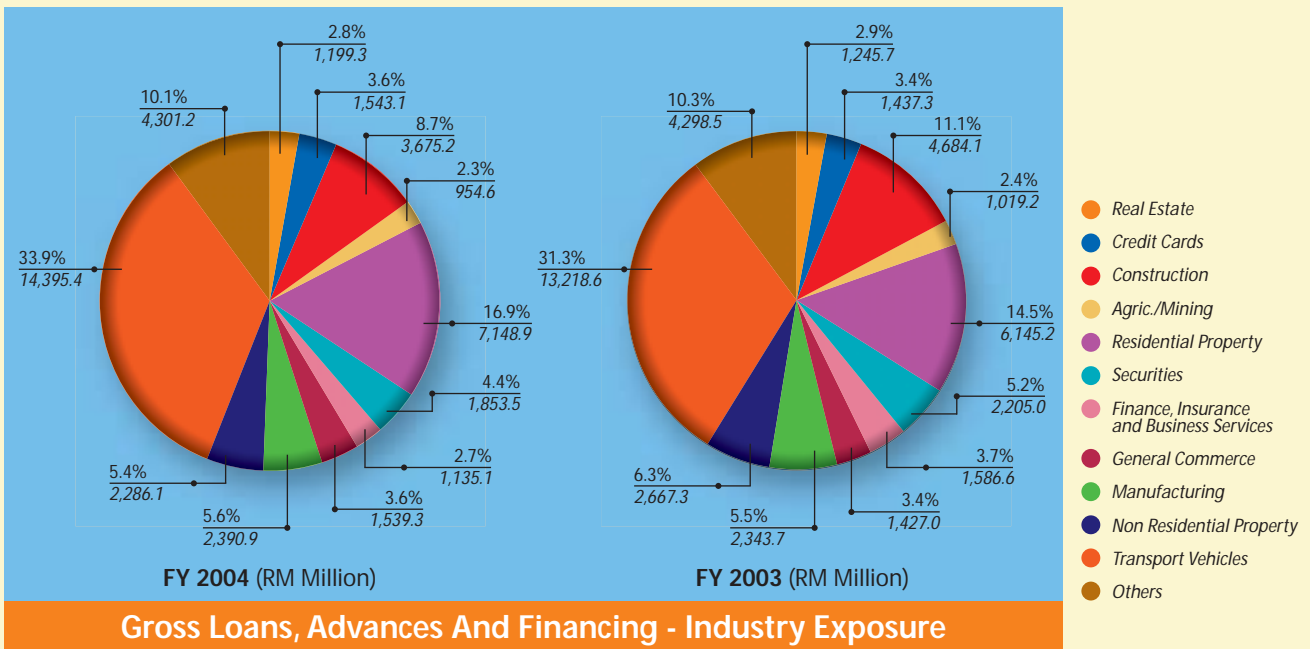
FY 2004 : RM38,601.1 million (+RM483.3 million +1.3%)  
 FY 2003 : RM38,117.8 million

About one third, or 33.9%, of the Group's total loans portfolio went into the purchase of transport vehicles as the AmBank Group is the largest financier of automobiles domestically. The second largest segment of the Group's loans portfolio is the purchase of residential properties; comprising 16.9% of the total loans portfolio as we have gained significant market share in the mortgage market. Although retail loan growth has been strong, however, this has been offset by a contraction in corporate loans, as the larger corporate clients continue to top the debt capital markets.



FY 2004 (RM Billion)

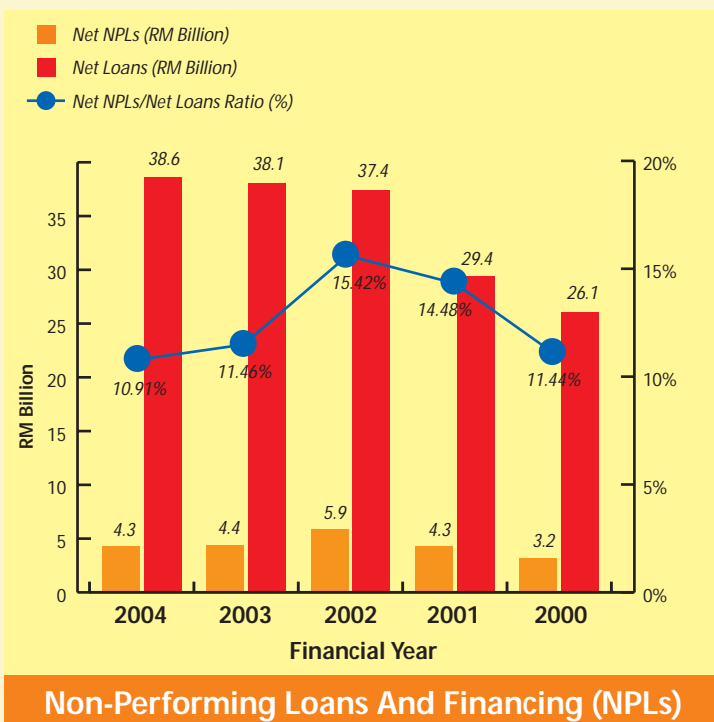
### Gross Loans, Advances And Financing - By Division



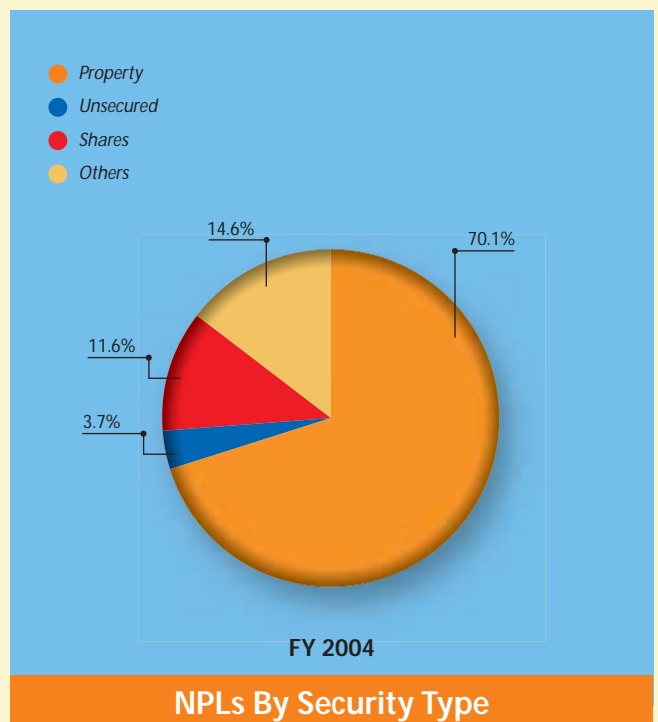
FY 2004 (RM Million)

FY 2003 (RM Million)

### Gross Loans, Advances And Financing - Industry Exposure



### Non-Performing Loans And Financing (NPLs)

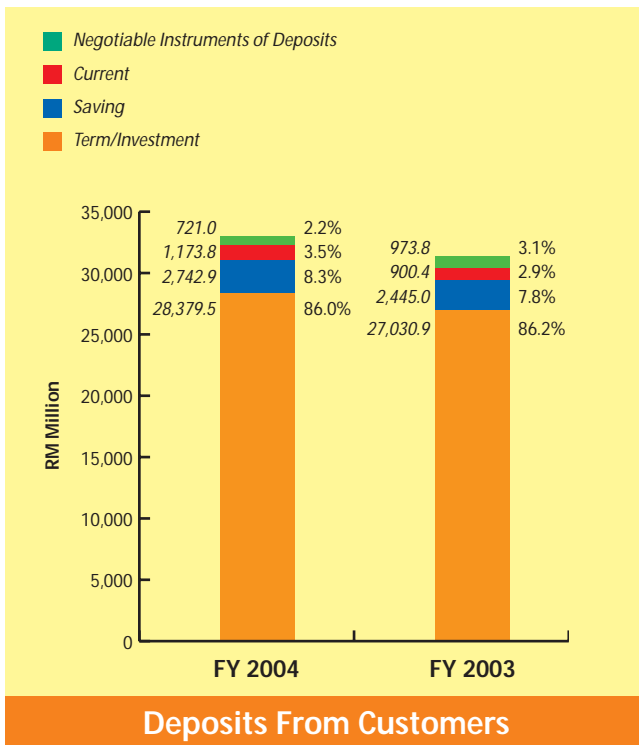


FY 2004

### NPLs By Security Type

## FUNDING SOURCES

The Group's primary source of funding is from customer deposits, either term/investment deposits, savings deposits, current deposits or negotiable instruments of deposits. Other major sources of funds include shareholders' funds, other interest bearing securities, interbank and other borrowings.



## DEPOSITS FROM CUSTOMERS

**FY 2004 : RM33,017.2 million (+RM1,667.1 million + 5.3%)**  
**FY 2003 : RM31,350.1 million**

Customer deposits remains the primary source of funding of the Group's operations. Similar to the previous financial year, about half of these deposits were from individuals followed by business enterprises which formed 35.9% of deposits from customers. More than 80% of these deposits are deposits with tenures of six months or less.

Although the Group's funding consists primarily of short term deposits, its experience has been that the customers often roll over their deposits at maturity, therefore providing the Group with a stable source of core 'long-term' funds.

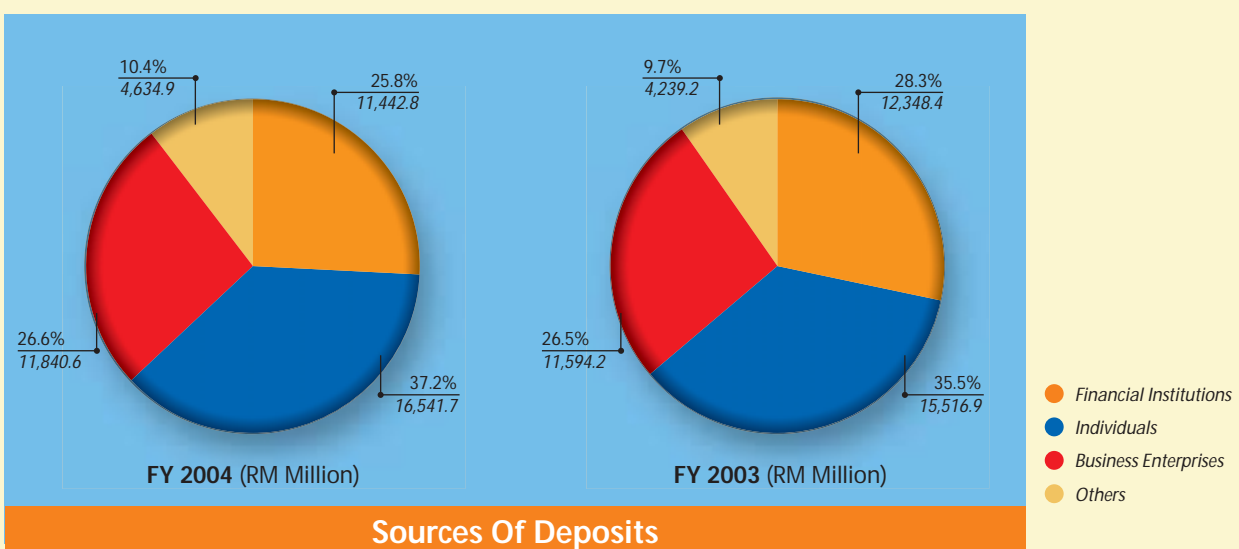


## DEPOSITS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

**FY 2004 : RM11,442.8 million (-RM905.6 million -7.3%)**  
**FY 2003 : RM12,348.4 million**

Deposits by banks and other financial institutions fell by 7.3% to RM11.4 billion as at 31 March 2004 as the Group continues to grow its retail and corporate deposit base.

Deposits from other financial institutions, are primarily deposits placed by non-bank institutions such as insurance companies, pension funds, and development financial institutions.



## LIQUIDITY

Liquidity refers to the ability to fund day-to-day operations at reasonable cost. The Group's liquidity management is primarily concerned with the Group's ability to fund its obligations which includes the repayment of deposits on demand or their contractual maturity dates, the repayment of borrowings on maturity, the payment of insurance policy benefits, claims and surrender, the payment of operating expenses and taxation, the payment of dividend to shareholders, and the ability to fund new and existing loan commitments.

The Group's liquidity policy focuses on cash flow management, interbank funding capacity and the management of sufficient liquid assets to meet obligations under normal as well as adverse circumstances and to take advantage of lending and investment opportunities as they arise.

The Group's banking and insurance subsidiaries comply with the Bank Negara Malaysia's Liquidity Framework and also the Group's own internal liquidity risk management policy.

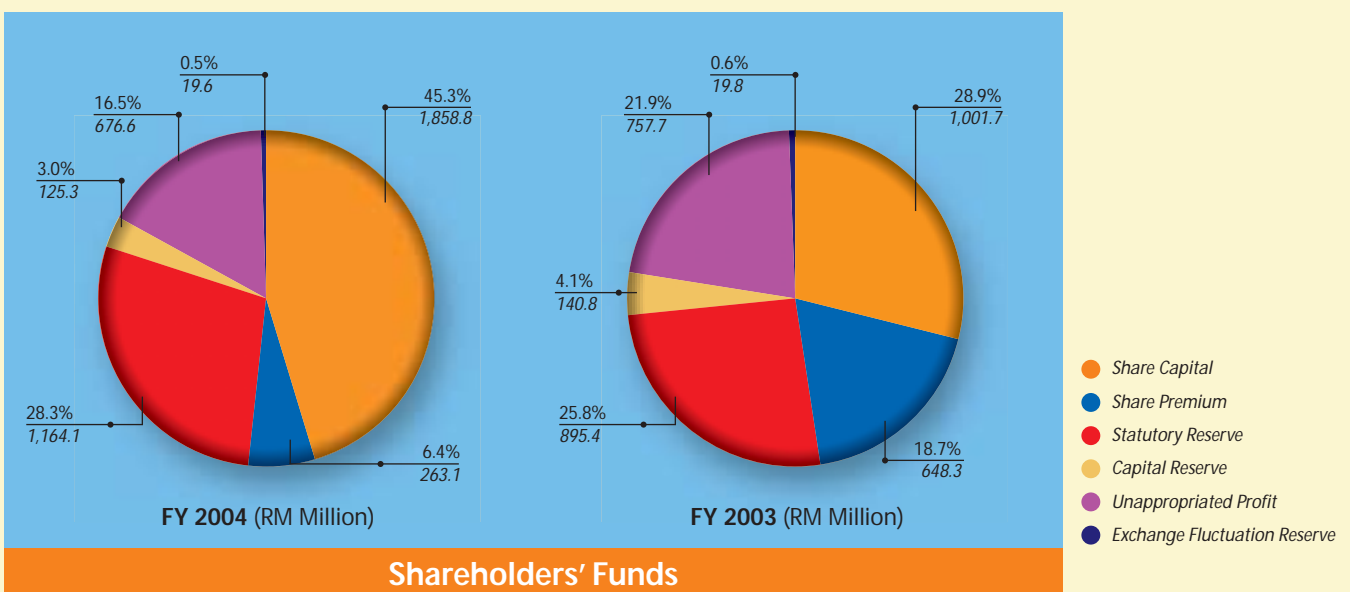
## CAPITAL MANAGEMENT

The Group's overriding capital management philosophy is the efficient returns on capital in relation to the risks involved. The Group monitors the capital adequacy positions and market conditions to determine desirability and timing of raising additional capital. The Group has traditionally relied on retained earnings to augment its capital resources to allow for growth in its asset base, undertaking rights issues only when business expansion is expected to be strong. The Group also believes in diversifying its sources of capital, and relying on qualifying hybrid instruments and long-dated subordinated debt instruments which contain, among others, interest deferral and loss absorption features. This is to ensure that an optimum balance is maintained between the return on shareholders' investments and a prudent level of capitalisation.

## SHAREHOLDERS' FUNDS

FY 2004 : RM4,107.5 million (+RM643.8 million +18.6%)  
 FY 2003 : RM3,463.7 million

The Group's shareholders funds increased by 18.6% to RM4.1 billion as at 31 March 2004 (FY 2003: RM3.5 billion) primarily due to the completion of the rights issues totalling RM333.8 million, retained profits of RM223.7 million and the issue of new shares under the Employees' Share Option Scheme and exercise of warrants totalling RM122.5 million collectively.



	AHB	AmMerchant	AmFinance	AmBank
FY 2003	12.8%	14.7%	10.8%	12.9%
<b>FY 2004</b>	<b>12.8%</b>	<b>16.1%</b>	<b>11.2%</b>	<b>12.0%</b>

## CAPITAL ADEQUACY RATIO

Arising from the expansion in risk-weighted assets to RM45.8 billion as at 31 March 2004 (FY 2003: RM45.1 billion) the Group's core capital ratio and risk-weighted capital ratio (RWCR) stood at 8.33% and 12.75% respectively as at 31 March 2004.

Moving forward, with the capital adequacy ratio of 12.75% as compared to the minimum requirement of 8.0%, the Group is well positioned to take advantage of the strong economic growth to further expand the range of financial services and products offered.

The Group's banking subsidiaries have complied with the RWCR of 8.0% as at 31 March 2004.



## TIER TWO CAPITAL

**FY 2004 : RM2,023.8 million**  
 (+RM66.5 million +3.4%)  
**FY 2003 : RM1,957.3 million**

The Group's Tier Two capital was marginally higher by 3.4% or RM66.5 million primarily due to the issuance of RM660.0 million of redeemable unsecured subordinated bonds (RUSBs) of which RM460.0 million was utilized to refinance the Group's commercial bank's exchangeable subordinated capital loan from Danamodal Nasional Berhad of the same amount and the balance of RM200.0 million were utilized to increase AmFinance's capital funds. The Group's total capital funds stood at RM5.8 billion.

## STAFF STRENGTH AND BRANCH NETWORK

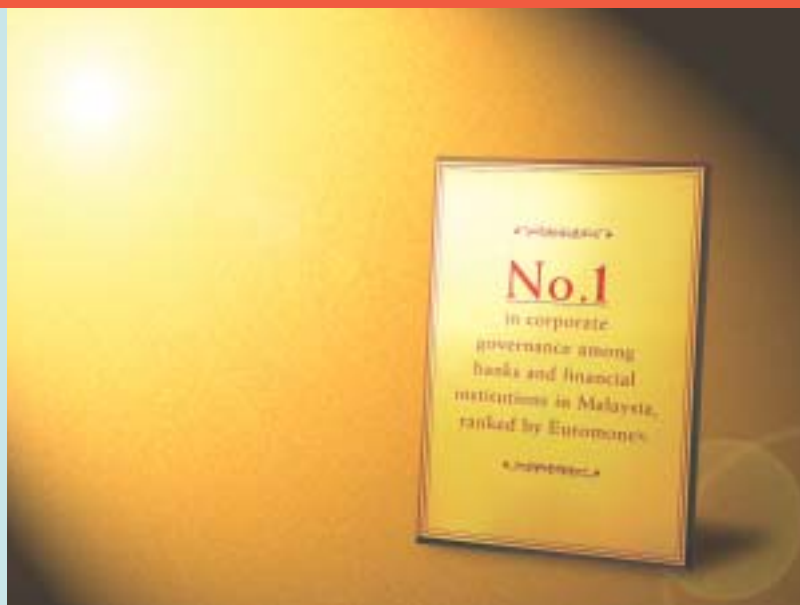
As at 31 March 2004, the Group's staff strength and branch network stood at 8,776 persons (2003: 8,285) and 207 branches (2003: 219 respectively).

	FY 2003	FY 2004
Staff strength	8,285	<b>8,776</b>
Branch network	219	<b>207</b>
ATMs	223	<b>238</b>
Electronic Banking Centre	7	<b>15</b>



# Corporate Governance

The Board is fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in AMMB Holdings Berhad (AHB) and across the Group. The Company has complied with the Best Practices in Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance.



## BOARD OF DIRECTORS

The Board of Directors supervises the management of the whole Group's businesses and affairs with the goal of enhancing shareholders' value. In addition to determining the overall strategy of the Group and the supervision of Senior Management of the Group, the Board meets regularly to address key matters in the area of strategy, finance, structure and organisation, and business development (subject to the matters reserved for shareholders' meetings by law). The Board approves the Group's strategic plan and the annual financial plans developed by management and reviews the performance and effectiveness of the business units in the Group. It establishes guidelines for overall business, risk and control policies, capital allocation and approves major changes in the Group's business activities, including major lending and borrowing transactions, and major business developments such as acquisitions and disposals of business or assets, investments or new businesses, mergers, joint-ventures and alliances and also consider other matters of strategic importance to the Group.

### a. Composition

The Board currently comprises eleven (11) directors with a wide variation of skills and experience, of which six (6) are Independent Non-Executive Directors. There is thus a healthy Board balance, with more than 50.0% of the Board members being Independent Non-Executive Directors. The Independent Non-Executive Directors are from varied business backgrounds, and their experience enables them to exercise independent judgment and objective participation in the proceedings and decision making process of the Board.

The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The view of the Independent Non-Executive Directors carry substantial weight in Board decisions and they fulfil their roles in ensuring that strategies proposed by the management are fully discussed and examined, as well as ensuring the interest of shareholders and stakeholders of the Company are properly safeguarded.

During the financial year ended 31 March 2004, the Chairman of the Company held an executive position and there was no separate Chief Executive Officer as the Company is an investment holding company. However, in line with the Best Practices in Corporate Governance set out in Part Two of the Malaysian Code on Corporate Governance, the Chairman relinquished his executive position on 1 July 2004 and is now the Company's Non-Executive Chairman. In all the major subsidiaries of the Company, the role of Chairman and Chief Executive Officer continue to remain separate.

## b. Senior Independent Non-Executive Director

Tun Mohammed Hanif Omar is the Senior Independent Non-Executive Director to whom any concern on issues affecting the AMMB Holdings Berhad Group can be conveyed.

## c. Board Meetings

Board Meetings are scheduled every month, with additional or special Board meetings convening as and when required. All directors review monthly board reports circulated prior to the board meeting, to enable the directors to obtain further explanations where necessary. In order to be briefed adequately, the senior management team is invited to attend Board Meetings to provide the Board with presentations, detailed explanations and clarification on matters that have been tabled.

As a full board or in their individual capacity, the directors have access to all information within the Group and the advice and services of the Group Company Secretary. Independent professional advice is also available to the Directors, if necessary, at the Group's expense.

During the year, 11 board meetings were held. The attendance of Directors during their tenure during the said period is as follows:

Directors	Number of Meetings Held/ Attended
Y Bhg Tan Sri Dato' Azman Hashim	11/11
Y Bhg Dato' Azlan Hashim	10/11
Y A Bhg Tun Mohammed Hanif Omar	11/11
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	11/11
Y Bhg Tan Sri Datuk Dr Aris Osman @ Othman <i>(appointed 1 April 2004)</i>	n. a.
Y Bhg Tan Sri Datuk Clifford Francis Herbert <i>(appointed 16 April 2004)</i>	n. a.
Y Bhg Dato' Mohd Tahir Haji Abdul Rahim <i>(resigned w.e.f. 19 Dec 2003)</i>	8/8
Y Bhg Dato' Malek Merican <i>(resigned w.e.f. 6 May 2004)</i>	9/11
Y Bhg Dato' Izham Mahmud <i>(appointed w.e.f. 16 October 2003)</i>	5/5
Y Bhg Dato' Mohd Ibrahim Mohd Zain <i>(appointed 16 April 2004)</i>	n. a.
Mr Cheah Tek Kuang	11/11
Mr Soo Kim Wai	10/11
Puan Shalina Azman <i>(appointed w.e.f. 16 October 2003)</i>	5/5

*n. a. - not applicable as appointed after financial year ended 31 March 2004*

## d. Re-election

In accordance with the Company's Article of Association, all directors who are appointed by the Board are subject to election by shareholders at the following general meeting after their appointment. The Articles also provide that the Directors are subject to re-election by rotation at each Annual General Meeting at least once every three years.

## e. Directors' Training

As an integral process of appointing new directors, there is an in-house orientation programme for the new Board members to familiarise and provide them with an overview of the Group's businesses, the markets in which it operates; responsibilities and duties of the Board as a whole, its corporate and risk management strategies, regulatory constraints and compliance.

Members of the Board attend seminars, Bursa Malaysia Securities Berhad (BMSB) Continuing Education Programmes, conferences and various other training programmes to keep abreast with developments in the financial services industry and arrangements are made for them to attend the programmes by the Group Organisational Development Department.



## BOARD COMMITTEES

The Board delegates certain responsibilities to Board Committees. These committees, which were created to assist the Board in certain areas of deliberation are:

1. Nomination Committee
2. Remuneration Committee
3. Audit & Examination Committee
4. Risk Management Committee

### a. The Nomination Committee

This Committee comprises the Deputy Chairman of the Company and two other Independent Non-executive Directors of the Board. It is responsible for regularly reviewing the board structure, size and composition, as well as making recommendations to the Board with regard to any changes that are deemed necessary. It also recommends the appointment of Directors to Committees of the Board as well as annually reviews the mix of skills and experience and other qualities and competencies that Non-executive Directors should bring to the Board. The Committee carried out a review of the Board and Committees of the Board during the financial year and the recommendations have been implemented by the Board during the financial year.

The Board of Directors, on recommendation of the Nomination Committee had also approved the mechanism for the formal assessment on effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

In carrying out their functions and duties, the Nomination Committee met five (5) times during the year. The attendance of the members is as follows:

Directors	Number of Meetings Held/ Attended
Y Bhg Dato' Azlan Hashim <i>Chairman, Deputy Chairman of the Company and Non-Executive Director</i>	4/5
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba <i>Independent Non-Executive Director</i>	5/5
Y Bhg Dato' Izham Mahmud <i>Independent Non-Executive Director (appointed w.e.f. 19 December 2003)</i>	2/2
Y Bhg Dato' Mohd Tahir Haji Abdul Rahim <i>Independent Non-Executive Director (resigned w.e.f. 19 December 2003)</i>	3/3

### b. The Remuneration Committee

All members of this Committee are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board the framework or broad policy for the remuneration of the Directors, Chief Executive Officers and other senior management members of the staff.

In carrying out its functions and duties, the Remuneration Committee met four (4) times during the year. The attendance of the members is as follows:

Directors	Number of Meetings Held/ Attended
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba <i>Chairman, Independent Non-Executive Director</i>	4/4
Y Bhg Dato' Azlan Hashim <i>Deputy Chairman of the Company and Non-Executive Director</i>	3/4
Y Bhg Dato' Izham Mahmud <i>Independent Non-Executive Director (appointed w.e.f. 19 December 2003)</i>	0/0*
Y Bhg Dato' Mohd Tahir Haji Abdul Rahim <i>Independent Non-Executive Director (resigned w.e.f. 19 December 2003)</i>	4/4

\* Note: No meetings were held between 19/12/03 and 31/03/04



## Directors' Remuneration

The remuneration of the Directors is packaged to ensure that the Group attracts and retains the right calibre of Directors with the necessary skills and experience needed to run the Group successfully.

The Remuneration Committee is responsible for recommending a remuneration framework for Directors as well as remuneration packages for Executive Directors of subsidiaries.

The Board, as a whole, determines the remuneration of Non-Executive Directors and Executive Directors of the Group with the interested Directors abstaining from discussion with respect to their remuneration.

Details and nature and amount of each major element of the remuneration of each Director in the Group for the FYE 2004 are as follows:

Aggregate Remuneration by Category (RM'000)	Executive Directors	Non-Executive Directors	Aggregate Remuneration by Category (RM'000)	Executive Directors	Non-Executive Directors
Salaries	1,800	660	Less than RM50,000	-	3
Other Remuneration	1,158	857	RM50,001 - RM100,000	-	1
Fees	152	698	RM100,001 - RM150,000	-	1
Bonuses	0	505	RM150,001 - RM200,000	-	1
Gratuity payment	250	300	RM200,001 - RM250,000	-	1
Benefits-in-kind	4	100	RM350,001 - RM400,000	-	1
<b>Total</b>	<b>3,364</b>	<b>3,120</b>	RM1,950,001 - RM2,000,000	-	1
			RM3,250,001 - RM3,400,000	1	-

### c. The Audit & Examination Committee

The Board has appointed the Audit and Examination Committee (A & E Committee) to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Group's assets and shareholders' investments.

## MEMBERSHIP & MEETINGS

The A & E Committee comprises the following members and details of attendance of each member at Committee meetings held during the financial year ended 31 March 2004 are as follows:

Members of Audit and Examination Committee	Number of Meetings Attended
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba <i>Chairman, Independent Non-Executive Director</i>	6/6
Y Bhg Dato' Azlan Hashim <i>Deputy Chairman of the Company and Non-Executive Director</i>	5/6
Y Bhg Dato' Mohd Tahir Haji Abdul Rahim <i>Independent Non-Executive Director (resigned w.e.f. 19 December 2003)</i>	5/5
Y Bhg Dato' Izham bin Mahmud <i>Independent Non-Executive Director (appointed w.e.f. 19 December 2003)</i>	1/1

As the main activities of the Group are conducted at the subsidiaries, separate A & E Committees are also established at the major subsidiaries. This is to further enhance the effectiveness in monitoring and maintaining the system of internal control. Correspondingly, the Committees' activities were mostly concentrated at the subsidiaries.



The following is a summary of the number of A & E Committee meetings held at the major subsidiaries:

Subsidiary	Number of A & E Meetings Held
AmMerchant Bank Berhad	10
AmFinance Berhad	12
AmBank Berhad	15
AmAssurance Berhad	6
AmSecurities Berhad	5

The Managing Directors and the representatives of the external auditors are invited to attend the respective Committee meetings. The Head of Group Internal Audit is the secretary to the Committees. The minutes of the Committee meetings are tabled at the subsequent Board meetings.

#### d. Risk Management Committee of Directors

The Risk Management Committee oversees the overall management of all risks impacting the Group. It comprises non-executive Directors and is chaired by an Independent Director to ensure independence from management as it is the Committee that reviews and approves risk management policies and risk tolerance limits.

As the Company is only an investment holding company, the Risk Management Committee of Directors are established the Boards of the Company's banking subsidiaries; i.e. AmMerchant Bank Berhad, AmBank Berhad and AmFinance Berhad. The following is a summary of the number of Risk Management Committee of Directors meetings held at the Company's banking subsidiaries during the financial year 2004:

Subsidiary	Number of A & E Meetings Held
AmMerchant Bank Berhad	4
AmFinance Berhad	4
AmBank Berhad	4

## REACHING OUT TO SHAREHOLDERS AND INVESTORS

#### a. Investor Relations

The Group values dialogue with its shareholders and investors. As part of the Group's active investor relations programmes to discuss long term issues and obtain feedback, the Chairman, Directors and Management Personnel of the AmBank Group have always looked forward to holding discussions with analysts and shareholders and do so from time to time.

Senior Management Personnel responsible for Investor Relations activities:

1. Mr Cheah Tek Kuang  
Director
2. Ms Amarjeet Kaur  
Director, Corporate Services

Key investor relations activities are meeting with financial analysts and fund managers of institutional investment funds; participating in road shows, investor conferences and forums, both domestic and international.

The Company had over 200 meetings with financial analysts and investors, participated in various teleconferences and made presentations to investor forums or conferences.



## Highlights of Our Investor Relations Programmes

### FY 2004 Roadshow Participations:

Date	Organiser	Event	Venue
24 – 25 Jul 03	Salomon Smith Barney	Malaysia 2003 Conference	Singapore
3 – 5 Sep 03	Deutsche Bank	Global Emerging Markets Conference	New York, USA
25–26 Sept 03	CLSA	CLSA Investors Conference	Hong Kong
21 Oct 03	UBS Warburg	Malaysia Conference	Singapore
8 – 9 Jan 04	Deutsche Bank	Annual Corporate Malaysia Conference	Singapore
5 – 6 Feb 04	Merrill Lynch	Malaysian Conference	Kuala Lumpur
18-19 Feb 04	J P Morgan	Malaysian Corporate Access	Singapore
23-26 Mar 04	Credit Suisse First Boston(HK)	Asian Investment Conference 2004	Hong Kong
19-23 Apr 04	CLSA	Malaysian Access Day	Boston/New York
26-28 Apr 04	Deutsche Bank	Corporate Malaysia Conference	London/Edinburgh
3 – 4 May 04	Salomon Smith Barney	Regional Investor Conference	Hong Kong/Singapore

### Major Analyst Briefings Conducted:

Date	Event
27 Feb 2004	AmBank Group Proposed Corporate Reorganisation
31 May 2004	FY2004 Full Year Financial Results

### b. Communication with Shareholders

Shareholders are presented with an informative review of the financial performance for the year at each Annual General Meeting (AGM). Shareholders who attend the AGM are encouraged to raise questions they may have that are pertinent to the Group's financial performance and its business operations.

Timely announcements are made to the public with regard to the Company's corporate proposals, financial results and other required announcements.

Corporate information on the AmBank Group is also accessible to shareholders and the general public through the AmBank Group's website: [www.ambg.com.my](http://www.ambg.com.my) which is updated regularly. In addition to corporate information, this website also provides information on news and events related to the Group.

## RESPONSIBILITY STATEMENT

The Board of Directors is required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Group and its state of affairs, results and cash flows at the end of the financial year. Following discussions with the auditors, the Directors consider that the appropriate accounting policies are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.

The Board of Directors is responsible for ensuring that the Group keeps accounting records which are disclosed with reasonable accuracy, and for ensuring that the financial statements comply with the Companies Act, 1965.

The Board and Board Committees have the general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.

### Share Price - Continues To Outperform the KLCI



## RELATIONSHIP WITH AUDITORS

Messrs. Deloitte KassimChan (Deloitte) is the Company's external statutory auditor and the auditor of its consolidated accounts for the preparation of this annual report. Deloitte assumes all auditing functions, which are required by law. They are elected by the shareholders of the Company every year.

In line with good corporate governance practice, the Board, through the Audit & Examination Committee, undertook a review of the external auditors and the external audit function, as Deloitte has been the Company's auditors since 1991. Accordingly, the Audit & Examination Committee has recommended and that the Board has accepted the recommendation that the external auditors be rotated. Deloitte has accepted the need for rotation and has indicated that they will not be seeking reappointment. The Committee has recommended that Messrs Ernst & Young be appointed as the Group's statutory auditor to serve until the conclusion of the next Annual General Meeting. A major shareholder has nominated Messrs Ernst & Young to be appointed the Group statutory auditor.

### a. Audit Fees

The total of the statutory and non-statutory audit fees for the Group (excluding expenses and service tax) charged by Deloitte in the financial year ended 2004 amounted to RM869,450.

### b. Non-Audit Fees

The total of the non-audit fees (excluding expenses and service taxes) charged by Deloitte for services performed for the Group the financial year ended 2004 amounted to RM32,000.



## STATEMENT ON INTERNAL CONTROL

The Board of Directors is responsible for the Group's system of internal control, which is designed to ensure effective and efficient operations, internal control, including financial reporting, and compliance with laws and regulations. In establishing and reviewing the system of internal control, the Directors have regarded the materiality of relevant risks, the likelihood of a loss being incurred and the costs of control. Therefore it follows that the system of internal control can only provide reasonable but not absolute assurance against the risk of material loss. The Group has adopted a co-ordinated and formalised approach to internal control and risk management. A risk-aware and control-conscious environment is fostered across the Group through its subsidiaries' Board Committees, including the Executive Committee of Directors and Risk Management Committees of Directors. These Board Committees are supported by the Risk Management, Legal and Compliance Departments in addition to Group Internal Audit Department.

The Board, through the Audit & Examination Committee, regularly reviews the ongoing process of control and self assessment. To assist the Board in meeting its responsibilities, the Group Internal Audit Department introduced the Business Risk Scorecard to all business units. The Business Risk Scorecard is a tool to systematically identify and prioritise all risks arising from the activities of a unit, function or department and to identify measures and controls to mitigate and manage the risks. The Scorecards will then be reviewed regularly and updated whenever there are changes to their risk profiles.

The Internal Audit Department also conducts independent risk-based audits to ensure that the system of internal controls developed to mitigate the risks identified using the Business Risk Scorecard is effective and operating satisfactorily.

The effectiveness of the internal control system is reviewed regularly by the Board and the Audit & Examination Committee, which receives reports of reviews undertaken by the Internal Audit Department.

## AUDIT AND EXAMINATION COMMITTEE REPORT

### Terms of Reference

The functions of the Committee are as follows:

- (a) To provide assistance to and to review and report to the Board in relation to:
  - i. fulfilling the statutory and fiduciary responsibilities of the Company/Group; and
  - ii. monitoring of the accounting and financial reporting practices of the Company/Group;
- (b) To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protecting the assets of the Company/Group;
- (c) To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by Management to the Board and shareholders;
- (d) To review the quarterly results and year-end financial statements of the Company/Group and to ensure compliance with accounting standards and legal requirements;
- (e) To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors;
- (f) To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses and to determine that appropriate corrective actions are being taken by the Management;



- (g) To ensure the adequacy of the scope, functions and resources of the internal audit functions and that they have the necessary authority to carry out their work;
- (h) To ensure through discussions with the external and internal auditors, that no restrictions are being placed by Management and employees on the scope of their examinations;
- (i) To direct and supervise any special project or investigation considered necessary;
- (j) To prepare when deemed necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee's primary responsibilities;
- (k) To review any related party transaction and conflict of interest situation that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- (l) To review the annual appointment of external auditors, or letter of resignation from external auditors, to negotiate and approve the annual audit fees and/or special audit fees, and evaluate basis of billings therewith.

### Activities

The following is a summary of the main activities carried out by the Committees during the year:

- Reviewed and approved the Internal Audit Department's annual audit

plan, including its resource and training needs;

- Reviewed the Internal Audit Department's methodology in assessing and rating the risk levels of the various auditable areas and ensured that audit emphasis was given on high and critical risk areas;
- Monitored the progress of the Internal Audit Department in completing its audit plan and assessed the performance of the Department;
- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating/controlling risk areas;
- Reviewed and discussed reports of the Internal Audit Department, including internal investigations, BNM, external auditors and other external parties, considered Management's response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on major issues raised in the reports;
- Reviewed and discussed the financial position of the companies, in particular, capital adequacy, asset quality, management, profitability and liquidity position, every two months;
- Reviewed the adequacy of the Group's procedures in identifying, monitoring, reporting and reviewing related party transactions;
- Reviewed the quarterly results and financial statements of the companies;
- Reviewed the external auditors' scope of work and their annual audit fees; and
- Reviewed and ensured that allocations of options granted during the financial year under the Company's Employees' Share Option Scheme (Scheme) were in accordance with the provisions of the Scheme.

### Internal Audit Function

The Group Audit Department reports to the A & E Committee and assists the Board of Directors in maintaining a sound system of internal controls. The Audit Charter safeguards the independence of the internal audit function as the Head of Group Audit reports to the A & E Committee.

The A & E Committee approves the work of the internal audit function and monitors and reviews the conclusion of its work. The Internal Audit Department's annual audit plan is approved by A & E Committee. The Internal Audit function covers all units and operations within the Group, with major emphasis being placed on high risk units. The frequency of audit depends on the risk profile of the business or operations unit and high risk units are audited at least once a year.

This audit function covers all major business groups and consists of five main categories of work:

- (1) Planned audits
- (2) Systems development life cycle review of major IT infrastructure projects
- (3) Special focus reviews
- (4) Mandatory audits
- (5) Ad-hoc reviews and special assignments

The audit plan covers review of adequacy of risk management, operational controls, compliance with law and regulations, quality of assets, management efficiency and level of customer service amongst others. The audit plans are drawn up based on the inherent business risk and control risks in each operating unit and their financial significance, and these reviews conducted are on a risk-based approach, rather than solely compliance.

The internal auditing function is conducted to ensure consistency in the control environment and the application of policies and procedures. A systematic and disciplined approach is adopted to provide the required assurance to stakeholders, and also to add value and improve the Group's operations by providing an independent and objective review. The staff size of the internal audit function comprises some 80 professionals.



# Compliance with Bursa Securities Listing Requirements

## OTHER BURSA SECURITIES COMPLIANCE INFORMATION

### 1. Share Buy-back

The Company has not purchased any of its own shares during the FYE 31 March 2004 and the preceding financial year.

### 2. Material Contracts

There were no material contracts (not being contract entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

### 3. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 March 2004

### 4. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company, directors or management by the relevant regulatory bodies during the financial year.

### 5. Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

### 6. Revaluation Policy

The Company has not revalued its landed properties and therefore has not adopted any revaluation policy.

### 7. Utilisation of Proceeds Raised from Corporate Proposal

The status of the utilisation of proceeds from the renounceable rights issue of 303,457,091 new ordinary shares at an issue price of RM1.10 per share completed on 6 January 2004, is as follows:

Description	Approved Utilisation RM'000	Actual Utilisation RM'000
Subscription of AmBank Berhad's rights issue	325,000	325,000
Funding of working capital requirement	4,303	5,395
Estimated expenses for the corporate exercise (Note)	4,500	3,408
<b>Total</b>	<b>333,803</b>	<b>333,803</b>

#### Note:

The difference between the actual and estimated expenses for the corporate exercise of RM1.092 million has been allocated for funding the Group's working capital requirement.

## 8. Options, Warrants or Convertible Securities

During the financial year, the Company converted the following:

- (i) 45,127,838 of its employees share options into 45,127,838 ordinary shares of RM1.00 each in the Company; and
- (ii) 2,740,335 of its 2003/2008 share warrants into 2,740,335 ordinary shares of RM1.00 each in the Company.

## 9. Variation in Results

There were no profit forecast, projection or unaudited results made or announced for the FYE 31 March 2004.

## 10. Recurrent Related Party Transactions of a Revenue or Trading Nature

At an Extraordinary General Meeting held on 24 September 2003, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

Pursuant to paragraph 10.09 (1)(b), Part E, Chapter 10 of the Listing Requirements of Bursa Malaysia, the details of the recurrent related party transactions conducted during the financial year ended 31 March 2004 pursuant to the shareholders' mandate are disclosed as follows:

Related Parties	Transacting Parties	Nature of transaction of transacting parties	Actual Value (RM'000)	Relationship with the Company	
MCM Consulting Sdn Bhd	AHB and any of its subsidiaries	Purchase of software and hardware and provision of IT related services*	7,936	Companies in which a Director and major shareholder is deemed to have an interest	
MCM Systems Sdn Bhd			1,167		
Blue Star Infotech (Malaysia) Sdn Bhd			2,248		
Harpers Travel (M) Sdn Bhd		Airline ticketing services	545		
Conquest Marketing Sdn Bhd		Advertising services	707		
Paragon Premiums Sdn Bhd		Advertising & promotions services	1,580		
Computer System Advisers (M) Berhad		Purchase of software and hardware and provision of IT related services	5,798		Companies in which a Director is deemed to have an interest
Unigaya Protection Systems Sdn Bhd		Armed and unarmed security guard services	460		Companies in which a Director is deemed to have an interest

\* IT consultancy related services consist of but not limited to the following services:

1. design, development and customisation of software;
2. integration, installation, implementation, testing and commissioning of the software in the designated systems;
3. provision of maintenance services and upgrades to the existing mainframe related applications and the system;
4. development, optimisation and implementation of the website; and
5. provision of project management services.



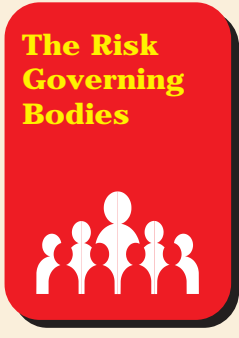
**Our approach to risk management and control continued to evolve during the year to reflect best practice. Sustainable profitability forms the core objective of the Group's risk management strategy.**

Every risk assumed by the Group carries potential for gains as well as potential to erode shareholders' value. Risk management policy is designed to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns. Seven types of risk identified are strategic, capital, credit, market, funding, operational and legal risks.

# Managing Risks







**The Risk Governing Bodies**

Managing risks is the responsibility of every unit within the Group. Nevertheless, the Group has set up committees where risk issues are centrally reviewed for management attention and bank wide decisions. They comprise the Board of Directors, the Risk Management Committee of Directors and the Executive Risk Management Committees. As the Board of every licensed banking institution within the Group continues to be responsible for the management of risks in their respective entity, these key risk governing structures are set up in each of the three licensed banking institutions, i.e. AmBank Berhad, AmMerchant Bank Berhad and AmFinance Berhad (the term Bank hereinafter in this section shall refer to each licensed banking institution of the Group).



**Board Overview**

The focus on risk and risk management policies begins at the most senior level of the Bank, i.e the Board of Directors who:

- approves the risk management strategy of the Bank and sets the broad risk tolerance level for the Bank; and
- approves the engagement of new products or activities after taking into account the risk bearing capacity and readiness of the Bank.

The Risk Management Committee of Directors assists the Boards in discharging their functions and overseeing the executive body by having a more focused forum on risk issues. The Committee is independent from management and comprises only non-executive directors. The Committee:

- ensures that risks at all levels are managed effectively and the Board's risk tolerance level is effectively enforced; and
- reviews high-level risk exposures and management decisions to ensure that they are within the overall interests of the Bank.

**Management**

The Executive Risk Management Committee carries out the day-to-day management of risks and implements the Board's approved risk management policies. The Committees are chaired by senior level executives and participated by relevant senior executives of both the business and non-business units. The Committee:

- implements the risk strategy and capital allocation decision of the Board and Risk Management Committee of Directors;
- reviews risk exposures of the Bank and the environment, and sets appropriate risk positioning strategy;
- assesses Bank's ability to accommodate risks under normal and stress scenario;
- reviews compliance with limits or constraints set;
- monitors and assesses risk-return profile; and
- evaluates and approve recommendations made by the risk management and business units.

At the Group level, the consolidated risks of the three banking institutions within the Group are reviewed and discussed at the Group Risk Forum. The Forum is represented by the banks' chief executive officers, heads of risk management and other key senior executives of the three banking institutions.

- The Forum reviews all risks and sets uniform standards in risk measurement and risk tolerance for the Group. The Forum discusses and makes decisions on common risk issues for adoption across the Group.

**Risk Management Department**

The Risk Management Department is independent of business units and reports directly to the Managing Director. It serves to assist the Executive Risk Management Committees in discharging their duties and implementing the directives of the committees. The major role of the Risk Management Department is to:

- be a central platform for which risks throughout the Bank can be aggregated for overview on a portfolio basis;
- standardise risk measurement methodology to enable comparability;
- act as a central resource for evaluating risks to assist management, business and operating units; and
- recommend means to control or minimise risks on a portfolio basis.

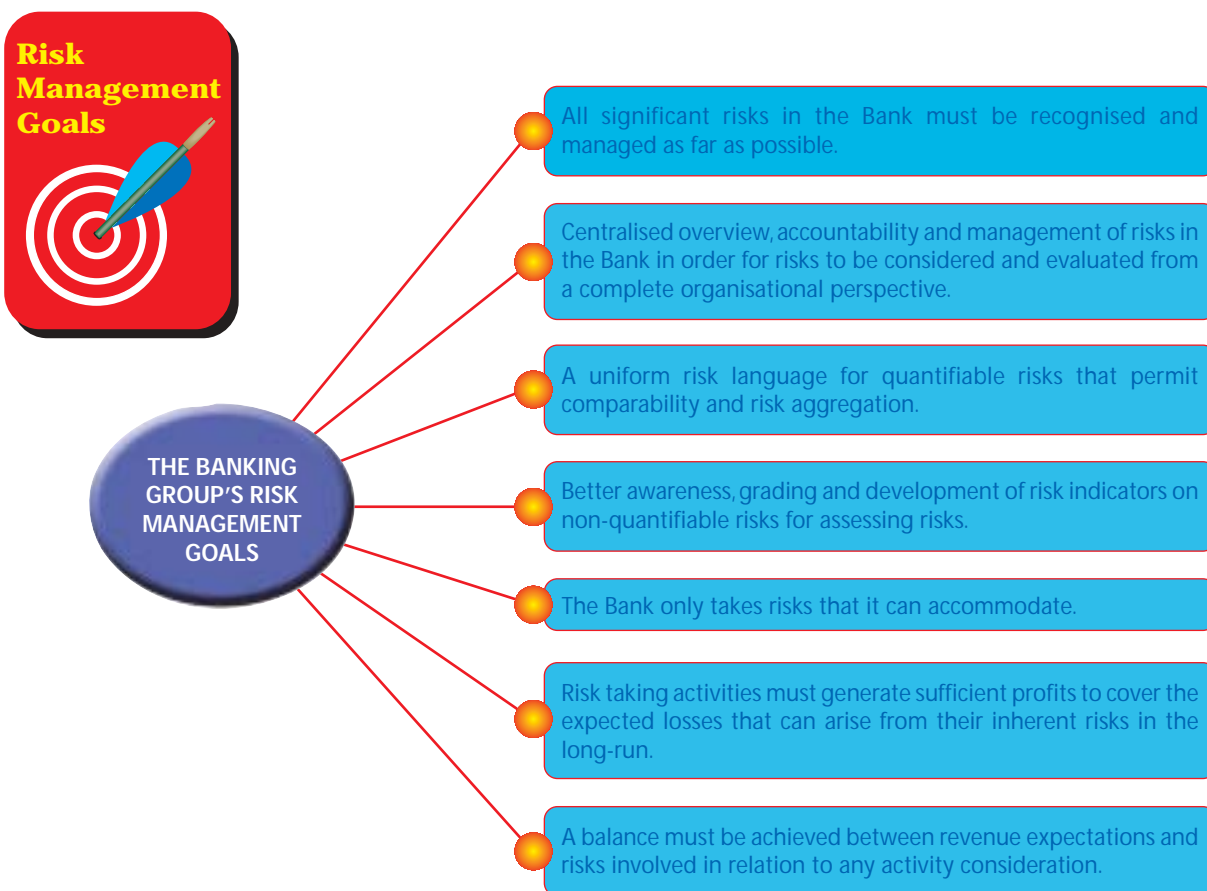


The Risk Management Department is made up of several units to provide a comprehensive coverage of all risks in the Bank. Their functions encompass research and analysis, risk exposure reporting, limit compliance monitoring, formulation of risk assessment methodology and formulation of the Bank's risk strategies.

To achieve Group harmonisation, risk measurement and evaluation methodologies are being standardised across the Group. The resources of the research and development function within each entities' risk management department are mobilised as a central resource for the Group with each risk management department developing specific expertise in certain risk areas.

### Internal Audit Department

Complementing the above risk machinery, the Internal Audit Department assists the Audit Committee and the Board by providing an independent assessment on the effectiveness of the risk management structure, control systems and methodologies used to manage risks.



### The Risk Management Approach

The management approaches towards the significant risks of the Company are enumerated in the following paragraphs.



Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates and foreign exchange rates, credit spreads and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Company to reduce its position without incurring potential loss that is beyond its sustainability.

## Market Risk Management Structure

Market risk management is the responsibility of the Executive Risk Management Committee in charge of market risk. Its members and invitees include senior management of business and support units, such as Treasury, Risk Management and Finance Departments.

Market risk policies as approved by the Committee are implemented by the appropriate business units and if necessary are monitored and reported back to Committee by Treasury and/or Risk Management Department(s). The Committee reports to the Risk Management Committee of Directors on a quarterly basis on the market risk position and highlights major issues discussed.

## Risk Management Method

The market risk of the trading and non-trading portfolio is managed separately. The duration-weighted-gap value-at-risk (DWG VAR) approach to compute market risk exposure for non-trading portfolio and parametric value-at-risk (parametric VAR) as well as a 25 basis point movement sensitivity analysis for its trading portfolio.

***Value-At-Risk: the potential loss a portfolio is expected to incur over a specified time period, within a specified probability under normal market conditions.***

The market risk exposure of its trading and non-trading activities is primarily controlled through a series of limits. Stop loss, parametric VAR and position sensitivity limits govern the trading activities while the DWG VAR limits governs the non-trading positions. Each relevant business desk is assigned month-to-date, quarter-to-date and year-to-date stop loss limits based on the business profitability budget. VAR limits are used to control the size of risk positions to ensure they are within sustainable capacity of the Company. Approved by the Board of Directors, these limit structure aligns specific risk-taking activities with the overall risk appetite of the Company and of its individual business units.

All business units are expected to maintain their exposure within assigned limits. If a limit is exceeded, business units are responsible to reduce their exposure immediately to a level within the limit. Where this is not possible, senior management is consulted on the appropriate method to address the exposure. Together, these techniques reduce the likelihood that trading and non-trading losses will exceed the risk appetite of the Company. These limits are reviewed regularly in line with the Company's quarterly performance.

To complement VAR, the Company has a set of scenario analysis that serves as an indicator of the change in portfolio value under various potential market conditions such as shifts in currency rates, general equity prices and interest rates, and yield curve shifts.



### Funding Risk Management Objectives

Funding risk is the risk that the organisation will not be able to fund its day-to-day operations at a reasonable cost.

The primary objective of funding risk management framework is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as it comes due.

The secondary objective is to ensure an optimal funding structure and to balance the key funding risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

## Funding Risk Management Structure

Funding risk management is the responsibility of the Executive Risk Management Committee in charge of funding risk. Its members and invitees include senior management of business and support units, such as Treasury, Risk Management and Finance Departments.

Funding risk policies approved by the Committee are implemented by the appropriate business units and if necessary monitored and reported back to the Committee by Treasury and/or Risk Management Departments. The Committee reports to the Risk Management Committee of Directors on a quarterly basis on the funding risk position of the bank and highlights major issues discussed.



## Management Method

The ongoing funding risk management is based on the following key strategies:

- Management of cash-flow, through maintenance of adequate cash and liquefiable assets over and above what is required by BNM in their cash flow maturity mismatch framework.
- Scenario analysis, new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

The measures utilised for funding risk management is varied and ranges from daily to monthly monitoring and reporting. These include weekly cash flows, daily monitoring of depositors and relevant key ratios and monthly reporting to the Committee on the measures as well as any breaches of limits, if any.

## Contingency Funding Plan

The Contingency Funding Plan provides a formal process to identify a funding crisis. Detailed responsibilities among the relevant departments are also specified to ensure orderly execution of procedures to restore the funding position and confidence in the Company during actual crisis.



### Credit Risk Management Objectives

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of credit risk management framework is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

### Credit Risk Management Structure

Credit risk management comes within the purview of the Executive Risk Management Committee in charge of credit risk. Its members and invitees include senior management of business and support units, such as the lending relationship departments, Credit Risk Management, and Risk Management Departments.

The Business Managers perform credit assessment on new exposures, grade existing and new borrowers and ensure the compliance with all relevant guidelines and policies. However, this is subject to stringent vetting and review by an independent risk management department. To enhance the quality and consistency of credit evaluation for non-retail credits across the group, the Boards of AmMerchant, AmBank and AmFinance recently approved an exercise to centralise the credit evaluation function into specialised centres, one to undertake credit evaluation of large corporate exposures and the other for medium sized business banking exposures. Major loan approvals within approved policies are made by the Credit and Commitments Committee with exceptions escalated to the Executive Committee of Directors. These include the approval of new loans as well as revisions to the terms and conditions of existing loans.

### Management Methods

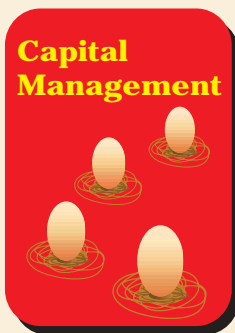
For non-retail credits, risk measurement begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores which are then translated into a rating grade, which ranges from 'AAA' (lowest risk) to 'C' (highest risk). The credit analysis not only highlights the key credit issues that need to be mitigated, but also reflects the overall level of risk for each new borrower. Notwithstanding this, the Board also sets the minimum credit acceptance criteria for new credits. The assigned credit rating forms a crucial part of the credit analysis undertaken for each credit exposure. A review of the credit rating assigned to each borrower is done once a year.

Credit risk is quantified based on expected default frequencies and expected losses on default from its portfolio of loans and off-balance sheet credit commitments. Expected default frequencies are calibrated to the internal rating model while loan loss estimates are based on past portfolio default experiences.

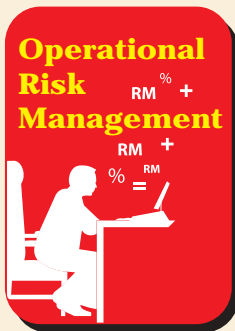
Apart from recommendations of the risk management units, lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors. Within these policies, name limits restrict total exposure allowed to corporate groups according to their level of creditworthiness, while sector limits ensure that total credit exposure to each economic sector is within prudent thresholds. These limits are monitored and reported to the senior management monthly. The pricing of non-retail exposure is also guided by benchmark return guidelines to ensure minimum returns that compensate for the risk taken, operating expenses and the cost of capital.

In order to further enhance the overall quality of loan exposures, the Board also endorsed a credit portfolio management strategy designed to achieve a desired ideal portfolio risk tolerance level and sector distribution over the next few years. These portfolio management strategies include minimum credit rating targets for new facilities, a more aggressive approach towards reducing existing high-risk exposures and exposures to certain sectors.

For retail credits, an in-house developed credit-scoring system to support the credit cards, housing and hire purchase applications is being used to complement the credit assessment process. Moving forward, the Company is in the midst of enhancing further the robustness of the credit scoring system to a level capable of performing credit based decision and automated approval in order to speed up the credit granting processes.



The Group continues to rely on retained earnings to enlarge its capital resources to drive the Group's businesses. Traditionally, the Group shall only employ rights issues only when the business expansion is expected to be strong to enable the shareholders to enjoy sustainable returns. The Group also believes in diversifying its sources of capital, and relying on qualifying hybrid instruments and long-dated subordinated debt instruments which contain, among others, interest deferral and loss absorption features. This is to ensure that optimum balance is maintained between the return on shareholders' investments and a prudent level of capitalisation.



### Operational Risk Management Objectives

Operational risk is the risk arising from inadequate or failed internal processes, people and systems or from external events on the Company's day-to-day operations that are executed to attain its business objectives, which restrict or prevent such objectives from being achieved. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

Operational risk management is the discipline of systematically identifying the critical potential points and causes of failure, assess the potential cost and to minimise the impact of such risk through the initiation of risks mitigating measures and policies.

### Operational Risk Management Structure

Operational risk management is the responsibility of the Executive Risk Management Committee in charge of operational risk. Its members include senior management of the operational and support units.

Operational risk policies as approved by the Committee will be implemented by the various departments and monitored and reported back to the Committee by Risk Management Department. The Committee reviews the adequacy of controls to manage operational risks based on the assessment performed on each operating units. On a quarterly basis, the Committee will report to the Risk Management Committee of Directors.

## Management Method

Efforts are in progress to implement the internal framework on risk identification and assessment of the operational risk. This would assist the Company in prioritising the operational risk areas which require further enhancement.

The Company minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking contingency planning. These are supported by independent reviews by the Internal Audit Department.

The primary responsibility for managing operational risk rests with each operating department. Nevertheless, the execution of risk assessment methodology is supported and guided by a Risk Management Department whose function is to define minimum standards, policies and methodologies, monitor compliance, and identify as well as report on Company-wide risk exposures. The operating departments are responsible to assess their operational risks and review controls instituted on a periodical basis to ensure that the measures introduced continue to be relevant and appropriate.

### Legal and Regulatory Risk



The Company manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk. Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

The Compliance Unit manages regulatory risk which arises from the possibility of laws and regulatory rules being breached. Strategies and tasks implemented to manage these risks include monitoring and reporting, training, providing advisory service and disseminating information.

A compliance monitoring and reporting process has been implemented to monitor compliance to rules. The process requires the identification of risk areas, prioritisation of these risks and prescribing controls to minimize these risks. Monitoring is conducted through self-certification as well as monthly, quarterly and exception reporting. Efforts are underway to further enhance the entire process by enabling monitoring and reporting to be carried out on-line.

All staff undergo continuous Compliance Awareness Training, on banking and other relevant rules. Assessments are also conducted to gauge staff comprehension on topics covered. This is vital to make staff conversant with new rules, develop their skills to identify compliance issues as well as create an appreciation for good corporate ethics.

In its advisory role, the Unit provides advice on all areas of regulation applicable to the Company. This includes implementing measures and procedures within the organisation to facilitate compliance with new regulations. To further promote understanding, application and compliance with these regulations, the Unit conducts briefings, disseminates information as well as leads coordination efforts.

Compliance Repository, an e-Library that enables easy access to rules through various search modes, continues to serve staff as an important resource tool. Easy access to rules is vital to facilitate staff in their daily tasks as well as educate new staff joining the organisation.



**AmMerchant Bank**

1st half of 2003



**AmMerchant Bank is No.1**  
with RM6.952 billion  
in PDS issues.

AmMerchant Bank has been listed by the Rating Agency Malaysia (RAM) as the top Lead Manager for the first half of 2003 in the issuance of Private Debt Securities (PDS).

The Bank is also No. 1 in the issuance of Islamic PDS totalling RM4.356 billion.

**AmMerchant Bank - Leader in Investment Banking**

[ambg.com.my](http://ambg.com.my)

# Economic Review

## Review and Outlook of the Malaysian Economy

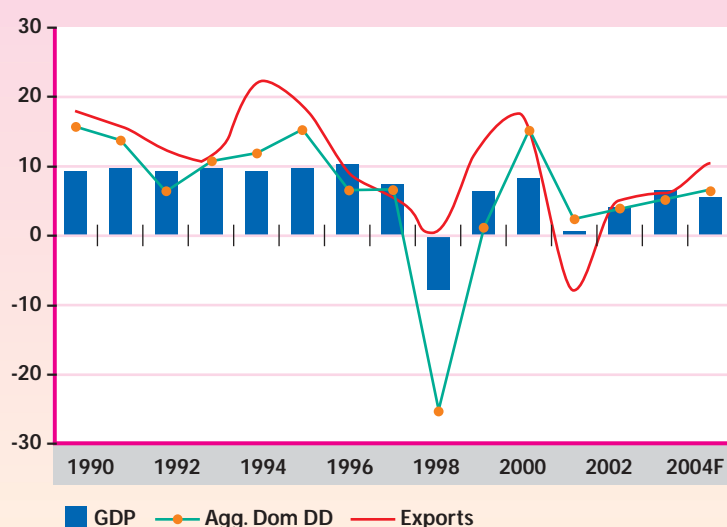
### Development in 2003

The Malaysian economy registered a stronger performance in 2003. Despite the global geopolitical and economic uncertainties following the Iraq war and the outbreak of Severe Acute Respiratory Syndrome (SARS), real Gross Domestic Product (GDP) rose favourably by 4.6% in the first half of last year as compared with 2.5% in the same period of 2002.

Growth in the second half had accelerated to 6.0% largely in response to a stronger external and domestic demand. The average growth for the whole of 2003 therefore had accelerated to 5.3% from 4.1% in 2002. Against 2001, Malaysia's real GDP had expanded encouragingly by 9.7%.



#### GDP, Agg. Dom. Demand and Exports (% YoY)



#### Demand Condition

Growth in 2003 was broad-based as both the domestic and external demand recorded stronger expansion. The domestic demand had continued to lead growth, and its contribution to the overall GDP growth had increased to 5.3 percentage points (pps) in 2003 from 3.7 pps in the preceding year as it grew faster at 5.9% as opposed to 4.2% in 2002. This was largely on account of a firmer private sector spending. As opposed to a 0.7% rise in 2002, private spending had increased by 5.6% in 2003 thanks to the accommodative monetary policy and improved consumer sentiment. Sectorwise, private spending emerged as the largest contributor to the overall GDP growth at 3.2 pps.



## Real GDP by Demand Aggregate

% Change	2000	2001	2002	2003	2004F	2005F
<b>Consumption</b>	<b>10.5</b>	<b>5.4</b>	<b>6.1</b>	<b>7.4</b>	<b>7.6</b>	<b>6.5</b>
Public	1.6	17.3	11.9	10.0	5.1	1.5
Private	13.0	2.4	4.4	6.6	8.3	8.0
<b>Investment (ex-stocks)</b>	<b>25.7</b>	<b>-2.8</b>	<b>0.3</b>	<b>2.7</b>	<b>3.2</b>	<b>4.1</b>
Public	19.4	14.5	9.8	3.6	-0.6	-1.3
Private	32.6	-19.9	-13.1	1.1	10.0	13.1
<b>Agg. Domestic Demand</b>	<b>15.5</b>	<b>2.5</b>	<b>4.2</b>	<b>5.9</b>	<b>6.2</b>	<b>5.7</b>
Public	11.2	15.7	10.7	6.4	-2.2	0.0
Private	17.5	-3.3	0.7	5.6	9.3	8.9
Exports	16.1	-7.5	4.5	6.3	10.1	7.3
Imports	24.4	-8.6	6.3	5.0	11.1	6.5
<b>Real GDP</b>	<b>8.9</b>	<b>0.3</b>	<b>4.1</b>	<b>5.3</b>	<b>6.8</b>	<b>6.0</b>

Source: Department of Statistics F: AmBank forecast

Both the private consumption and investment had chartered an uptrend in 2003. While private consumption had increased by 6.6% from 4.4%, investment spending by the private sector had moved up by 1.1% after charting a contraction of 13.1% in 2002. Total investment (excluding stocks) therefore had increased faster at 2.7% last year (2002: 0.3%) although public investment showed a slower growth of 3.6% against 9.8% in the preceding year. However, as a result of stock reduction, the contribution by capital formation to the overall GDP growth had shown a decline of 1.2 pps from a positive 1.8 pps in 2002. Subsequently, as ratio of Gross National Product (GNP), capital formation recorded a decrease to 22.7% last year from 25.5% in 2002 and the post-crisis high of 29.7% in 2000. On the other hand, the ratio of total savings to GNP had risen to 36.3%, thus indicating an enlarged resource surplus in the economy (13.7% against 9.1% in 2002) and a gap between the potential and actual output growth.

Exports of goods and services similarly had recorded a faster real growth of 6.3% in 2003 from 4.5% in 2002 to reflect the increased earnings on both the primary commodities and manufacturing. As income leakages from imports recorded a slower growth of 5.0% from an increase of 6.3% in 2002, net exports had chartered a sharp growth of 20.5% in 2003 against -11.4% in 2002. As a result, net exports contributed a favourable 2.0 pps to the overall GDP growth in 2003 from -1.3 pps in 2002.

## Contribution to Growth by Demand Aggregate

% Points	2000	2001	2002	2003	2004F	2005F
<b>Consumption</b>	<b>5.9</b>	<b>3.0</b>	<b>3.6</b>	<b>3.5</b>	<b>4.7</b>	<b>4.0</b>
Public	0.2	2.0	1.6	1.4	0.8	0.2
Private	5.7	1.1	2.0	3.1	3.9	3.8
<b>Investment (ex-stocks)</b>	<b>6.9</b>	<b>-0.9</b>	<b>0.1</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>
Public	2.7	2.2	1.7	0.7	-0.1	-0.2
Private	4.1	-3.1	-1.6	0.1	1.0	1.3
Stocks	1.1	-2.2	1.7	-1.9	0.2	-0.6
<b>Agg. Domestic Demand</b>	<b>12.7</b>	<b>2.2</b>	<b>3.7</b>	<b>5.3</b>	<b>5.7</b>	<b>5.1</b>
Public	2.9	4.2	3.3	2.1	0.4	0.0
Private	9.8	-2.0	0.4	3.2	5.3	5.2
Exports	17.6	-8.8	4.8	6.9	11.2	8.2
Imports	22.6	-9.1	6.1	4.9	10.2	6.6
<b>Net Exports</b>	<b>-5.0</b>	<b>0.3</b>	<b>-1.3</b>	<b>2.0</b>	<b>0.3</b>	<b>1.5</b>
<b>Real GDP</b>	<b>8.9</b>	<b>0.3</b>	<b>4.1</b>	<b>5.3</b>	<b>6.8</b>	<b>6.0</b>

Source: Department of Statistics F: AmBank forecast

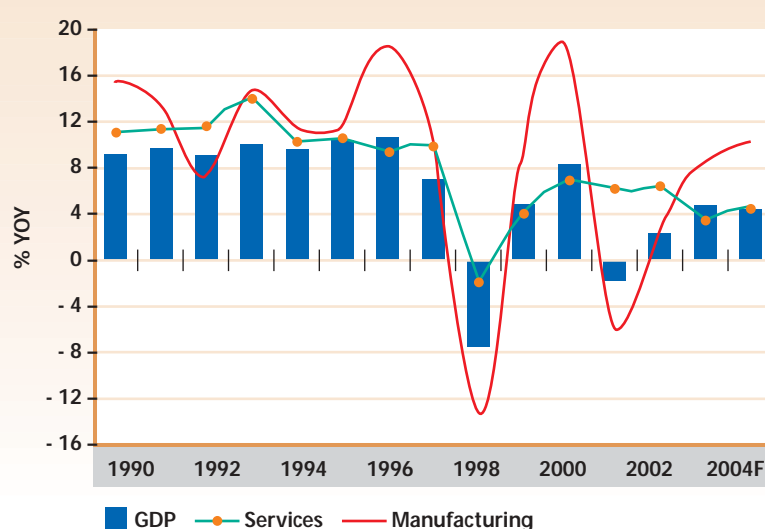


## Supply Condition

All sectors of the economy registered expansion and contributed positively to the overall GDP growth in 2003. The manufacturing, agriculture and mining sectors had showed stronger growth of 8.3% and 5.7% and 5.9% respectively as compared with 4.1%, 2.6% and 3.7% in 2002. Subsequently, the manufacturing sector had contributed a larger 2.5 pps to the overall GDP growth in 2003 from 1.2 pps in 2002. The agriculture also saw an increased contribution of 0.5 pp from 0.2 pp while mining edged up to 0.4 pp from 0.3 pp.

The manufacturing sector generally had strengthened across the board in response to higher domestic demand and exports. While the domestic-orientated industries had increased by 10.5% in 2003 from 4.9% in 2002, the export-orientated industries grew by 9.9% against 4.6%. Meanwhile, the electrical and electronics industries (E&E) had recorded a slightly higher expansion of 10.0% in 2003 against 8.3% in 2002.

### GDP, Manufacturing, Services (% YoY)



The faster expansion in agriculture on the other hand was largely driven by the stronger rise in palm oil and rubber production, on the back of firmer commodity prices. Meanwhile, the mining sector had expanded on account of higher production of crude oil and gas. For the whole of 2003, Malaysia's crude oil output had increased by 5.0% while gas production had risen by 6.5% compared with 2.8% and -0.5% respectively in 2002.

## Real GDP by Sector

% Change	2000	2001	2002	2003	2004F	2005F
Agriculture	6.0	-0.6	2.6	5.7	1.2	2.7
Mining	0.3	-1.5	4.0	5.9	5.2	2.5
Manufacturing	18.3	-5.9	4.1	8.3	10.3	8.1
Construction	0.6	2.1	2.3	2.0	2.4	2.5
Services	6.7	6.0	6.4	4.4	6.2	5.6
<b>Real GDP</b>	<b>8.9</b>	<b>0.3</b>	<b>4.1</b>	<b>5.3</b>	<b>6.8</b>	<b>6.0</b>

Source: Department of Statistics F: AmBank forecast

## Contribution to Growth - Sector

Percentage Points	2000	2001	2002	2003	2004F	2005F
Agriculture	0.6	-0.1	0.2	0.5	0.1	0.2
Mining	0.0	-0.1	0.3	0.4	0.4	0.2
Manufacturing	5.4	-1.9	1.2	2.5	3.2	2.6
Construction	0.0	0.1	0.1	0.1	0.1	0.1
Services	3.7	3.2	3.6	2.6	3.5	3.2
Other Items	-0.8	-0.9	-1.3	-0.7	-0.4	-0.2
<b>Real GDP</b>	<b>8.9</b>	<b>0.3</b>	<b>4.1</b>	<b>5.3</b>	<b>6.8</b>	<b>6.0</b>

Source: Department of Statistics F: AmBank forecast

Meanwhile, the services sector had continued to perform favourably and grew by 4.4% in 2003 from 6.4% in 2002 although several sub-sectors, particularly related to tourism and retail trade, were adversely affected by the Iraq war and outbreak of SARS epidemic in the first half of 2003. The stronger manufacturing activity and sustained domestic demand principally had helped to support the performance of this sector. On average, the services sector had contributed a favourable 2.6 pps to the overall GDP growth, only slightly lower than the 3.6 pps in 2002. The sector remained as the largest sector with a share of 57.6% to overall GDP.

The construction in turn had increased by 2.0% in 2003 from 2.3% in 2002. To a large extent the construction had gained from enlarged public development expenditure. It would also have benefited from the Government's accommodative monetary policy.

## External Trade and Current Account

Malaysia's external trade showed stronger performance during 2003. For the whole of 2003, exports chartered a faster growth of 11.4% as opposed to 7.0% in 2002. The higher exports in 2003 principally had been supported by the enlarged earnings from primary commodities, especially petroleum and palm oil following increased prices. While exports of crude oil and gas surged by 33.6% (2002: -2.0%), palm oil exports expanded by 36.0%. On average, the prices of crude oil had increased by 17.2% in 2003 to US\$30.5 per barrel (RM115.9), while the price of palm oil rose by 16.3% to RM1,579 per tonne.

On the other hand, exports of manufactures registered a sharp slowdown in 2003 with a growth of 2.5% from 5.2% in the preceding year. It was principally on account of lower earnings from the electrical and electronics (E&E) products. Against the 2002 growth of 4.4%, exports of E&E fell by 1.5% in 2003.

On the import front, the development in 2003 showed a slower increase. Imports for the whole of 2003 had moderated to 4.8% last year from 8.2% in 2002. To a large extent, the

slower imports during 2003 was attributed to a sharp slowdown in the purchases of intermediate goods along with declines in consumption and capital good imports.

The surplus in the trade balance had also expanded sharply to RM80.7 billion last year from RM54.6 billion in 2002. This is the largest ever surplus accumulated by the country, exceeding the previous high of RM73.1 billion in 1999. Arising from this enlarged trade surplus, Malaysia's current account of the balance of payments for the whole of 2003 had chartered a substantially higher surplus of RM50.8 billion or 13.7% of GNP compared with RM30.5 billion or 9.1% of GNP in 2002. This is the largest current account surplus ever achieved and outpacing the previous record of RM47.9 billion or 17.1% in 1999.

## Balance of Payments

RM billion	2001	2002	2003	2004F	2005F
Current Acc. Balance	27.7	30.5	50.8	50.2	41.7
% of GNP	9.0	9.1	13.7	12.5	9.7
Merchandise Balance	69.9	72.1	97.7	96.7	91.2
Services Balance	-8.4	-6.0	-15.0	-10.3	-10.6
Income Balance	-25.6	-25.1	-22.5	-25.5	-28.4
Net Transfer	-8.2	-10.6	-9.3	-10.6	-10.5
Real GDP (%YoY)	0.3	4.1	5.2	6.8	6.0

Source: Department of Statistics F: AmBank forecast

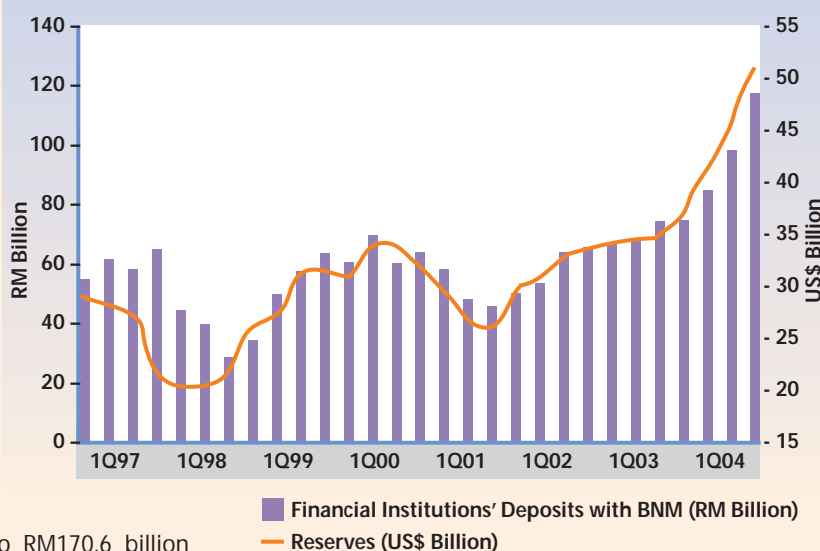


## Financial Account and External Reserves

The financial account of the balance of payments in 2003 continued to register a deficit of RM12.1 billion, slightly larger compared with RM11.9 billion registered in 2002 principally as a result of a larger net outflow from official loan repayments. A smaller deficit in private sector investment of RM9.3 billion (2002: RM15.1 billion) following a lower repayment of loans by the private sector together with increased Foreign Direct Investment (FDI) inflow helped contain the deficit in the overall financial account.

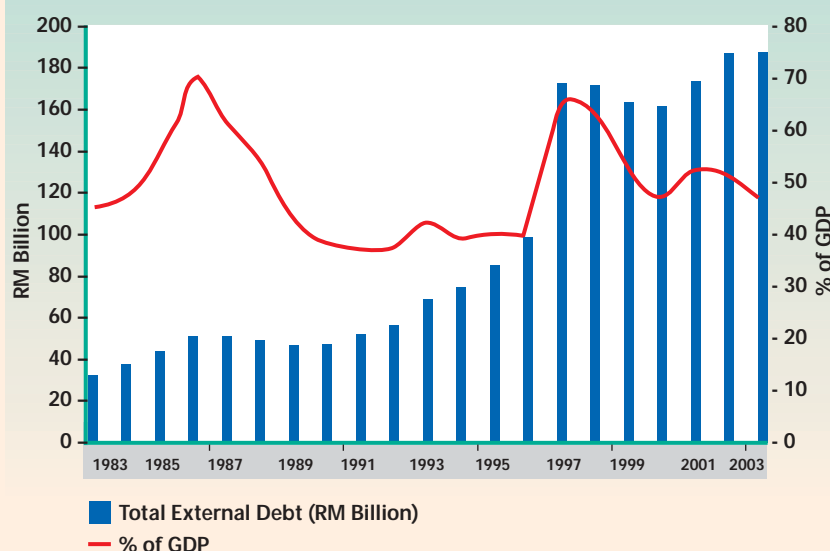
As the current account surplus had increased strongly, the overall balance of the balance of payments as reflected by the international reserves of Bank Negara Malaysia (BNM) had surged to RM170.6 billion (US\$44.9 billion) as at end of December 2003 from RM131.5 billion (US\$34.6 billion) as at end of 2002. This is the highest level ever achieved by Malaysia, which was adequate to finance about 7.2 months of retained imports compared with 5.4 months in 2002. As a ratio of short-term debts (RM24.6 billion), the external reserve coverage had increased substantially to 5.1 times in 2003 from 4.5 times in 2002.

### Ext. Reserves and Fin. Inst. Deposit with BNM



Meanwhile, Malaysia's external debt had only increased marginally by RM1.6 billion to an estimated RM187.3 billion in 2003. Hence, as a share of GDP, it had decreased to 47.8% from 51.5% recorded in 2002. The Federal Government external debts constituted about 19.9% of the total external debt (and mainly of the medium and long term debts) while the non-financial public enterprises and the private sector constituted 31.8% and 29.9% respectively. The Federal Government debts had remained manageable and constituting about 24.6% of the international reserves in 2003. As a result, the external debt service ratio of the Federal Government remained low at 1.2% in 2003. About 70.0% of the Federal Government debt is in the US Dollar, and 18.0% in Yen while the rest is in other currencies.

### External Debt and Ratio to GDP



## Prospects in 2004

The global economy is projected to show further improvement in 2004 underpinned by stronger growth in major industrial economies, to be led by the US. Overall, world output is projected to grow by 4.1% this year from 3.2% in 2003. In the US, while the manufacturing and services sectors are showing expansion, productivity growth has remained robust and job creation is improving. In Japan, the GDP data for the final quarter of 2003 and the first quarter of 2004 were stronger than expected. Improved business confidence, stronger investment and rising exports would help sustain recovery in the Japan's economy.

Meanwhile, despite the generally subdued domestic demand condition as a result of rising unemployment resulting from the persistent weakness of domestic demand Euro zone is expected to grow further this year on account of increased exports and investment, amidst low interest rates.

According to the latest International Monetary Fund's projection, emerging Asian economies are expected to continue enjoying favourable economic recovery in 2004, and to record over a 6.0% growth rate compared with 5.9% in 2003 as the region extends its rebound from the impact of SARS virus. Growth in 2004 will be supported by both the external and domestic demand.

The Malaysian economy is also expected to chart a stronger performance in 2004 in line with its regional counterparts and a reflection of the upswing in the global economy. Indeed, the economy has started the new year with much improved external condition compared with the same period a year ago. A firmer base has also been established following the strong expansion of 7.6% in the first quarter of 2004. On account of a stronger external and domestic demand, real GDP in 2004 is projected to grow by 6.8%. In its 2003 Annual Report, Bank Negara Malaysia is projecting Malaysia's real GDP growth this year to range between 6.0% and 6.5%.

As the public sector would undergo a consolidation in 2004 to reduce fiscal deficit, monetary policy would remain accommodative to promote private initiatives. As a result, the private sector would return to be the engine of growth. This will be supported by improving outlook of business condition and firmer consumer confidence, amidst relatively stable capital market, low interest rates and rising income.

Meanwhile, the external uncertainties, including rising oil prices, the impact of rising US interest rate and China's economic slowdown may affect the performance of global economy in the coming year. Nonetheless, Malaysia is expected to retain a favourable rate of growth of at least 6.0% in 2005 on account of its strong fundamentals and given its well diversified economic base. Furthermore, the private sector is likely to show a stronger performance, particularly following a higher investment spending, amidst low interest rate. At the same time, exports would continue to contribute positively to the overall GDP growth in 2005 although it may show a moderation as a result of slower global economy.



# Group Financial Highlights

	YEAR ENDED 31 MARCH				HALF-YEAR ENDED 30 SEPTEMBER			
	RM Million		Growth Rate +/(-)%		RM Million		Growth Rate +/(-)%	
	2004	2003	2004	2003	2003	2002	2003	2002
Operating revenue	<b>4,420.4</b>	4,203.4	<b>5.2</b>	23.2	2,123.8	2,018.2	5.2	22.7
Operating profit before loan and financing loss and allowances	<b>1,224.0</b>	1,289.4	<b>(5.1)</b>	43.4	591.1	560.0	5.5	21.4
Loan and financing loss and allowances	<b>865.6</b>	887.3	<b>(2.4)</b>	90.0	437.2	329.9	32.5	39.1
Profit before tax and after share in results of associated companies	<b>358.4</b>	402.1	<b>(10.9)</b>	(6.9)	153.9	230.1	(33.1)	2.6
<b>Profit after tax and minority interests</b> <sup>®</sup>	<b>223.7</b>	<b>263.2</b>	<b>(15.0)</b>	<b>37.7</b>	<b>161.2</b>	<b>161.0</b>	<b>0.1</b>	<b>&gt;100.0</b>
Total assets <sup>®</sup>	<b>60,478.6</b>	58,716.7	<b>3.0</b>	6.0	59,011.9	55,525.0	6.3	25.9
Loans, advances and financing (net)	<b>38,601.1</b>	38,117.8	<b>1.3</b>	2.0	39,339.2	38,179.2	3.0	33.3
Deposits and borrowings	<b>52,872.0</b>	52,536.5	<b>0.6</b>	6.0	52,207.2	49,632.6	5.2	27.1
Commitments and contingencies	<b>18,708.7</b>	15,941.2	<b>17.4</b>	(13.9)	18,705.7	20,611.1	(9.2)	21.4
Shareholders' funds <sup>®</sup>	<b>4,107.5</b>	3,463.7	<b>18.6</b>	30.9	3,600.0	3,353.1	7.4	37.3
Pre-tax return on average shareholders' funds (%) <sup>^</sup>	<b>5.0</b>	9.0	<b>(44.4)</b>	(26.2)	3.9 <sup>**</sup>	11.7 <sup>**</sup>	(66.4)	(16.5)
Pre-tax return on average total assets (%)	<b>0.6</b>	0.7	<b>(14.7)</b>	(18.8)	0.5 <sup>**</sup>	0.8 <sup>**</sup>	(37.0)	(18.3)
Basic earnings per share								
- gross (sen)	<b>11.9</b>	18.7 <sup>#</sup>	<b>(36.4)</b>	(17.7)	9.2 <sup>***</sup>	24.5 <sup>***</sup>	(62.3)	2.3
- net (sen) <sup>®</sup>	<b>14.0</b>	17.5 <sup>#</sup>	<b>(20.0)</b>	24.2	21.4 <sup>***</sup>	22.4 <sup>***</sup>	(4.5)	91.2
Fully diluted earnings per share								
- gross (sen)	<b>11.2</b>	18.7 <sup>#</sup>	<b>(40.1)</b>	(16.7)	9.0 <sup>***</sup>	24.4 <sup>***</sup>	(63.3)	N/A
- net (sen) <sup>®</sup>	<b>13.2</b>	17.5 <sup>#</sup>	<b>(24.6)</b>	25.8	20.8 <sup>***</sup>	22.4 <sup>***</sup>	(7.0)	N/A
Gross dividend per share (sen)	<b>4.0</b>	3.3 <sup>#</sup>	<b>21.2</b>	-	-	-	-	-
Net dividend cover (No. of times)	<b>4.2</b>	7.3	<b>(42.7)</b>	26.0	-	-	-	-
Net tangible assets per share (RM) <sup>®</sup>	<b>2.06</b>	2.11 <sup>#</sup>	<b>(2.4)</b>	22.3	2.19 <sup>#</sup>	2.03 <sup>#</sup>	7.9	19.6
Overheads to total income (%)	<b>38.3</b>	38.0	<b>0.7</b>	(1.8)	37.7	40.5	(6.9)	20.9
Number of employees	<b>8,776</b>	8,285	<b>5.9</b>	(5.9)	8,367	8,010	4.5	29.7
Assets per employee (RM Million)	<b>6.9</b>	7.1	<b>(2.8)</b>	12.6	7.1	6.9	1.7	(3.0)
Pre-tax profit per employee (RM'000)	<b>40.8</b>	48.5	<b>(15.8)</b>	(1.1)	36.8 <sup>**</sup>	57.5 <sup>**</sup>	(36.0)	(20.9)

# Five-Year Group Financial Review

	YEAR ENDED 31 MARCH				
	2004	2003	2002	2001	2000
<b>1. REVENUE (RM MILLION)</b>					
i Operating revenue	<b>4,420.4</b>	4,203.4	3,412.0	3,350.6	3,875.6
ii Operating profit before loan and financing loss and allowances	<b>1,224.0</b>	1,289.4	899.0	1,161.9	1,402.3
iii Loan and financing loss and allowances	<b>865.6</b>	887.3	467.1	511.8	549.1
iv Profit before tax and after share in results of associated companies	<b>358.4</b>	402.1	431.9	650.1	853.2
v <b>Profit after tax and minority interests</b> <sup>@</sup>	<b>223.7</b>	<b>263.2</b>	<b>191.2</b>	<b>362.6</b>	<b>552.6</b>
<b>2. BALANCE SHEET (RM MILLION)</b>					
Assets					
i Total assets <sup>@</sup>	<b>60,478.6</b>	58,716.7	55,381.7	44,164.0 *	38,846.6
ii Loans, advances and financing (net)	<b>38,601.1</b>	38,117.8	37,377.0	29,437.3 *	26,092.0
Liabilities and Shareholders' Funds					
i Deposits and borrowings	<b>52,872.0</b>	52,536.5	49,574.5	39,230.5 *	34,200.9
ii Paid-up share capital	<b>1,858.8</b>	1,502.6 #	1,375.4 #	1,337.4 #	1,326.0 #
iii Shareholders' funds <sup>@</sup>	<b>4,107.5</b>	3,463.7	2,646.2	2,399.3	2,054.0
Commitments and Contingencies	<b>18,708.7</b>	15,941.2	18,506.9	15,061.5 *	16,506.9
<b>3. PER SHARE (SEN)</b>					
i Basic gross earnings	<b>11.9</b>	18.7 #	22.7 #	37.6 #	57.4 #
ii Basic net earnings <sup>@</sup>	<b>14.0</b>	17.5 #	14.0 #	27.2 #	44.4 #
iii Fully diluted gross earnings	<b>11.2</b>	18.7 #	22.4 #	37.2 #	57.3 #
iv Fully diluted net earnings <sup>@</sup>	<b>13.2</b>	17.5 #	13.9 #	26.9 #	44.1 #
v Net tangible assets <sup>@</sup>	<b>205.8</b>	210.9 #	172.4 #	166.4 #	147.9 #
vi Gross dividend	<b>4.0</b>	3.3 #	3.3 #	3.3 #	3.3 #
<b>4. FINANCIAL RATIOS (%)</b>					
i Pre-tax return on average shareholders' funds <sup>^</sup>	<b>5.0</b>	9.0	12.2	22.5	46.2
ii Pre-tax return on average total assets	<b>0.6</b>	0.7	0.9	1.6	2.2
iii Loans, advances and financing to deposits and borrowings	<b>73.0</b>	72.6	75.4	75.0	76.3
iv Overheads to total income	<b>38.3</b>	38.0	38.7	29.0	24.7
<b>5. SHARE PRICE (RM)</b>					
i High	<b>4.22</b>	4.16 #	3.80 #	5.40 #	5.33 #
ii Low	<b>1.84</b>	2.09 #	1.52 #	1.96 #	1.13 #
iii As at 31 March	<b>4.00</b>	2.16 #	3.50 #	1.96 #	4.73 #

\*\* Annualised

<sup>^</sup> Adjusted for minority interests

# Adjusted for bonus issue

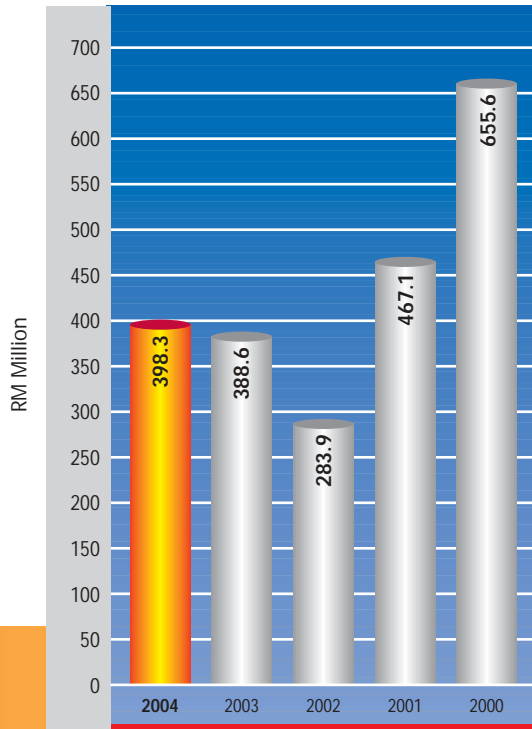
<sup>@</sup> After adjusting for the adoption of MASB 25 Income Tax, on the measurement and recognition of deferred tax assets and/or liabilities and MASB 19, Events After Balance Sheet Date, on the recognition of dividends, which have been applied retrospectively

\* Adjusted for loans sold to Cagamas Berhad (excluding Islamic financing)

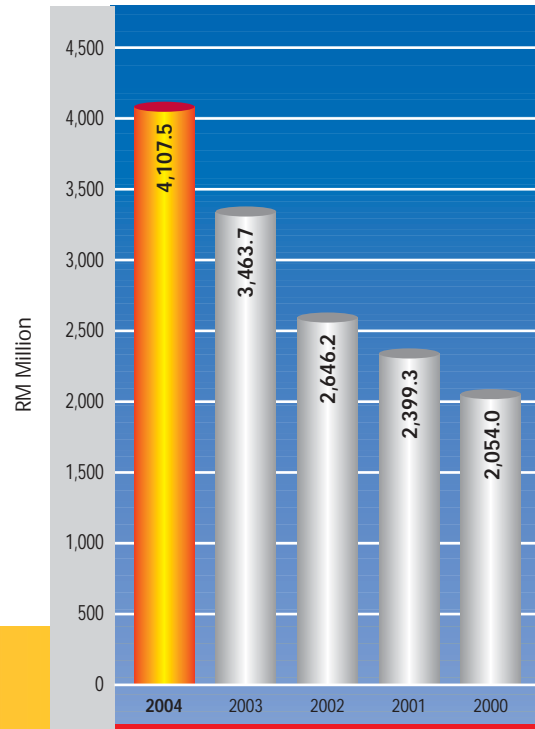
N/A Increase basic earnings per share



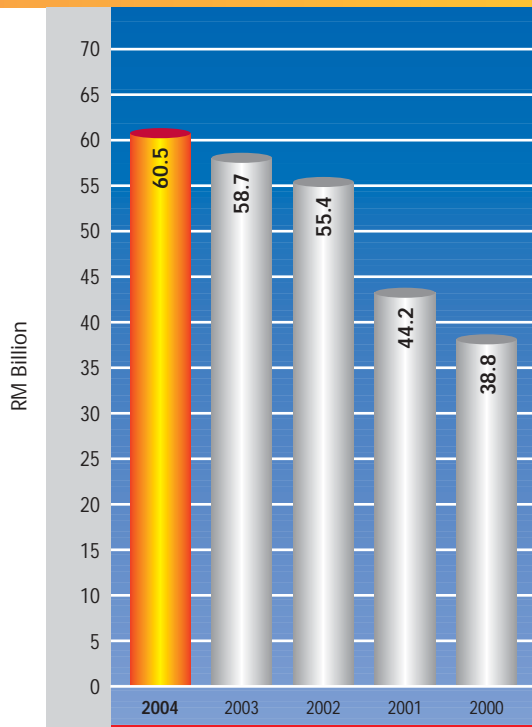
## Profit After Tax



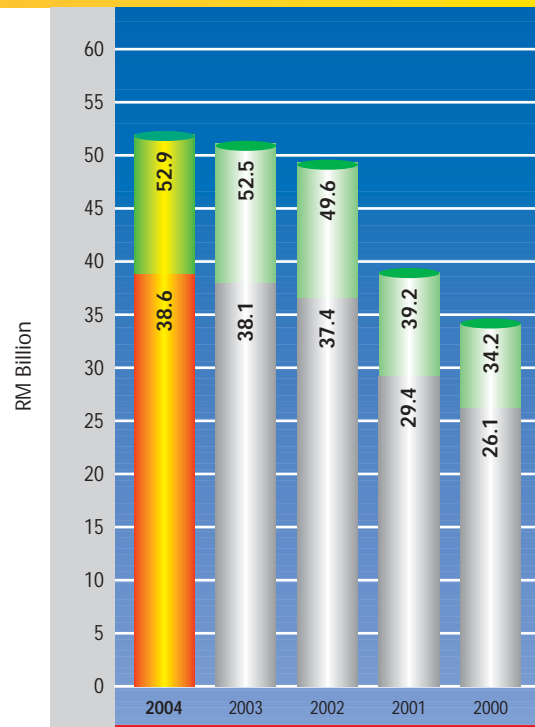
## Shareholders' Funds



# Five-Year Group Financial Review



## Total Assets



## Loans, Advances and Financing - Net/ Deposits and Borrowings

Loans, Advances and Financing - Net  
Deposits and Borrowings



# Review of Business Operations

## INVESTMENT BANKING

The Group's investment banking operations encompass merchant banking, stock broking and funds management operations. The Group is a key player in the investment banking arena, with its investment banking business recording a net profit after tax of RM178.6 million, an increase of 19.9% over last financial year's RM148.9 million.

### Corporate Lending

The financial landscape is constantly evolving. We are currently witnessing an increasing tendency of large corporates to divert from traditional corporate lending as a funding source by tapping debt capital markets directly. In line with the Capital Markets Master Plan, the Securities Commission has also eased the way for this development by streamlining its approval processes to enable faster time-to-market for the issuance of equities and debt. Although we did see a contraction in total loans assets, from RM5.9 billion as at 31 March 2003 to RM5.7 billion, arising from redemptions and refinancing via the debt capital markets, AmMerchant Bank had disbursed approximately RM1.8 billion in new corporate loans during the financial year. These loans were primarily bridging loans as many of the corporates continue to tap the debt capital markets for their funding.

The growing trend towards debt capital markets do not pose a significant threat to the Group's source of income, rather, it presents further opportunities for rapid growth of Bank's Debt Capital Markets business.

Although income from traditional corporate lending is not expected to be a crucial component of Group profits in the future, the Group remains committed to traditional corporate lending activities comprising bridging, long term and working capital financing. We view the relationships we build here with targeted corporates as the platform for sustainable, long term and profitable growth for the Group's investment banking business. We nurture our corporate customers so that, together we reap the rewards of the future.



### Corporate Finance Advisory Services

Corporate Finance advisory services are a core focus area for the Group. We have strived hard to establish the Bank's Corporate Finance Advisory Division as a powerhouse and market leader in the equity capital markets and mergers and acquisitions (M&A) scene, with pleasing results. AmMerchant Bank's branding is particularly renowned in this arena, with the Bank leading all other corporate finance advisory houses in initial public offerings (IPOs) across all boards in Malaysia, i.e. the Main Board, Second Board, MESDAQ and Labuan Financial Exchange (LFX) this financial year. The Bank was the lead manager for 31 IPOs for FYE 31 March 2004 (excluding IPOs on the LFX); almost double the IPOs lead managed by the second placed merchant bank (15 IPOs).

Apart from IPOs, the Bank continued its leadership position in the M&A and restructuring front by advising 29 transactions valued at RM21.0 billion. One notable achievement was that the Bank was the advisor for the first Leveraged Buy-Out (LBO) in Malaysia.

The Secondary Offering market experienced high under-subscription rates for rights issues of about 22.0%, especially in the first half of 2003. Despite the general under-subscription trend, all ten of the rights issues that the Bank advised were fully subscribed.



We expect the corporate financial advisory scene to become even more competitive in the future with new players entering the market. Universal brokers are likely new competitors, placing downward pressure on advisory fees. Additionally, the implementation of a disclosure based regime has 'commoditised' corporate financial advisory services, thereby further squeezing the margins on advisory fees.

In order to remain in the lead, we intend to maintain superior execution and time-to-market levels, enhance distribution capability and introduce innovative new products, primarily equity structured products.



We strive to be innovative in meeting our customers' needs. The Bank lead-arranged the first Repackaged Loan Obligation in Malaysia with Astute Assets Berhad's asset-backed securities issuance of RM698.5 million. Another notable issue was the Bai' Bithaman Ajil Islamic Debt Securities (BaIDS) issuance by New Pantai Expressway Sdn Bhd totalling RM740.0 million, whose dual-tier dual-rating instrument was structured with a project financing structure.

Significant Ringgit Private Debt Securities transactions arranged and managed by the Bank in 2003 were:

No.	Issuer	Value (RM'Mil)	Date Completed
1.	KL International Airport Berhad	4,060	June 2003
2.	Panglima Power Sdn Bhd	1,220	March 2003
3.	Petronas Fertilizer (Kedah) Sdn Bhd	750	April 2003
4.	New Pantai Expressway Sdn Bhd	740	October 2003
5.	Astute Assets Bhd	698	October 2003
6.	Malaysian Industrial Development Finance Berhad	500	January 2003
7.	LaFarge Malayan Cement Berhad	350	April 2003



We will be directing our efforts towards helping our clients achieve optimal cost-efficient funding. We intend to innovate on current debt financing structures, such as by incorporating derivatives or other appropriate instruments, and specifically tailoring the offerings to meet our clients' needs.

With excess liquidity of RM120.0 billion in the market, we expect new debt issues in the pipeline to be strong in the 1st half of 2004. For the FY2004/2005, we will continue to leverage on our strength as a leading integrated financial institution and maintain our leading market position in the Debt Capital Markets.

### Treasury & Derivatives

Despite Bank Negara Malaysia's accommodative interest rate policy which kept short term interest rates flat, the last financial was indeed challenging for our Treasury & Derivatives Division, particularly in Fixed Income activities. The long end of the yield curve reacted to the volatilities of the US markets and tracked the movements of the 10-year US Treasury notes, which experienced a very sharp retracement of close to 150 basis points from its all-time low in 2003. Despite the demanding environment, the Bank still managed to record gains of RM51.4 million in the last financial year.

We are pleased that the Bank and Treasury's continued contributions to the liquidity and development of the bond market was once again given due recognition, with the Bank's reappointment as a Principal Dealer by Bank Negara Malaysia.

The Funding and Liquidity Management units (i.e. Interbank Money Market and Corporate Sales) continued to comply with the Statutory Reserve and Liquidity Framework requirements, while intensifying its efforts to further diversify the Bank's depositor base and reduce its reliance and funding exposure to single depositor groups.

### Debt Capital Markets

2003 was a bumper year for the issuance of corporate debt securities. Despite volatile interest rates in the second half of 2003, the Malaysian Private Debt Securities (PDS) market experienced high positive growth, achieving overall market size of RM34.6 billion as compared to RM23.9 billion in the previous year. This is mainly due to the flat interest rate environment in the first half of 2003, which made it attractive for large corporations and investors to lock in long-term funding.

2003 was a notable year for the Bank's debt capital markets (DCM) business. We captured the No. 1 position in the Ratings Agency Malaysia (RAM) 2003 League Table for both PDS and Islamic PDS issues, lead-managing RM8.4 billion worth of debt in 2003, or close to a quarter of total debt raised.

In interest-rate derivatives trading, spearheaded by the Treasury Derivatives Unit, the Bank continued to be in the forefront of the domestic derivatives market; we were actively involved in trading and market making in Interest Rate Swaps, the three-month Kuala Lumpur Inter-Bank Offering Rate (KLIBOR) Futures, and Malaysian Government Securities Bond Futures contracts.

The Islamic Treasury unit continues to contribute to the overall strategy of strengthening capabilities and building franchises in Islamic Banking, and is actively involved in the funding of the Islamic Banking portfolio and trading of Islamic debt securities.

Operational risk management remains a key focus area. Regular drills are conducted to test the Group Treasury Disaster Recovery Site and Business Continuity Plan. As a precautionary measure against the outbreak of SARS in the region, half of AmBank Group's Treasury staff (Treasury Dealing and Treasury Operations) were deployed to operate at the Disaster Recovery site for a period of two months.

### Private Banking

Our private banking business under the label AmPrivate Banking completed its maiden year of operations in March 2004. AmPrivate Banking offers more exclusive and personalised wealth management services to meet the needs of our affluent, financially sophisticated and thus, more demanding clients. We aim to provide our clients with the broadest possible range of investment products and financial planning services tailored exclusively to meet their financial objectives.

As at March 2004, total assets under management stood at RM701.6 million.

We will be focusing on increasing our sales force to further penetrate the wealth management market and also to increase the number of products offered, whether in-house products or products from third-party producers.



### Offshore Banking

The Group's offshore banking operations are undertaken through AmMerchant Bank Labuan Branch as well as AmInternational (L) Limited (AmInternational), and encompass the whole spectrum of investment banking, from origination to structuring and finally to distribution. We foresee a high demand for USD capital raising capabilities, as the increasing rate of globalisation spurs more Malaysian companies to venture towards tapping foreign currency-based capital markets for investments and projects overseas.

During the year, the Group's offshore banking operations recorded a pretax profit of US\$4.4 million, resulting in a strengthening of our risk weighted capital ratio to 14.4%. This improvement arose mainly from better performing loan assets, in light of improving global and regional economic conditions.



AmInternational maintained its position as a leading listing sponsor on the Labuan International Financial Exchange (LFX) in terms of innovativeness and the number of instruments and amount listed. AMIL successfully listed the Am-Macquarie Sovereign Plus Fund which is the first primary listing of an open-ended fund on LFX. Approval from LFX was also obtained for the secondary listing of three existing international sovereign bonds issued by the Government of Malaysia namely €650 million 6.375% Bonds due 2005, US\$1.5 billion 8.75% Global Bond due 2009 and US\$1.75 billion 7.50% Global Bonds due 2011.

Going forward, we are committed towards the development of the Islamic finance industry, in line with Labuan Offshore Financial Services Authority (LOFSA's) strategy to drive and foster the growth of Islamic finance activities in Labuan IOFC.



## Funds Management

AmInvest, the Group's funds management unit, comprising of AmInvestment Services Berhad and AmInvestment Management Sdn Bhd, is a 70:30 joint venture between AmMerchant Bank Berhad and our strategic partner, Macquarie Bank Limited, Australia. AmInvest provides investment management, unit trust management and customised investment solutions for both retail and institutional clients.



AmInvest has retained its top position in the institutional funds segment this year with a market share of 17.5% and third position with a market share of 7.2% in the retail unit trust segment. As at 31 March 2004, the total funds under management grew by 15.0% to RM5.2 billion from RM4.5 billion at 31 March 2003, representing a total market share of 10.8%. We maintained our third position overall in the funds management industry. Of the RM5.2 billion funds under management, 57.0% of the funds are invested in equities and the remaining 43.0% is invested in fixed income securities. AmInvest is the largest fixed income fund manager in Malaysia.

In September 2003, AmInvest launched three new funds. They were AmDynamic Bond, AmBalanced and AmConservative. Subsequently, on 5 January 2004, we launched AmConstant, a closed-ended fixed income fund garnering RM172.0 million in sales within three weeks. Currently AmInvest manages a total 14 unit trust funds.

In February 2004, AmIncome received the inaugural award for the top performer in the Money Market Category in the Malaysia Unit Trust Awards 2003 presentation by The Edge-Lipper. Also in February, AmInvestment Management Sdn Bhd was awarded the 'Best Three-Years Realised Return Manager 2003' by the Employees Provident Fund. This is the second consecutive year that AmInvestment Management was honoured with this prestigious award.



## Stockbroking

Turnover in Bursa Malaysia Securities Berhad (Bursa Securities) was suppressed for the first four months of 2003 as a result of the uncertainties surrounding the global economic outlook namely by the Severe Acute Respiratory Syndrome (SARS) outbreak and the invasion of Iraq. However, as stronger corporate earnings and positive news of significant progress on major corporate restructurings as well as the smooth transition of power arising from the succession of our current prime minister along with numerous positive political developments, Bursa Malaysia surged to a four-year high, touching the 919 point mark in late March 2004.

As a consequence of the increased turnover in Bursa Malaysia, AmSecurities Sdn Bhd (AmSecurities) managed to register a 163.0% increase in profit before tax to RM63.0 million for FYE 31 March 2004. In terms of market share, AmSecurities contributed close to 7.0% of the total turnover on Bursa Securities.

AmSecurities operates from a position of strength. Our capital adequacy ratio, measured by liquid capital against total risk requirement, stood at 7.06 times as at 31 March 2004, well above the minimum requirement of 1.2 times. In addition, AmSecurities' research subsidiary, AmResearch Sdn Bhd, was voted '**The Most Improved Local Research House**' by the leading local business weekly, The Edge, reinforcing our philosophy of offering superior research and execution services for our clients.



AmSecurities continues to increase its market share by recruiting and retaining dealers and remisiers to expand our client base, as well as continued expansion of the branch based broking (BBB) business, which although small currently, is profitable. In addition, it will introduce attractive margin financing packages and other innovative products to attract new clients and increase revenue from existing ones.

## Futures Broking

The Exchange Traded Derivatives (ETD) industry in Malaysia continues to grow by more than 50.0% as the average monthly volume recorded for last year was more than 180,000 contracts compared to only 120,000 contracts for the previous year. The Crude Palm Oil futures contract (FCPO) remains the most actively traded contract with an average monthly volume of 110,000 contracts per month. A positive development was also the building up of significant interest on the index futures contract (FKLI), as the underlying Kuala Lumpur Composite Index (KLCI) gained momentum and volatility towards the second half of last year.

Bursa Malaysia Derivatives Exchange will be replacing the current derivative trading system with a common trading platform (CTP) that will facilitate trading programs for both the equity and derivatives market. The CTP will be linked to the clearing house and is expected to incorporate an advanced risk management system within the network itself.

AmFutures Sdn Bhd (AmFutures) is one of only two bank-backed futures broking firms with a license to trade all products approved by Bursa Malaysia Derivatives Exchange. We remain as one of the top brokers in the industry especially for the FKLI & FCPO contracts, registering a market share of 18.0% and 12.0% respectively.

## Trustee Services

AmTrustee Berhad (AmTrustee) recorded a noteworthy achievement this financial year, as assets held in trust as at 31 March 2004 almost doubled to RM7.1 billion from RM3.8 billion, at the previous year end. AmTrustee's clients are from the various industries including unit trust funds, retirement funds, memorial parks, time-share programmes, golf clubs and resorts.

## Property Trust

AmProperty Trust Management Berhad (AmProperty Trust) manages the AmFirst Property Trust (AmFPT or the Trust), which is listed on Bursa Securities. With a Net Asset Value (NAV) of RM192.8 million as at 31 December 2003, AmFPT is the largest property trust in Malaysia.

For the financial year ended 31 December 2003, the net rental income of the Trust was RM11.4 million compared with RM12.1 million in the previous year. The decline of approximately 6.5% was mainly due to higher operating expenses arising from major refurbishment works at AmBank Group Leadership Centre (formerly known as Wisma Kimseah). However, the impact was cushioned by higher write-back of provision for diminution in value of quoted shares. Consequently, the profit before taxation for the year was maintained at RM10.4 million similar to that recorded in the previous financial year.



AmBank Group Leadership Centre was revalued in July 2003 by an independent professional valuer on an open market value basis at RM19.0 million or approximately RM329.0 per square foot (psf), an increase of approximately 5.5% compared with the previous revaluation in July 2000 at RM18.0 million or approximately RM311.0 psf. The Securities Commission subsequently approved the revaluation in December

2003 and the revaluation surplus of RM1.0 million has been incorporated into the accounts with effect from 1 January 2004.

Bangunan AmBank Group had an occupancy rate of approximately 95.0% during the period under review. Tenancies representing approximately 40.0% were successfully renewed during the year. The occupancy in AmBank Group Leadership Centre also improved to 83.0% with approximately 45,577 sq. ft. of office space taken up during the period under review.

AmFPT declared a gross distribution of 7.0 sen per unit for the financial year ended 31 December 2003. The Trust will continue with its intensive property management practices which include measures to control the operational costs without affecting the quality of the building services to ensure that the Trust properties remain competitive in the market.



## BUSINESS & RETAIL BANKING

### Business Banking

The Business Banking customer segment consists of enterprises with shareholders' funds exceeding RM2.0 million, ranging from small and medium industries, to large corporations. The products and services offered by our Business Banking Operations consist mainly of working capital financing, commercial loan, trade finance facilities and cash management.

The Group's Business Banking activities are primarily undertaken by AmBank Berhad (AmBank). During the past year, selective hiring of staff, especially at the senior and mid-management levels, has been progressively effected, with new capabilities put in place to support the business initiatives and new product offerings identified. We reorganised our relationship-based marketing, and set up Regional Business Centres (RBCs) (located in Penang, Johor Bahru, Kuching and Kota Kinabalu) as well as Commercial Business Centres (CBCs) to reach out to our customers.



Apart from traditional lending activities to support existing and new customers, emphasis was also put into supporting customers' trade-based activities and promoting Islamic banking products. All these efforts are aimed at building stronger quality loan assets mix and recurring future income streams.

The Group's Asset Financing and small Business unit marketing team was reorganised into two teams, i.e vendor and industry teams with predefined business focus. The vendor team was entrusted with the responsibility to focus on strategic tie-ups with vendors/suppliers to obtain sales and business referrals, whilst, the industry team will embark on direct marketing initiatives targeting selected industries to market Industrial Hire Purchase and SMI loans.

The unit's target customer segment was further refined to focus more on extending financial support to small enterprises and business segments requiring financial assistance below RM2.0 million. Key products and services offered ranged from industrial hire purchase for acquisition of plant and machineries, term loans for the acquisition of commercial and industrial building to working capital financing.

During the period under review, the Group had actively participated in various trade fairs organised by the Government. Operations processes were also streamlined to improve turnaround time. For the coming year, the Group expects to focus more on supporting small business via extension of micro-credit scheme for small business on the back of strong demand for the scheme and country's robust economic growth.

### Retail Banking

We have organised our retail banking operations into the various product monolines of Hire Purchase (HP), Mortgage and Other Consumer Loans (Mortgage), Deposits, Credit Cards and Line of Credit Business, supported by the branches and alternate delivery channels.



In retail banking, our key objective is to build strong customer relations by delivering value. For example, the ongoing strategic initiative of upgrading our brick and mortar channel into more customer friendly sales and service centres is aimed at providing our customers with comfortable and pleasant surroundings to perform their banking transactions. We are also enabling more commercial banking windows at our AmFinance branches, thus increasing the transactional services available to our customers. Very soon, with the proposed merger between AmBank and AmFinance, our entire network of branches will be fully enabled to provide the full range of commercial banking services.

We have also made improvement in our various alternative channels. We have added more self-service e-banking centres that operate 24 hours at our branches nationwide for the convenience of our customers. We are also continuously refining our internet banking channel, ambg.com.my with additional services to enable our more technologically savvy customers the ease of banking convenience at a click.

### Hire Purchase

The last financial year was challenging for our HP operations, due to the uncertainties surrounding the implementation of ASEAN Free Trade Agreement (AFTA) and the general public's cautious stance in motor vehicle purchases, due to the expectations of lower car prices following tariff adjustments, dampened buying activities in the local automotive market. The Malaysian Automotive Association (MAA) reported that the new motor vehicle sales declined by 6.7% in 2003.

Despite the subdued environment, we maintained a respectable loan growth of 10.4%, with total hire purchase loans rising to RM15.0 billion, a net increase of 9.0%. We attribute this growth to our competitive pricing strategies and continued focus on service and maintaining close relationships with our valued business partners, our panel of more than 5,000 car dealers nationwide. We also implemented an automated Credit Scoring System as part of our ongoing efforts to manage credit risk

prudently. The automated Credit Scoring System is also expected to lead to improved efficiency in our back room processes and thus, better turnaround time for our dealers and customers.

In line with our 'Customer First' focus, and in response to the Government's call for heightened road safety awareness, we pioneered the requirement for mandatory inspection on all used cars financed by PUSPAKOM, the officially sanctioned vehicle inspection body. The objective of this move is twofold: as the financier, our primary collateral, the vehicle to be financed is certified by an independent party to be in a reasonably good condition, and for the customer, it ensures that whichever vehicle being purchased is roadworthy and fit for use.

In line with our 'Customer First' focus, we also published used car prices in a supplementary issue of the New Sunday Times daily as a reference point to assist prospective used car buyers in making purchase decisions. The prices are decided upon as a result of extensive research on values of cars that appeared in advertisements, motoring publications, auction records and historical records.

Moving forward, our strategic thrust will be to further strengthen our market leadership position in motor vehicle financing, achieve a balanced number of new and used car financing hirers and uphold our strong branding as the preferred car financier in the country.

### Credit Cards and Line-of-Credit (LOC) Business

AmBank credit cards recorded a phenomenal growth of 168.0% in its card base, with cards in circulation increasing from 83,000 in April 2003 to 223,000 as at 31 March 2004 earning the Card Centre the status of 'Fastest Growing Card Centre in Malaysia'.



The growth was achieved through a series of aggressive promotional activities launched under the "Let's Duit" umbrella, which offered consumers high value items such as digital cameras and DVD players through an innovative marketing promotion. Strong brand alliances made this an attractive proposition, coupled with enhanced advertising and promotional support and the development of new sales channels.

RedHall Gallery, an innovative Mall-On-Call program was also launched and offered card members a catalogue shopping experience, already a well established sales channel in most developed countries. With money-back guarantees and an automatic 10-month installment on all purchases, we see this as a growing segment within the card portfolio.



Both the "Let's Duit" and RedHall Gallery Mall-On-Call programme have received numerous accolades. 'Let's Duit' was voted Best Campaign In Malaysia by Promotion Marketing Award of Asia (PMAA) and Asian Banking Awards Marketing/PR Brand Management Category whilst RedHall won the Best eCommerce Related Initiative from MasterCard International.

The strategic alliance between the Group and MBf Cards (M) Sdn Bhd has proven to be successful and beneficial to both parties, with the credit card receivable base standing at RM1.2 billion as at March 2004.

The Group is also well positioned to grow its card base through cross-selling activities and active data maintaining of its database. Branches, staff and direct sales channels are primed to contribute to the growth of a profitable card business. The vision is to build a high performing card base of 500,000 cards within two years.



### Mortgage and Other Consumer Loans

In 2003, the Group's mortgage loans portfolio increased by 15.5% to RM6.7 billion translating to approximately 6.6% of the mortgage loans market share. Aggressive marketing, product bundling initiatives, strategic partnership with reputable developers and active participation in sales launches and major property exhibitions contributed to this expansion.

We also tailored our mortgage loans to meet the evolving needs of customers. Additional features such as daily rest interest calculation and fortnightly payment options were added to assist our customers in reducing their interest payments by prudent management of funds.

As part of our responsibility towards nation building, the Group continued extending micro-credit schemes under the 'Tabung Perumahan Ehsan' (TPE) to enable low-income earners to own homes. TPE was



launched in July 2001 as a result of collaboration with the Selangor State Government. To date, more than 8,000 customers had benefited from the scheme, with the participation of over 30 developers on the panel.

We will be moving more aggressively into cross-selling activities to leverage on the Group's customer database, enhancing our direct sales channels and implementing effective loyalty schemes to increase our market share and competitiveness in the mortgage loan arena.

### Deposits

The Group's retail deposits base achieved a healthy growth last year encompassing 50.1% of the total deposits. We were pleased with the performance of our Islamic deposits base, which achieved a commendable growth of RM 1.3 billion as at 31 March 2004 commanding an increased market share of about 30.0%.

This was achieved partly due to the introduction of new Islamic deposit products, namely, Savers Gang-*i*, Am50 Plus-*i*, AmQuantum-*i* and Afdhal, which were launched to support the direct sales team in mobilising Islamic deposits. Road shows were also conducted nationwide to create awareness and enrich staff knowledge on Islamic products.

We also saw a growth in current account deposits due to our branches remodeling exercise, which enabled commercial banking windows to be placed at AmFinance Sales and Service Centres (SSC) nationwide. This expanded the reach of our commercial bank, thus enabling current account products to be offered at more locations nationwide.

## ISLAMIC BANKING

For the FY 2004, Group Islamic banking operations recorded an impressive increase in income of 92.3% to RM446.6 million as compared to the same corresponding period last year. The strong growth in income was mainly attributed to the expansion of the Group's retail-based financing activities, particularly Islamic hire purchase financing. Accordingly, the Group's gross financing grew by 85.5% to RM6.9 billion as at 31 March 2004.

We remained focused in the hire purchase-*i* business as the gross financing of transport vehicles rose to RM4.0 billion as at 31 March 2004 as compared to RM1.7 billion recorded last year. In addition, the Group's Islamic residential property financing had improved by 60.5% to RM350.8 million, while Islamic consumption credit rose to RM443.5 million against RM77.8 million in March 2003.

Aggressive efforts in promoting deposits-*i* products had resulted in the growth of market share from 20.1% to 31.5%, with our deposit investment product, Afdhal Investment Account-*i*, contributing the largest proportion of 46.3% of total deposits. Our total deposits grew by almost 142.7% to RM4.8 billion as compared to RM2.0 billion recorded last year, mainly to support the financing growth.



In the retail segment, we launched an innovative deposit investment product, Value Plus Investment Account-*i* in October 2003. Offering high potential returns, the product combines the benefits of General Investment Account-*i*, and AmIltikal. Similarly, the Al-Taslif credit card too registered impressive card growth.

For the convenience of our customers, we added two new e-payment services for Pusat Zakat Selangor and Pusat Zakat Negeri Sembilan to complement the existing service for Majlis Agama Islam Wilayah Persekutuan. We are also working to widen this service to include other states.

The Group also actively participated in various activities aimed at increasing public awareness of Islamic Banking products and services and enhancing the acceptance rate. For example, we participated in the production of 'Kewangan Islam', which was aired on TV3 in September 2003. There were 11 episodes altogether, with the first episode featuring the Chairman, Y Bhg Tan Sri Dato' Azman Hashim, in an interview on Islamic Banking. Amongst the products that were featured include, Am50Plus Deposit Investment Account-*i*, Al-Taslif Credit Card-*i*, and Islamic Private Debt Securities (IPDS).

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In the same month, The Association of Islamic Banking Institutions Malaysia (AIBIM) organised Islamic Banking and Takaful Week 2003 (IBTW). This prestigious event is held once every two years to promote greater awareness on Islamic banking and takaful. Various events, including an EXPO, were held. The Group's booth was very popular amongst the visitors, and we were honoured with the 'Best Booth Award'.

The Group was the Official Bank and Forex Agent at the Expo OIC 2003 in October at Putrajaya. We also participated in the OIC Business Forum and played host at the OIC Business Forum Dinner along with Malaysia South-South Association (MASSA).

On the Islamic investment banking front, AmMerchant Bank recently garnered the Top Lead Manager – No of Islamic Issues and Top Lead Manager – Value of Islamic Issues Awards in the Ratings Agency Malaysia (RAM) League Awards 2004. AmMerchant Bank was the lead manager for six (6) Islamic private debt securities (IPDS) totalling RM5.10 billion which is close to 25.0% of all IPDS rated by RAM in 2003. AmInternational, our off-shore banking subsidiary in 2002 was the sponsor of the first USD global Islamic sovereign bond offering from the government of Malaysia which was listed on the Labuan International Financial Exchange.

We intend to aggressively build on our significant footing in the Islamic banking arena to become the premiere Islamic banking institution in the country.

## INSURANCE

In the financial year ended 31 March 2004, AmAssurance Berhad (AmAssurance) achieved a profit before tax of RM35.3 million (FY 2003: RM13.5 million).

Total combined gross premium grew further by 44.0% to RM581.9 million (FY 2003: RM403.4 million). Our General business constituted 56.0% of the total business and the remaining 44.0% was from the Life business. Total assets of the company increased by 34.0% to RM1.2 billion (FY 2003: RM903.5 million). The life insurance fund registered a growth rate of 39% to reach RM765.8 million (FY 2003: RM549.1 million).

The most dominant business sector remains the motor insurance business which accounted for 72.0% of gross premiums (FY 2003: 61.0%) and registering robust growth of 75.0% to RM233.5 million (FY 2003: RM133.6 million) despite a slowdown in motor vehicles sales. The increased business is largely attributable to product-bundling with retail hire purchase loans.

Our life insurance business has maintained its growth momentum by ending the year with a premium income growth of 38.0% to RM255.8 million (FY 2003: RM185.6 million). The life policyholders fund grew by 36.0% to RM631.9 million (FY 2003: RM463.1 million).

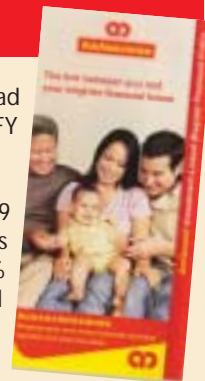
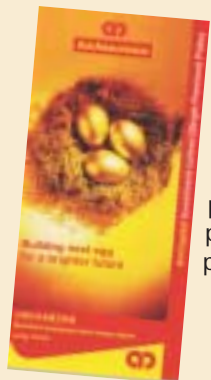
During the year, AmAssurance launched its first investment-linked products namely AmCapital and AmGrowth. AmCapital is a single premium policy while AmGrowth is a regular premium policy. The prevalent low interest rate environment has created an opportunity for

AmAssurance to offer alternative savings product to the public. Investment-link products are fast gaining popularity among the consumers as they provide the best of both worlds i.e. investment opportunity as well as insurance protection. They also allow flexibility, in that a policyholder has the option to choose the type of funds to invest in.

In order to enhance service delivery and improve persistency rate of existing business, a new Business Quality Department was established. The objective is to retain existing business by taking proactive efforts to prevent policies from lapsing. Among the successful programs initiated in the year are:

- **SMS alert**  
This mobile insurance service will send notices and reminders via SMS to policyholders on policy renewals and lapse notification.
- **Customer Education Program**  
All new policyholders will receive insurance educational materials periodically. This is crucial to maintain their interest and to promote their awareness of the various type of insurance protection available to meet their requirements.
- **AmAuto**  
This enables motor insurance agents to issue cover notes and monitor production via Internet. It also facilitates the submission of cover note information to the Road Transport Department electronically.
- **AmEsipay**  
This new service enables existing policyholders to merely make a telephone call to the Call Centre to renew their Life or Motor insurance policy. It also accepts repayment for policy loan and automatic premium loan.

Moving forward, the insurance business would continue to see story premium growth as the group continues to step up cross-selling activities and promote bancassurance business.





## INFORMATION COMMUNICATION TECHNOLOGY & OPERATIONS

The Group continues to utilise Information and Communication Technologies (ICT) to build and maintain its competitive edge while placing high importance on the governance of IT. Overall capital expenditure increased to RM48.3 million in FY2004, as compared with RM42.4 million in the previous year. Operating expenditure had reduced significantly from RM140.7 million in the previous year to RM127.4 million for FY2004, denoting leaner IT operations across the Group.

The Group has developed a new IT investment framework to promote accountability, consistency and transparency in decision making and to ensure better use of capital in light of the growing importance of IT in the Group's operations.

The following were some of the major IT projects implemented during the year:

- The Investment Banking Group introduced a web-based Corporate Finance Compliance and Operations workflow system to boost operational efficiency and maintain high standards for regulatory compliance.
- Expansion of the Bank Branch Broking initiative and the new Brokerage Remisier System's IT infrastructure facilities provides timely action-oriented information and the means to keep in close touch with clients.
- The new Unit Trust system, once online, will allow unit trust clients seamless access to account information that is integrated on a single statement. With Straight-Through-Processing (STP) to accounting systems, the new system offers increased operational efficiency at the back-office, while providing customers a single integrated statement.
- Four data centres were consolidated into two centres resulting in savings of about RM180,000.00 per year in operating costs and RM900,000.00 per year in manpower. Data Centres were upgraded with state-of-the-art technologies and security measures. Network upgrades were also performed in tandem with continuous business growth.
- The electronic loan origination system (eLoan) that automates retail loan application processing for credit cards, housing loans and hire-purchase products will enable faster approval turnaround time.
- To provide faster service, customer signatures are now online, eliminating the need for signature specimen card retrieval, thus reducing customer waiting time.



- An Automated Legal Electronic Recovery Tracking (ALERT) system was implemented to aid the legal process and expedite recovery of receivables.
- A new IT initiative has allowed our motor insurance agents to issue cover notes and monitor production through the Internet, giving them the anytime, anywhere advantage. Cover note data may also be transmitted electronically to JPJ for timely processing.
- Communications with our policyholders on payment related information has now been improved through the implementation and use of Short Messaging Service (SMS), allowing them to be kept informed on payment information while on the go.

## HUMAN RESOURCES

The Group recognises that our people are our most valuable resource. We have identified the following themes to provide focus to the development of a motivated and engaged workforce:

- **Perpetuating a Culture of Performance**  
In order to develop a performance orientation culture amongst employees, infrastructure to drive and support the tracking and monitoring of performance at the various levels is critical. A transparent and structured performance management system that is linked to performance based rewards will assist the Group to identify and differentiate performers from those who are not.  
  
Plans are underway to ensure acquisition and enhancement of both technical and behavioral skills within the system to perpetuate this culture. The Group is refining processes, systems and tools to facilitate this.
- **Permeating a Sales-Orientated and Customer Focused Workforce**  
The Group believes that a sales orientated workforce is imperative to meet the Group's business targets and goals. Underpinned by an attractive incentive structure for rewards, employees are constantly trained to upgrade customer service standards.



- **Enhancing Preferred Attributes in Employees**

Accessibility to a future pool of effective and capable leaders is critical to ensure business continuity. Taking a long term view of leadership development whilst wanting to attract, retain and enhance the best available talent, structured training programmes have been designed for the development of employees in the organisation. Programmes for identified talent will further enhance the performance of the employees and assist them in their career paths with the Group in a collaborative manner.

Given the importance placed on learning and staff development, the Group has invested in the creation of a leadership centre to provide a conducive and dedicated environment for the training and development of employees.

- **Empowering and Motivating Employees**

Employee empowerment is a key theme in our employee development strategy. With continual emphasis on accountability and responsibility at all levels, the Group aims to continue creating challenges and opportunities for all its employees to grow and realise their potential.

## ENVIRONMENTAL CONSCIOUSNESS

Due to the nature of the Group's businesses, it is unavoidable that the Group consumes a significant amount of paper. Notwithstanding this, the Group has always encouraged the recycling and reutilization of paper. Each department in the Group is encouraged to reutilize paper for non-essential hardcopies. Documents, publications and all other discarded paper materials from the Group's subsidiaries are collected for recycling by an appointed third party paper recycler.

In addition, the Group continues to implement initiatives to reduce the usage of paper through the utilization of Information Technology (IT). The Group's IT infrastructure allows for the inter-departmental transmission of memos and the sharing of electronic folders which has helped reduce the amount of paper the Group uses for internal communications. These initiatives are part of the Group's long term objective to strive towards a paperless environment.

The Group continues to adhere to its energy conservation policies in reducing the wastage of electricity. One such measure is the reducing the number of functioning elevator and air conditioning units during non-office hours to save electricity.



# Notables

## Award/Recognition

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AmMerchant Bank Berhad was awarded the 'Best Bond House 2003' in Malaysia by FinanceAsia Magazine's Country Awards 2004.

## Accredited by

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*FinanceAsia Magazine on June 2004*



## Award/Recognition

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AmMerchant Bank Berhad was ranked first in four categories:

- 1) Top Lead Manager 2003 for Most Number of Issues
- 2) Top Lead Manager 2003 for Largest Issue Value
- 3) Top Lead Manager 2003 for Most Number of Issues (Islamic)
- 4) Top Lead Manager 2003 for Largest Issue Value (Islamic)

## Accredited by

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*Rating Agency Malaysia (RAM) on June 2004*



## Award/Recognition

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AmBank Berhad was accorded the Runner-up title in The 2004 Asian Banking Awards: for the Marketing, PR or Brand Management Project category for the "Let's Duit!" submission.

## Accredited by

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*Asian Bankers Association (ABA) on March 2004*



## Award/Recognition

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AmBank Group received the KLSE Corporate Awards 2003 Merit Award.

## Accredited by

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*Bursa Malaysia Securities Berhad on March 2004*





### **Award/Recognition**

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"Let's Duit!" Campaign won the 'Best Campaign' in Malaysia Award at the regional Promotion Marketing Awards of Asia (PMAA) in Singapore.

### **Accredited by**

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*Promotion Marketing Awards of Asia (PMAA) on December 2003*

### **Award/Recognition**

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AmBank Group was placed among the Top 10 ranking in the category 'Innovative in Responding to Customer Needs in Malaysia' in Far Eastern Economic Review's 11th annual REVIEW 200 rankings of Asia's leading companies.

### **Accredited by**

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*Far Eastern Economic Review (FEER) on December 2003*

### **Award/Recognition**

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AmMerchant Bank Berhad topped the Bloomberg's Underwriter League Tables for the first half of 2004 in three categories:

- 1) Malaysian Ringgit Bonds
- 2) Malaysian Ringgit Debt and Equity Linked Issues
- 3) Malaysian IPOs

### **Accredited by**

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*Bloomberg on 2004*

### **Award/Recognition**

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AmMerchant Bank Berhad took the top spot in the Dealogic Equity Bookrunner League Table-Malaysia.

### **Accredited by**

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*Dealogic Equity Bookrunner on 2004*

### **Award/Recognition**

---

AmMerchant Bank Berhad emerged top of Malaysia Rating Corp Berhad's (MARC) Lead Manager Table for the first half of 2004.

### **Accredited by**

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*Malaysian Rating Corp Berhad (MARC) on 2004*

# Corporate Social Responsibility

## AmBank Group's Fiesta Harmoni

The celebration to usher in the New Year 2004 was the brainchild of Tan Sri Dato' Azman Hashim. The Prime Minister of Malaysia, Y A B Dato' Seri Abdullah Ahmad Badawi graced the celebration, which was filled with live music, multicultural performances, energetic dances and magnificent fireworks was held at Dataran Merdeka, Kuala Lumpur with the presence of a strong crowd of over 100,000 people.



Tan Sri Dato' Azman Hashim (left) ushering in the New Year with Y A B Dato Seri Abdullah Ahmad Badawi, Prime Minister of Malaysia, as well as Y Bhg Dato' Hj Mohamad Shaid Mohd Taufek (extreme right), Mayor of Kuala Lumpur, at Dataran Merdeka.

The event was also graced by the Mayor of Kuala Lumpur and attracted a crowd of diverse backgrounds as well as different generations - an ideal concept of entertainment for the whole family. Playing the role of a caring corporate citizen, AmBank Group marked a milestone in the industry as the first ever banking group to embark on such an effort. The event witnessed the successful collaboration between a private organisation and the Government sector as a symbol of Malaysia Incorporated.

The over 100,000 crowd at Dataran Merdeka which gathered for the 2004 New Year countdown.





Tan Sri Dato' Azman Hashim presenting a mock cheque to Y A Bhg Datin Paduka Seri Endon Mahmood, Chairman of Yayasan Budi Penyayang Malaysia.

In expressing concern for the plight of the less fortunate, the Group provided its continuous support to the management of Rumah Berkat, Hospital Kuala Lumpur (HKL) in its noble cause to helping the needy.

On the same note, through the Group's investment arm, AmInvest launched the Malaysian Charity Draw (MCD) promotion to assist Persatuan Pemulihan Orang-orang Cacat Selangor dan Wilayah Persekutuan (PPOC) to raise funds for six charitable organisation projects. AmBank Group also extended assistance towards Yayasan Pembangunan Masyarakat Kubang Pasu (YPMKP), a fund-raising organisation.

In the field of health, AmBank Group provided financial assistance to the Tuanku Syed Putra - NKF Dialysis Centre for the improvement of facilities of the centre. The Group also contributed towards a charity dinner organised by the Malaysian Liver Foundation (MLF), helping create awareness on liver diseases.

Contributions were also made to promote sports and recreational activities in the country such as the local equestrian sports arena for the Malaysian Open 2003 and Merdeka Masters 2003. The Group also participated in The Edge Kuala Lumpur Rat Race 2003 and the Malay Mail Big Walk 2003.

On the international scene, the Group contributed and participated at the 10th Organisation of the Islamic Conference (OIC) Summit as the Official Bank and Forex Agent at the OIC Expo. The Group also played an active role in the OIC Business Forum.

In its recognition of women's role in business and sports, the Group provided assistance towards Yayasan Budi Penyayang Malaysia to support the local Batik textile industry and the Antarctica Solo Expedition for Peniagawati respectively.



Datin Maznah Mahbob, CEO of AmInvest (right) and Y Bhg Datin Tina Ali, Organising Chairman of PPOC (left) at the launch of the Malaysian Charity Draw (MCD).

# Calendar of Events



## Business Activities

April 2003 to June 2004

### April 2003

- AmMerchant Bank launched AmPrivate Banking, a new business unit which provides personalised solutions to fulfil customers' holistic financial goals
- AmBond declared a final income distribution of three sen to its unit holders

### May 2003

- AmMerchant Bank was appointed the Facility Agent for the RM3.75 billion Credit Facility for Telekom Malaysia
- AmInvest's premier bond fund, AmBond reached the RM1.0 billion mark
- AmMerchant Bank and the Macquarie Bank Group jointly launched the Am-Macquarie Sovereign Plus, the first primary listing of an open-ended fund on the Labuan Financial Exchange. AmInternational (L) Ltd is the Listing Sponsor for the Fund
- The Group participated as the Corporate Sponsor in the Annual Banking Summit organised by Asia Strategic Leadership Institute (ASLI)

### June 2003

- AmMerchant Bank acted as the Adviser and Sole Arranger for the RM4.06 billion Bai' Bithaman Ajil Notes Issuance for K.L. International Airport Berhad
- The AmBank Group launched the 'Customer First' Campaign in conjunction with the airing of the Group's series of TV commercials on local television channels
- AmBank Group launched Financial Planning Services to offer customers advice on relevant products offered by the subsidiaries of the Group
- The Group launched the Redhall Gallery Card, Malaysia's first Mall-on-Call concept using interest free credit card

- AmMerchant Bank acted as the Adviser, Managing Underwriter and Placement Agent for the listing of Pembinaan Jayabumi (Sarawak) Berhad on the Second Board of the Bursa Malaysia Securities Berhad (Bursa Securities, formerly known as Kuala Lumpur Stock Exchange and/or Malaysia Securities Exchange Berhad)
- APP Industries Berhad was listed on the Second Board of Bursa Securities by AmMerchant Bank, the Adviser, Managing Underwriter and Placement Agent
- AmMerchant Bank was the Adviser, Managing Underwriter and Placement Agent for the listing of Pentamaster Corporation Berhad on the Second Board of Bursa Securities
- AmMerchant Bank was also the Adviser, Managing Underwriter and Placement Agent for the listing of Englotechs Holdings Berhad on the Second Board of Bursa Securities
- For the listing of Parade Season Berhad on the Second Board of Bursa Securities, AmMerchant Bank acted as the Adviser and Managing Underwriter
- AmMerchant Bank acted as the Adviser, Managing Underwriter and Placement Agent for the listing of BLD Plantation Berhad on the Main Board of Bursa Securities

Tan Sri Dato' Azman Hashim, AmBank Group Chairman exchanging underwriting agreements with Y Bhg Tan Sri Dato' Ahmad Johan, Chairman of Pembinaan Jayabumi Sarawak Berhad to mark the tie-up.





- Coastal Contract Berhad was listed on the Main Board of Bursa Securities with AmMerchant Bank as its Adviser, Managing Underwriter and Placement Agent
- AmMerchant Bank was the Adviser and Placement Agent for the listing of Crest Builder Holdings Berhad for its listing on the Main Board of Bursa Securities
- AmMerchant Bank also acted as the Adviser, Sponsor, Managing Underwriter and Placement Agent for the listing of Orisoft Technology Berhad on the MESDAQ Market of Bursa Securities
- AmBon Islam completed its final three sen income distribution to unit holders
- The AmBank Group acquired the Expérian credit scoring solution from the consortium of KPMG and Expérian

#### July 2003

- AmMerchant Bank acted as the Adviser, Managing Underwriter and Placement Agent for the listing of Hiap Teck Venture Berhad on the Main Board of Bursa Securities
- AmBank Group announced the winners of the AmBank Group AmAZING Contest
- For the flotation exercise of Salcon Berhad on the Main Board of Bursa Securities, AmMerchant Bank acted as the Adviser, Managing Underwriter and Placement Agent
- AmMerchant Bank was the Adviser, Managing Underwriter, and Placement Agent for the listing of Luster Industries Berhad on the Main Board of Bursa Securities
- Naim Cendera Holdings Berhad was listed on the Main Board of Bursa Securities with AmMerchant Bank as its Adviser, Managing Underwriter, and Placement Agent
- AmMerchant Bank acted as the Adviser, Managing Underwriter, Underwriter, and Placement Agent for the flotation exercise of AWC Facility Solutions Berhad on the Second Board of Bursa Securities

- AmMerchant Bank was the Adviser, Managing Underwriter, and Underwriter for the Rights Issue of 40,000,000 new ordinary shares of Bina Puri Holdings Berhad at RM1.00 each on the Main Board of Bursa Securities
- AmAssurance recorded a 39.0% growth in premium totaling RM43.0 million for the financial year ended 31 March 2003

#### August 2003

- The AmAssurance Agency Career Development Programme was launched
- AmFinance branches throughout Malaysia started offering conventional and Islamic current account facilities
- The second "Let's Duit!" Campaign and Roadshow was launched with successful applicants receiving gift vouchers for mobile phones

#### September 2003

- AmInvest launched three new funds: AmBalanced, AmConservative, and AmDynamic Bond, increasing its total number of funds to 13
- AmBank Group and Swedish Marque, dealer of Volvo Cars, announced a strategic tie-up to introduce the exclusive 'StarPlus' package
- AmAssurance made history, as one of its agents' signboard in Johor Bahru was recorded in the Malaysia Book of Records as the longest signboard in Malaysia
- AmMerchant Bank acted as the Adviser, Managing Underwriter and Placement Agent for the listing of PMB Technology Berhad on the Second Board of Bursa Securities
- Scope Industries Berhad was listed on the Second Board of Bursa Securities with AmMerchant Bank as its Adviser, Managing Underwriter and Placement Agent



▲ Tan Sri Dato' Azman, AmBank Group Chairman, (second from right), flanked by local and foreign dignitaries who attended the OIC Business Forum.

AmBank Group Deputy Chairman, Dato' Azlan Hashim, presents a mock cheque to YB Dato' Seri Syed Hamid Albar, Minister of Foreign Affairs, as AmBank Group extends assistance as the Official Bank and Forex Agent at the EXPO OIC.



### October 2003

- AmBank Group participated as the Official Bank and Forex Agent of the OIC Summit Expo and the OIC Business Forum organised by the Asia Strategic Leadership Institute (ASLI)
- TPC Plus Berhad was listed on the Second Board of Bursa Securities with AmMerchant Bank as its Adviser, Managing Underwriter and Placement Agent
- AmMerchant Bank acted as the Adviser, Underwriter, Managing Underwriter and Placement Agent for the listing of JSPC i-Solutions on the MESDAQ Market of Bursa Securities
- Mol AccessPortal Berhad was listed on the MESDAQ Market of Bursa Securities with AmMerchant Bank as its Adviser, Underwriter, Managing Underwriter and Placement Agent
- AmSecurities Sdn Bhd and AmResearch organised the Investors Conference 2003
- AmBank Group participated in the Islamic Banking and Tafakul Week (IBTW) expo and contributed RM56,900
- AmBank Group participated in the SMI Exhibition
- AmBank Group also participated in the SME International Trade Fair 2003
- AmMerchant Bank acted as the Principal Adviser and Lead Arranger for the Issuance of the Bithaman Ajil Islamic Debt Securities with NPE Sdn Bhd and the Road Builder Group
- AmMerchant Bank acted as the Lead Arranger and Adviser for the AHB rights and bonus issues

### November 2003

- AmBank Group launched AmMobile, which enabled Celcom prepaid customers to recharge their prepaid airtime value and network access automatically via SMS

### December 2003

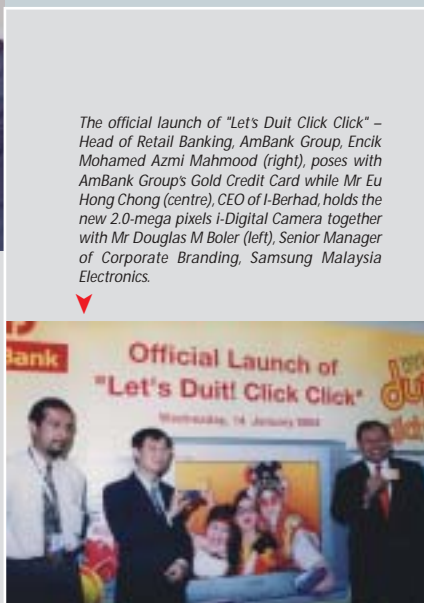
- AmBank Group's "Let's Duit" credit card campaign won the 'Best Campaign in Malaysia Award' at the regional Promotion Marketing Awards of Asia (PMAA) event in Singapore
- AmBank Group was ranked among the Top 10 companies in the category of 'Innovative in Responding to Customer Needs in Malaysia' for Far Eastern Economic Review's 11th annual REVIEW 200 rankings of Asia's leading companies
- Ire-Text Corporation Berhad was listed on the Second Board of Bursa Securities with AmMerchant Bank as the Adviser, Managing Underwriter, Underwriter and Placement Agent
- AmMerchant Bank acted as the Adviser, Managing Underwriter, Underwriter and Placement Agent for the listing of DBE Gurney Resources Berhad on the Second Board of Bursa Securities

### January 2004

- AmMerchant Bank signed a subscription agreement with SI Capital for the successful arrangement of RM310.0 million Financing Facilities for SI Capital Sdn Bhd
- AmBank Group launched its third "Let's Duit" campaign, "Let's Duit Click Click", which extended welcome gifts to every approved card member
- AmBank Group launched a new fund, AmConstant, a three-year tenure closed-end fund
- AmBank Group appointed Unisys to strengthen the Group's Customer Relationship Management System (CRMS)
- AmAssurance launched its Investment-linked products - AmCapital and AmGrowth
- AmMerchant Bank acted as Adviser, Underwriter, Managing Underwriter, and Placement Agent for the flotation exercise of Lebar Daun Berhad on the Second Board of Bursa Securities



▲ A successful signing – Group Managing Director, Mr Cheah Tek Kuang (extreme left), exchanges documents with Sarawak Deputy State Financial Secretary, Y Bhg Datu Ahmad Tarmizi Sulaiman, at the SI Capital Sdn Bhd Signing Ceremony for the successful arrangement of the RM310.0 Million Financing Facilities, witnessed by Deputy Chief Minister of Sarawak, YB Tan Sri Datuk Amar Dr George Chang Hong Nam (second from left), while Sarawak Deputy State Secretary, Y Bhg Datu Wilson Baya Dandot (third from left) looks on.



▼ The official launch of "Let's Duit Click Click" – Head of Retail Banking, AmBank Group, Encik Mohamed Azmi Mahmood (right), poses with AmBank Group's Gold Credit Card while Mr Eu Hong Chong (centre), CEO of I-Berhad, holds the new 2.0-mega pixels i-Digital Camera together with Mr Douglas M Boler (left), Senior Manager of Corporate Branding, Samsung Malaysia Electronics.



▲ Encik Mohamed Azmi Mahmood, Head of Retail Banking, AmBank Group, (left) and Datin Maznah Mahbob, CEO of AmlInvest, at the launch of the AmConstant fund.



Ushering in good luck for homebuyers is Encik Mohamed Azmi Mahmood, Head of Retail Banking, AmBank Group, alongside the 'lion' at the launch of the enhanced housing loan package - 'HomeFree'.

Encik Mohamed Azmi Mahmood, Head of Retail Banking, AmBank Group, (extreme left) and Y Bg Datuk Abu Samah Bachick, Chairman, PUSPAKOM, exchange documents at the AmFinance-PUSPAKOM signing ceremony of a strategic alliance agreement, whilst Y B Tan Sri Dato' Seri DiRaja Ramli Ngah Talib, former Deputy Minister of Transport (third from left); Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (second from left); Y Bg Tan Sri Dato' Seri (Dr) Mohd Saleh Sulong, DRB-HICOM Group Chairman (fourth from left) look on.



Group Chairman Tan Sri Dato' Azman Hashim (third from left) alongside the other speakers at the ASLI Leadership Forum. From left to right: John Bonnel, Partner of Automotive Resources Asia Ltd, Bangkok; Dr Darwin Silalahi, CEO and Senior MD of Booz Allen Hamilton Indonesia; and Tony Fernandes, CEO of AirAsia Sdn Bhd.



#### February 2004

- The Group launched an enhanced housing loan package 'HomeFree', offering a host of benefits
- AmFinance signed a strategic alliance agreement with PUSPAKOM to introduce compulsory PUSPAKOM inspections on all used cars prior to approval of financing facilities
- AmMerchant Bank was the Adviser, Managing Underwriter and Placement Agent for the listing of Seal Polymer Industries Berhad on the Main Board of Bursa Securities
- AmMerchant Bank acted as Adviser, Underwriter and Managing Underwriter for the listing of Pelangi Publishing Group Berhad on the Second Board of Bursa Securities
- AmMerchant Bank also acted as Adviser, Underwriter and Managing Underwriter for the listing of Boon Koon Group Berhad on the Second Board of Bursa Securities

#### March 2004

- Group Chairman, Tan Sri Dato' Azman Hashim, moderated a session of the ASEAN Leadership Forum organised by the Asian Strategy and Leadership Institute (ASLI) and ASEAN Business Forum (ABF), in association with the ASEAN Secretariat
- AmMerchant Bank signed an agreement for the arrangement of the RM1.5 Billion Murabahah Notes Issuance Facility for Putrajaya Holdings Sdn Bhd (PJH)



◀ A mutually beneficial partnership – YB Datuk Hj Mohd Shafie Hj Apdal, Minister of Domestic Trade and Consumer Affairs (third from left) and Y Bhg Tan Sri Dato' Seri (Dr) Mohd Saleh Sulong, Group Chairman, DRB – Hicom Berhad (fifth from left) take a look at the agreement, whilst representatives from the other financial institutions, including Encik Mahdi Murad, Executive Director, AmFinance Berhad (fourth from left) look on at the AmFinance – Puspakom implementation of its compulsory used-car inspection scheme.



▲ Mr Kok Tuck Cheong, Executive Director, AmMerchant Bank and Y M Raja Shamsul Kamal, Chairman, Goodway exchange documents, whilst Mr Ng, Executive Director, KAF-Seagroatt & Campell (second from left) and Mr Tai, CEO/Managing Director of Goodway look on, at Goodway's listing exercise signing ceremony.

◀ Media Visit – The PUSPAKOM – AmFinance Inspection Scheme.

#### April 2004

- AmMerchant Bank signed an underwriting agreement with DK Leather Corporation Berhad for a flotation exercise on the Main Board of Bursa Securities. AmMerchant Bank was the Adviser, Managing Underwriter and Placement Agent
- AmBank Group signed an alliance agreement with NasionCom Berhad, which allowed existing AmBank Group's corporate customers to pay their bills online through AmDirect Online Banking
- AmMerchant Bank acted as the Adviser, Managing Underwriter and Placement Agent for the listing on Ibraco Berhad on the Main Board of Bursa Securities

#### May 2004

- AmMerchant Bank signed an underwriting agreement with Setia Putrajaya Sdn Bhd for the syndication of RM240.0 million credit facilities
- AmMerchant Bank signed a Memorandum of Understanding (MOU) for the arrangement of the Proposed Mudharabah Municipal Bonds Programme for the Pasir Gudang Local Authority

#### June 2004

- AmMerchant Bank came out tops in four different categories for Rating Agency Malaysia's RAM Inaugural League Award 2004, which paid tribute to players of the Debt Capital Market
- AmBank Group appointed Y Bhg Dato' James Lim Cheng Poh as AmBank Berhad's new Chief Executive Officer/Managing Director and Albert Quah Chei Jin as Group Chief Financial Officer with effect from 15 June 2004 and 20 May 2004 respectively
- AmFinance joined six other financial companies in introducing compulsory PUSPAKOM inspections on all used cars prior to approval of financing facilities
- AmBank Group announced the April winner for the "Let's Duit Dream Charge" contest

- AmMerchant Bank acted as Adviser, Managing Underwriter, Underwriter and Lead Arranger for the flotation exercise of Hi-City Bioscience Group Berhad on the Second Board of Bursa Securities
- Listing of DPS Resources Berhad on the Second Board of Bursa Securities with AmMerchant Bank as the Adviser, Managing Underwriter and Placement Agent
- AmMerchant Bank acted as Adviser and Managing Underwriter for the listing of Goodway Integrated Industries Berhad (Goodway) on the Second Board of Bursa Securities
- Datascan Berhad was listed on the MESDAQ Market of the Bursa Securities with AmMerchant Bank acting as the Adviser, Sponsor, Managing Underwriter and Placement Agent

▼ Tan Sri Dato' Azman Hashim (extreme right) shakes hands with Puan Deanna Ibrahim, Group Chairman, Ibraco Berhad while Encik Wan Kamal Ibrahim bin Wan Alwi Ibrahim, Group Managing Director and Chief Executive Officer looks on.



# Social and Sports Activities

April 2003 to  
June 2004

## April 2003

- AmBank Group Southern Region organised 'The Nite of Brilliant Rouge and Sparkling Jaune', the annual regional dinner
- AmFinance Pulau Pinang organised an outing for its Savers' G.a.n.g. members to the War Museum, Pulau Pinang
- AmBank Group was the Champion for Division in the National Banks Sports Council Football League

## May 2003

- AmAssurance organised its 15th National Convention to celebrate its agents and agency leaders
- The Group contributed RM10,000 to the Sultanah Bahiyah's Foundation via AmBank Foundation (formerly Yayasan Arab-Malaysian)
- MMA Foundation receives a hand from the Group via a contribution of RM100,000
- Kelab AmBank Group organised its annual Treasure Hunt to Kuantan, Pahang, the first of two hunts, themed "Let's Duit"
- AmBank Group's Hockey Team came in third in the Inter-Financial Institutions League

## June 2003

- Kelab AmBank Group organised its second Treasure Hunt, thus marking a historic milestone for Kelab AmBank Group as it is the first time that two hunts were organised in a year

## July 2003

- Savers' G.a.n.g. members from Melaka were treated to an educational trip to TV3 and the National Science Centre, Kuala Lumpur
- AmFinance branches in Perak took their Savers' G.a.n.g. accountholders to Perpustakaan Awam Negeri Perak
- AmAssurance organised a 'Gotong-Royong Programme' to help clean-up Rumah Anak-Anak Yatim Kota Tinggi, Johor. AmAssurance also contributed RM3,000 to Pertubuhan Kebajikan Anak-Anak Yatim Islam Kota Tinggi, Johor, to assist them in their day-to-day operations



▲ Children (above) and staff (below) having fun at AmBank Group's Region 5 Family Day, Kuantan.





◀ Former Prime Minister Y A Bhg Tun Dr Mahathir Mohamad sits alongside the other contributors of Yayasan Pembangunan Masyarakat Kubang Pasu (YPMKP) including Tan Sri Dato' Azman Hashim, Chairman of AmBank Group (standing, second from right).

#### August 2003

- AmInvest participated in the Malaysian Charity Draw (MCD), a charity project by the Persatuan Orang-orang Cacat Selangor dan Wilayah Persekutuan (PPOC) to raise funds for six charitable organisation projects
- The Group contributed RM5,000 to the Malay Mail Big Walk 2003, which drew a crowd of 10,000 participants
- AmBank Group participated in The Edge Kuala Lumpur Rat Race 2003, sending a team of five runners
- Kelab AmBank Group organised AmBagus 2003, a popular annual singing competition for sports club members and staff
- AmAssurance launched the Agency Career Development Programme to provide full support in assisting agents in developing their customer base.

#### September 2003

- The Kelab AmBank Group Inaugural Futsal Tournament was held and attracted 66 teams from AmBank Group staff
- The Association of Banks in Malaysia (ABM), Association of Finance Companies of Malaysia (AFCM) and Association of Merchant Banks in Malaysia (AMBM) organised an Appreciation Dinner for Y A Bhg Tun Dr Mahathir bin Mohamad (former Prime Minister)
- The Kelab AmBank Group Athletics Meet was held, with some 500 members and senior management in attendance
- The Fourth Annual AmBank Group Challenge 2003 was organised by Kelab AmBank Group

#### October 2003

- Savers' G.a.n.g. members were treated to a visit to the TUDM Air Base in Pahang
- AmBank Group contributed RM75,000 to the 10th Organisation of the Islamic Conference (OIC) Summit and participated as the Official Bank and Forex Agent
- AmBank Group contributed RM250,000 towards Yayasan Pembangunan Masyarakat Kubang Pasu (YPMKP), a fund-raising organisation
- Kelab AmBank Group organised a trip to Zoo Negara and GSC Midvalley Megamall for the underprivileged
- AmBank Group Hockey Team emerged as Champions in the Kuala Lumpur Hockey Association (KLHA) Division II League 2003

▼ Underprivileged children having fun with a camel at the Kelab AmBank Group trip to Zoo Negara.





◀ Fiesta Harmoni 2004 – The crowd greeting the New Year at Dataran Merdeka.



▲ Traditional dancers of Dewan Bandaraya Kuala Lumpur (DBKL) gracing Fiesta Harmoni at Dataran Merdeka.

#### November 2003

- Kelab AmBank Group held a 'Majlis Berbuka Puasa' in conjunction with the holy month of Ramadhan with staff at Bagunan AmBank Group
- AmBank Group played host to five officials from Malawi's Central Bank during their visit to Bangunan AmBank Group

#### December 2003

- The Prime Minister, Y A B Dato' Seri Abdullah Ahmad Badawi joined AmBank Group's Fiesta Harmoni to usher in 2004 at Dataran Merdeka
- AmBank Group contributed RM20,000 towards the Malay Chamber of Commerce Malaysia
- AmBank Group contributed RM50,000 towards Yayasan Budi Penyayang Malaysia to support the local Batik textile industry
- Tan Sri Dato' Azman Hashim and wife, Y M Tunku Arishah Tunku Maamor, held an 'open house' in conjunction with the Hari Raya Aidilfitri celebrations



Dancers witnessing the fireworks display at Fiesta Harmoni 2004. ▶



◀ AmBank Group in sports: Encik Mohamed Azmi Mahmood, AmBank Group's Head of Retail Banking is introduced to the players at the Kelab AmBank Group Inaugural Futsal Tournament.



Children's coconut bowling at the Region 5 Family Day, Kuantan.

#### January 2004

- Kelab AmBank Group organised its third Kelab AmBank Group Golf Tournament

#### February 2004

- AmBank Group participated in the Seminar on Islamic Consumer Banking, attended by Encik Ahmad Zaini Othman, Senior General Manager, AmBank Berhad
- Six officials from the Kyrgyz Republic paid a visit to AmBank Group and were briefed on the Islamic Banking Activities of the Group
- The Association of Merchant Banks in Malaysia (AMBM), the Association of Finance Companies of Malaysia (AFCM), and the Association of Banks in Malaysia (ABM) co-organised a dinner for Y Bhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, the Governor of Bank Negara Malaysia

#### March 2004

- AmBank Group contributed RM73,195.40 to Rumah Berkat, Hospital Kuala Lumpur (HKL) to improve its day-to-day running as well as facilities
- AmInvest launched the Malaysian Charity Draw (MCD) promotion to assist Persatuan Pemulihan Orang-orang Cacat Selangor dan Wilayah Persekutuan (PPOC) in their fund-raising project
- Kelab AmBank Group held two Blood Donation Drives to raise awareness on the importance of donating blood



▲ For the community: Kelab AmBank Group (KAG) Blood Donation Drive – Encik Ahmad Zaini, KAG President 2003/2004 looks on whilst a nurse attends to a blood donor.



◀ Tan Sri Dato' Azman Hashim, Chairman of AmBank Group (third from left), hands the mock cheque to Y Bhg Tan Sri Dato' Lee Lam Thye, Chairman, Visitors' Board, HKL (second from left), while Encik Harolhanam Bin Mohamed Wahid, Chairman of Rumah Berkat HKL and Puan Noor Majidah Binti Wallad, Deputy Director of HKL, look on.





▲ The Kelab AmBank Group treasure hunters before flag-off at the National Science Centre, Bukit Kiara.

#### April 2004

- Kelab AmBank Group organised its annual Treasure Hunt for members from Kuala Lumpur to Pulau Pinang, with 428 members in 107 cars participating

#### May 2004

- AmAssurance organised its 16th AmAssurance National Convention 2003 in celebration of a commendable growth
- Staff gathered to celebrate AmBank Group's Region 5 Family Day 2004 in Kuantan, creating a strong crowd of 1,260 people

#### June 2004

- Kelab AmBank Group organised its 1st Regional Sports Carnival 2004 at the Penang Free School in Georgetown, Pulau Pinang
- 761 staff and family members of AmBank Group participated in Region 2 Family Day at the Clearwater Sanctuary Golf Resort in Batu Gajah, Perak



◀ Three-legged race for children at the Region 2 Family Day, Ipoh.

Strong support from staff and family members at the Region 2 Family Day, Ipoh.

▼ Tan Sri Dato' Azman Hashim and Y M Tunku Arishah at Clearwater Sanctuary's Tennis Court during the Region 2 Family Day.



▲ Tan Sri Dato' Azman Hashim (second from left) and Y M Tunku Arishah, with Dato' Azlan Hashim and Mr Ng Lian Lu at the 16th AmAssurance National Convention 2004.



# Corporate Calendar

## 21 November 2003

Completion of the bonus issue of 505,761,819 new ordinary shares RM1.00 each in the Company on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in the Company (Bonus Issue).

## 6 January 2004

Completion of the renounceable rights issue of 303,457,091 new ordinary shares in the Company at an issue price of RM1.10 per new ordinary share on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held in the Company after the Bonus Issue.

## 25 February 2004

The Company announced that AMFB's wholly-owned subsidiary, AmFinance, has entered into a conditional sale and purchase agreement with MBF Corporation Berhad for the sale of its entire 100.0% equity interest in MBF Property Trust Management Berhad amounting to 1,000,000 ordinary shares for a cash consideration of RM1.00.

## 26 February 2004

The Company announced that Horizon View Sdn Bhd (HVSB) and MBF Venture Partners Berhad (MVP), being subsidiaries of AmFinance, have been struck-off from the Register of Companies Commission of Malaysia and dissolved. Both HVSB and MVP have not commenced operations since incorporation on 28 October 1991 and 26 October 1993 respectively.

## 27 February 2004

Announcement of the proposed privatisation of AMFB Holdings Berhad (AMFB), through the acquisition by the Company of the remaining ordinary shares in AMFB not already owned by the Company.

## 31 May 2004

Announcement of the proposed listing of its investment banking group via a newly incorporated company.

Announcement of Bank Negara Malaysia's (BNM) consent for the following:

- i) AHB to commence discussion with AmMerchant for the proposed acquisition by AHB of 47,116,000 ordinary shares of RM1.00 each in AmAssurance Berhad (AMAB), representing 47.1% equity interest in AMAB, from AmMerchant Bank.
- ii) AHB to commence discussions with ABH Holdings Sdn Bhd (ABH Holdings) for the proposed acquisition by AmBank Berhad, a wholly-owned subsidiary company of AHB, of up to 20,000,000 ordinary shares of RM1.00 each in AMAB, representing up to 20.0% equity interest in AMAB.

## 28 June 2004

AmSecurities Holding Sdn Bhd completed the acquisition of the minority stake in AmSecurities Sdn Bhd, representing 2.5% equity interest in AmSecurities Sdn Bhd, making AmSecurities Sdn Bhd a wholly-owned subsidiary.

# Financial Calendar

## 30 May 2003

Announcement of audited consolidated results and dividend for the financial year ended 31 March 2003.

## 15 August 2003

Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2003.

## 29 August 2003

Issue of Notice of 12th Annual General Meeting, Notice of Dividend Entitlement and Payment, and Annual Report for the financial year ended 31 March 2003.

## 8 September 2003

Issue of Notice of 13th Extraordinary General Meeting in respect of Shareholders' Mandate for Recurrent Related Party Transactions.

## 19 September 2003

Issue of Notice of 14th Extraordinary General Meeting in respect of Bonus and Rights Issues.

## 24 September 2003

12th Annual General Meeting and 13th Extraordinary General Meeting.

## 30 September 2003

Entitlement date to first and final dividend.

## 13 October 2003

14th Extraordinary General Meeting.

## 15 October 2003

Payment of first and final dividend of 5.0% less tax for the financial year ended 31 March 2003.

## 21 November 2003

Announcement of unaudited consolidated results for the financial half year ended 30 September 2003.

## 27 February 2004

Announcement of unaudited consolidated results for the financial third quarter ended 31 December 2003.

## 31 May 2004

Announcement of audited consolidated results and dividend for the financial year ended 31 March 2004.

## 6 September 2004


Issue of Notice of 13th Annual General Meeting, Notice of Dividend Entitlement and Payment, and Annual Report for the financial year ended 31 March 2004.

## 29 September 2004

13th Annual General Meeting.

# *Financial Statements*

*(Expressed In Ringgit Malaysia)*

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AMMB HOLDINGS BERHAD** for the financial year ended 31 March 2004 which have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996 and the applicable approved accounting standards in Malaysia.

## Principal Activities

The principal activity of the Company is that of an investment holding company.

The subsidiary companies, as listed in Note 13 to the Financial Statements, provide a wide range of merchant banking, commercial banking, retail financing and related financial services which also include the Islamic Banking Business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, property and unit trust management.

There have been no significant changes in the nature of the activities of the Group and the Company during the financial year.

## Significant Events

1. On 30 April 2003, AmFinance Berhad (AmFinance) (formerly known as MBF Finance Berhad) issued RM200 million nominal amount of Negotiable Interest-Bearing Redeemable Unsecured Subordinated Bonds (Subordinated Bonds) to increase its capital funds. The subordinated bonds are issued for a period of ten years to be repaid on 30 April 2013 and bear interest varying from 7.95% to 10.45% per annum, payable on a half yearly basis.
2. On 2 April 2003, AmMerchant Bank Berhad (AmMerchant Bank) entered into a conditional sale and purchase agreement with Symphony House Berhad (Symphony House) to dispose of its entire 25.5% equity interest amounting to 637,500 ordinary shares of RM1.00 each in Malaysian Issuing House Sdn Bhd (MIH), to Symphony House for a cash consideration of RM624,272.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis, based on the adjusted pro-forma unaudited net tangible assets of MIH as at 31 December 2002.

The disposal was completed on 30 July 2003. The final cash consideration in respect of the disposal was revised from RM624,272 to RM637,500 based on the pro-forma audited net tangible assets of MIH as at 30 June 2003 of RM2,500,000 (after adjusting for the final dividend paid to all the shareholders of MIH, including AmMerchant Bank, for the year ended 30 June 2003).

3. On 10 April 2003, Frasers International Pte Ltd (FIPL) completed a capital reduction exercise wherein all redeemable convertible cumulative preference shares and irredeemable convertible cumulative preference shares were converted to ordinary shares in FIPL. This exercise resulted in a capital reduction of 9.8 million ordinary shares and repayment of S\$9.8 million to all shareholders in proportion to their respective equity interests in FIPL, of which capital repayment to AmMerchant Bank amounted to S\$4,844,032.
4. On 10 May 2003, the Company received the approval of Bank Negara Malaysia (BNM) for the Company to commence negotiations with EON Capital Berhad for a possible merger between the two banking groups. However, the discussion were mutually terminated on 25 June 2003.
5. On 10 June 2003, the Company acquired 2 ordinary shares of RM1.00 each representing the entire issued share capital of AmNotes Series-A Sdn Bhd (AmNotes), a dormant company for a cash consideration of RM2.00, thereby making AmNotes a wholly owned subsidiary of the Company.

AmNotes was incorporated on 2 August 1997 and has an authorised share capital of RM10 million divided into 10 million ordinary shares of RM1.00 each with an issued and paid-up share capital of RM2.00.

The intended principal activity of AmNotes is to provide management services to the companies within the AmBank Group.

On 24 June 2003, AmNotes changed its name to AmManagement Services Sdn Bhd.

## Directors' Report *(Cont'd)*

6. Arab-Malaysian Credit Berhad (AMCB) increased its issued and fully paid-up share capital from RM165,000,000 to RM215,000,000 through rights issues of 50,000,000 new ordinary shares of RM1.00 each at par in cash for the purpose of meeting its working capital requirements.
7. On 9 July 2003, the Company had received the approval of BNM to commence discussions with Commerce Asset-Holding Berhad for the possible merger of AmBank Berhad (AmBank) with Bumiputra-Commerce Bank Berhad and AmFinance with Bumiputra-Commerce Finance Berhad. The discussions were mutually terminated on 5 September 2003.
8. Pursuant to the Sale and Purchase Agreement entered into between AMFB Holdings Berhad (AMFB) and Danamodal Nasional Berhad (Danamodal) dated 3 August 2001 for the acquisition of AmFinance, a contingent sum of up to RM450.0 million is payable to Danamodal as part of the consideration. The contingent cash payment of up to RM450.0 million, shall be payable if and only if AmFinance recovers in cash over a five year period from 30 September 2001, any amount in excess of the net book value of all non-performing loans (NPLs), NPLs sold to Danaharta and NPLs written off in the books of AmFinance, as at 30 September 2001 on an account to account basis; and all investments securities, collateralised debts, other assets, liabilities or contingent items in respect of amounts which have been written down or an adjustment/provision made.

On 14 October 2003, AMFB entered into a Settlement Agreement with Danamodal for an early settlement of the Contingent Amount for RM255.0 million (Settlement Amount). The Settlement Amount together with the total interest of RM16.915 million in respect of the recoveries of NPLs and securities were paid to Danamodal on 15 October 2003.

Accordingly, the total final purchase consideration for the acquisition of AmFinance is RM730 million.

9. On 28 October 2003, the Company entered into a Supplemental Facility Agreement with Danamodal, whereby the RM680 million Subordinated Term Loan obtained from Danamodal was novated to Astute Assets Berhad.

The terms and conditions of the loan remain the same, except for interest payable on the loan, which is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

10. On 29 December 2003, AmAssurance Berhad (AmAssurance) entered into four (4) separate sale and purchase agreements (SPAs) with Melawangi Sdn Bhd (MSB), a wholly-owned subsidiary of Arab-Malaysian Corporation Berhad (AMCORP) for the acquisition of four (4) units of office premises (Office Premises) located at the AMCORP Trade Centre (ATC) for a total cash consideration of RM7,239,210 (The Acquisition).

The Office Premises have a leasehold term of 99 years which will be expiring on 11 September 2088. The Office Premises are currently tenanted. Upon the completion of The Acquisition, MSB will assign all its rights under the tenancy agreements with the existing tenants to AmAssurance.

The Acquisition would provide an opportunity for AmAssurance to receive better returns on its investments as compared to the prevailing low fixed deposit rate and take advantage of the potential capital appreciation in properties in the medium to long term.

11. AmBank increased its issued and fully paid-up share capital from RM505,468,750 to RM708,593,750 through a rights issue of 203,125,000 new ordinary shares of RM1.00 each at par in cash for the purpose of further increasing its working capital.



## Directors' Report (Cont'd)

12. The Company proposed and implemented the following:
- (a) Increase in the authorised share capital of the Company from RM2,000,000,000 comprising 2,000,000,000 shares of RM1.00 each to RM5,000,000,000 by the creation of 3,000,000,000 new shares of RM1.00 each.
  - (b) Bonus issue of 505,761,819 new ordinary shares of RM1.00 each in the Company on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in the Company (Bonus Issue) through the capitalisation of RM505,761,819 from the Company's share premium account.
  - (c) Renounceable rights issue of 303,457,091 new ordinary shares in the Company at an issue price of RM1.10 per new ordinary share on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held in the Company after the Bonus Issue (Rights Issue). The Rights Issue proceeds have been used by the Company to subscribe for a RM325 million non-renounceable rights issue in AmBank, as well as to fund the working capital requirements of the Group.
  - (d) Adjustment to the Warrants 1997/2007 exercise price from RM10.73 per share to RM6.51 per share and an increase of 56,521,708 additional Warrants 1997/2007 pursuant to the adjustments arising from the Bonus and Rights Issues.
  - (e) Adjustment to the Warrants 2003/2008 exercise price from RM3.60 per share to RM2.19 per share and an increase of 79,557,942 additional Warrants 2003/2008 pursuant to the adjustments arising from the Bonus and Rights Issues and
  - (f) Increase of 136,079,650 new ordinary shares of RM1.00 each to be issued, upon the exercise of the 56,521,708 additional Warrants 1997/2007 and 79,557,942 additional Warrants 2003/2008 in (d) and (e) above.

13. On 25 February 2004, AmFinance, a subsidiary of AMFB, entered into a conditional sale and purchase agreement with MBf Corporation Berhad (MBf Corp) for the sale of AmFinance's entire 100% equity interest consisting of 1,000,000 ordinary shares of RM1.00 each in MBf Property Trust Management Berhad (MBfPT) for a cash consideration of RM1.00.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration the current financial position of MBfPT. The completion of the disposal is pending approval by the relevant authorities.

14. Upon application to the Companies Commission of Malaysia (CCM), the following subsidiaries of AmFinance, which is a wholly-owned subsidiary of AMFB, have been struck-off from the Register of the CCM and dissolved pursuant to the powers conferred under Section 308 of the Companies Act, 1965:-

- (i) Horizon View Sdn Bhd (HVSB) – Company No: 227779-D
- (ii) MBf Venture Partners Berhad (MBfVP) – Company No: 279706-A

Both HVSB and MBfVP have not commenced operations since incorporation on 28th October, 1991 and 26th October 1993, respectively.

The present paid-up capital of HVSB and MBfVP is RM2.00 divided into 2 ordinary shares of RM1.00 each, and RM1.00 divided into 2 ordinary shares of RM0.50 each, respectively.

The striking off of the said subsidiaries will not have any effect on the earnings and net tangible assets per share of the Company for the financial year ended 31 March, 2004.

## Directors' Report *(Cont'd)*

15. On 27 February 2004 and 31 May 2004, the Company announced the following proposals:

- (i) The Proposed AMFB Privatisation which involves a scheme of arrangement pursuant to Section 176 of the Act between AMFB, the Company and the shareholders of AMFB other than the Company (AMFB Minority Shareholders) whereby AHB will acquire all the AMFB Minority Shares, amounting up to 189,113,911 Shares in AMFB representing up to 35.75% equity interest in AMFB, for a total purchase consideration of up to RM1,361,620,159, equivalent to RM7.20 per AMFB Minority Share (Proposed Consideration Price), to be satisfied through a combination of an issuance of Shares in the Company and cash on the following basis:-
  - (a) the amount of RM771,584,757 by way of the issuance of up to 189,113,911 New Company Shares on the basis of one (1) New Company Share valued at RM4.08 per New Company Share for every one (1) existing AMFB Minority Share held; and
  - (b) the balance of RM590,035,402 in cash on the basis of RM3.12 for every one (1) existing AMFB Minority Share held.

The entitlement date on which the names of the AMFB Minority Shareholders must be entered into the Record of Depositors of AMFB in order to participate in the Proposed AMFB Privatisation will be determined and announced at a later date after receipt of all relevant approvals for the Proposed AMFB Privatisation, including the sanction of the Court for the Proposed AMFB Privatisation (Entitlement Date).

The number of New Company Shares to be issued will depend on the actual number of AMFB Minority Shares to be acquired as at the Entitlement Date, taking into consideration the new Shares in AMFB that may be issued by AMFB pursuant to the exercise of options under AMFB's employees share option scheme (AMFB ESOS Options) prior to the Entitlement Date. As at 31 March 2004, the number of unexercised AMFB ESOS Options stood at 345,000.

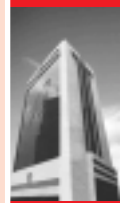
Upon the scheme of arrangement becoming effective, all AMFB Minority Shareholders are bound to exchange their AMFB Shares on the basis of one (1) New Company Share and RM3.12 in cash for every one (1) existing AMFB Minority Share held as at the Entitlement Date.

Pursuant to the Proposed AMFB Privatisation, AMFB will become a wholly-owned subsidiary company of the Company. As AMFB would then no longer meet the public shareholding spread requirements of the Bursa Malaysia, the Bursa Malaysia could de-list AMFB's Shares from the Official List of the Bursa Malaysia as provided under Section 16.09 of the Bursa Malaysia's Listing Requirements. It is the intention of the Company to seek the approval of the Bursa Malaysia to hold AMFB's listing status in abeyance.

- (ii) Proposed listing of the Company's Investment Banking Group, via a newly incorporated company (Newco), on the Main Board of the Bursa Malaysia.

The Proposed Listing of Newco entails the following:-

- (a) the incorporation of Newco to act as the listing vehicle/holding company, to be a wholly-owned subsidiary company of the Company initially;
- (b) an internal reorganisation involving the transfer of the Company's entire interests in the component companies of the Company involved in the investment banking operations to Newco (Proposed Internal Reorganisation);
- (c) an offer for sale/restricted issue of an aggregate of 40% of the enlarged issued and paid-up share capital of Newco (Proposed Offer) to be undertaken upon completion of the Proposed Internal Reorganisation to the following:-
  - (i) Shareholders of AHB (Entitled AHB Shareholders); and
  - (ii) The following persons who meet the criteria for eligibility for participation in the Proposed Offer (Eligible Employees):-
    - (a) Directors and employees of Newco and/or its Malaysian-incorporated subsidiary and associated companies;
    - (b) Directors of AHB; and
    - (c) Business associates of AHB; and
- (d) the listing of the entire proposed issued and paid-up share capital of Newco on the Main Board of the Bursa Malaysia.



## Directors' Report *(Cont'd)*

- (iii) The Proposed Share Split (Proposed Share Split) which involves the reduction of the par value of the Company's Shares from RM1.00 each to RM0.50 each by way of the subdivision of every one (1) existing Share held in the Company into two (2) new ordinary shares in the Company of RM0.50 each. Shareholders of the Company, whose names appear on the Record of Depositors at the close of business on a date to be determined and announced later upon obtaining all relevant approvals, will be entitled to the Proposed Share Split. The Proposed Share Split is expected to be undertaken after the completion of the Proposed AMFB Privatisation.

On 25 March 2004 the Securities Commission (SC) has approved the Company's application for a waiver from complying with Paragraph 5 of Guidance Note 8A of the SC Guidelines subject to a condition whereby the Company will be required to implement the Proposed Share Split within three (3) months upon the completion of the proposed privatisation of AMFB.

The Proposed Subdivided Shares to be issued shall, upon issue and allotment, rank *pari passu* in all respects amongst themselves.

The Proposed Share Split will result in a reduction in the existing market price of the Company's shares thus making the Company's shares more affordable for shareholders and investors. The Proposed Share Split will also improve the liquidity and marketability of the Company's shares by virtue of the increase in the number of the Company's shares.

The Proposed AMFB Privatisation, Newco Listing and Share Split are subject to the approvals of SC, Minister of Finance, Bank Negara Malaysia, High Court of Malaya, shareholders of the Company and AMFB and other relevant authorities.

The Proposed AMFB Privatisation and the Proposed Listing of Newco Group are inter-conditional with each other. The Proposed Share Split is not conditional upon the Proposed AMFB Privatisation and the Proposed Listing of Newco Group.

16. On 27 February 2004, AmBank, a wholly owned subsidiary of the Company, had entered into an agreement with Modular Corp Sdn Bhd (Modular) whereby Modular will (Agreement):

- (i) Provide 262,500 EMV card replacements for a cash consideration of RM2,992,000; and
- (ii) Provide EMV chip card personalization and fulfillment services for a cash consideration of RM656,000.

The Agreement is expected to be completed in 1 year. The Agreement has been entered into in the ordinary course of business, the terms agreed are at arms length and are those generally adopted in the market.

17. On 3 March 2004, AmAssurance entered into:

- a) A Sale and Purchase Agreement with AMCB for the acquisition of the podium block of a freehold building identified as Menara Liang Court located at 37, Jalan Sultan Ahmad Shah, 10050 Penang, for a total cash consideration of RM7,800,000;
- b) A Sale and Purchase Agreement with Taifab Properties Sdn Bhd (TPSB), a wholly-owned subsidiary of AMDB Berhad (AMDB), for the acquisition of three (3) units of freehold office premises located at the Arab-Malaysian Business Centre (AMBC), Jalan Pasar, 70000 Seremban, for a total cash consideration of RM1,997,707; and
- c) A Sale and Purchase Agreement with Medan Delima Sdn Bhd (MDSB), a wholly-owned subsidiary of AMDB, for the acquisition of seven (7) units of freehold office premises located at the AMBC, Jalan Pasar, 70000 Seremban, for a total cash consideration of RM2,477,293.

The Office Premises are currently tenanted. Upon the completion of the acquisitions, AMCB, TPSB and MDSB will assign all their rights under the tenancy agreements with the existing tenants to AmAssurance.

The acquisitions would provide an opportunity for AmAssurance to receive better returns on its investments as compared to the prevailing low fixed deposit rate and take advantage of the potential capital appreciation in properties in the medium to long term.



## Directors' Report (Cont'd)

18. On 5 April 2004, AmSecurities Holding Sdn Bhd (AMSH), a wholly-owned subsidiary company of the Company entered into a conditional share sale agreement with Ismail bin Abdullah for the acquisition by AMSH of the remaining 2,500,004 Shares in AmSecurities Sdn Bhd (AMS), representing 2.5% of the existing issued and paid-up share capital of AMS, for a total purchase consideration of RM9,396,604 to be satisfied wholly in cash.
19. The Company has sought the approval of BNM for the commencement of discussions, pursuant to Section 67 of the Insurance Act 1996, in relation to the following proposed acquisitions (Proposed Acquisitions):-
  - (a) with AmMerchant Bank, its wholly owned subsidiary, in relation to the Proposed Acquisition by the Company of the 47,116,000 ordinary shares of RM1.00 each in AmAssurance representing 47.12% equity interest in AmAssurance from AmMerchant Bank. The Company presently has a shareholding of 18.82% in AmAssurance.
  - (b) with ABH Holdings Sdn. Bhd (ABH Holdings) in relation to the Proposed Acquisition by AmBank Berhad, the wholly owned subsidiary of the Company, of 20,000,000 ordinary shares of RM1.00 each in AmAssurance representing 20% equity interest in AmAssurance.

### Financial Results

The results of operations of the Group and the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before share in results of associated companies and taxation	356,987	63,747
Share in results of associated companies	1,437	-
Profit before taxation	358,424	63,747
Taxation	39,841	(21,000)
<b>Profit before minority interests</b>	<b>398,265</b>	<b>42,747</b>
Minority shareholders' interests in results of subsidiary companies	(174,544)	-
Net profit attributable to shareholders of the Company	223,721	42,747
Transfer to statutory reserve	(268,688)	-
Unappropriated profit at beginning of year as restated	757,677	237,831
Dividends	712,710 (36,062)	280,578 (36,062)
Unappropriated profit at end of year	676,648	244,516

### Business Plan And Strategy

The strengthening of the Group's investment banking and focus on transactional and fee-based activities such as debt and capital markets, corporate finance, treasury and derivative activities would drive the Group's future profitability. The Group will also focus on strengthening its retail-based loan activities, particularly financing of small and medium sized scale industries, the financing of passenger vehicles and residential properties. The Group is also creating an effective system for identifying, evaluating and managing all types of banking and financial risks, including operational risks.

# Directors' Report *(Cont'd)*

## Outlook For Next Financial Year

Malaysian economy is expected to strengthen further in year 2004, with Real Gross Domestic Products to expand by 6.0% - 6.5% from 5.2% in year 2003. The positive outlook for year 2004 would be driven by the expected recovery in the manufacturing and services sectors, higher domestic aggregate demand and reinforced by brighter global economic prospects.

Monetary policy would remain accommodative on the back of price stability and absence of inflationary pressures. Nonetheless, given the stable environment, BNM suggested a timely transition to the new interest rate framework aimed at maintaining monetary and financial stability to achieve sustained long-term growth. Meanwhile, BNM's monetary and exchange policy would remain unchanged.

Malaysia's strong economic fundamentals will continue to enable the Government with policy flexibility to enhance domestic sources of growth.

The banking sector is expected to remain competitive in year 2004 with net interest margins continuing to be under pressure given the competition and excess liquidity in the banking system.

The Group will continue to proactively manage asset quality and adopt a prudent and conservative approach in provisioning for its banking operations. In line with the Group's business rationalization programme, steps are being taken by the Group to re-organise its business operations along various customer segments, with particular emphasis on retail consumer finance and lending to the SMI segments. The Group will continue to focus on transactional and fee based activities, such as debt capital markets, corporate finance, treasury, fund management and stockbroking.

Despite the competition and narrowing of interest spreads, the Group is confident that it is well positioned to benefit from the improved economic environment to further improve on its performance.

## Items Of An Unusual Nature

In the opinion of the directors, the results of operations of the Group and the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Company for the succeeding twelve months.

## Dividends

During the financial year, the Company paid a first and final dividend of 5.0%, less 28.0% tax, in respect of the previous financial year totalling RM36,061,884 which amount has been dealt with in the directors' report for that financial year and paid on 15 October 2003 to shareholders whose names appear in the Register of Members and Record of Depositors on 30 September 2003.

In respect of the current financial year, the directors now recommend the payment of a first and final dividend of 4.0%, less 28.0% tax, amounting to RM53,533,615, based on the enlarged issued and paid-up share capital after the Bonus Issue as at 31 March 2004, to be paid to shareholders whose names appear in the Register of Members and Record of Depositors on a date to be determined by the Directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' funds as an appropriation of unappropriated profit in the next financial year ending 31 March 2005.

## Directors' Report (Cont'd)

### Reserves, Provisions And Allowances

The following material transfers to or (from) reserves, allowances and provisions were made during the financial year.

	Note to the Financial Statements	The Group RM'000	The Company RM'000
(a) Capital Reserve			
Reclassified to share premium	30	(15,487)	(15,487)
(b) Share Premium			
Reclassified from capital reserve		15,487	15,487
Arising from exercise of share options in the Company	30	67,600	67,600
Arising from exercise of Warrants 2003/2008	30	7,107	7,107
Arising from capitalisation for Bonus Issue	30	(505,762)	(505,762)
Arising from rights issue in the Company	30	30,346	30,346
(c) Statutory Reserve			
Transfer from income statements	30	268,688	-
(d) Exchange Fluctuation Reserve			
Arising from translation of subsidiary and associated companies expressed in foreign currencies	30	(223)	-
(e) Allowances/(Write back of allowances)			
Net interest suspended	31	352,086	-
Net income suspended	55 (f)	52,398	-
Loan and financing loss and allowances:			
General allowance	33	9,875	-
Specific allowance – net	33	1,066,485	-
Allowance for value impairment on amount recoverable from Danaharta	33	80,634	-
General provision for commitments and contingencies	35	37,000	-
Increase in life insurance funds	36	172,825	-
Transfer to profit equalisation reserve		47,870	-
Write back of allowance for diminution in value of investments – net		(20,566)	-
Write back of allowance for doubtful sundry receivables – net		(16,343)	-

### Bad And Doubtful Debts And Financing

Before the income statements and balance sheets of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the Group and the Company inadequate to any substantial extent.

# Directors' Report *(Cont'd)*

## Current Assets

Before the income statements and balance sheets of the Group and the Company were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

## Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Company's financial statements misleading or inappropriate.

## Contingent And Other Liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Group and the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

## Change Of Circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Company, that would render any amount stated in the financial statements misleading.

## Issue Of Shares And Debentures

During the financial year, the issued and fully paid-up share capital of the Company was increased from 1,001,718,987 ordinary shares of RM1.00 each to 1,858,806,070 ordinary shares of RM1.00 each by the issue of:

- (i) 45,127,838 new ordinary shares of RM1.00 each at prices ranging from RM2.16 to RM4.73 per share before Bonus and Rights Issues and RM1.57 to RM2.94 per share after Bonus and Rights Issues by virtue of the exercise of share options granted pursuant to the Company's Employees' Share Option Scheme (ESOS Scheme). The resulting share premium amounting to RM67,600,556 has been credited to share premium account.
- (ii) 2,740,335 new ordinary shares of RM1.00 each at a price of RM3.60 per share before Bonus and Rights Issues and RM2.19 per share after Bonus and Rights Issues by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM7,106,987 has been credited to share premium account.
- (iii) 505,761,819 new ordinary shares of RM1.00 each pursuant to the Bonus Issue.

## Directors' Report *(Cont'd)*

- (iv) Rights Issue of 303,457,091 new ordinary shares of RM1.00 at a price of RM1.10 per share on the basis of one (1) new ordinary share of RM1.00 each for every five (5) existing ordinary shares of RM1.00 each held after the Bonus Issue. The resulting share premium amounting to RM30,345,709 has been credited to share premium account.

The 857,087,083 new ordinary shares issued rank *pari passu* with the then existing ordinary shares of the Company except that the new ordinary shares issued pursuant to the Company's ESOS, share warrants 2003/2008, Bonus Issue and Rights Issue above are not entitled to dividends declared in respect of the financial year ended 31 March 2003.

The Company has not issued any new debentures during the financial year.

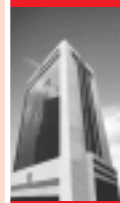
### Share Options

Under the Company's ESOS wherein options to subscribe for 87,034,050 new ordinary shares of RM1.00 each in the Company were made available to eligible directors and employees of the Company and its subsidiary companies, except for executive directors who represent the Government or Government institutions/agencies and Government employees who are serving in the public service schemes defined under Article 132 of the Federal Constitution and executive directors of AMS who are eligible to participate under separate share schemes in their respective companies.

During the financial year, the total number of options to subscribe for was increased from 87,034,050 to 117,853,371 new ordinary shares of RM1.00 each in the Company by the issue of new ordinary shares pursuant to the Bonus and Rights Issues, the exercise of share options granted and exercise of share warrants 2003/2008.

The salient features of the ESOS Scheme are as follows:

- (a) Eligible persons who are confirmed employees including full-time executive directors of the Company and its subsidiary companies who have been employed for a period of not less than three years.
- (b) Total number of shares to be offered shall not exceed 10.0% of the issued and fully paid-up share capital of the Company at any point of time during the existence of the Scheme.
- (c) Subject to paragraph (d) below, no option shall be granted for less than 1,000 shares or more than 500,000 shares.
- (d) In the event of any alteration in the capital structure of the Company except for certain exemptions, adjustments will be made to the subscription price and/or the number of shares in respect of options granted but not exercised, such that the option holder will be entitled to the same proportion of the issued and paid-up share capital of the Company prior to the said alteration.
- (e) The option price for an ordinary share of RM1.00 each shall be at a discount of not more than ten percent (10.0%) from the last market transacted price at the time the option is granted or the weighted average market price of the shares of the Company as quoted and shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) for the five market days immediately preceding the offer date, or the par value of RM1.00, whichever is higher.
- (f) The option is for a period of five calendar years expiring on 8 October 2004.
- (g) The persons to whom the options are granted under the ESOS Scheme have no right to participate in any share option scheme of any other company in the Group.



## Directors' Report (Cont'd)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the name of the persons to whom less than 100,000 options have been granted during the year and details of their holdings. The remaining option holders are as follows:

	No. of ordinary shares of RM1.00 each				
	Balance at 1.4.2003	Granted	Adjustments for Bonus & Rights Issues	Exercised	Balance at 31.3.2004
Lee Yew Kin	156,000	-	101,340	235,000	22,340
Pushparani A/P A. Moothathamby	184,000	-	119,527	-	303,527
Mohamed Azmi Mahmood	200,000	-	129,924	-	329,924
Mustafa Mohd Nor	244,000	-	132,521	230,200	146,321

The external auditors have verified the allocation of options granted during the financial year.

The movements in the Company's unissued number of shares under options during the financial year are as follows:

	No. of ordinary shares of RM1.00 each					
	Balance at 1.4.2003	Granted	Adjustments for Bonus & Rights Issues	Exercised	Forfeited	Balance at 31.3.2004
Number of unissued shares under options	46,971,000	65,000	25,498,901	45,127,838	943,530	26,463,533

The option prices of the Company's unissued number of shares under options after Bonus and Rights Issues are as follows:

Option price (RM)	Balance at 31.3.2004
1.01 – 2.00	1,409,626
2.01 – 3.00	16,109,178
3.01 – 4.00	2,864,436
4.01 – 5.00	6,080,293
	<b>26,463,533</b>

### Warrants

The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:-

- Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- The exercise price is RM6.51 per share, adjusted pursuant to the Bonus and Rights Issues as mentioned in Note 29, and may be paid fully in cash, or partly in cash and partly by tender of Bonds 1997/2002 in any combination, or wholly by tender of Bonds 1997/2002 for every Warrant 1997/2007 held after one year from the date of allocation. The exercise price of the Warrants 1997/2007 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 1997/2007 are for an initial period of five calendar years. This period was extended for a further period of five years to mature on 13 May 2007.

## Directors' Report *(Cont'd)*

The Company's RM435,061,855 nominal amount of Bonds 1997/2002 was fully redeemed on 13 May 2002.

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of ordinary shares of RM1.00 each			
	Balance at 1.4.2003	Issued	Adjustments for Bonus & Rights Issues	Balance at 31.3.2004
Number of unissued shares under warrants	87,012,370	-	56,521,708	- 143,534,078

The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and on 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:-

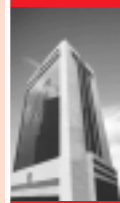
- Each Warrant 2003/2008 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- The exercise price is RM2.19 per share, adjusted pursuant to the Bonus and Rights Issues as mentioned in Note 29, and is payable fully in cash for every Warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll
- The Warrants 2003/2008 are for a period of five calendar years to mature on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of ordinary shares of RM1.00 each			
	Balance at 1.4.2003	Issued	Adjustments for Bonus & Rights Issues	Balance at 31.3.2004
Number of unissued shares under warrants	125,201,248	-	79,557,942	2,740,335 202,018,855

Pursuant to the Bonus and Rights Issues, the subscription price and number of the Company's outstanding Warrants 1997/2007 and Warrants 2003/2008 were adjusted as follows:

- Adjustment to the Warrants 1997/2007 exercise price from RM10.73 per share to RM6.51 per share and an increase of 56,521,708 additional Warrants 1997/2007 pursuant to the adjustments arising from the Bonus and Rights Issues.
- Adjustment to the Warrants 2003/2008 exercise price from RM3.60 per share to RM2.19 per share and an increase of 79,557,942 additional Warrants 2003/2008 pursuant to the adjustments arising from the Bonus and Rights Issues. and
- Increase of 136,079,650 new ordinary shares of RM1.00 each to be issued, upon the exercise of the 56,521,708 additional Warrants 1997/2007 and 79,557,942 additional Warrants 2003/2008 in (a) and (b) above.



# Directors' Report *(Cont'd)*

## Directors

The directors who served on the Board since the date of the last report are:

Tan Sri Dato' Azman Hashim  
Dato' Azlan Hashim  
Tun Mohammed Hanif Omar (Independent Director)  
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba (Independent Director)  
Tan Sri Datuk Dr Aris Osman @ Othman (Independent Director: Appointed on 1 April 2004)  
Tan Sri Datuk Clifford Francis Herbert (Independent Director: Appointed on 16 April 2004)  
Dato' Izham Mahmud (Independent Director: Appointed on 16 October 2003)  
Dato' Mohd Ibrahim Mohd Zain (Independent Director: Appointed on 16 April 2004)  
Cheah Tek Kuang  
Soo Kim Wai  
Shalina Azman (Appointed on 16 October 2003)  
Dato' Malek Merican (Independent Director: Resigned on 6 May 2004)  
Dato' Mohd Tahir Haji Abdul Rahim (Independent Director: Resigned on 19 December 2003)

In accordance with Article 89 of the Company's Articles of Association, Tan Sri Dato' Azman Hashim and Mr Cheah Tek Kuang retire and, being eligible, offer themselves for re-election.

In accordance with Article 97 of the Company's Articles of Association, 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, who were appointed to the Board since the last Annual General Meeting, retire and, being eligible, offer themselves for re-election.

## Directors' Interests

Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

The interests in shares, debentures and share options in the Company and in subsidiary companies, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

## Direct Interests

### In the Company

Shares	No. of ordinary shares of RM1.00 each				Balance at 31.3.2004
	Balance at 1.4.2003	Bought	Bonus & Rights Issues	Sold	
Tan Sri Dato' Azman Hashim	1,188,422	-	594,211	1,782,633	-
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	125,381	-	100,690	-	226,071
Dato' Malek Merican	17,976	-	14,380	-	32,356
Cheah Tek Kuang	217,200	140,000	178,600	50,000	485,800



## Directors' Report (Cont'd)

### Direct Interests

#### In the Company

Warrants 1997/2007	No. of Warrants				
	Balance at 1.4.2003	Bought	Bonus & Rights Issues	Exercised/ Sold	Balance at 31.3.2004
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	12,000	-	7,795	-	19,795
Dato' Malek Merican	40,000	-	25,984	-	65,984

Warrants 2003/2008	No. of Warrants				
	Balance at 1.4.2003	Bought	Bonus & Rights Issues	Exercised/ Sold	Balance at 31.3.2004
Tan Sri Dato' Azman Hashim	149,000	-	96,793	-	245,793
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	16,000	-	-	16,000	-
Dato' Malek Merican	2,246	-	1,457	-	3,703
Cheah Tek Kuang	28,000	-	18,189	-	46,189

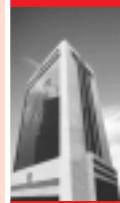
Share options	No. of ordinary shares of RM1.00 each				
	Balance at 1.4.2003	Granted	Bonus & Rights Issues	Exercised/ Sold	Balance at 31.3.2004
Cheah Tek Kuang	140,000	-	-	140,000	-

#### In the subsidiary company, AMFB Holdings Berhad

Shares	No. of ordinary shares of RM1.00 each			
	Balance at 1.4.2003/ Date of Appointment	Bought	Sold	Balance at 31.3.2004
Tan Sri Dato' Azman Hashim				
Held directly	211,505	-	-	211,505
Held through nominees	522,985	-	-	522,985
Dato' Azlan Hashim	95,952	-	-	95,952
Dato' Izham Mahmud	4,670	-	-	4,670
Cheah Tek Kuang	38,000	-	-	38,000

#### In the subsidiary company, AmMerchant Bank Berhad

Redeemable Unsecured Subordinated Bonds	Nominal value of RM1.00 each			
	Date of Appointment	Bought	Sold	Balance at 31.3.2004
Dato' Izham Mahmud	250,000	-	-	250,000



## Directors' Report (Cont'd)

### Deemed Interests

#### In the Company

Shares	Name of Company	No. of ordinary shares of RM1.00 each				Balance at 31.3.2004
		Balance at 1.4.2003	Bought	Bonus & Rights Issues	Sold	
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	343,884,550	-	275,107,640	13,165,365	605,826,825
	AMDB Equipment Trading Sdn Bhd	110,000	-	88,000	-	198,000
	Azman Hashim Holdings Sdn Bhd	9,408,876	-	6,918,343	10,613,314	5,713,905
	Slan Sdn Bhd	398,316	-	199,158	597,474	-
	Ginagini Sdn Bhd	17,330,749	-	7,525,374	12,671,314	12,184,809
	Regal Genius Sdn Bhd	-	14,500,000	11,600,000	4,350,000	21,750,000
Dato' Malek Merican	Kumpulan Kseena Sdn Bhd	31,654	-	25,323	-	56,977

#### No. of Warrants

Warrants 1997/2007	Name of Company	Balance at 1.4.2003	Bought	Bonus & Rights Issues	Sold	Balance at 31.3.2004
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	16,231,498	-	-	16,231,498	-
Dato' Malek Merican	Kumpulan Kseena Sdn Bhd	425,996	-	276,735	-	702,731

## Directors' Report (Cont'd)

### Deemed Interests

#### In the Company

Warrants 2003/2008	Name of Company	Balance at 1.4.2003	No. of warrants			Balance at 31.3.2004
			Bought	Bonus & Rights Issues	Sold	
Tan Sri Dato' Azman Hashim	Arab-Malaysian Corporation Berhad	45,594,942	-	29,619,386	-	75,214,328
	AMDB Equipment Trading Sdn Bhd	13,750	-	8,932	-	22,682
	Azman Hashim Holdings Sdn Bhd	2,026,109	-	1,316,200	-	3,342,309
	Slan Sdn Bhd	49,789	-	32,343	-	82,132
	Ginagini Sdn Bhd	2,391,734	-	1,553,717	-	3,945,451
	Indigenous Capital Sdn Bhd	-	170,000	110,435	-	280,435
	Regal Genius Sdn Bhd	-	1,812,500	1,177,436	-	2,989,936
Dato' Malek Merican	Kumpulan Kseena Sdn Bhd	3,013	-	1,957	-	4,970

#### In the subsidiary company, AMFB Holdings Berhad

Shares	Name of Company	Balance at 1.4.2003	No. of ordinary shares of RM1.00 each			Balance at 31.3.2004
			Bought	Sold		
Tan Sri Dato' Azman Hashim	AMDB Equipment Trading Sdn Bhd	241,047	-	-	-	241,047

#### In the subsidiary company, AmAssurance Berhad

Shares	Name of Company	Balance at 1.4.2003	No. of ordinary shares of RM1.00 each			Balance at 31.3.2004
			Bought	Sold		
Dato' Azlan Hashim	ABH Holdings Sdn Bhd	34,062,000	-	-	-	34,062,000

By virtue of the directors' interest in the shares of the Company, the directors are also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has interest.



# Directors' Report *(Cont'd)*

## Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the Financial Statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 37 to the financial statements.

Save for the benefits under the Employees' Share Option Scheme, neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Ratings by External Agencies

The Company's RM150.0 million 3.0% 5-year redeemable unsecured bank-guaranteed bonds 2002/2007 with detachable warrants was accorded a long term ratings of AAA (bg) and AA3 (bg) for Tranche 1 of RM100.0 million and Tranche 2 of RM50.0 million respectively by Rating Agency Malaysia Berhad (RAM).

The merchant bank's long term and short term rating of A1/P1 from RAM and A/MARC-1 from Malaysian Rating Corporation Berhad was complemented by international ratings of BB-(Stable)/B from Standard and Poor's BB(Stable)/B from Capital Intelligence and BB-(Stable)/B from Fitch IBCA, Duff & Phelps.

Fitch IBCA, Duff & Phelps accorded long term and short term ratings of BB-(Stable)/B for the commercial bank while the finance company subsidiary was rated A2/P1 by RAM.

## Auditors

The auditors, Messrs. Deloitte KassimChan, have indicated they would not be seeking re-appointment at the forthcoming Annual General Meeting of the Company.

Signed on behalf of the Board in accordance with a resolution of the directors,



TAN SRI DATO' AZMAN HASHIM

Kuala Lumpur,  
31 May 2004



CHEAH TEK KUANG

# Report of the Auditors to the Members

We have audited the accompanying balance sheets as at 31 March 2004 and the related statements of income, changes in equity and cash flows, for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 with such modifications and exceptions as have been determined by Bank Negara Malaysia pursuant to Sub-section (19) of Section 169 of the Act in respect of the merchant banking, commercial banking and finance subsidiary companies and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and the Company as at 31 March 2004 and of the results and cash flows of the Group and the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies, of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.

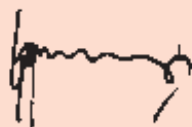
We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.



**DELOITTE KASSIMCHAN**  
AF 0080  
Chartered Accountants



**NG MENG KWAI**  
1303/5/04(J/PH)  
Partner

Petaling Jaya  
31 May 2004



# Balance Sheets

As At 31 March 2004

	Note	2004		2003	
		The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>ASSETS</b>					
Cash and short-term funds	4	6,711,084	34,746	4,199,472	37,712
Securities purchased under resale agreements	5	64,818	287	6,837	150
Deposits with financial institutions	6	307,669	99,339	466,627	18,026
Dealing securities	7	3,755,938	-	6,164,063	-
Investment securities	8	6,292,850	9,702	5,527,420	-
Loans, advances and financing	9	38,601,050	-	38,117,847	-
Other assets	10	1,374,634	46,380	958,236	43,237
Goodwill on consolidation	11	281,715	-	295,420	-
Deferred tax assets	40	973,554	-	837,497	-
Statutory deposits with Bank Negara Malaysia	12	1,539,827	-	1,534,530	-
Investments in subsidiary companies	13	-	3,074,348	-	2,699,348
Investments in associated companies	14	39,571	-	50,037	-
Property and equipment	15	535,900	-	558,699	7
<b>TOTAL ASSETS</b>		<b>60,478,610</b>	<b>3,264,802</b>	<b>58,716,685</b>	<b>2,798,480</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	16	33,017,293	-	31,350,178	-
Deposits of banks and other financial institutions	17	11,442,766	-	12,348,371	-
Securities sold under repurchase agreements	18	1,696,318	-	1,842,341	-
Bills and acceptances payable	19	271,740	-	149,004	-
Amount due to Cagamas Berhad	20	4,066,859	-	4,485,588	-
Other liabilities	21	2,586,860	3,943	1,926,730	3,850
Term loans	22	645,000	224,000	792,750	224,000
Subordinated certificates of deposits	23	197,418	-	196,064	-
Subordinated term loans	24	680,000	-	755,000	-
Exchangeable subordinated capital loan	25	-	-	460,000	-
Redeemable Unsecured Bonds	26	798,325	138,325	135,159	135,159
Total Liabilities		<b>55,402,579</b>	<b>366,268</b>	<b>54,441,185</b>	<b>363,009</b>
Minority interests	28	968,558	-	811,841	-
Share capital	29	1,858,806	1,858,806	1,001,719	1,001,719
Reserves	30	2,248,667	1,039,728	2,461,940	1,433,752
Shareholders' funds		<b>4,107,473</b>	<b>2,898,534</b>	<b>3,463,659</b>	<b>2,435,471</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>60,478,610</b>	<b>3,264,802</b>	<b>58,716,685</b>	<b>2,798,480</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	46	<b>18,708,651</b>	<b>-</b>	<b>15,941,231</b>	<b>-</b>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>	49	<b>2.06</b>	<b>1.56</b>	<b>2.11*</b>	<b>1.62*</b>

\* Adjusted for the proportional change in the number of ordinary shares pursuant to the Bonus Issue during the financial year.

The accompanying Notes form an integral part of the Financial Statements.

# Income Statements

For The Year Ended 31 March 2004

	Note	2004		2003	
		The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Interest income	31	3,054,025	9,423	3,217,886	15,965
Interest expense	32	(1,629,276)	(23,497)	(1,669,774)	(23,102)
Net interest income/(expense)		1,424,749	(14,074)	1,548,112	(7,137)
Income from Islamic Banking Business	55 (x)	337,155	-	149,755	-
Loan and financing loss and allowances	33	1,761,904 (865,588)	(14,074) -	1,697,867 (887,302)	(7,137) -
Non-interest income	34	896,316 907,775	(14,074) 85,099	810,565 702,780	(7,137) 82,907
Write back of allowance for diminution in value of investments – net		20,566	-	21,147	-
Write back of/(Allowance for) doubtful sundry receivables – net		16,343	-	(5,807)	-
Transfer to profit equalisation reserves (General provision for)/Write back of commitments and contingencies	21	(47,870)	-	(6,442)	-
Provision for merger integration cost	35	(37,000)	-	16,000	-
		-	-	(20,253)	-
Non-interest expenses	36	1,756,130 (1,399,143)	71,025 (7,278)	1,517,990 (1,111,984)	75,770 (5,750)
<b>PROFIT BEFORE SHARE IN RESULTS OF ASSOCIATED COMPANIES AND TAXATION</b>		356,987	63,747	406,006	70,020
Share in results of associated companies		1,437	-	(3,951)	-
<b>PROFIT BEFORE TAXATION</b>		358,424	63,747	402,055	70,020
Taxation	39	39,841	(21,000)	(13,451)	(17,966)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		398,265	42,747	388,604	52,054
Minority shareholders' interests in results of subsidiary companies	28	(174,544)	-	(125,448)	-
<b>NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		223,721	42,747	263,156	52,054
<b>EARNINGS PER SHARE (SEN)</b>	42				
Basic		14.0	2.7	17.5*	3.3*
Fully Diluted		13.2	2.5	17.5*	3.3*
<b>FIRST AND FINAL DIVIDEND PER ORDINARY SHARE (SEN)</b>					
Gross		4.00	4.00	3.33*	3.33*
Net		2.88	2.88	2.40*	2.40*

\* Adjusted for the proportional change in the number of ordinary shares pursuant to the Bonus Issue during the financial year.

The accompanying Notes form an integral part of the Financial Statements.

# Statements of Changes in Equity

For The Year Ended 31 March 2004

	Non-distributable					Distributable		Total RM'000
	Share capital RM'000	Capital reserve RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	General reserve RM'000	Unapp- ropriated profit RM'000	
<b>The Group</b>								
<b>As at 1 April 2002</b>								
As previously stated	916,969	143,315	138,000	704,995	17,112	9,340	558,506	2,488,237
Prior year's adjustments	-	-	-	-	-	-	156,904	156,904
As restated	916,969	143,315	138,000	704,995	17,112	9,340	715,410	2,645,141
Translation adjustments	-	-	-	-	2,715	-	-	2,715
Profit for the year	-	-	-	-	-	-	263,156	263,156
Dividends paid	-	-	-	-	-	-	(34,289)	(34,289)
Interest on ICULS	-	-	-	-	-	-	(5,550)	(5,550)
Transfer from income statements	-	-	-	190,390	-	-	-	190,390
Transfer to statutory reserve	-	-	-	-	-	-	(190,390)	(190,390)
Transfer to unappropriated profit	-	-	-	-	-	(9,340)	-	(9,340)
Transfer from general reserve	-	-	-	-	-	-	9,340	9,340
Arising from conversion of ICULS 1997/2002 in the finance subsidiary company	-	(31,780)	-	-	-	-	-	(31,780)
Arising from issue of 3.0% Bonds 2007 in the Company	-	15,487	-	-	-	-	-	15,487
Arising from conversion of ICULS 1996/2002 in the commercial banking subsidiary company	-	13,749	-	-	-	-	-	13,749
Arising from exercise of share options in the Company	10,329	-	24,321	-	-	-	-	34,650
Arising from conversion of ICULS 1997/2002 in the Company	38,925	-	395,088	-	-	-	-	434,013
Arising from acquisition of remaining 20 % equity interest in commercial banking subsidiary company	35,496	-	90,871	-	-	-	-	126,367
<b>As at 31 March 2003</b>	<b>1,001,719</b>	<b>140,771</b>	<b>648,280</b>	<b>895,385</b>	<b>19,827</b>	<b>-</b>	<b>757,677</b>	<b>3,463,659</b>



# Statements of Changes in Equity (Cont'd)

For The Year Ended 31 March 2004

	Non-distributable				Distributable		Total RM'000
	Share capital RM'000	Capital reserve RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Unapp- ropriated profit RM'000	
<b>The Group</b>							
<b>As at 1 April 2003</b>							
As previously stated	1,001,719	140,771	648,280	895,385	19,827	633,640	<b>3,339,622</b>
Prior year's adjustments	-	-	-	-	-	124,037	<b>124,037</b>
As restated	1,001,719	140,771	648,280	895,385	19,827	757,677	<b>3,463,659</b>
Translation adjustments	-	-	-	-	(223)	-	<b>(223)</b>
Profit for the year	-	-	-	-	-	223,721	<b>223,721</b>
Dividends paid	-	-	-	-	-	(36,062)	<b>(36,062)</b>
Reclassification	-	(15,487)	15,487	-	-	-	<b>-</b>
Transfer from income statements	-	-	-	268,688	-	-	<b>268,688</b>
Transfer to statutory reserve	-	-	-	-	-	(268,688)	<b>(268,688)</b>
Issue of shares pursuant to:							
- exercise of share options	45,128	-	67,600	-	-	-	<b>112,728</b>
- exercise of Warrants 2003/2008	2,740	-	7,107	-	-	-	<b>9,847</b>
- bonus issue	505,762	-	(505,762)	-	-	-	<b>-</b>
- rights issue	303,457	-	30,346	-	-	-	<b>333,803</b>
<b>As at 31 March 2004</b>	<b>1,858,806</b>	<b>125,284</b>	<b>263,058</b>	<b>1,164,073</b>	<b>19,604</b>	<b>676,648</b>	<b>4,107,473</b>



# Statements of Changes in Equity (Cont'd)

For The Year Ended 31 March 2004

	Non-distributable			Distributable		Total RM'000
	Share capital RM'000	Capital reserve RM'000	Share premium RM'000	Revaluation reserve RM'000	Unapp- ropriated profit RM'000	
<b>The Company</b>						
<b>As at 1 April 2002</b>						
As previously stated	916,969	-	138,000	532,154	233,457	1,820,580
Prior year's adjustments	-	-	-	-	(10,103)	(10,103)
As restated	916,969	-	138,000	532,154	223,354	1,810,477
Profit for the year	-	-	-	-	52,054	52,054
Interest on ICULS	-	-	-	-	(3,288)	(3,288)
Dividends paid	-	-	-	-	(34,289)	(34,289)
Arising from issue of 3.0% Bonds 2007 in the Company	-	15,487	-	-	-	15,487
Arising from exercise of share options in the Company	10,329	-	24,321	-	-	34,650
Arising from conversion of ICULS 1997/2002 in the Company	38,925	-	395,088	-	-	434,013
Arising from acquisition of remaining 20 % equity interest in commercial banking subsidiary company	35,496	-	90,871	-	-	126,367
<b>As at 31 March 2003</b>	<b>1,001,719</b>	<b>15,487</b>	<b>648,280</b>	<b>532,154</b>	<b>237,831</b>	<b>2,435,471</b>
<b>As at 1 April 2003</b>	<b>1,001,719</b>	<b>15,487</b>	<b>648,280</b>	<b>532,154</b>	<b>237,831</b>	<b>2,435,471</b>
Profit for the year	-	-	-	-	42,747	42,747
Dividends paid	-	-	-	-	(36,062)	(36,062)
Reclassification	-	(15,487)	15,487	-	-	-
Issue of shares pursuant to:						
- exercise of share options	45,128	-	67,600	-	-	112,728
- exercise of Warrants 2003/2008	2,740	-	7,107	-	-	9,847
- bonus issue	505,762	-	(505,762)	-	-	-
- rights issue	303,457	-	30,346	-	-	333,803
<b>As at 31 March 2004</b>	<b>1,858,806</b>	<b>-</b>	<b>263,058</b>	<b>532,154</b>	<b>244,516</b>	<b>2,898,534</b>

The movements in capital reserves are as follows:

- RM Nil (RM31,780,000 in 2003) was in respect of the dilution in net attributable assets of the Group arising from the shares issued upon the conversion of ICULS 1997/2002 by the Company in AMFB.
- RM15,487,000 (RM15,487,000 in 2003) was in respect of the discount in issuance of the RM150,000,000 nominal amount of 3% Bonds 2007 by the Company.
- RM Nil (RM13,749,000 in 2003) was in respect of the accretion in net attributable assets of the Group arising from the shares issued upon the conversion of ICULS 1996/2002 by the minority shareholders in the commercial banking subsidiary company.

The accompanying Notes form an integral part of the Financial Statements.

# Cash Flow Statements

For The Year Ended 31 March 2004

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	358,424	63,747	402,055	70,020
Add/(Less) adjustments for:				
Loan and financing loss and allowances, net of recoveries	865,588	-	887,302	-
Interest in suspense, net of recoveries	352,086	-	648,678	-
Increase in insurance funds	172,825	-	91,287	-
Depreciation of property and equipment	83,736	7	115,920	18
Income in suspense, net of recoveries	52,398	-	96,583	-
Transfer to profit equalisation reserve	47,870	-	6,442	-
General provision/(Write back of general provision) for commitments and contingencies	37,000	-	(16,000)	-
Amortisation of goodwill and premium on consolidation	14,327	-	13,787	-
Provision for foreclosed properties	4,464	-	-	-
Sundry receivables written off	332	-	1,261	-
Property and equipment written off	249	-	672	-
Gross dividend income from investments	(56,599)	(84,816)	(16,306)	(82,380)
(Gain)/Loss on sale of quoted investments - net	(26,449)	-	6,871	-
Write back of allowance for diminution in value of investments - net	(20,566)	-	(21,147)	-
(Write back of allowance)/Allowance for doubtful sundry receivables - net	(16,343)	-	5,807	-
Amortisation of premium less accretion of discounts on money market securities - net	(10,507)	-	(959)	-
Gain on disposal of unquoted investments - net	(10,385)	-	(3,105)	-
Share in results of associated companies	(1,437)	-	3,951	-
Gain on disposal of property and equipment - net	(1,379)	-	(1,231)	-
Gain on disposal of leased assets - net	(8)	-	(14)	-
Gain on redemption of unquoted investments - net	-	-	(93)	-
Operating Profit/(Loss) Before Working Capital Changes	1,845,626	(21,062)	2,221,761	(12,342)
Decrease/(Increase) In Operating Assets:				
Deposits with financial institutions	158,958	(81,313)	603,801	(7,723)
Securities purchased under resale agreements	(57,981)	(137)	9,945	(150)
Dealing securities	2,408,125	-	(3,686,843)	-
Loans, advances and financing	(1,753,275)	-	(2,373,414)	-
Other assets	(390,379)	20,605	402,434	24,620
Statutory deposits with Bank Negara Malaysia	(5,297)	-	(27,223)	-
(Decrease)/Increase In Operating Liabilities:				
Deposits from customers	1,667,115	-	(852,134)	-
Deposits of banks and other financial institutions	(905,605)	-	2,969,660	-
Securities sold under repurchase agreements	(146,023)	-	779,191	-
Bills and acceptances payable	122,736	-	(12,424)	-
Term loans	(147,750)	-	111,101	-
Amount due to Cagamas Berhad	(418,729)	-	294,282	-
Other liabilities	643,704	(17,741)	(162,382)	(28,681)
Cash Generated From/(Used In) Operations	3,021,225	(99,648)	277,755	(24,276)
Taxation paid	(79,009)	-	(87,703)	-
Net Cash Generated From/(Used In) Operating Activities	2,942,216	(99,648)	190,052	(24,276)

# Cash Flow Statements *(Cont'd)*

For The Year Ended 31 March 2004

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends received from other investments	40,751	-	11,740	-
Capital repayment by an associated company	10,395	-	-	-
Proceeds from disposal of property and equipment	1,824	-	1,315	-
Proceeds from disposal of associated company	638	-	-	-
Dividends received from an associated company	195	-	765	-
Proceeds from disposal of leased assets	8	-	14	-
(Purchase)/Disposal of investment securities - net	(697,523)	(9,702)	231,380	-
Purchase of property and equipment	(76,644)	-	(82,651)	-
Acquisition of additional shares in subsidiary company	-	-	328	-
Arising from acquisition of remaining 20% equity interests in commercial banking subsidiary company	-	-	(126,848)	(126,848)
Dividends received from subsidiary companies	-	61,068	-	59,314
Subscription for credit and leasing subsidiary company rights issues	-	(50,000)	-	(50,000)
Subscription for banking subsidiary rights issues	-	(325,000)	-	-
Net Cash (Used In)/From Investing Activities	(720,356)	(323,634)	36,043	(117,534)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from redeemable unsecured subordinated bonds	660,000	-	-	-
Proceeds from issue of shares in the Company	446,531	446,531	161,085	161,085
Proceeds from issue of new warrants 2003/2008	9,847	9,847	15,487	15,487
Proceeds from issue of shares by subsidiary companies to minority shareholders	1,156	-	310	-
Repayment of exchangeable subordinated capital loan	(460,000)	-	-	-
Repayment for amount due to Danamodal	(271,915)	-	-	-
(Repayment)/Proceeds from subordinated term loan	(75,000)	-	-	100,000
Dividends paid by the Company to its shareholders	(36,062)	(36,062)	(34,289)	(34,289)
Dividends paid to minority interests by subsidiary companies	(18,983)	-	(2,008)	-
Proceeds from issue of 3.0% Redeemable Unsecured Bank-Guaranteed Bonds 2002/2007	-	-	134,217	134,217
Repayment of 5.0% Redeemable Unsecured Bonds 1997/2002	-	-	(435,062)	(435,062)
Interest on ICULS paid to ICULS holders	-	-	(5,550)	(3,288)
Net Cash From/(Used In) Financing Activities	255,574	420,316	(165,810)	(61,850)
Net Increase/(Decrease) In Cash And Cash Equivalents	2,477,434	(2,966)	60,285	(203,660)
Cash And Cash Equivalents At Beginning Of Year	4,177,464	37,712	4,117,179	241,372
Cash And Cash Equivalents At End Of Year	6,654,898	34,746	4,177,464	37,712

# Cash Flow Statements *(Cont'd)*

For The Year Ended 31 March 2004

## Note 1: Acquisition of subsidiary company

The fair values of assets and liabilities assumed arising on the acquisition of the additional 10% equity interest in indirect associated company, Malaysian Ventures Management Incorporated Sdn Bhd (MVMI), resulting in MVMI becoming a subsidiary of AmMerchant Bank, during the financial year ended 31 March 2003 were as follows:

<b>The Group</b>	<b>2003 RM'000</b>
<b>Net assets/(liabilities) acquired:</b>	
Cash and short-term funds	384
Other assets	245
Property and equipment – Cost	60
Property and equipment – Accumulated depreciation	(52)
Other liabilities	(74)
	<hr/>
Net assets	563
Minority interest	(231)
Amount accounted for as an associated company	(276)
	<hr/>
Purchase price paid	56
Less: Cash and short-term funds	(384)
	<hr/>
Cash flow on acquisition, net of cash acquired	<u>(328)</u>

## Note 2: Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short term funds net of bank overdrafts. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Cash and short term funds (Note 4)	6,711,084	34,746	4,199,472	37,712
Bank overdrafts (Note 21)	(56,317)	-	(21,988)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,654,767	34,746	4,177,484	37,712
Effect of exchange rates changes	131	-	(20)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents	<u>6,654,898</u>	<u>34,746</u>	<u>4,177,464</u>	<u>37,712</u>

The accompanying Notes form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 1. Principal Activities And General Information

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiary companies are shown in Note 13.

There have been no significant changes in the nature of the Group's activities during the financial year.

## 2. Basis Of Preparation Of The Financial Statements

The financial statements of the Group and the Company have been approved by the Board of Directors for issuance on 31 May 2004.

The Financial Statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996 and the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB). The financial statements of the Group incorporate those activities relating to the Islamic Banking Business undertaken by the Group. Islamic Banking Business refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

## 3. Significant Accounting Policies

The following accounting policies adopted by the Group and the Company are consistent with those adopted in the previous years except for the adoption of the following:

- (a) New MASB Standards which become operative in the current financial year.
  - (i) MASB 25, Income Taxes which is applied retrospectively. Comparative figures have been restated to reflect the effect of the change in accounting policy.
  - (ii) MASB 27, Borrowing Costs. The adoption does not have any impact on the financial statements as the previous accounting policy was in line with this standard.
  - (iii) MASB 28, Discontinuing Operations. The adoption does not have any impact on the financial statements.
  - (iv) MASB 29, Employee Benefits which is applied prospectively. The adoption does not have any material impact on the financial statements as the previous accounting policy was in line with this standard.
  - (v) MASB i-1, Presentation of financial statements of Islamic Financial Institutions. The adoption resulted in extended disclosures for the Group's Islamic Banking business.
- (b) Bank Negara Malaysia's Circular dated 4 July 2003 and Revised Circular dated 8 August 2003 on the accounting treatment of handling fees paid to motor vehicle dealers for hire purchase loans (BNM Circular on Handling Fees) which has been adopted prospectively.

MASB 30, Accounting and Reporting by Retirement Benefit Plans is not adopted as it is not applicable to the Group and the Company.

The effects of adopting the new MASB 25, Income Taxes on the opening balance of the Group's unappropriated profit are reflected as prior year's adjustments in the Statement of Changes in Equity and disclosed in Note 53 to the financial statements.

# Notes to the Financial Statements *(Cont'd)*

## **Basis Of Accounting**

The financial statements of the Group and the Company have been prepared under the historical cost convention with certain modifications to include the directors' valuation of investments in subsidiary companies in the financial statements of the Company.

## **Basis Of Consolidation**

The Group's financial statements include the financial statements of the Company and all its subsidiary companies listed under Note 13 made up to the end of the financial year except for P.T. AmCapital Indonesia and Malaysian Ventures Management Incorporated Sdn Bhd, the financial statements of which were made up to 31 December 2003 with adjustments, where appropriate, made for any significant transactions that occurred between 1 January 2004 to 31 March 2004.

The Company adopts both the merger method (or "pooling of interests" method) and the acquisition method in preparing the consolidated financial statements.

The merger method was adopted in respect of the transfer of subsidiaries pursuant to a scheme of arrangement under the group restructuring exercise completed in 1992. The acquisition method is adopted for all other acquisitions.

Under the merger method, the assets, liabilities and reserves, revenues and expenses of the combining companies are combined into one entity at their existing amounts.

Under the acquisition method, the results of the subsidiary companies acquired or disposed of during the financial year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal, as applicable. The excess of the cost of investments in the subsidiary companies over the attributable share in the fair value of the net assets of the subsidiary companies at the date of acquisition is taken up as goodwill on consolidation.

All significant intercompany transactions and balances have been eliminated on consolidation.

## **Repurchase Agreements**

Securities purchased under resale agreements are securities which the Group had purchased with commitments to resell at future dates. The commitments to resell the securities is reflected as assets in the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with commitments to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at agreed prices on a specified future dates are accounted for as a liability in the balance sheet.

## **Dealing Securities**

Dealing securities are marketable securities that are acquired and held with the intention of reselling them in the short term.

Money market securities, debt equity conversion, quoted securities and private debt securities are stated at the lower of cost and market value on a portfolio basis.

Unquoted securities are generally stated at cost less allowance for diminution in value, if any, of such securities.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.



# Notes to the Financial Statements *(Cont'd)*

## **Investment Securities**

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirements in respect of the merchant banking, commercial banking and finance subsidiary companies pursuant to Section 38 of the Banking and Financial Institutions Act 1989, and are usually held to maturity.

Malaysian Government Securities, Malaysian Government Investment Certificates, Cagamas bonds and other government securities and bank guaranteed private debt securities are stated at cost adjusted for amortisation of premium or accretion of discount. Other private debt securities are valued at lower of cost and market value.

Other investment securities are stated at cost and allowance is made in the event of any permanent diminution in value.

Transfers, if any, between investment and dealing securities are made at the lower of carrying value and market value.

## **Allowance For Doubtful Debts And Financing**

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on set percentages of the net increase in receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

## **Trade And Other Receivables**

Trade and other receivables are stated at book value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

## **Foreclosed Properties**

Foreclosed properties are those acquired in full or partial satisfaction of debts, are stated at cost less allowance for diminution in value, if any, of such properties.

## **Amount Recoverable From Pengurusan Danaharta Nasional Berhad (Danaharta)**

This relates to the loans sold to Danaharta where the total consideration is received in two portions; upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the Group's predetermined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and the initial consideration is recognised as "Amounts recoverable from Danaharta" within the "Other Assets" component of the consolidated balance sheet. Provisions against these amounts are made to reflect the Directors' assessment of the realisable value of the final consideration as at the balance sheet date.



# Notes to the Financial Statements *(Cont'd)*

## **Goodwill/Premium On Consolidation**

Goodwill on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition.

Goodwill on consolidation is recognised as an asset and generally amortised evenly over a period of twenty to fifty years.

Premium on consolidation on the acquisition of associated companies is included within the carrying amount of the associated companies and represents the excess of the purchase consideration over the Group's interest in the fair values of the identifiable net assets of associated companies at the date of acquisition and is amortised over a period of twenty five years.

When an indication of impairment exists, the carrying amount of goodwill/premium is assessed and written down immediately to its recoverable amount.

## **Investments In Subsidiary Companies**

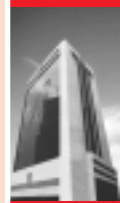
Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost or directors' valuation, and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease. The directors' valuation is arrived at after taking into account the underlying net tangible assets value of the subsidiary companies and the surplus on revaluation is credited to the revaluation reserve account. The valuation of the investments in subsidiary companies will be carried out at a regular interval of at least once in every five years. The directors revalued the Company's investments in its subsidiary companies during the financial year ended 31 March 2002.

## **Investments In Associated Companies**

An associated company is a company in which the Group has a long term equity interest of between 20% to 50% and where the Group has representation on the Board and is in a position to exercise significant influence in its management.

Investments in associated companies are stated at cost and are written down when the directors consider there is an impairment loss that is other than temporary on the value of such investments in the Company's financial statements. The impairment loss is charged to the income statement. In the consolidated financial statements, the results of associated companies are accounted for under the equity method whereby the Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement and the Group's interest in associated companies is stated at cost plus adjustments to reflect changes in the Group's share of the net assets of the associated companies in the consolidated balance sheet.



# Notes to the Financial Statements *(Cont'd)*

## Property And Equipment And Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Freehold land is not depreciated. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates for the various classes of property and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Long term leasehold land	Over the term of leases
Short term leasehold land	Over the term of leases
Motor vehicles	20%
Leasehold improvements	10% - 33 1/3%
Computer hardware and software	20% - 33 1/3%
Office and residential equipment, furniture and fittings	10% - 33 1/3%

Long term lease are leases with a term of 50 years and above. Short term lease are leases with a term of less than 50 years.

## Assets Purchased Under Lease

Assets purchased under lease which in substance transfer the risks and benefits of ownership of the assets to the lessee are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

As at 31 March 2004, the Group and the Company do not have any assets purchased under lease.

## Impairment Of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the asset might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to their discounted future cash flows, if applicable. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

# Notes to the Financial Statements *(Cont'd)*

## **Bills And Acceptances Payable**

Bills and acceptances payable represent the merchant banking and commercial banking subsidiary companies' own bills and acceptances rediscounted and outstanding in the market.

## **General Insurance Fund**

The general insurance fund represents reserve for unexpired risks calculated using the 1/24th method on gross premiums less reinsurance.

## **Life Assurance Fund**

The life assurance fund is based on the results of annual actuarial valuations adjusted for revenue surplus or deficit. The latest valuations were made up to 31 March 2004 and the results have been reflected accordingly.

## **Provision For Claims**

For general insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported until after the balance sheet date, using a mathematical method of estimation.

For life assurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date, using the case-basis method.

## **Profit Equalisation Reserve (PER)**

PER refers to the amount appropriated out of the total gross income in order to maintain a certain level of return for depositors. PER is deducted from the total gross income (in deriving the net gross income) as approved and endorsed by the National Advisory Council for Islamic banking and takaful of Bank Negara Malaysia.

## **Provisions**

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of a past event and a reliable estimate can be made of the amount.

## **Provision For Commitments And Contingencies**

Based on management's evaluation of the guarantees given on behalf of customers, specific provisions for commitments and contingencies are made when in the event of call or potential liability and there is a shortfall in the security value supporting these guarantees.



# Notes to the Financial Statements *(Cont'd)*

## Employee Benefits

### (i) Short-Term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

### (ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (EPF). Overseas subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statements as incurred. Once the contribution have been paid, the Group has no further payment obligations.

### (iii) Equity compensation Benefits

The employees' share option scheme allows the Group's eligible directors and employees, except for executive directors who represent the Government or Government institutions/agencies and Government employees who are serving in the public service schemes defined under Article 132 of the Federal Constitution and executive directors of AmSecurities Sdn Bhd who are eligible to participate under separate share schemes in their respective companies to acquire shares of the Company. When the granted options are exercised, equity is increased by the amount of the proceeds received.

## Forward Foreign Exchange Contracts

Unmatured forward exchange contracts are valued at forward rates prevailing at balance sheet date, applicable to their respective dates to maturity and, unrealised gains and losses are recognised in the income statements.

## Interest Rate Swaps, Futures, Options And Forward Rate Agreements

The Group acts as an intermediary with counterparties who wish to swap their interest obligations. The Group also uses interest rate swaps, futures, options and forward rate agreements in its trading activities and in overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate futures, options and forward rate agreements that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures, options and forward rate agreements that do not qualify as hedges are recognised using the mark-to-market method and is shown as trading gain or loss from derivatives.

## Sell And Buy Back Agreements

These are obligations of the Group to perform its commitment to buy back specified Islamic Securities at maturity. Gains and losses are recognised upon sale and shown as trading gain or loss from dealing securities.

# Notes to the Financial Statements *(Cont'd)*

## Interest And Financing Income And Expense Recognition

Interest and financing income is generally accrued on the straight-line basis based on balances outstanding for all interest bearing assets. Interest income includes the amortisation of premium or accretion of discount. Interest and financing income on dealing and investment securities are recognised on an effective yield basis.

The Group follows the financing method of accounting for income from leasing activities. Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the end of the lease) of the leased property is taken as income over the term of the lease in decreasing amounts proportionate to the declining balance of the unrecovered sum using the 'sum-of-digits' method.

Interest and financing income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either monthly or daily. Interest and financing income from hire-purchase financing and block discounting of the Group is recognised using the 'sum-of-digits' method.

While it is the Group's and the Company's policy to recognise interest and financing income on the accrual basis, interest and financing income on non-performing accounts is not recognised as income and is reversed and suspended unless received in cash or realisation in cash is assured.

An account is classified as non-performing where repayment is in arrears for more than six months and after maturity dates for trade bills, bankers' acceptances and trust receipts.

The classification of non-performing loans and financing is in conformity with Bank Negara Malaysia's Guideline on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts.

Interest expense and attributable income (pertaining to activities relating to Islamic Banking Business) on deposits and borrowings of the Group are accrued on a straight-line basis while block discounting finance charges are accrued using the 'sum-of-digits' method.

Handling fees paid to motor vehicle dealers for hire purchase loans and financing approved and disbursed after 1 January 2004 are expensed off to the income statements in the period in which the handling fees are incurred in accordance with Bank Negara Malaysia's Circular dated 4 July 2003 and Revised Circular dated 8 August 2003. However, handling fees paid to motor vehicle dealers for hire purchase loans and financing approved and disbursed before 1 January 2004 are continued to capitalise and amortise to the income statements over the hire purchase loans tenure using the 'sum-of-digits' method. This change in accounting policy has been accounted for prospectively and has resulted in an increase in handling fees charged to the income statements for the financial year by RM18.2 million.



# Notes to the Financial Statements *(Cont'd)*

## Fee And Other Income Recognition

Loan arrangement, management and participation fees, acceptance, factoring, underwriting and futures contract commissions and brokerage fees are recognised as income upon execution of contracts.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Asset, property and unit trust management, agency and commitment fees are recognised as income based on time apportionment.

Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold.

Profits and losses on disposal of investments are taken to the income statements.

Guarantee fees are recognised as income upon issuance and, where the guarantee periods are longer than one year, over the duration of the guarantee periods.

Equipment and property rental are recognised on an accrual basis.

Dividends from dealing and investment securities are recognised when received. Dividends from subsidiary and associated companies are recognised when the right to receive payment is established.

Premium income from general insurance business (net of all reinsurance) is recognised on the assumption of risks and, for treaty inwards business, on the date of receipt of the accounts. Premium income on marine cargo, aviation cargo and inland transit business are determined after taking into account the unearned premium at 25.0% of written premiums. Premium income from other general business is recognised on the 1/24th method from inception date.

Premium income from life assurance business (net of all reinsurance) is recognised on assumption of risks and the subsequent premium is recognised on due dates. Premiums outstanding at balance sheet date are recognised as income provided the premiums due are still within the grace period allowed for payment.

## Income Taxes

Tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statements except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill which are not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Prior to the adoption of MASB 25 Income Taxes, the tax effects of transactions are generally recognised, using the 'liability' method, in the year such transactions enter into the determination of net income, regardless of when they are recognised for tax purposes. However, where timing differences result in deferred tax debits, the tax effects are generally recognised only when the realisation is reasonably assured. The changes in accounting policies have been accounted for retrospectively and the effects of the changes are disclosed in Note 53.

# Notes to the Financial Statements *(Cont'd)*

## Foreign Exchange

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing at transaction dates or, if covered by foreign exchange contracts, at contracted rates. Where settlement has not taken place at balance sheet date, translation into Ringgit Malaysia is at the approximate exchange rates prevailing at that date or at contracted rates. All foreign exchange gains or losses are taken up in the income statements.

For the purpose of consolidation, assets and liabilities of subsidiary and associated companies expressed in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date while their respective income statement is translated into Ringgit Malaysia at the average exchange rate for the year. Gains or losses arising on translation into Ringgit Malaysia are taken up in the exchange fluctuation reserve. Translation losses in excess of amounts in the exchange fluctuation reserve, if any, are taken up in the income statements.

The exchange rates ruling at balance sheet date used for translation are as follows:

	31.03.2004	31.3.2003
Singapore Dollar (SGD)	2.26	2.15
United States Dollar (USD)	3.80	3.80
Indonesia Rupiah (IDR)	0.0004	0.0004
Hong Kong Dollars (HKD)	0.48	0.48

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## Operating Revenue

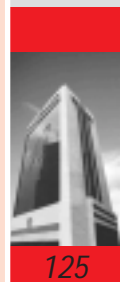
Operating revenue of the Group and the Company comprise net interest and financing income after interest and income suspended or recovered but before amortisation of premiums less accretion of discounts, fee income, net trading income from money market securities, net trading income from derivatives, net gain/(loss) on sale of quoted investments, gross dividend income from quoted investments, premium income from life and general insurance business, income from Islamic banking operations before income attributable to depositors, foreign exchange gain and net allowance or writeback for diminution in value of investments.

## Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

## Cash And Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdrafts.



## Notes to the Financial Statements (Cont'd)

### 4. Cash And Short-Term Funds

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Cash and bank balances	275,703	4,130	224,233	830
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	30,368	-	31,899
Others	2,588,877	-	1,933,536	-
Licensed finance companies:				
Subsidiary	-	248	-	4,983
Others	20,926	-	60,000	-
Bank Negara Malaysia	3,697,300	-	1,898,800	-
Other financial institutions	128,278	-	82,903	-
	<b>6,711,084</b>	<b>34,746</b>	<b>4,199,472</b>	<b>37,712</b>

Included in the above are interbank lendings of RM6,330,277,000 (RM3,866,920,000 in 2003) for the Group.

As at 31 March 2004, the net interbank borrowing and lending position of the Group is as follows:

	The Group	
	2004 RM'000	2003 RM'000
Interbank lendings		
Cash and short-term funds	6,330,277	3,866,920
Deposits with financial institutions (Note 6)	270,681	434,630
	<b>6,600,958</b>	<b>4,301,550</b>
Interbank borrowings (Note 17)	(265,244)	(399,750)
Net interbank lendings	<b>6,335,714</b>	<b>3,901,800</b>

### 5. Securities Purchased Under Resale Agreements

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Licensed banks:				
Subsidiary	-	287	-	150
Others	64,818	-	6,837	-
	<b>64,818</b>	<b>287</b>	<b>6,837</b>	<b>150</b>



## Notes to the Financial Statements *(Cont'd)*

### 6. Deposits With Financial Institutions

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Licensed banks:				
Subsidiary	-	97,027	-	15,834
Others	56,743	-	188,163	-
Licensed finance companies:				
Subsidiary	-	2,312	-	2,192
Others	3,040	-	52,934	-
Other financial institutions	247,886	-	225,530	-
	<b>307,669</b>	<b>99,339</b>	466,627	18,026

The deposits with financial institutions are placed to mature within one year.

Deposits with financial institutions amounting to RM194,000 (RM194,000 in 2003) for the Group are pledged to certain banks for banking facilities granted to the subsidiary companies.

Included in the above are interbank lendings of RM270,681,000 (RM434,630,000 in 2003) for the Group.



# Notes to the Financial Statements (Cont'd)

## 7. Dealing Securities

	The Group	
	2004 RM'000	2003 RM'000
<b>Money Market Securities:</b>		
Treasury bills	28,463	357,224
Malaysian Government Securities	19,941	404,818
Malaysian Government Investment Certificates	127,728	141,321
Cagamas bonds	190,155	170,072
Cagamas Mudharabah bearer bonds	83,500	68,500
Cagamas notes	87,442	29,796
Negotiable instruments of deposits	381,447	178,681
Bank Negara Malaysia bills	150,011	789,754
Khazanah bonds	327,003	26,204
Danaharta bonds	19,162	65,507
Islamic Bank Negara Malaysia notes	139,202	37,258
Danamodal bonds	-	1,084
Negotiable Islamic debt certificates	-	13,655
	<b>1,554,054</b>	<b>2,283,874</b>
<b>Securities Quoted:</b>		
In Malaysia		
Shares	432,283	239,924
Corporate bonds	19,000	19,001
Loan stocks	4,532	4,418
Trust units	55,691	117,797
Transferable Subscription Rights/Warrants	443	10,511
Outside Malaysia		
Shares	166	855
	<b>512,115</b>	<b>392,506</b>
<b>Unquoted Debt Equity Conversion Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	18,261	18,261
<b>Unquoted Securities In Companies Incorporated In Malaysia:</b>		
Shares	2,200	2,200
<b>Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Islamic corporate bonds	698,044	1,297,118
Corporate bonds	674,913	905,109
Corporate notes	95,428	37,806
Islamic corporate notes	33,012	21,316
	<b>1,501,397</b>	<b>2,261,349</b>
<b>Unquoted Guaranteed Private Debts Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	166,115	116,676
Corporate notes	49,601	1,094,606
Islamic corporate notes	5,491	-
	<b>221,207</b>	<b>1,211,282</b>

## Notes to the Financial Statements (Cont'd)

	The Group	
	2004 RM'000	2003 RM'000
Total	3,809,234	6,169,472
Allowance for diminution in value of investments:		
In Malaysia	(53,037)	(5,290)
Outside Malaysia	(259)	(119)
Net	3,755,938	6,164,063
<b>Market value:</b>		
<b>Money Market Securities:</b>		
Treasury bills	28,578	359,000
Malaysian Government Securities	19,708	404,667
Malaysian Government Investment Certificates	127,341	141,357
Cagamas bonds	188,874	170,219
Cagamas Mudharabah bearer bonds	82,693	68,560
Cagamas notes	88,470	29,868
Negotiable instruments of deposits	398,072	181,675
Bank Negara Malaysia bills	150,863	792,523
Khazanah bonds	327,227	26,557
Danaharta bonds	19,580	66,891
Islamic Bank Negara Malaysia bills	139,636	37,331
Danamodal bonds	-	1,095
Negotiable Islamic debt certificates	-	13,759
<b>Securities Quoted:</b>		
In Malaysia		
Shares	414,211	152,234
Corporate bonds	19,380	19,143
Loan stocks	2,646	2,474
Trust units	52,668	119,095
Transferable Subscription Rights/Warrants	485	10,000
Outside Malaysia		
Shares	60	855
<b>Unquoted Private Debt Securities</b>		
<b>Of Companies Incorporated In Malaysia:</b>		
Islamic corporate bonds	675,454	1,310,858
Corporate bonds	650,479	918,095
Corporate notes	95,822	37,986
Islamic corporate notes	33,432	21,345
<b>Unquoted Guaranteed Private Debts Securities</b>		
<b>Of Companies Incorporated In Malaysia:</b>		
Corporate notes	49,915	1,092,684
Corporate bonds	167,234	119,424
Islamic corporate notes	5,461	-

Certain money market securities held have been sold under repurchase agreements for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 18.



# Notes to the Financial Statements (Cont'd)

## 8. Investment Securities

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>Money Market Securities:</b>				
Treasury bills	311,800	-	589,940	-
Malaysian Government Securities	123,081	-	223,311	-
Malaysian Government Investment Certificates	190,482	-	137,977	-
Bank Negara Malaysia Bills	252,560	-	351,773	-
Cagamas bonds	30,006	-	30,058	-
Khazanah bonds	133,136	-	134,179	-
Danaharta bonds	7,000	-	7,000	-
Negotiable instruments of deposits	892,845	-	1,289,584	-
Negotiable Islamic debt certificates	195,394	-	19,977	-
Islamic acceptance bills	2,979	-	-	-
Bankers' acceptances	4,472	-	9,380	-
Cagamas notes	-	-	38,897	-
Danamodal bonds	-	-	69,733	-
	<b>2,143,755</b>	<b>-</b>	<b>2,901,809</b>	<b>-</b>
<b>Securities Quoted:</b>				
In Malaysia				
Shares	121,506	-	266,938	-
Corporate bonds	38,000	-	38,000	-
Warrants	3,605	-	156	-
Trust units	404	-	-	-
Loan stocks	-	-	294	-
Outside Malaysia				
Corporate bonds	19,000	-	41,800	-
Shares	3,195	-	3,742	-
	<b>185,710</b>	<b>-</b>	<b>350,930</b>	<b>-</b>
<b>Debt Equity Conversion Quoted:</b>				
In Malaysia				
Shares – <i>with options</i>	78,076	-	106,404	-
Shares	292,778	-	103,985	-
Loan stocks – <i>collateralised</i>	99,611	-	109,253	-
Loan stocks – <i>with options</i>	577,747	-	555,075	-
Corporate bonds	4,333	-	33,849	-
Outside Malaysia				
Shares	3,203	-	3,073	-
	<b>1,055,748</b>	<b>-</b>	<b>911,639</b>	<b>-</b>
<b>Unquoted Debt Equity Conversion Of Companies Incorporated</b>				
In Malaysia:				
Shares	354,902	-	246,915	-
Corporate bonds	617,476	-	666,467	-
Loan stocks	682,772	-	36,890	-
	<b>1,655,150</b>	<b>-</b>	<b>950,272</b>	<b>-</b>

## Notes to the Financial Statements (Cont'd)

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>				
In Malaysia				
Corporate bonds	377,600	10,000	281,821	-
Islamic Corporate bonds	21,031	-	42,118	-
Corporate bonds and notes denominated in USD	144,670	-	216,965	-
Outside Malaysia				
Corporate bonds and notes denominated in USD	123,073	-	123,073	-
	<b>666,374</b>	<b>10,000</b>	<b>663,977</b>	<b>-</b>
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	1,173,666	-	55,749	-
<b>Unquoted Securities Of Companies Incorporated:</b>				
In Malaysia				
Shares	105,886	-	119,359	-
Corporate bonds	376	-	376	-
Trust units	44,138	-	72,680	-
Outside Malaysia				
Shares	9,929	-	7,675	-
	<b>160,329</b>	<b>-</b>	<b>200,090</b>	<b>-</b>
<b>Total</b>	<b>7,040,732</b>	<b>10,000</b>	<b>6,034,466</b>	<b>-</b>
Amortisation of premium less accretion of discount	(3,940)	(298)	14,200	-
Allowance for diminution in value of investments:				
In Malaysia	(625,127)	-	(380,756)	-
Outside Malaysia	(118,815)	-	(140,490)	-
<b>Net</b>	<b>6,292,850</b>	<b>9,702</b>	<b>5,527,420</b>	<b>-</b>



## Notes to the Financial Statements (Cont'd)

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>Market value:</b>				
<b>Money Market Securities:</b>				
Treasury bills	319,035	-	599,203	-
Malaysian Government Securities	119,835	-	200,373	-
Malaysian Government Investment Certificates	202,530	-	144,629	-
Bank Negara Malaysia Bills	253,328	-	343,902	-
Cagamas bonds	30,006	-	30,084	-
Khazanah bonds	137,846	-	136,200	-
Danaharta bonds	8,798	-	8,529	-
Negotiable instruments of deposits	962,023	-	1,332,440	-
Negotiable Islamic debt certificates	195,394	-	19,977	-
Islamic acceptance bills	2,997	-	-	-
Bankers' acceptances	4,472	-	9,400	-
Cagamas notes	-	-	39,359	-
Danamodal bonds	-	-	74,330	-
<b>Securities Quoted:</b>				
In Malaysia				
Shares	132,391	-	205,275	-
Corporate bonds	38,354	-	38,387	-
Warrants	3,596	-	240	-
Trust units	582	-	-	-
Loan stocks	-	-	812	-
Outside Malaysia				
Corporate bonds	4,750	-	6,774	-
Shares	2,776	-	821	-
<b>Debt Equity Conversion Quoted:</b>				
In Malaysia				
Shares - <i>with options</i>	47,087	-	59,809	-
Shares	124,778	-	28,136	-
Loan stocks - <i>collateralised</i>	64,843	-	69,789	-
Loan stocks - <i>with options</i>	516,863	-	593,408	-
Corporate bonds	4,333	-	9,112	-
Outside Malaysia				
Shares	3,440	-	3,710	-
<b>Unquoted Private Debt Securities</b>				
<b>Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	377,465	9,720	281,894	-
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	1,126,388	-	55,749	-

## Notes to the Financial Statements (Cont'd)

The maturity structure of money market securities held for investment is as follows:

	The Group	
	2004 RM'000	2003 RM'000
Maturing within one year	1,089,655	1,640,745
One year to three years	684,794	531,714
Three to five years	311,130	669,313
Over five years	58,176	60,037
	<b>2,143,755</b>	<b>2,901,809</b>

Certain money market securities held for investment have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while the obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 18.

### 9. Loans, Advances And Financing

	The Group			
	2004		2003	
	RM'000	%	RM'000	%
Loans and financing:				
Customers	23,448,010	55.3	24,142,478	57.1
Staff loans	176,685	0.4	184,173	0.4
Hire-purchase receivables	18,115,982	42.7	16,694,819	39.5
Credit card receivables	1,543,119	3.6	1,437,253	3.4
Lease receivables	1,517,308	3.6	1,926,888	4.6
Overdrafts	771,482	1.8	730,643	1.7
Claims on customers under acceptance credits	349,777	0.8	254,519	0.6
Trust receipts	84,807	0.2	104,945	0.3
Block discount receivables	51,048	0.1	60,446	0.1
Factoring receivables	30,851	0.1	50,889	0.1
Bills receivable	5,377	0.1	110,859	0.3
	<b>46,094,446</b>	<b>108.7</b>	<b>45,697,912</b>	<b>108.1</b>
Less: Unearned interest and income	3,675,245	(8.7)	3,423,434	(8.1)
Total	<b>42,419,201</b>	<b>100.0</b>	<b>42,274,478</b>	<b>100.0</b>
Less:				
Allowance for bad and doubtful debts and financing:				
General	601,279		591,394	
Specific	1,780,316		1,801,429	
	<b>2,381,595</b>		<b>2,392,823</b>	
Interest/Income-in-suspense	1,436,556		1,763,808	
	<b>3,818,151</b>		<b>4,156,631</b>	
Net loans, advances and financing	<b>38,601,050</b>		<b>38,117,847</b>	

Claims on customers under acceptance credits represent the merchant banking and commercial banking subsidiary companies' own acceptances created and discounted. Own acceptances discounted and held in hand by the Group as at 31 March 2004 amounted to RM88,521,000 (RM27,514,000 in 2003).



## Notes to the Financial Statements (Cont'd)

The maturity structure of loans, advances and financing is as follows:

	The Group	
	2004 RM'000	2003 RM'000
Maturing within one year	16,241,539	15,912,774
One year to three years	10,049,898	11,064,113
Three to five years	6,565,035	6,403,245
Over five years	9,562,729	8,894,346
	<b>42,419,201</b>	<b>42,274,478</b>

Loans, advances and financing analysed by their economic purposes are as follows:

	The Group			
	2004		2003	
	RM'000	%	RM'000	%
Purchase of transport vehicles	14,395,432	33.9	13,218,585	31.3
Purchase of landed property of which:				
(a) Residential	7,148,858	16.9	6,145,169	14.5
(b) Non-residential	2,286,146	5.4	2,667,277	6.3
Construction	3,675,165	8.7	4,684,066	11.1
Manufacturing	2,390,924	5.7	2,343,669	5.5
Purchase of securities	1,853,513	4.4	2,205,000	5.2
Consumption credit	2,250,954	5.3	1,872,494	4.4
General commerce	1,539,333	3.6	1,427,019	3.4
Transport, storage and communication	1,291,244	3.0	1,048,583	2.5
Real estate	1,199,321	2.8	1,245,725	2.9
Finance, insurance and business services	1,135,076	2.7	1,586,648	3.7
Investment holdings	931,676	2.2	1,137,039	2.7
Agriculture	895,112	2.1	951,791	2.3
Community, social and personal services	381,345	0.9	413,920	1.0
Electricity, gas and water	350,023	0.8	379,881	0.9
Mining and quarrying	59,522	0.1	67,436	0.2
Others	639,065	1.5	883,859	2.1
Gross loans, advances and financing	<b>42,422,709</b>	<b>100.0</b>	<b>42,278,161</b>	<b>100.0</b>
Less: Islamic financing sold to Cagamas Berhad	<b>3,508</b>		<b>3,683</b>	
	<b>42,419,201</b>		<b>42,274,478</b>	



## Notes to the Financial Statements (Cont'd)

Movements in non-performing loans and financing including interest and income receivables are as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Gross		
Balance at beginning of year	8,000,125	10,915,273
Non-performing during the year	2,630,502	2,850,979
Reclassification to performing loans and financing	(623,458)	(1,263,760)
Amount written off	(1,516,701)	(2,899,551)
Recoveries	(845,804)	(1,050,045)
Debt equity conversion	(151,382)	(552,771)
Balance at end of year	<b>7,493,282</b>	8,000,125
Less:		
Specific allowance	1,780,316	1,801,429
Interest/Income-in-suspense	1,436,556	1,763,808
	<b>3,216,872</b>	3,565,237
Non-performing loans and financing – net	<b>4,276,410</b>	4,434,888
Total loans, advances and financing less specific allowance and interest/income-in-suspense	<b>39,202,329</b>	38,709,241
Islamic financing sold to Cagamas Berhad	3,508	3,683
	<b>39,205,837</b>	38,712,924
Ratio of net non-performing loans and financing to total net loans, advances and financing	<b>10.91%</b>	11.46%



## Notes to the Financial Statements (Cont'd)

Movements in the allowances for bad and doubtful debts and financing and interest/income-in-suspense accounts are as follows:

	The Group	
	2004 RM'000	2003 RM'000
<b>General Allowance</b>		
Balance at beginning of year	591,394	590,215
Allowance during the year (Note 33)	9,875	11,386
Exchange fluctuation adjustments	10	19
Reclassification to specific allowance	-	(10,226)
Balance at end of year	<b>601,279</b>	591,394
<b>As a % of total loans less specific allowance and interest/income-in-suspense</b>	<b>1.53</b>	1.53
<b>Specific Allowance</b>		
Balance at beginning of year	1,801,429	3,095,286
Allowance during the year	1,455,336	1,160,598
Amount written back in respect of recoveries and reversals	(388,851)	(291,058)
Net charge to income statement (Note 33)	1,066,485	869,540
Amount written off	(1,022,854)	(2,059,047)
Debt equity conversion	(56,200)	(55,686)
Danamodal recoveries	(30,721)	(56,967)
Adjustment to/(from) deferred asset account	12,861	(1,923)
Reclassification from sundry receivables	9,316	-
Reclassification from general allowance	-	10,226
Balance at end of year	<b>1,780,316</b>	1,801,429
<b>Interest/Income-In-Suspense</b>		
Balance at beginning of year	1,763,808	1,963,957
Interest/Income suspended during the year	756,476	1,059,224
Amount written back in respect of recoveries and reversals	(351,992)	(313,963)
Net charge to income statement	404,484	745,261
Amount written off	(539,823)	(887,005)
Debt equity conversion	(178,030)	(39,314)
Danamodal recoveries	(11,857)	(17,505)
Adjustment to deferred asset account	(2,093)	(1,709)
Exchange fluctuation adjustments	67	123
Balance at end of year	<b>1,436,556</b>	1,763,808

## Notes to the Financial Statements *(Cont'd)*

### 10. Other Assets

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM134,818,000 (RM135,618,000 in 2003)	548,655	-	207,584	-
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM570,000 (RM5,024,000 in 2003)	430,759	36,945	289,111	33,727
Interest receivables on treasury assets, net of allowance for doubtful debts for the Group of RM15,806,000 (RM16,191,000 in 2003)	78,060	1,754	102,985	1,629
Fee receivables, net of allowance for doubtful debts for the Group of RM2,720,000 (RM19,457,000 in 2003)	32,634	-	37,315	-
Amount due from subsidiary companies	-	7,681	-	7,881
Amount due from associated companies	123	-	847	-
Amount due from agents, brokers and reinsurers, net of allowance for the Group of RM12,196,000 (RM14,602,000 in 2003)	37,878	-	30,995	-
Amount due from Originators	153,104	-	118,514	-
Amount recoverable from Danaharta	-	-	82,211	-
Foreclosed properties net of allowance for impairment in value of RM10,464,000 (RM6,000,000 in 2003)	21,399	-	17,537	-
Deferred asset	72,022	-	71,137	-
	<b>1,374,634</b>	<b>46,380</b>	958,236	43,237

Trade receivables mainly pertain to stock and share-broking activities of subsidiary companies and represent amount outstanding in purchase contracts net of allowances and share margin financing.

Amount due from subsidiary companies is interest-free and represents net dividend and interest on loans receivable.

Amount due from associated companies is interest-free and represents expenses paid on behalf.

Amount due from Originators represents housing loans, hire purchase and leasing receivables acquired from the originators for onward sale to Cagamas Berhad as mentioned in Note 20.



## Notes to the Financial Statements (Cont'd)

The movements in amount recoverable from Danaharta are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Balance at beginning of the year	82,211	219,987
Provision made during the year (Note 33)	(80,634)	(137,776)
Amount recovered during the year	(4,703)	-
Amount arising during the year	3,126	-
Balance at end of year	-	82,211
Deferred assets are as follows:		
Arising from takeover of Abrar Finance Berhad	10,838	9,952
Arising from takeover of Kewangan Usahasama Makmur Berhad	61,184	61,185
	72,022	71,137

In 1998, the subsidiary company, AMFB, participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya, whereby certain assets and liabilities of Abrar Finance Berhad (AFB), a licensed finance company incorporated in Malaysia, were transferred with effect from 18 December 1998 to AMFB with financial assistance from Bank Negara Malaysia (BNM).

The net asset deficiency representing the excess of liabilities over the assets transferred from AFB arising from the scheme, is shown as deferred asset, and is reduced progressively by net income derived from the utilisation of the deposit placed by BNM, as mentioned in Note 17, and net recoveries of defaulted loans of AFB computed based on a formula determined by BNM.

Subsequent to the vesting order of assets and liabilities from AMFB to AmFinance, the deferred assets arising from the takeover of AFB were vested over to AmFinance.

In 1988, the indirect finance subsidiary company, AmFinance, took over the operations of Kewangan Usahasama Makmur Berhad (KUMB), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434 million; subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operative. The tax benefit is a fixed monetary sum and is not dependant on any changes in tax rates.

The net tax benefit is shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessments and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purposes of Section 108 tax credit.

## Notes to the Financial Statements *(Cont'd)*

### 11. Goodwill On Consolidation

The movements in goodwill on consolidation are as follows:

	The Group	
	2004 RM'000	2003 RM'000
<b>Cost</b>		
At beginning of year	340,914	306,993
Arising on acquisition of remaining 20% equity interest in commercial banking subsidiary company	-	33,921
At end of year	<u>340,914</u>	<u>340,914</u>
<b>Accumulated amortisation</b>		
At beginning of year	45,494	32,329
Amortisation for the year	13,705	13,165
At end of year	<u>59,199</u>	<u>45,494</u>
Net book value	<u>281,715</u>	<u>295,420</u>

### 12. Statutory Deposits With Bank Negara Malaysia (Central Bank Of Malaysia)

The non-interest bearing statutory deposits pertaining to the merchant banking, commercial banking and finance subsidiary companies are maintained with Bank Negara Malaysia in line with regulatory directives, the amounts of which are determined as set percentages of total eligible liabilities.



## Notes to the Financial Statements (Cont'd)

### 13. Investments In Subsidiary Companies

	The Company	
	2004 RM'000	2003 RM'000
<b>Quoted in Malaysia</b>		
Shares		
- at cost	346,013	346,013
- at directors' valuation	555,787	555,787
Total quoted investments	901,800	901,800
<b>Unquoted</b>		
Shares		
- at cost	613,348	238,348
- at directors' valuation	1,439,200	1,439,200
Interest Bearing Irredeemable Convertible Unsecured Loan Stocks (ICULS) 2007- at cost	120,000	120,000
Total unquoted investments	2,172,548	1,797,548
Total	3,074,348	2,699,348
<b>Market value:</b>		
Shares quoted in Malaysia	2,277,927	1,353,157

The ICULS 2007 issued by the merchant banking subsidiary company bear interest at an annual rate of 6.0% and are convertible at anytime after the date of issue to maturity date.

The subsidiary companies, all incorporated in Malaysia, except for P.T. AmCapital Indonesia and AmSecurities (H.K.) Limited, which are incorporated in Indonesia and Hong Kong respectively, are:

	Principal Activities	Issued And Paid-up Ordinary Capital		Effective Equity Interest	
		2004 RM'000	2003 RM'000	2004 %	2003 %
<b>Direct Subsidiary Companies</b>					
<b>Quoted</b>					
AMFB Holdings Berhad @ (AMFB)	Investment holding	528,756	528,424	64.30	63.34
<b>Unquoted</b>					
AmMerchant Bank Berhad (AmMerchant Bank)	Merchant banking	200,000	200,000	100	100
AmBank Berhad (AmBank)	Commercial banking	708,594	505,469	100	100
Arab-Malaysian Credit Berhad (AMCB)	Hire-purchase financing and leasing	215,000	165,000	100	100
AmSecurities Holding Sdn Bhd (AMSH)	Investment holding	10,000	10,000	100	100

## Notes to the Financial Statements (Cont'd)

	Principal Activities	Issued And Paid-up Ordinary Capital		Effective Equity Interest	
		2004 RM'000	2003 RM'000	2004 %	2003 %
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
AmFinance Berhad (AmFinance)	Finance company	528,402	528,402	64.30	64.34
AmAssurance Berhad (AmAssurance)	Life assurance and general insurance	100,000	100,000	65.94	65.94
AmSecurities Sdn Bhd (AMS)	Stock and share-broking	100,000	100,000	97.5	97.5
AmInvestment Services Berhad (AIS)	Management of unit trusts	5,539	5,539	70	70
AmInvestment Management Sdn Bhd (AIM)	Asset management	2,000	2,000	70	70
AMMB Consultant Sdn Bhd	Investment consultant	500	500	100	100
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100	100
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100	100
AmProperty Trust Management Berhad	Management of property trusts	500	500	100	100
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100	100
AMCB Mezzanine Sdn Bhd	Investment holding	400	400	100	100
AmTrustee Berhad	Trustee services	500	500	72.86	72.86
Arab-Malaysian Services Berhad	Dormant	6,000	6,000	65.94	65.94
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	97.5	97.5
South Johor Securities Nominees (Tempatan) Sdn Bhd	General insurance corporate agent	-**	-**	97.5	97.5
South Johor Securities Nominees (Asing) Sdn Bhd	Dormant	-**	-**	97.5	97.5
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	97.5	97.5
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	97.5	97.5
AmFutures Sdn Bhd	Futures and options trading	10,000	10,000	100	100
AmResearch Sdn Bhd	Publishing and selling research materials and reports	500	500	97.5	97.5
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	70	70
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	70	70
AMMB Properties Sdn Bhd	Dormant	-**	-**	100	100
Malaysian Ventures Management Incorporated Sdn Bhd	Management of venture capital	500	500	59	59

## Notes to the Financial Statements (Cont'd)

	Principal Activities	Issued And Paid-up Ordinary Capital		Effective Equity Interest	
		2004 RM'000	2003 RM'000	2004 %	2003 %
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
AmManagement Services Sdn Bhd (formerly known as AmNotes Series-A Sdn Bhd) (AmNotes)	Dormant	-**	-	100	-
Annlng Sdn Bhd	Dormant	250	250	64.30	64.34
Everflow Credit & Leasing Corp Sdn Bhd	Dormant	684	684	64.30	64.34
MBF Information Services Sdn Bhd	Rental of computer equipment and provision of related support services	27,500	27,500	64.30	64.34
MBf Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	64.30	64.34
MBf Trustees Berhad	Trustee services	250	250	38.6	38.6
AmProperty Holdings Sdn Bhd	Property investment	500	500	64.30	64.34
MBf Equity Partners Sdn Bhd	Venture capital	10,000	10,000	64.30	64.34
MBf Nominees (Asing) Sdn Bhd	Dormant	-**	-**	64.30	64.34
MBf Property Trust Management Berhad	Dormant	1,000	1,000	64.30	64.34
Lekir Development Sdn Bhd	Dormant	450	450	64.30	64.34
Li & Ho Sdn Bhd	Dormant	850	850	64.30	64.34
Teras Oak Pembangunan Sdn Bhd	Dormant	1,200	1,200	64.30	64.34
Komewah Credit & Leasing Sdn Bhd	Dormant	500	500	64.30	64.34
Crystal Land Sdn Bhd	Dormant	400	400	51.44	51.47
Bougainvillaea Development Sdn Bhd	Property holding	1,000	1,000	64.30	64.34
Malco Properties Sdn Bhd	Dormant	157	157	32.79	32.81
Komuda Credit & Leasing Sdn Bhd	Dormant	500	500	64.30	64.34



## Notes to the Financial Statements (Cont'd)

Principal Activities	Issued And Paid-up Ordinary Capital		Effective Equity Interest		
	2004 RM'000	2003 RM'000	2004 %	2003 %	
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
Natprop Sdn Bhd	Investment holding	500	500	64.30	64.34
Horizon View Sdn Bhd	Dormant	- <sup>^</sup>	- <sup>**</sup>	- <sup>^</sup>	64.34
MBf Venture Partners Bhd	Dormant	- <sup>^</sup>	- <sup>**</sup>	- <sup>^</sup>	64.34
		<b>US\$'000</b>	<b>US\$'000</b>		
AMMB Labuan (L) Ltd	Dormant	200	200	100	100
AmInternational (L) Ltd (AmInternational)	Offshore banking	10,000	10,000	100	100
		<b>RP'000</b>	<b>RP'000</b>		
P.T. AmCapital Indonesia *	Stock-broking, underwriting and investment management	11,000,000	11,000,000	60	60
		<b>HK\$000</b>	<b>HK\$000</b>		
AmSecurities (H.K.) Limited*	Dormant	33,000	33,000	100	100

@ Shares quoted on the Main Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

\* Subsidiary company not audited by Deloitte KassimChan.

\*\* Subsidiary companies with an issued and paid-up ordinary capital of RM2.

<sup>^</sup> Subsidiary companies struck-off from the Registrar of the Companies Commission of Malaysia be dissolved pursuant to the powers conferred under Section 308 of the Companies Act, 1965.

During the financial year, the following events were recorded:

- On 30 April 2003, AmFinance issued RM200 million nominal amount of Negotiable Interest-Bearing Redeemable Unsecured Subordinated Bonds (Subordinated Bonds) to increase its capital funds. The subordinated bonds are issued for a period of ten years to be repaid on 30 April 2013 and bear interest varying from 7.95% to 10.45% per annum, payable on a half yearly basis.
- On 10 June 2003, the Company acquired 2 ordinary shares of RM1.00 each representing the entire issued share capital of AmNotes, a dormant company for a cash consideration of RM2.00, thereby making AmNotes a wholly owned subsidiary of the Company.

AmNotes was incorporated on 2 August 1997 and has an authorised share capital of RM10 million divided into 10 million ordinary shares of RM1.00 each with an issued and paid-up share capital of RM2.00.

The intended principal activity of AmNotes is to provide management services to the companies within the AmBank Group.

On 24 June 2003, AmNotes changed its name to AmManagement Services Sdn Bhd.

## Notes to the Financial Statements (Cont'd)

3. AMCB increased its issued and fully paid-up share capital from RM165,000,000 to RM215,000,000 through rights issues of 50,000,000 new ordinary shares of RM1.00 each at par in cash for the purpose of meeting its working capital requirements.
4. Pursuant to the Sale and Purchase Agreement entered into between AMFB and Danamodal Nasional Berhad (Danamodal) dated 3 August 2001 for the acquisition of AmFinance, a contingent sum of up to RM450.0 million is payable to Danamodal as part of the consideration. The contingent cash payment of up to RM450.0 million, shall be payable if and only if AmFinance recovers in cash over a five year period from 30 September 2001, any amount in excess of the net book value of all non-performing loans (NPLs), NPLs sold to Danaharta and NPLs written off in the books of AmFinance, as at 30 September 2001 on an account to account basis; and all investments, securities, collateralised debts, other assets, liabilities or contingent items in respect of amounts which have been written down or an adjustment/provision made.

On 14 October 2003, AMFB entered into a Settlement Agreement with Danamodal for an early settlement of the Contingent Amount for RM255.0 million (Settlement Amount). The Settlement Amount together with the total interest of RM16.915 million in respect of the recoveries of NPLs and securities were paid to Danamodal on 15 October 2003.

Accordingly, the total final purchase consideration for the acquisition of AmFinance (formerly known as MBf Finance Berhad) is RM730 million.

5. AmBank increased its issued and fully paid-up share capital from RM505,468,750 to RM708,593,750 through a rights issue of 203,125,000 new ordinary shares of RM1.00 each at par in cash for the purpose of further increasing its working capital.
6. On 25 February 2004, AmFinance, a subsidiary of AMFB, entered into a conditional sale and purchase agreement with MBf Corporation Berhad (MBf Corp) for the sale of AmFinance's entire 100% equity interest consisting of 1,000,000 ordinary shares of RM1.00 each in MBf Property Trust Management Berhad (MBfPT) for a cash consideration of RM1.00.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration the current financial position of MBfPT. The completion of the disposal is pending approval by the relevant authorities.

7. Upon application to the Companies Commission of Malaysia (CCM), the following subsidiaries of AmFinance, which is a wholly-owned subsidiary of AMFB, have been struck-off from the Register of the CCM and dissolved pursuant to the powers conferred under Section 308 of the Companies Act, 1965:-

(i) Horizon View Sdn Bhd (HVSb) – Company No: 227779-D

(ii) MBf Venture Partners Berhad (MBfVP) – Company No: 279706-A

Both HVSb and MBfVP have not commenced operations since incorporation on 28th October, 1991 and 26th October 1993, respectively.

The present paid-up capital of HVSb and MBfVP is RM2.00 divided into 2 ordinary shares of RM1.00 each, and RM1.00 divided into 2 ordinary shares of RM0.50 each, respectively.

The striking off of the said subsidiaries will not have any effect on the earnings and net tangible assets per share of the Company for the financial year ended 31 March 2004.

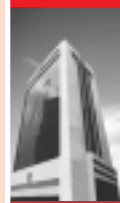
## Notes to the Financial Statements *(Cont'd)*

8. On 3 March 2004, AmAssurance entered into a Sale and Purchase Agreement with AMCB for the acquisition of the podium block of a freehold building identified as Menara Liang Court located at 37, Jalan Sultan Ahmad Shah, 10050 Penang, for a total cash consideration of RM7,800,000.
9. On 5 April 2004, AMSH, a wholly-owned subsidiary company of the Company entered into a conditional share sale agreement with Ismail bin Abdullah for the acquisition by AMSH of the remaining 2,500,004 Shares in AMS, representing 2.5% of the existing issued and paid-up share capital of AMS, for a total purchase consideration of RM9,396,604 to be satisfied wholly in cash.
10. The Company has sought the approval of Bank Negara Malaysia (BNM) for the commencement of discussions, pursuant to Section 67 of the Insurance Act 1996, in relation to the following proposed acquisitions (the Proposed Acquisitions):-
  - (a) with AmMerchant Bank, its wholly owned subsidiary, in relation to the Proposed Acquisition by the Company of the 47,116,000 ordinary shares of RM1.00 each in AmAssurance representing 47.12% equity interest in AmAssurance from AmMerchant Bank. The Company presently has a shareholding of 18.82% in AmAssurance.
  - (b) with ABH Holdings Sdn. Bhd (ABH Holdings) in relation to the Proposed Acquisition by AmBank, the wholly owned subsidiary of the Company, of 20,000,000 ordinary shares of RM1.00 each in AmAssurance representing 20% equity interest in AmAssurance.

The effect on the financial results of the Group of the acquisition of MVMI for the last financial year is as follows:

	2003 RM'000
<b>From date of acquisition to 31 March</b>	
Net income	748
Non interest expense	(743)
Profit before taxation	5
Taxation	(7)
Loss before minority interests	(2)
Minority interests	-
Decrease in Group profit attributable to shareholders	(2)

The effect on the financial position of the Group of the acquisition of MVMI for the last financial year is disclosed in Notes 1 to the cash flow statements.



## Notes to the Financial Statements (Cont'd)

### 14. Investments In Associated Companies

	The Group	
	2004 RM'000	2003 RM'000
Unquoted shares - at cost	21,855	20,552
Irredeemable convertible cumulative preference shares	-	8,144
Redeemable convertible cumulative preference shares	-	4,192
Exchange fluctuation adjustments	6,161	6,161
Share in net post acquisition profit of associated companies	12,799	11,610
	40,815	50,659
Less: Accumulated amortisation of premium	1,244	622
	39,571	50,037

As at 31 March 2004, the carrying values of the investments in associated companies are represented by:

	The Group	
	2004 RM'000	2003 RM'000
Group's share of aggregate net tangible assets	29,705	39,549
Group's share of aggregate intangible assets	1,787	1,787
Premium on acquisition, net of accumulated amortisation of RM1,244,000 (RM622,000 in 2003)	8,079	8,701
	39,571	50,037

The associated companies, all unquoted and held through the merchant banking subsidiary company, AmMerchant Bank, are as follows:

	Principal Activities	Issued And Paid-up Ordinary Capital		Effective Equity Interest	
		2004 RM'000	2003 RM'000	2004 %	2003 %
<b>Incorporated in Malaysia</b>					
Malaysian Ventures Sendirian Bhd*	Ceased operations	17	17	27.41	27.41
Malaysian Ventures (Two) Sdn Bhd	Venture capital	19	19	34.67	34.67
Malaysian Issuing House Sdn Bhd#	Public share issue services	-	2,500	-	25.5
<b>Incorporated in Singapore</b>					
Fraser International Pte Ltd# (FIPL)	Investment holding	14,856	16,411	49	49
Fraser Securities Pte Ltd# (FSPL) (wholly-owned by FIPL)	Stock and share-broking	22,028	22,028	49	49
Fraser Financial Planners Pte Ltd# (wholly-owned by FIPL)	Dormant	1,000	1,000	49	49

## Notes to the Financial Statements (Cont'd)

	Principal Activities	Issued And Paid-up Ordinary Capital		Effective Equity Interest	
		2004 S\$'000	2003 S\$'000	2004 %	2003 %
<b>Incorporated in Singapore</b>					
Fraser Financial Services Pte Ltd# (wholly-owned by FIPL)	Dormant	200	200	49	49
Fraser-AMMB Research Pte Ltd# (wholly-owned by FSPL)	Dormant	500	500	49	49
Frasers Nominees (Private) Limited# (wholly-owned by FSPL)	Nominee services	1	1	49	49

\* Associated company under members' voluntary liquidation.

# Associated companies not audited by Deloitte KassimChan.

During the financial year, the following events were recorded:

- On 2 April 2003, AmMerchant Bank entered into a conditional sale and purchase agreement with Symphony House Berhad (Symphony House) to dispose of its entire 25.5% equity interest amounting to 637,500 ordinary shares of RM1.00 each in Malaysian Issuing House Sdn Bhd (MIH), to Symphony House for a cash consideration of RM624,272.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis, based on the adjusted pro-forma unaudited net tangible assets of MIH as at 31 December 2002.

The disposal was completed on 30 July 2003. The final cash consideration in respect of the disposal was revised from RM624,272 to RM637,500 based on the pro-forma audited net tangible assets of MIH as at 30 June 2003 of RM2,500,000 (after adjusting for the final dividend paid to all the shareholders of MIH, including AmMerchant Bank, for the year ended 30 June 2003).

- On 10 April 2003, Frasers International Pte Ltd (FIPL) completed a capital reduction exercise wherein all redeemable convertible cumulative preference shares and irredeemable convertible cumulative preference shares were converted to ordinary shares in FIPL. This exercise resulted in a capital reduction of 9.8 million ordinary shares and repayment of S\$9.8 million to all shareholders in proportion to their respective equity interests in FIPL, of which capital repayment to AmMerchant Bank amounted to S\$4,844,032.



## Notes to the Financial Statements (Cont'd)

### 15. Property And Equipment

The Group	Freehold land and buildings RM'000	Long leasehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware and software RM'000	Office and residential equipment, furniture and fittings RM'000	Total RM'000
<b>COST</b>							
At beginning of year	331,173	57,510	19,067	142,505	528,203	129,115	1,207,573
Additions	-	-	1,485	19,000	43,689	12,470	76,644
Disposals	-	-	(4,241)	(1,274)	(552)	(783)	(6,850)
Reclassification/ Transfer	(7,862)	-	-	741	(8,847)	988	(14,980)
Write offs	-	-	-	(259)	(1,003)	(397)	(1,659)
Exchange adjustments	-	-	-	-	-	20	20
At end of year	<b>323,311</b>	<b>57,510</b>	<b>16,311</b>	<b>160,713</b>	<b>561,490</b>	<b>141,413</b>	<b>1,260,748</b>
<b>ACCUMULATED DEPRECIATION</b>							
At beginning of year	29,950	4,717	14,727	101,866	401,750	95,864	648,874
Additions	5,327	1,201	1,832	12,983	51,867	10,526	83,736
Disposals	-	-	(4,115)	(1,014)	(536)	(740)	(6,405)
Reclassification/ Transfer	287	(287)	193	-	104	(262)	35
Write offs	-	-	-	(277)	(815)	(318)	(1,410)
Exchange adjustments	-	-	-	-	-	18	18
At end of year	<b>35,564</b>	<b>5,631</b>	<b>12,637</b>	<b>113,558</b>	<b>452,370</b>	<b>105,088</b>	<b>724,848</b>
<b>NET BOOK VALUE</b>							
As at 31 March 2004	<b>287,747</b>	<b>51,879</b>	<b>3,674</b>	<b>47,155</b>	<b>109,120</b>	<b>36,325</b>	<b>535,900</b>
As at 31 March 2003	301,223	52,793	4,340	40,639	126,453	33,251	558,699
Depreciation charge for 2003	5,496	1,082	1,838	12,240	85,208	10,056	115,920

## Notes to the Financial Statements (Cont'd)

(a) Details of leasehold land and buildings are as follows:

The Group	Long term leasehold land and buildings	Short term leasehold land and buildings	Total
Cost	56,054	1,456	57,510
Accumulated Depreciation	(5,156)	(475)	(5,631)
Net book value	<b>50,898</b>	<b>981</b>	<b>51,879</b>

The long term leasehold properties for the Group are for lease periods of 66-999, 85-855 years and 99 years respectively and with unexpired lease periods of 54-875 years, 63-788 years and 86 - 91 years respectively.

The short term leasehold properties for the Group are for lease periods of 20-99 years and 20 years respectively and with unexpired lease periods of 2-35 years and 2 years respectively.

(b) Details of fully depreciated property and equipment which are still in use is as follows:

The Group	Freehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware and software RM'000	Office and residential equipment, furniture and fittings RM'000	Total RM'000
Cost	123	5,596	59,208	268,621	52,043	385,591

The Company	Motor vehicle RM'000	Total RM'000
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### COST

At beginning and end of year	<b>86</b>	<b>86</b>
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### ACCUMULATED DEPRECIATION

At beginning of year	79	79
Additions	7	7

At the end of year	<b>86</b>	<b>86</b>
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### NET BOOK VALUE

As at 31 March 2004	-	-
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As at 31 March 2003	7	7
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Depreciation charge for 2003	18	18
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As at 31 March 2004, there are no fully depreciated property and equipment in the Company which are still in use.



## Notes to the Financial Statements (Cont'd)

### 16. Deposits From Customers

Deposits from customers pertain to subsidiary companies and are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Term/Investment deposits	28,379,509	27,030,911
Savings deposits	2,742,945	2,444,973
Current deposits	1,173,848	900,446
Negotiable instruments of deposits	720,991	973,848
	<b>33,017,293</b>	<b>31,350,178</b>

The maturity structure of deposits from customers is as follows:

Due within six months	26,657,206	24,824,497
Six months to one year	5,132,970	4,870,185
One year to three years	831,445	1,157,912
Three to five years	395,672	497,584
	<b>33,017,293</b>	<b>31,350,178</b>

The deposits are sourced from the following types of customers:

Business enterprises	11,840,628	11,594,159
Individuals	16,541,744	15,516,857
Government	3,359,453	2,675,813
Others	1,275,468	1,563,349
	<b>33,017,293</b>	<b>31,350,178</b>

### 17. Deposits Of Banks And Other Financial Institutions

Deposits of banks and other financial institutions pertain to subsidiary companies and are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Deposits from:		
Licensed banks	3,603,298	3,316,392
Licensed finance companies	116,822	199,252
Bank Negara Malaysia (BNM)	836,930	846,281
Other financial institutions	6,885,716	7,986,446
	<b>11,442,766</b>	<b>12,348,371</b>



## Notes to the Financial Statements (Cont'd)

Included under deposits of banks and other financial institutions of the Group are the following:

	The Group	
	2004	2003
	RM'000	RM'000
Negotiable instruments of deposits	6,835,334	6,365,729
Interbank borrowings	265,244	399,750

Included under deposits from Bank Negara Malaysia of the Group are long-term deposits placed amounting to RM315,000,000 (RM315,000,000 in 2003) bearing interest at 1.0% (1.0% in 2003) per annum and interest free loans amounting to RM493,000,000 (RM493,000,000 in 2003) with the finance subsidiary company in connection with the transfer of assets and liabilities of Abrar Finance Berhad and Kewangan Usahasama Makmur Berhad as mentioned in Note 10. Included in long term deposits are deposits of RM180,000,000 (RM180,000,000 in 2003) which is repayable on 18 December 2008. The remaining deposits from Bank Negara Malaysia are repayable when the deferred assets as mentioned in Note 10 are fully utilised.

### 18. Securities Sold Under Repurchase Agreements

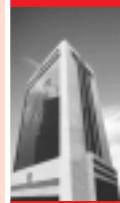
Securities sold under repurchase agreements pertain to subsidiary companies and represent the obligations to repurchase these securities sold as mentioned in Notes 7 and 8.

### 19. Bills And Acceptances Payable

Bills and acceptances payable represent the merchant banking and commercial banking subsidiary companies' own bills and acceptances rediscounted and outstanding in the market.

### 20. Amount Due To Cagamas Berhad

These represents proceeds received from housing loans, hire purchase and leasing receivables (excluding Islamic financing) sold directly or indirectly to Cagamas Berhad with recourse to the merchant banking subsidiary company, AmMerchant Bank, commercial banking subsidiary company, AmBank and the indirect finance subsidiary company, AmFinance. Under this arrangement, the subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria. For loans sold indirectly, AmMerchant Bank acts as the intermediary financial institutions with recourse against the Originators.



## Notes to the Financial Statements (Cont'd)

### 21. Other Liabilities

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Trade payables	305,485	-	66,644	-
Other payables and accruals	976,844	1,224	696,643	1,106
Interest payable on deposits and borrowings	262,097	2,563	281,383	2,525
Amount payable to Danamodal	-	-	171,869	-
Lease deposits and advance rentals	60,179	-	68,467	-
Insurance funds:				
General insurance business	133,867	-	85,957	-
Life assurance business	635,940	-	462,977	-
Provision for commitments and contingencies	92,500	-	55,500	-
Bank overdrafts	56,317	-	21,988	-
Amount due to subsidiary companies	-	156	-	219
Amount due to associated companies	116	-	389	-
Profit equalization reserve	54,312	-	6,442	-
Deferred tax liabilities (Note 40(b))	305	-	1,636	-
Tax payable	8,898	-	6,835	-
	<b>2,586,860</b>	<b>3,943</b>	<b>1,926,730</b>	<b>3,850</b>

Trade payables, pertaining to the stock and share-broking subsidiary companies, represent amount payable under outstanding sales contracts.

	The Group	
	2004 RM'000	2003 RM'000
Included under other payables and accruals of the Group are the following:		
Amount due to reinsurers, reinsurers and agents	36,243	27,258
Treaty premium reserve withheld	1,376	1,138
Outstanding insurance claims	188,965	148,992

The movements in provision for commitments and contingencies are as follows:

Balance at beginning of year	55,500	71,500
Provision during the year	37,000	-
Amount written back (Note 36)	-	(16,000)
Balance at end of year	<b>92,500</b>	<b>55,500</b>

The bank overdrafts pertaining to subsidiary companies are unsecured and bear interest at rates ranging from 7.0% to 8.5% (7.15% to 8.4% in 2003) per annum.

Amount due to subsidiary companies is interest-free and represents expenses paid on behalf.

Amount due to associated companies is interest-free and represents expenses paid on behalf.

## Notes to the Financial Statements (Cont'd)

The movements in profit equalisation reserve are as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Balance at beginning of year	6,442	-
Provision during the year	51,865	8,586
Amount written back during the year	(3,995)	(2,144)
Net charge to income statements	47,870	6,442
Balance at end of year	54,312	6,442

### 22. Term Loans

	2004		2003	
	The Group	The Company	The Group	The Company
	RM'000	RM'000	RM'000	RM'000
Unsecured:				
Due within one year				
Local financial institutions	341,000	224,000	412,750	224,000
Offshore banks	304,000	-	380,000	-
	645,000	224,000	792,750	224,000

The term loans obtained from local financial institutions bear interests at rates ranging from 5.0% to 7.95% (4.7% to 8.4% in 2003) per annum. Loans amounting to RM104,500,000 (RM156,250,000 in 2003) are guaranteed by the Company.

The unsecured term loans obtained from foreign offshore banks, at varying interest rates ranging from 0.6% to 1.17% above LIBOR are repayable in full within one year. The unsecured loan obtained from a foreign offshore bank at interest rate of 0.6% above LIBOR in the amount of RM190,000,000 was fully repaid during the financial year.

### 23. Subordinated Certificates Of Deposits

	The Group	
	2004	2003
	RM'000	RM'000
Balance at beginning and end of year	200,000	200,000
Less:		
Unamortised discount	(2,582)	(3,936)
	197,418	196,064

The Subordinated Certificates of Deposits (SCD) issued by the merchant banking subsidiary company, AmMerchant Bank, represents RM200,000,000 nominal amount of unsecured Negotiable Subordinated Certificate of Deposit (NSCD) issued at a discount of RM6,750,600 for a total consideration of RM193,249,400. The accretion of discount of RM6,750,600 will be applied evenly over five years. The NSCD has a coupon rate of 8.0% per annum for the first five years and are redeemable on 1 March 2006 or on each anniversary date thereafter at nominal value. Subsequently, the interest rate for year 6 is 9.00% per annum and will be increased by 0.5% per annum for years 7 to 10.

# Notes to the Financial Statements (Cont'd)

## 24. Subordinated Term Loans

- (a) The subordinated term loan amounting to RM75,000,000 from Employees Provident Fund Board pertaining to the commercial banking subsidiary company, AmBank, is unsecured, subordinated to all other liabilities and obtained to supplement its capital adequacy position. The loan bears interest at 8.5% per annum for the first five years and at rates ranging from 8.75% to 9.5% per annum for the next five years and was fully repaid during the financial year.
- (b) The subordinated term loan amounting to RM680,000,000 pertaining to the indirect finance subsidiary company, AmFinance, is unsecured, subordinated to all other liabilities and obtained from Danamodal Nasional Berhad, a company incorporated for the purpose of recapitalising the local banking and financial institutions, to strengthen the capital base of AmFinance. The loan bore interest at 7.5% per annum in the prior year and interest was repayable on a monthly basis.

Pursuant to the acquisition of AmFinance by the direct finance subsidiary company, AMFB, on 20 December 2001, Danamodal Nasional Berhad has extended the loan for a further period of ten (10) years to be repaid on 20 December 2011. The loan bears interest at 6.5% per annum for the first five years and at 7.5% per annum or 1.0% above 3 months KLIBOR, whichever is higher, for the next five years. The interest is payable on a half yearly basis.

On 28 October 2003, AmFinance entered into a Supplemental Facility Agreement with Danamodal Nasional Berhad, whereby the RM680,000,000 subordinated term loan obtained from Danamodal Nasional Berhad was novated to Astute Assets Berhad, a special purpose vehicle.

The terms and conditions of the loan remain the same, except for interest payable on the loan, which is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

## 25. Exchangeable Subordinated Capital Loan

The Exchangeable Subordinated Capital Loan (ESCL) pertaining to the commercial banking subsidiary company, AmBank (AmBank) is unsecured and obtained from Danamodal Nasional Berhad, to strengthen the capital base of AmBank. These ESCL bears interest at 7.5% per annum. The ESCL was fully repaid on 30 September 2003.

## 26. Redeemable Unsecured Bonds

Redeemable Unsecured Bonds of the Group and the Company are as follows:

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
3.0% 5-Year Redeemable Unsecured Bank-Guaranteed Bonds 2002/2007	138,325	138,325	135,159	135,159
Redeemable Unsecured Subordinated Bonds	660,000	-	-	-
	<b>798,325</b>	<b>138,325</b>	135,159	135,159

### (a) 3.0% 5-YEAR REDEEMABLE UNSECURED BANK-GUARANTEED BONDS 2002/2007 (3% Bonds 2007)

	The Group And The Company	
	2004 RM'000	2003 RM'000
Balance at beginning of year	150,000	-
Issued during the year	-	150,000
Balance at end of year	150,000	150,000
Less: Unamortised discount	(11,675)	(14,841)
	<b>138,325</b>	135,159

## Notes to the Financial Statements (Cont'd)

Pursuant to a Trust Deed dated 29 November 2002 and a Deed Poll dated 29 November 2002, the Company issued RM150,000,000 nominal amount of 3.0% Bonds 2007 together with renounceable rights to allotment of 125,201,248 Warrants 2003/2008 on a 'bought deal' basis to two primary subscribers.

Pursuant to Deed Poll dated 29 November 2002 and on 29 January 2003, the primary subscribers jointly offered for sale the provisional rights to allotment of 125,201,248 Warrants 2003/2008 to the shareholders of the Company on a renounceable rights basis of one (1) Warrant 2003/2008 for every eight (8) existing ordinary shares of RM1.00 each held in the Company as at 5.00pm on 22 January 2003 at an offer price of 12.37 sen per Warrant 2003/2008 payable in full upon acceptance.

The salient features of the Bonds 2007 are as follows:-

- (a) The 3% Bonds 2007 bear interest at 3.0% per annum based on the nominal amount of the Bonds 2007, payable semi-annually in arrears and on the basis of actual number of days elapsed in a year of 365 days.
- (b) The 3% Bonds 2007 will be redeemed at its nominal value on maturity date together with interest accrued to the date of redemption.
- (c) The 3% Bonds 2007 are for a period of five calendar years maturing on 13 December 2007.

### (b) REDEEMABLE UNSECURED SUBORDINATED BONDS

	The Group	
	2004 RM'000	2003 RM'000
Balance at beginning of year	-	-
Issued during the year	660,000	-
Balance at end of year	660,000	-

- (i) Pursuant to a Trust Deed dated 24 April 2003, AmFinance issued RM200,000,000 nominal amount of Negotiable Interest-bearing Redeemable Unsecured Subordinated Bonds (SubBonds) for the purpose of increasing AmFinance's capital funds.

The salient features of the SubBonds are as follows:

- (a) The SubBonds bear interest at 7.95% per annum for the first five years and subsequently at 8.45% to 10.45% per annum. The interest is payable on a semi-annual basis.
- (b) The SubBonds are redeemable on 30 April 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds are for a period of ten years maturing on 30 April 2013. However, subject to the prior approval of Bank Negara Malaysia, the Company may redeem the SubBonds on 30 April 2008 or on each anniversary date thereafter.

- (ii) Pursuant to a Trust Deed dated 23 September 2003, AmMerchant Bank issued RM460,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds (SubBonds) to be used to grant a RM460,000,000 10-year unsecured subordinated term loan to AmBank, its related licensed commercial bank for the purpose of refinancing its RM460,000,000 exchangeable subordinated capital loan to Danamodal Nasional Berhad.

The salient features of the SubBonds are as follows:

- (a) The SubBonds bear interest at 6.5% per annum for the first five years and subsequently at 7.0% to 9.0% per annum or 3% above the yield of 5-year Malaysian Government Securities, whichever is higher. The interest is payable on a semi-annual basis.
- (b) The SubBonds are redeemable on 30 September 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds are for a period of ten years maturing on 30 September 2013. However, subject to the prior approval of Bank Negara Malaysia, the AmMerchant Bank may redeem the SubBonds on 30 September 2008 or on each anniversary date thereafter.



## Notes to the Financial Statements (Cont'd)

### 27. Share Warrants

The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:

- Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- The exercise price is RM6.51 per share, adjusted pursuant to the Bonus and Rights Issues as mentioned in Note 29, and may be paid fully in cash, or partly in cash and partly by tender of Bonds 1997/2002 in any combination, or wholly by tender of Bonds 1997/2002 for every Warrant 1997/2007 held after one year from the date of allocation. The exercise price of the Warrants 1997/2007 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 1997/2007 are for an initial period of five calendar years. This period was extended for a further period of five years to mature on 13 May 2007.

The Company's RM435,061,855 nominal amount of Bonds 1997/2002 were fully redeemed on 13 May 2002.

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of ordinary shares of RM1.00 each				Balance at 31.3.2004
	Balance at 1.4.2003	Issued	Adjustments for Bonus & Rights Issues	Exercised	
Number of unissued shares under warrants	87,012,370	-	56,521,708	-	<b>143,534,078</b>

The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and on 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:

- Each Warrant 2003/2008 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- The exercise price is RM2.19 per share, adjusted pursuant to the Bonus and Rights Issues as mentioned in Note 29, and is payable fully in cash for every Warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 2003/2008 are for a period of five calendar years to mature on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of ordinary shares of RM1.00 each				Balance at 31.3.2004
	Balance at 1.4.2003	Issued	Adjustments for Bonus & Rights Issues	Exercised	
Number of unissued shares under warrants	125,201,248	-	79,557,942	2,740,335	<b>202,018,855</b>

## Notes to the Financial Statements *(Cont'd)*

Pursuant to the Bonus and Rights Issues, the subscription price and number of the Company's outstanding Warrants 1997/2007 and Warrants 2003/2008 were adjusted as follows:

- (a) Adjustment to the Warrants 1997/2007 exercise price from RM10.73 per share to RM6.51 per share and an increase of 56,521,708 additional Warrants 1997/2007 pursuant to the adjustments arising from the Bonus and Rights Issues.
- (b) Adjustment to the Warrants 2003/2008 exercise price from RM3.60 per share to RM2.19 per share and an increase of 79,557,942 additional Warrants 2003/2008 pursuant to the adjustments arising from the Bonus and Rights Issues, and
- (c) Increase of 136,079,650 new ordinary shares of RM1.00 each to be issued, upon the exercise of the 56,521,708 additional Warrants 1997/2007 and 79,557,942 additional Warrants 2003/2008 in (a) and (b) above.

### 28. Minority Interests

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares and debentures owned, directly or indirectly other than by the Company or subsidiary companies.

The movements in minority interests in subsidiary companies are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Balance at beginning of year		
- As previously reported	773,030	726,550
- Prior year's adjustments (Note 53)	38,811	36,207
As restated	<b>811,841</b>	762,757
Share in net results of subsidiary companies		
- Current year/As previously reported	174,544	122,844
- Prior year's adjustments	-	2,604
As restated	<b>174,544</b>	125,448
Shares issued under the Employees' Share Option Scheme and the conversion of ICULS 1997/2002 in the finance subsidiary company	1,156	310
Dividends received/receivable	(18,983)	(2,008)
Accretion arising from shares issued under the conversion of ICULS by the Company in the subsidiary companies	-	18,030
Arising from Malaysian Ventures Management Incorporated Sdn Bhd becoming a subsidiary of AmMerchant Bank	-	231
Disposal of shares in direct/indirect subsidiary companies	-	(92,927)
Balance at end of year	<b>968,558</b>	811,841



# Notes to the Financial Statements *(Cont'd)*

## 29. Share Capital

	The Group And The Company	
	2004 RM'000	2003 RM'000
<b>Authorised:</b>		
Shares of RM1.00 each:		
Balance at beginning of year	2,000,000	2,000,000
Created during the year	3,000,000	-
Balance at end of year	<b>5,000,000</b>	2,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of RM1.00 each:		
Balance at beginning of year	1,001,719	916,969
Issued during the year pursuant to the:		
- exercise of share options	45,128	10,329
- exercise of Warrants 2003/2008	2,740	-
- bonus issue	505,762	-
- rights issue	303,457	-
- Acquisition of remaining 20% interest in commercial banking subsidiary company	-	35,496
- Conversion of ICULS 1997/2002	-	38,925
Balance at end of year	<b>1,858,806</b>	1,001,719

During the financial year, the issued and fully paid-up share capital of the Company was increased from 1,001,718,987 ordinary shares of RM1.00 each to 1,858,806,070 ordinary shares of RM1.00 each by the issue of:

- (i) 45,127,838 new ordinary shares of RM1.00 each at prices ranging from RM2.16 to RM4.73 per share before Bonus and Rights Issues and RM1.57 to RM2.94 per share after Bonus and Rights Issues by virtue of the exercise of share options granted pursuant to the Company's Employees' Share Option Scheme (ESOS Scheme). The resulting share premium amounting to RM67,600,556 has been credited to share premium account.
- (ii) 2,740,335 new ordinary shares of RM1.00 each at a price of RM3.60 per share before Bonus and Rights Issues and RM2.19 per share after Bonus and Rights Issues by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM7,106,987 has been credited to share premium account.
- (iii) 505,761,819 new ordinary shares of RM1.00 each pursuant to the Bonus Issue.
- (iv) Rights Issue of 303,457,091 new ordinary shares of RM1.00 at a price of RM1.10 per share on the basis of one (1) new ordinary share of RM1.00 each for every five (5) existing ordinary shares of RM1.00 each held after the Bonus Issue. The resulting share premium amounting to RM30,345,709 has been credited to share premium account.

The 857,087,083 new ordinary shares issued rank *pari passu* with the then existing ordinary shares of the Company except that the new ordinary shares issued pursuant to the Company's ESOS, share warrants 2003/2008, Bonus Issue and Rights Issue above are not entitled to dividends declared in respect of the financial year ended 31 March 2003.

Under the Company's ESOS wherein options to subscribe for 87,034,050 new ordinary shares of RM1.00 each in the Company were made available to eligible directors and employees of the Company and its subsidiary companies, except for executive directors who represent the Government or Government institutions/agencies and Government employees who are serving in the public service schemes defined under Article 132 of the Federal Constitution and executive directors of AmSecurities Sdn Bhd who are eligible to participate under separate share schemes in their respective companies.



## Notes to the Financial Statements (Cont'd)

During the financial year, the total number of options to subscribe for was increased from 87,034,050 to 117,853,371 new ordinary shares of RM1.00 each in the Company by the issue of new ordinary shares pursuant to the Bonus and Rights Issues, the exercise of share options granted and exercise of share warrants 2003/2008.

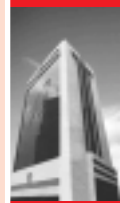
The salient features of the ESOS Scheme are as follows:

- (a) Eligible persons who are confirmed employees including full-time executive directors of the Company and its subsidiary companies who have been employed for a period of not less than three years.
- (b) Total number of shares to be offered shall not exceed 10.0% of the issued and fully paid-up share capital of the Company at any point of time during the existence of the ESOS Scheme.
- (c) Subject to paragraph (d) below, no option shall be granted for less than 1,000 shares or more than 500,000 shares.
- (d) In the event of any alteration in the capital structure of the Company except for certain exemptions, adjustments will be made to the subscription price and/or the number of shares in respect of options granted but not exercised, such that the option holder will be entitled to the same proportion of the issued and paid-up share capital of the Company prior to the said alteration.
- (e) The option price for an ordinary share of RM1.00 each shall be at a discount of not more than ten percent (10.0%) from the last market transacted price at the time the option is granted or the weighted average market price of the shares of the Company as quoted and shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days immediately preceding the offer date, or the par value of RM1.00, whichever is higher.
- (f) The option is for a period of five calendar years expiring on 8 October 2004.
- (g) The persons to whom the options are granted under the Scheme have no right to participate in any share option scheme of any other company in the Group.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the name of the persons to whom less than 100,000 options have been granted during the year and details of their holdings. The remaining option holders are as follows:

	No. of ordinary shares of RM1.00 each				Balance at 31.3.2004
	Balance at 1.4.2003	Issued	Adjustments for Bonus & Rights Issues	Exercised	
Lee Yew Kin	156,000	-	101,340	235,000	22,340
Pushparani A/P A. Moothathamby	184,000	-	119,527	-	303,527
Mohamed Azmi Mahmood	200,000	-	129,924	-	329,924
Mustafa Mohd Nor	244,000	-	132,521	230,200	146,321

The external auditors have verified the allocation of options granted during the financial year.



## Notes to the Financial Statements (Cont'd)

The movements in the Company's unissued number of shares under options during the financial year are as follows:

	No. of ordinary shares of RM1.00 each					Balance at 31.3.2004
	Balance at 1.4.2003	Granted	Adjustments for Bonus & Rights Issues	Exercised	Forteited	
Number of unissued shares under options	46,971,000	65,000	25,498,901	45,127,838	943,530	<b>26,463,533</b>

The option prices of the Company's unissued number of shares under options after Bonus and Rights Issues are as follows:

Option price (RM)	Balance at 31.3.2004
1.01 – 2.00	1,409,626
2.01 – 3.00	16,109,178
3.01 – 4.00	2,864,436
4.01 – 5.00	6,080,293
	<b>26,463,533</b>

### 30. Reserves

Reserves as at 31 March 2004 are analysed as follows:

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>Non-distributable reserves:</b>				
Capital reserve	125,284	-	140,771	15,487
Share premium	263,058	263,058	648,280	648,280
Statutory reserve	1,164,073	-	895,385	-
Revaluation reserve	-	532,154	-	532,154
Exchange fluctuation reserve	19,604	-	19,827	-
Total non-distributable reserves	<b>1,572,019</b>	<b>795,212</b>	1,704,263	1,195,921
<b>Distributable reserves:</b>				
Unappropriated profit	<b>676,648</b>	<b>244,516</b>	757,677	237,831
Total reserves	<b>2,248,667</b>	<b>1,039,728</b>	2,461,940	1,433,752

Movements in reserves are shown in the statements of changes in equity.

Capital reserve is in respect of dilution and accretion in net attributable assets of the Group arising from the shares issued under the Employees' Share Option Scheme and the conversion of Irredeemable Convertible Unsecured Loan Stocks of subsidiary companies and capitalisation for bonus issue.

Share premium is used to record premium arising from new shares issued in the Company.

## Notes to the Financial Statements (Cont'd)

The statutory reserves of the merchant banking, commercial banking and finance subsidiary companies are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

Revaluation reserve is used to record increase and decrease in revaluation of investments in subsidiary companies, as described in the accounting policies.

Exchange differences arising on translation of foreign subsidiary and associated companies are taken to exchange fluctuation reserve, as described in the accounting policies.

Distributable reserves are those available for distribution by way of dividends.

The Section 108 tax credit and the tax exempt income as mentioned in Note 39 as at 31 March 2004 are collectively sufficient to frank approximately RM337,773,000 (RM229,422,000 in 2003) of the Company's unappropriated profits as at that date. Any dividend paid in excess of this amount would result in a tax charge and payable calculated at 28.0% (28.0% in 2003) on the gross amount of the excess dividend paid.

### 31. Interest Income

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Short-term funds and deposits with financial institutions	139,603	2,050	114,125	2,705
Dealing securities	136,254	-	152,608	-
Investment securities	130,450	117	114,371	-
Loans and advances	2,921,827	-	3,422,135	-
ICULS investment	23,782	7,220	20,694	12,659
Unsecured subordinated term loans	-	-	-	601
Others	43,688	36	41,672	-
Gross interest income	3,395,604	9,423	3,865,605	15,965
Amortisation of premium less accretion of discount	10,507	-	959	-
Total before interest suspension	3,406,111	9,423	3,866,564	15,965
Interest suspended	(687,863)	-	(951,158)	-
Interest recovered	335,777	-	302,480	-
Net interest suspended	(352,086)	-	(648,678)	-
Total after interest suspension	3,054,025	9,423	3,217,886	15,965

## Notes to the Financial Statements (Cont'd)

### 32. Interest Expense

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Deposits from customers	1,105,529	-	1,100,690	-
Deposits of banks and other financial institutions	91,135	-	145,464	-
Securities sold under repurchase agreements	49,367	-	30,940	-
Amount due to Cagamas Berhad	158,256	-	161,801	-
Bank borrowings:				
Term loans	26,664	12,515	39,189	17,155
Overdrafts	2,830	-	3,788	-
Subordinated deposits and term loans	64,344	-	68,227	-
ESCL	17,297	-	34,500	-
Bonds	22,305	7,678	4,849	4,849
Danamodal recoveries	7,859	-	8,069	-
Others	83,690	3,304	72,257	1,098
	<b>1,629,276</b>	<b>23,497</b>	<b>1,669,774</b>	<b>23,102</b>

### 33. Loan And Financing Loss And Allowances

	The Group	
	2004 RM'000	2003 RM'000
Allowance for bad and doubtful debts and financing:		
General allowance	9,875	11,386
Specific allowance – net	1,066,485	869,540
	<b>1,076,360</b>	<b>880,926</b>
Bad debts and financing:		
Written off	3,670	4,342
Recovered	(296,321)	(135,742)
	<b>(292,651)</b>	<b>(131,400)</b>
Allowance for value impairment on amount recoverable from Danaharta	80,634	137,776
Loss on disposal of loan assets	1,245	-
	<b>865,588</b>	<b>887,302</b>

## Notes to the Financial Statements (Cont'd)

### 34. Non-Interest Income

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Fee income:				
Fees on loans and advances	63,952	-	52,721	-
Underwriting commissions	8,537	-	5,786	-
Portfolio management	8,492	-	7,723	-
Unit trusts management	24,966	-	21,133	-
Brokerage rebates	17,399	-	12,032	-
Corporate advisory	21,174	-	28,584	-
Guarantee fees	21,239	283	22,731	526
Property trust management	1,951	-	1,865	-
Brokerage fees and commissions	74,067	-	35,810	-
Others	45,179	-	39,921	1
	<b>286,956</b>	<b>283</b>	<b>228,306</b>	<b>527</b>
Investment and trading income:				
Net trading income from money market securities:				
Dealing securities	66,701	-	136,493	-
Investment securities	(2,112)	-	5,350	-
Net trading gain from derivatives	(2,914)	-	8,956	-
(Loss)/gain on sale of quoted investments - net	26,449	-	(6,871)	-
Gain on redemption of unquoted investments	-	-	93	-
Gain on disposal of unquoted investments - net	10,385	-	3,105	-
Gross dividend income from:				
Subsidiary companies:				
Quoted in Malaysia	-	33,999	-	29,880
Unquoted	-	50,817	-	52,500
Quoted investments In Malaysia	12,953	-	12,470	-
Unquoted investments	43,646	-	3,836	-
	<b>155,108</b>	<b>84,816</b>	<b>163,432</b>	<b>82,380</b>
Premium income from life and general insurance business	445,807	-	291,807	-
Other income:				
Realised foreign exchange gain	2,857	-	4,910	-
Gain on disposal of leased assets-net	8	-	14	-
Gain on disposal of property and equipment - net	1,379	-	1,231	-
Rental income	9,486	-	10,457	-
Others	6,174	-	2,623	-
	<b>19,904</b>	<b>-</b>	<b>19,235</b>	<b>-</b>
	<b>907,775</b>	<b>85,099</b>	<b>702,780</b>	<b>82,907</b>

## Notes to the Financial Statements (Cont'd)

### 35. Provision For Commitments And Contingencies

	The Group	
	2004 RM'000	2003 RM'000
General provision for/(Reversal of) commitments and contingencies	<b>37,000</b>	(16,000)

### 36. Non-Interest Expenses

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Personnel/Staff costs	411,839	2,821	369,283	1,611
Establishment costs	223,036	7	255,612	17
Marketing and communication expenses	292,224	589	197,176	497
Administration and general expenses	121,356	3,861	91,788	3,625
	<b>1,048,455</b>	<b>7,278</b>	913,859	5,750
Life and general insurance claims	177,863	-	106,838	-
Increase in life insurance funds	172,825	-	91,287	-
	<b>1,399,143</b>	<b>7,278</b>	1,111,984	5,750

Included in the above expenditure are the following statutory disclosures:

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Directors' remuneration (Note 38)	6,484	2,776	3,940	1,531
Rental of premises	37,237	-	39,225	-
Depreciation of property and equipment (Note 15)	83,736	7	115,920	18
Property and equipment written off	249	-	672	-
Amortisation of goodwill and premium on consolidation (Note 11 and 14)	14,327	-	13,787	-
Hire of motor vehicles and office equipment	3,424	-	2,404	-
Auditors' remuneration:				
Statutory audit				
Current	844	30	844	30
Underprovision in prior years	-	-	103	-
Special audit				
Current	220	14	381	14
Underprovision in prior years	-	-	168	14
Non audit fees	32	5	83	65
Provision for foreclosed properties	4,464	-	-	-
Sundry receivables written off	332	-	1,261	-

The total number of employees of the Group and of the Company as at 31 March 2004 were 8,776 (8,285 in 2003) and 1 (1 in 2003), respectively.

Staff costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund of the Group and the Company amounted to RM45,474,380 (RM40,184,318 in 2003) and RM342,000 (RM134,400 in 2003) respectively.

## Notes to the Financial Statements (Cont'd)

### 37. Significant Related Party Transactions And Balances

#### (a) Transactions and balances with subsidiary companies

The significant transactions and outstanding balances of the Company with its subsidiary companies which are eliminated on consolidation are as follows:

	2004 RM'000	2003 RM'000
<b>Income/(Expense)</b>		
Interest on:		
Deposits	2,050	2,705
ICULS investments	7,220	12,659
Unsecured subordinated term loans	-	601
Dividend income – gross	84,816	82,380
Guarantee fees	283	526
	<b>94,369</b>	<b>98,871</b>
<b>Assets</b>		
Current accounts	4,130	830
Money at call and deposits	30,616	36,882
Deposits with financial institutions	99,339	18,026
Amount due from subsidiary companies	7,681	7,881
Interest Bearing Irredeemable Convertible Unsecured Loan Stocks 2002 – at cost	-	120,000
	<b>141,766</b>	<b>183,619</b>

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

#### (b) Directors related transactions

The significant non-banking transactions of the Group with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows:

Company	Types of transactions	2004 RM'000	2003 RM'000
<b>Expense</b>			
Harpers Travel (M) Sdn Bhd	Traveling expenses	545	376
Paragon Premiums Sdn Bhd	Advertising	1,580	115
Conquest Marketing Sdn Bhd	Advertising	707	2,795
Dialog Marketing Communications Sdn Bhd	Advertising	-	548
Jump Licensing & Merchandising Sdn Bhd	Advertising	-	75
AON Insurance Brokers(M) Sdn Bhd	Insurance premium	3,243	104
AmFirst Property Trust	Rental of premises	15,188	13,033
Dion Realities Sdn Bhd	Rental of premises	3,317	3,626

## Notes to the Financial Statements (Cont'd)

Company	Types of transactions	2004 RM'000	2003 RM'000
<b>Expense</b>			
Troosts Sdn Bhd	Rental of premises	266	271
Syarikat Kompleks Damai Sdn Bhd	Rental of premises	962	625
Medan Delima Sdn Bhd	Rental of premises	290	290
Arab-Malaysian Realty Sdn Bhd	Rental of premises	234	235
Melawangi Sdn Bhd	Rental of premises	-	144
Taifab Properties Sdn Bhd	Rental of premises	193	177
MCM Consulting Sdn Bhd (formerly known as Gamarapi Sdn Bhd)	Computer maintenance	2,218	1,956
Bluestar Infotech (M) Sdn Bhd	Computer maintenance	1,569	1,358
Cyber Village Sdn Bhd	Computer maintenance	-	35
<b>Capital expenditure</b>			
MCM Consulting Sdn Bhd (formerly known as Gamarapi Sdn Bhd)	Purchase of computer hardware, software and related consultancy services	5,718	8,582
MCM Systems Sdn Bhd (formerly known as Infotech Project Sdn Bhd)	Purchase of computer hardware, software and related consultancy services	1,113	2,037
Bluestar Infotech (M) Sdn Bhd	Purchase of computer hardware, software and related consultancy services	679	1,496
Cyber Village Sdn Bhd	Purchase of computer hardware, software and related consultancy services	-	53
Melawangi Sdn Bhd	Purchase of four (4) units of office premises located at the AMCORP Trade Centre	7,239	-
Modular Corp Sdn Bhd	Provide 262,500 EMV card replacements	2,992	-
Modular Corp Sdn Bhd	Provide EMV chip card personalization and fulfillment services	656	-
Taifab Properties Sdn Bhd	Purchase of three (3) units of freehold office premises located at the Arab-Malaysian Business Centre (AMBC)	1,998	-
Medan Delima Sdn Bhd	Purchase of seven (7) units of freehold office premises located at AMBC	2,477	-

The significant non-banking transactions of the Group with a company in which Prof Tan Sri Dato' Dr Mohd. Rashdan Bin Hj. Baba is deemed to have a substantial interest, are as follows:

Company	Types of transactions	2004 RM'000	2003 RM'000
<b>Expense</b>			
Computer Systems Advisers (M) Sdn Bhd	Computer maintenance	2,529	1,991
<b>Capital expenditure</b>			
Computer Systems Advisers (M) Sdn Bhd	Purchase of computer hardware, software and related consultancy services	3,266	1,083



## Notes to the Financial Statements *(Cont'd)*

The significant non-banking transactions of the Group with a company in which Mr Cheah Tek Kuang is deemed to have a substantial interest, are as follows:

Company	Types of transactions	2004 RM'000	2003 RM'000
Financial Park (L) Sdn Bhd	Rental of premises	174	239

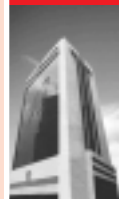
The above transactions have been entered into in the normal course of business and have been established under terms and conditions not materially different from those arranged with independent third parties.

As at 31 March 2004 and 2003, there are no outstanding balances arising from Directors related transactions.

(c) **Employees' Share Options Scheme**

	2004 '000	2003 '000
Number of shares Cheah Tek Kuang	-	140

The employees' share options were granted to directors on the same terms and conditions as those offered to other employees of the Company as mentioned in Note 29.



## Notes to the Financial Statements (Cont'd)

### 38. Directors' Remuneration

Forms of remuneration in aggregate for all the Company's directors charged to the income statements for the financial year are as follows:

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
<b>Executive director</b>				
Fees	152	-	120	-
Salaries	1,800	1,800	840	840
Other remuneration	1,158	347	786	135
Gratuity payment	250	250	250	250
Benefits-in-kind	4	-	9	5
	<b>3,364</b>	<b>2,397</b>	<b>2,005</b>	<b>1,230</b>
<b>Non-executive directors</b>				
Fees	698	275	655	243
Salaries	660	-	587	-
Other remuneration	857	104	450	58
Bonuses	505	-	85	-
Gratuity payment	300	-	-	-
Benefits-in-kind	100	-	158	-
	<b>3,120</b>	<b>379</b>	<b>1,935</b>	<b>301</b>
Total directors' remuneration	<b>6,484</b>	<b>2,776</b>	<b>3,940</b>	<b>1,531</b>
Total directors' remuneration excluding benefits-in-kind	<b>6,380</b>	<b>2,776</b>	<b>3,773</b>	<b>1,526</b>

\* Directors' fees for directors who are executives of companies of the Group are paid to their respective companies.

The number of directors of the Company whose total remuneration for the financial year which fall within the required disclosure bands is as follows:

The Group	2004	2003
<b>Executive director</b>		
RM2,000,001 – RM2,050,000	-	1
RM3,250,001 – RM3,400,000	1	-
<b>Non-executive director</b>		
Below RM50,000	3	2
RM50,001 – RM100,000	1	2
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	1	2
RM200,001 – RM250,000	1	-
RM350,001 – RM400,000	1	1
RM1,000,001 – RM1,050,000	-	1
RM1,950,001 – RM2,000,000	1	-

## Notes to the Financial Statements *(Cont'd)*

### 39. Taxation

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Estimated current tax payable in Malaysia	80,639	21,000	80,825	20,766
Share in taxation of associated companies incorporated outside Malaysia	53	-	6	-
Transfer to deferred tax assets (Note 40)	(136,057)	-	(8,154)	-
Transfer (to)/from deferred tax liabilities (Note 40)	(1,334)	-	1,636	-
	<b>(56,699)</b>	<b>21,000</b>	74,313	20,766
Under/(Over) provision of current taxation in respect of prior years	16,858	-	(60,862)	(2,800)
	<b>(39,841)</b>	<b>21,000</b>	13,451	17,966

As at 31 March 2004, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM72,000,000 (RM72,000,000 in 2003) and RM29,000,000 (RM29,000,000 in 2003) respectively, which, if confirmed by the Inland Revenue Board, will enable the Group and the Company to distribute tax exempt dividend up to the same amount.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Profit before taxation	358,424	63,747	402,055	70,020
Taxation at Malaysian statutory tax rate of 28% (28% as at 31 March 2003)	128,838	17,849	142,067	19,606
Effect of different tax rates in Labuan	(4,619)	-	3,199	-
Interest expense on ICULS included in statement of changes in equity which is deductible for tax purposes	(2,021)	-	(3,477)	-
Income not subject to tax	(8,019)	-	(20,568)	-
Tax on dividend income not restated	-	-	252	-
Expenses not deductible for tax purposes	36,577	3,151	67,227	1,160
Deferred tax assets not recognised in prior years	(207,455)	-	(114,387)	-
Tax (credit)/expense for the year	<b>(56,699)</b>	<b>21,000</b>	74,313	20,766



## Notes to the Financial Statements (Cont'd)

### 40. Deferred Taxation

Deferred taxation pertains to subsidiary companies and is as follows:

#### (a) Deferred tax assets

	The Group	
	2004 RM'000	2003 RM'000
Balance at beginning of year		
- As previously reported	(674,649)	(836,897)
- prior year's adjustments (Note 53)	(162,848)	(160,100)
As restated	(837,497)	(996,997)
Transfer from income statement (Note 39)	(136,057)	(8,154)
Amount reversed in respect of temporary differences on interest suspended on non-performing loans	-	167,654
Balance at end of year	(973,554)	(837,497)
The deferred tax credits/(debits) are in respect of the following:		
Unutilised tax losses	(448,328)	(588,478)
Temporary differences arising from general allowance for loans, advances and financing	(166,271)	(162,848)
Allowance for diminution in value of investments	(156,517)	(49,440)
Temporary differences arising from allowance for value impairment on amount recoverable from Danaharta	(117,338)	(97,421)
Temporary differences arising from specific allowance for loans, advances and financing	(72,800)	(14,000)
Unabsorbed capital allowances	(34,528)	-
Leasing temporary differences	(18,837)	20,693
Temporary differences arising from profit equalization reserve	(15,207)	-
Temporary differences arising from interest suspended on non-performing loans	(7,452)	(7,452)
Temporary differences arising from allowance for diminution in value of foreclosed properties	(2,930)	(1,680)
Temporary differences between depreciation and tax allowances on property and equipment	22,069	37,945
Others	44,585	25,184
	(973,554)	(837,497)

#### (b) Deferred tax liabilities

Balance at beginning of year	1,639	-
Transfer (from)/to income statement (Note 39)	(1,334)	1,636
Balance at end of year	305	1,636

Deferred tax liabilities of the Group is in respect of temporary difference between tax capital allowances and book depreciation of property and equipment.

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiary companies will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2004, the amount of estimated deferred tax assets of the Group, pertaining to unutilised tax losses and unabsorbed capital allowances, calculated at applicable tax rate which is not recognised in the financial statements amounted to RM120,000,000 (RM308,000,000 in 2003).

## Notes to the Financial Statements (Cont'd)

### 41. Dividends

Dividends paid and proposed by the Company are as follows:

	RM'000
<b>2004</b>	
Proposed dividend – 4.0% less 28.0% tax, on 1,858,806,070 ordinary shares of RM1.00 each	<b>53,534</b>
<b>2003</b>	
Proposed dividend – 5.0% less 28.0% tax, on 1,001,718,987 ordinary shares of RM1.00 each	36,062

A first and final ordinary dividend in respect of the financial year ended 31 March 2004 of 4.0%, less 28.0% tax, amounting to RM53,533,523, based on the enlarged issued and paid-up share capital after Bonus Issue as at 31 March 2004, to be paid to shareholders whose names appear in the Register of Members and Record of Depositors on a date to be determined by the Directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' funds as an appropriation of unappropriated profit in the next financial year ending 31 March 2005.

### 42. Earnings Per Share (Sen)

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit less interest on ICULS for the financial year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2004		2003	
	The Group RM'000/ '000	The Company RM'000/ '000	The Group RM'000/ '000	The Company RM'000/ '000
Net profit attributable to shareholders' of the Company	223,721	42,747	263,156	52,054
Less: Interest on ICULS	-	-	5,550	3,288
Net profit attributable to shareholders of the Company after interest on ICULS	223,721	42,747	257,606	48,766
Number of ordinary shares at beginning of year	1,001,719	1,001,719	916,969	916,969
Effect of ordinary shares issued pursuant to:				
- Exercise of ESOS	10,432	10,432	8,975	8,975
- Exercise of Warrants 2003/2008	1,366	1,366	-	-
- Bonus issue	505,762	505,762	491,165*	491,165*
- Rights issue	78,982	78,982	-	-
- Conversion of ICULS	-	-	35,681	35,681
- AmBank acquisition	-	-	20,706	20,706
Weighted average number of ordinary shares in issue	1,598,261	1,598,261	1,473,496	1,473,496
Basic earnings per share (Sen)	14.0	2.7	17.5	3.3

\* Adjusted for the proportional change in the number of ordinary shares pursuant to the Bonus Issue during the financial year.



## Notes to the Financial Statements (Cont'd)

### (b) Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted profit after taxation less interest on ICULS and minority interests for the financial year by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The Company has four categories of dilutive potential ordinary shares:

- i) Employees' Share Option Scheme;
- ii) 7.5% Irredeemable Convertible Unsecured Loan Stocks 1997/2002;
- iii) Warrants 1997/2007; and
- iv) Warrants 2003/2008

The basis for the maximum number of ordinary shares of RM1.00 each to be issued on conversion of ICULS 1997/2002, exercise of outstanding warrants 1997/2007 and 2003/2008, the respective latest dates for conversion and exercise and their respective prices are mentioned in Notes 26 to 28.

	2004		2003	
	The Group RM'000/ '000	The Company RM'000/ '000	The Group RM'000/ '000	The Company RM'000/ '000
Net profit attributable to shareholders of the Company after interest on ICULS	223,721	42,747	257,606	48,766
Weighted average number of ordinary shares in issue (as in (a) above)	1,598,261	1,598,261	1,473,496	1,473,496
Adjusted for:				
- ESOS	7,624	7,624	592	592
- Exercise of Warrants 2003/2008	92,509	92,509	-	-
- Bonus issue	-	-	296*	296*
Adjusted weighted average number of ordinary shares in issue and issuable	1,698,394	1,698,394	1,474,384	1,474,384
Fully diluted earnings per share (Sen)	13.2	2.5	17.5	3.3

\* Adjusted for the proportional change in the number of ordinary shares pursuant to the Bonus Issue during the financial year.

For the financial year ended 31 March 2004 outstanding share warrants 1997/2007 whilst for 31 March 2003, the outstanding share warrants 1997/2007 and 2003/2008 have been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Group, as their exercise and conversion to ordinary shares would increase earnings per share.

The Group and the Company's adjusted weighted average number of ordinary shares in issue and issuable for the financial year ended 31 March 2004 have been arrived at based on the assumption that dilutive share options and dilutive share warrants 2003/2008 are exercised at beginning of year.

The Group and the Company's adjusted weighted average number of ordinary shares in issue and issuable for the financial year ended 31 March 2003 have been arrived at based on the assumption that dilutive share options are exercised at beginning of year.

## Notes to the Financial Statements *(Cont'd)*

### 43. Fiduciary Duty In Respect Of Investment Portfolio Management And Trustee Services

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2004 amounted to RM5,332,660,000 (RM4,534,906,000 in 2003).

Assets held in trust for clients by the trustee subsidiary company, AmTrustee Berhad, as at 31 March 2004 amounted to RM7,117,549,000 (RM3,819,702,000 in 2003).

### 44. Capital Commitments

As at 31 March 2004, capital commitments pertain to subsidiary companies and are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	62,225	61,277
Purchase of leasehold improvements	6,805	1,786
Purchase of other investments	4,629	14,678
	<b>73,659</b>	<b>77,741</b>
Authorised but not contracted for:		
Purchase of other investments	20,000	20,000
Purchase of office equipment, information technology equipment and solutions	-	1,971
	<b>20,000</b>	<b>21,971</b>
	<b>93,659</b>	<b>99,712</b>

### 45. Lease Commitments

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	RM'000
12 months ending 31 March	
2005	30,849
2006	32,018
2007 and thereafter	159,582
	<b>222,449</b>

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than the rental expenses for the financial year.



# Notes to the Financial Statements (Cont'd)

## 46. Commitments And Contingencies

In the normal course of business, the merchant banking subsidiary company, AmMerchant Bank, the commercial banking subsidiary company, AmBank, the offshore banking subsidiary company in Labuan, AmInternational and the indirect finance subsidiary company, AmFinance, make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements as mentioned in Note 21. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2004, the commitments and contingencies outstanding are as follows:

	The Group			
	2004		2003	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
<b>Derivative Financial Instruments</b>				
Interest rate related contracts:				
Interest rate futures*	685,000	-	865,000	11,473
Interest rate swaps	3,817,928	103,413	3,161,000	96,990
Foreign exchange related contracts:				
Forward exchange contracts	343,456	4,443	439,101	1,077
Cross currency swaps	304,000	18,525	266,000	16,150
Malaysian Government securities futures *	9,000	-	62,800	305
	<b>5,159,384</b>	<b>126,381</b>	<b>4,793,901</b>	<b>125,995</b>
<b>Commitments</b>				
Irrevocable commitments to extend credit maturing:				
Within one year	7,460,004	-	6,084,922	-
More than one year	1,776,065	888,033	1,531,966	765,983
Sell and buy back agreements	1,451,451	1,451,451	946,221	946,221
Forward purchase commitments	363,012	363,012	130,597	130,597
	<b>11,050,532</b>	<b>2,702,496</b>	<b>8,693,706</b>	<b>1,842,801</b>
<b>Contingent Liabilities</b>				
Guarantees given on behalf of customers	1,022,429	1,022,429	1,009,402	1,009,402
Certain transaction-related contingent items	875,431	437,716	819,344	409,672
Underwriting liabilities	424,778	212,389	441,459	220,730
Short term self liquidating trade-related contingencies	133,052	26,610	107,787	21,557
Islamic financing sold to Cagamas Berhad	3,508	3,508	3,683	3,683
Others	39,537	250	71,949	250
	<b>2,498,735</b>	<b>1,702,902</b>	<b>2,453,624</b>	<b>1,665,294</b>
	<b>18,708,651</b>	<b>4,531,779</b>	<b>15,941,231</b>	<b>3,634,090</b>

\* Principal amount of interest rate futures and Malaysian Government securities futures (exchange-traded contracts) of same contract month have been reported on a net basis. Comparative figures were restated to conform with their presentation in the current quarter. Prior to the revised treatment, principal amount of interest rate futures and Malaysian Government securities futures of the same contract month sold and purchased were reported on a gross basis.

The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.



## Notes to the Financial Statements (Cont'd)

As at 31 March 2004, other contingencies and commitments of the Group and the Company are as follows:

- (a) The Company has given unsecured guarantees totalling RM546,100,000 (RM412,000,000 in 2003) to various financial institutions in respect of credit facilities extended to certain subsidiary companies.
- (b) As required, AmMerchant Bank has given a continuing guarantee to Bank Negara Malaysia on behalf of AmInternational, to meet all its liabilities and financial obligations and requirements.
- (c) By a Vesting Order of the High Court of Malaya dated 21 May 2002 pursuant to Section 50 of the Banking And Financial Institutions Act, 1989, all rights and liabilities (including rights and liabilities under and or in respect of any past, pending or future litigation) accruing to, owed or incurred by AMFB in relation to its finance company business have been transferred to and assumed by AmFinance with effect from 15 June 2002 and AMFB shall cease to be liable in respect of such liabilities with effect therefrom. Therefore, AmFinance had assumed the rights and liabilities in respect of the following three (3) legal suits relating to the Highland Towers tragedy, whereby the plaintiffs had contended that AMFB caused or contributed to the collapse of Block 1 and forced evacuation of Blocks 2 and 3 of the Highland Towers.

On 31 May 2004, AmFinance, entered into a Settlement Agreement with the plaintiffs in respect of the legal suits in relation to the Highland Tower tragedy.

These legal suits are as follows:-

- (i) A suit dated 15 October 1994 was filed by six individuals against AMFB and eight other defendants in relation to the collapse of a building in which AMFB was sued in its capacity as owner of the land adjacent to the building and for the acts and omissions of another company as alleged servant and/or agent of AMFB.

The claim against AMFB and eight other defendants based on negligence, nuisance and breach of statutory duty was for general damages, special damages, exemplary damages and/or aggravated damages. On 7 August 1998, the plaintiffs obtained an order whereby this suit was consolidated with the suit referred to in (ii) below.

- (ii) A suit dated 5 December 1996 was filed by seventy-three parties against AMFB and nine other defendants in relation to two buildings in which AMFB was sued in its capacity as owner of the land adjacent to the buildings. The claim against AMFB and nine other defendants based on negligence, nuisance and breach of statutory duty is for general damages, special damages, exemplary damages and/or aggravated damages. Subsequently, judgement was delivered with partial liability of 30% apportioned to AMFB.

On 3 December 2002, the Court of Appeal dismissed the appeal by AMFB against the finding of liability by the High Court and had ordered that damages be assessed. The Court of Appeal has also excluded certain items of damage claimed by the plaintiffs.

On 2 January 2003, AMFB filed an application for leave to appeal to the Federal Court against the finding of the Court of Appeal. The application for leave to appeal included an application for stay of the proceedings pertaining to the assessment of damages by the High Court. The application for leave to appeal came up for hearing on 4 February 2004, but was adjourned for a period of 6 months pending settlement negotiations with the plaintiffs in this suit as well as the plaintiffs in suit (i) above and in suit (ii) below.

- (iii) A suit dated 10 December 1996 was filed by sixty parties against AMFB and nine other defendants in relation to the collapse of a building in which AMFB was sued in its capacity as owner of the land adjacent to the building. The claim against AMFB and nine other defendants based on negligence, nuisance and breach of statutory duty is for general damages, special damages, exemplary and/or aggravated damages. Defence had been filed on 27 February 1998 and the case is pending trial.

On 7 August 1998, the plaintiffs obtained an order whereby this suit was consolidated with the suit referred to in (ii) above. This suit has been adjourned sine die pending the disposal of the suit in (ii) above.

Pursuant to the out-of-court settlement and the Settlement Agreement, AmFinance agreed to pay the plaintiffs a settlement sum of RM52.0 million in full and final settlement of the suits and claims against AMFB, inclusive of costs, arising/or resulting whether directly or indirectly from the suits. In return for this settlement amount, the plaintiffs shall, among others, release and assign to AmFinance all their rights of action in the suits against Highland Properties Sdn Bhd (the developer of Highland Towers) as well as all their rights and title to their individual apartment units in Highland Towers and their rights to common property, unencumbered and free from claims of end financiers.

AmFinance had made full provision for the settlement sum of RM52 million in its accounts as at 31 March, 2004.



# Notes to the Financial Statements (Cont'd)

## 47. Risk Management Policy

Risk management is about managing uncertainties such that deviations from the Group's intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Group's risk management strategy.

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders' value. The Group's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group are enumerated below.

### Market Risk Management

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates and foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group's trading and non-trading portfolio is managed separately using value-at-risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition. For the Group's trading portfolio, the Group's value at risk measurement takes a more sophisticated form by taking into account the correlation effects of various instruments in the portfolio.

The Group controls its market risk exposure of its trading and non-trading activities primarily through a series of threshold limits. Stop loss, value at risk and position sensitivity limits are the primary means of control governing the trading activities of the Group while value at risk limits governs the non-trading positions.

To complement value at risk measurement, the Group also institute a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

The Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
<b>2004</b>									
<b>ASSETS</b>									
Cash and short-term funds	6,435,381	-	-	-	-	-	275,703	6,711,084	2.83 – 3.15
Securities purchased under resale agreements	64,818	-	-	-	-	-	-	64,818	2.65
Deposits with financial institutions	-	56,686	32,180	218,803	-	-	-	307,669	2.96 – 3.15
Dealing securities	272,412	292,733	174,354	126,006	1,545,910	899,112	445,411	3,755,938	2.99 – 4.60
Investment securities	256,474	753,652	105,185	82,083	2,450,018	1,514,856	1,130,582	6,292,850	3.22 – 4.39
Loans, advances and financing									
- performing	14,374,030	1,765,276	1,392,209	3,277,202	11,907,485	2,209,717	-	34,925,919	6.40 – 9.05
- non-performing *	-	-	-	-	-	-	3,675,131	3,675,131	
Other non-interest sensitive balances	348,051	150,644	48,442	6,954	106,498	3,901	4,080,711	4,745,201	
<b>TOTAL ASSETS</b>	<b>21,751,166</b>	<b>3,018,991</b>	<b>1,752,370</b>	<b>3,711,048</b>	<b>16,009,911</b>	<b>4,627,586</b>	<b>9,607,538</b>	<b>60,478,610</b>	

## Notes to the Financial Statements (Cont'd)

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive	Total	Effective interest rate %
2004	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	15,736,896	6,125,325	3,970,170	5,132,350	1,227,113	6	825,433	33,017,293	2.70 – 3.44
Deposits of banks and other financial institutions	2,130,690	1,761,271	1,761,052	2,541,876	1,479,303	1,607,165	161,409	11,442,766	2.95 – 3.32
Securities sold under repurchase agreements	1,693,853	2,126	339	-	-	-	-	1,696,318	2.67 – 2.80
Bills and acceptances payable	84,624	127,032	60,084	-	-	-	-	271,740	-
Amount due to Cagamas Berhad	58,262	117,090	220,777	887,563	2,642,303	140,864	-	4,066,859	4.00 – 4.14
Term loans	117,000	338,000	-	190,000	-	-	-	645,000	1.895 – 8.50
Subordinated certificates of deposits	-	-	-	-	197,418	-	-	197,418	8.00
Subordinated term loan	-	-	-	-	-	680,000	-	680,000	6.50
Redeemable Unsecured Bonds	-	-	-	-	138,325	660,000	-	798,325	3.00 – 7.95
Other non-interest sensitive balances	-	-	-	-	-	-	2,586,860	2,586,860	
<b>Total Liabilities</b>	<b>19,821,325</b>	<b>8,470,844</b>	<b>6,012,422</b>	<b>8,751,789</b>	<b>5,684,462</b>	<b>3,088,035</b>	<b>3,573,702</b>	<b>55,402,579</b>	
Minority interests	-	-	-	-	-	-	968,558	968,558	
Shareholders' funds	-	-	-	-	-	-	4,107,473	4,107,473	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
	<b>19,821,325</b>	<b>8,470,844</b>	<b>6,012,422</b>	<b>8,751,789</b>	<b>5,684,462</b>	<b>3,088,035</b>	<b>8,649,733</b>	<b>60,478,610</b>	
On-balance sheet interest sensitivity gap	1,929,841	(5,451,853)	(4,260,052)	(5,040,741)	10,325,449	1,539,551	957,805	-	
Off-balance sheet interest sensitivity gap	(515,814)	249,333	(350,342)	(302,015)	672,866	251,489	-	5,517	
<b>Total interest sensitivity gap</b>	<b>1,414,027</b>	<b>(5,202,520)</b>	<b>(4,610,394)</b>	<b>(5,342,756)</b>	<b>10,998,315</b>	<b>1,791,040</b>	<b>957,805</b>	<b>5,517</b>	

The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

## Notes to the Financial Statements (Cont'd)

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive	Total	Effective interest rate
2003	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	3,863,173	129,202	-	-	-	-	207,097	4,199,472	2.80-3.16
Securities purchased under resale agreements	6,334	503	-	-	-	-	-	6,837	3.06
Deposits with financial institutions	103,601	354,620	-	94	5,025	3,287	-	466,627	2.90-3.16
Dealing securities	435,165	567,870	248,566	247,268	2,266,400	2,079,602	319,192	6,164,063	5.30-5.67
Investment securities	458,470	673,180	531,339	321,046	2,135,027	738,362	669,996	5,527,420	3.22-4.80
Loans, advances and financing									
- performing	14,240,176	867,597	1,344,822	2,286,361	13,491,362	2,044,035	-	34,274,353	7.20-9.05
- non-performing *	-	-	-	-	-	-	3,843,494	3,843,494	-
Other non-interest sensitive balances	-	-	-	-	-	-	4,234,419	4,234,419	-
<b>TOTAL ASSETS</b>	<b>19,106,919</b>	<b>2,592,972</b>	<b>2,124,727</b>	<b>2,854,769</b>	<b>17,897,814</b>	<b>4,865,286</b>	<b>9,274,198</b>	<b>58,716,685</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	14,317,663	5,998,360	3,996,314	4,894,590	1,632,902	-	510,349	31,350,178	2.90-3.44
Deposits of banks and other financial institutions	3,361,025	2,374,582	2,177,284	1,589,127	2,467,283	379,070	-	12,348,371	2.95-3.30
Securities sold under repurchase agreements	1,839,034	2,360	96	851	-	-	-	1,842,341	2.50-2.80
Bills and acceptances payable	31,805	70,313	30,063	-	-	-	16,823	149,004	-
Amount due to Cagamas Berhad	63,664	455,396	548,956	761,610	2,412,205	-	243,757	4,485,588	4.14-4.60
Term loans	363,550	414,000	-	-	-	-	15,200	792,750	4.64-7.90
Subordinated certificates of deposits	-	-	-	-	196,064	-	-	196,064	8.00
Subordinated term loan	-	-	-	-	755,000	-	-	755,000	6.50-9.00
Exchangeable subordinated capital loan	-	-	460,000	-	-	-	-	460,000	7.50
Redeemable Unsecured Bonds	-	-	-	-	135,159	-	-	135,159	3.00
Other non-interest sensitive balances	-	-	-	-	-	-	1,926,730	1,926,730	-
<b>Total Liabilities</b>	<b>19,976,741</b>	<b>9,315,011</b>	<b>7,212,713</b>	<b>7,246,178</b>	<b>7,598,613</b>	<b>379,070</b>	<b>2,712,859</b>	<b>54,441,185</b>	
Minority interests	-	-	-	-	-	-	811,841	811,841	
Shareholders' funds	-	-	-	-	-	-	3,463,659	3,463,659	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>19,976,741</b>	<b>9,315,011</b>	<b>7,212,713</b>	<b>7,246,178</b>	<b>7,598,613</b>	<b>379,070</b>	<b>6,988,359</b>	<b>58,716,685</b>	
On-balance sheet interest sensitivity gap	(869,822)	(6,722,039)	(5,087,986)	(4,391,409)	10,299,201	4,486,216	2,285,839	-	
Off-balance sheet interest sensitivity gap	(1,187,208)	(479,792)	(351,796)	550,291	1,027,564	452,750	311,759	323,568	
<b>Total interest sensitivity gap</b>	<b>(2,057,030)</b>	<b>(7,201,831)</b>	<b>(5,439,782)</b>	<b>(3,841,118)</b>	<b>11,326,765</b>	<b>4,938,966</b>	<b>2,597,598</b>	<b>323,568</b>	

\* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

## Notes to the Financial Statements (Cont'd)

The Company	Up to 1 month	>1 to 3 months	>1 to 5 years	Non- interest sensitive	Total	Effective interest rate %
2004	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>						
Cash and short-term funds	30,616	-	-	4,130	34,746	2.75 – 2.80
Securities purchased under resale agreements	287	-	-	-	287	2.50
Deposits with financial institutions	-	95,623	3,716	-	99,339	2.75 – 2.80
Investment securities	-	-	-	9,702	9,702	4.25
Other non-interest sensitive balances	-	-	-	3,120,728	3,120,728	-
<b>TOTAL ASSETS</b>	<b>30,903</b>	<b>95,623</b>	<b>3,716</b>	<b>3,134,560</b>	<b>3,264,802</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>						
Term loans	-	224,000	-	-	224,000	4.90 – 8.50
Redeemable Unsecured Bonds	-	-	138,325	-	138,325	3.00
Other non-interest sensitive balances	-	1,332	-	2,611	3,943	-
Total Liabilities	-	225,332	138,325	2,611	366,268	-
Shareholders' funds	-	-	-	2,898,534	2,898,534	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>-</b>	<b>225,332</b>	<b>138,325</b>	<b>2,901,145</b>	<b>3,264,802</b>	
On-balance sheet interest sensitivity gap	30,903	(129,709)	(134,609)	233,415	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	
	<b>30,903</b>	<b>(129,709)</b>	<b>(134,609)</b>	<b>233,415</b>	<b>-</b>	
<b>2003</b>						
<b>ASSETS</b>						
Cash and short-term funds	36,882	-	-	830	37,712	2.80
Securities purchased under resale agreements	150	-	-	-	150	2.50
Deposits with financial institutions	18,026	-	-	-	18,026	2.90
Other non-interest sensitive balances	-	-	-	2,742,592	2,742,592	-
<b>TOTAL ASSETS</b>	<b>55,058</b>	<b>-</b>	<b>-</b>	<b>2,743,422</b>	<b>2,798,480</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>						
Term loans	-	224,000	-	-	224,000	7.90
Redeemable Unsecured Bonds	-	-	135,159	-	135,159	3.00
Other non-interest sensitive balances	-	-	-	3,850	3,850	-
Total Liabilities	-	224,000	135,159	3,850	363,009	-
Shareholders' funds	-	-	-	2,435,471	2,435,471	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>-</b>	<b>224,000</b>	<b>135,159</b>	<b>2,439,321</b>	<b>2,798,480</b>	
On-balance sheet interest sensitivity gap	55,058	(224,000)	(135,159)	304,101	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	
Total interest sensitivity gap	55,058	(224,000)	(135,159)	304,101	-	

## Notes to the Financial Statements (Cont'd)

### Liquidity Risk

Liquidity risk is the risk that the organization will not be able to fund its day-to-day operations at a reasonable cost.

The primary objective of liquidity risk management framework is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as it comes due.

The secondary objective of is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

The ongoing liquidity risk management at the Group is based on the following key strategies:

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of Bank Negara Malaysia.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

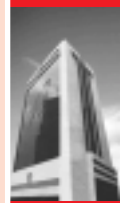
In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the Group.

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms.

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- specific maturity	Total
2004	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short-term funds	6,435,381	-	-	-	-	-	275,703	6,711,084
Securities purchased under resale agreements	64,818	-	-	-	-	-	-	64,818
Deposits with financial institutions	-	56,686	32,180	218,803	-	-	-	307,669
Dealing securities	365,364	288,542	146,405	135,320	1,613,882	850,625	355,800	3,755,938
Investment securities	375,607	715,652	565,184	105,980	2,456,106	1,532,972	541,349	6,292,850
Loans, advances and financing	6,634,415	2,320,562	2,029,078	4,189,054	14,656,132	8,720,570	51,239	38,601,050
Other assets	364,497	176,214	65,278	8,060	140,556	14,292	1,579,291	2,348,188
Goodwill on consolidation	-	-	-	-	-	-	281,715	281,715
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,539,827	1,539,827
Investments in associated companies	-	-	-	-	-	-	39,571	39,571
Property and equipment	-	-	-	-	-	-	535,900	535,900
<b>TOTAL ASSETS</b>	<b>14,240,082</b>	<b>3,557,656</b>	<b>2,838,125</b>	<b>4,657,217</b>	<b>18,866,676</b>	<b>11,118,459</b>	<b>5,200,395</b>	<b>60,478,610</b>

## Notes to the Financial Statements (Cont'd)

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- specific maturity	Total
2004	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>								
Deposits from customers	16,562,329	6,125,326	3,970,170	5,132,349	1,227,113	6	-	33,017,293
Deposits of banks and other financial institutions	2,292,100	1,786,168	1,761,051	2,609,780	1,386,500	1,607,167	-	11,442,766
Securities sold under repurchase agreements	1,693,853	2,126	339	-	-	-	-	1,696,318
Bills and acceptances payable	84,624	127,032	60,084	-	-	-	-	271,740
Amount due to Cagamas Berhad	58,261	117,090	220,777	887,564	2,642,303	140,864	-	4,066,859
Other liabilities	245,843	41,965	3,161	7,055	7,248	7,987	2,273,601	2,586,860
Term loans	86,000	255,000	-	114,000	190,000	-	-	645,000
Subordinated certificates of deposits	-	-	-	-	-	197,418	-	197,418
Subordinated term loan	-	-	-	-	-	680,000	-	680,000
Redeemable Unsecured Bonds	-	-	-	-	138,325	660,000	-	798,325
<b>Total Liabilities</b>	<b>21,023,010</b>	<b>8,454,707</b>	<b>6,015,582</b>	<b>8,750,748</b>	<b>5,591,489</b>	<b>3,293,442</b>	<b>2,273,601</b>	<b>55,402,579</b>
Minority interests	-	-	-	-	-	-	968,558	968,558
Shareholders' funds	-	-	-	-	-	-	4,107,473	4,107,473
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>								
	<b>21,023,010</b>	<b>8,454,707</b>	<b>6,015,582</b>	<b>8,750,748</b>	<b>5,591,489</b>	<b>3,293,442</b>	<b>7,349,632</b>	<b>60,478,610</b>
Net maturity mismatch	(6,782,928)	(4,897,051)	(3,177,457)	(4,093,531)	13,275,187	7,825,017	(2,149,237)	-



## Notes to the Financial Statements (Cont'd)

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- specific maturity	Total
2003	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short-term funds	3,975,239	-	-	-	-	-	224,233	4,199,472
Securities purchased under resale agreements	6,334	503	-	-	-	-	-	6,837
Deposits with financial institutions	-	207,523	-	94	255,723	3,287	-	466,627
Dealing securities	543,527	667,870	279,566	267,269	2,424,422	1,920,579	60,830	6,164,063
Investment securities	494,597	527,740	522,266	331,554	2,291,522	718,998	640,743	5,527,420
Loans, advances and financing	6,043,804	1,637,767	2,091,822	3,913,163	16,556,100	7,832,261	42,930	38,117,847
Other assets	-	14,147	6,803	134,330	137,410	39,313	1,463,730	1,795,733
Goodwill on consolidation	-	-	-	-	-	-	295,420	295,420
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,534,530	1,534,530
Investments in associated companies	-	-	-	-	-	-	50,037	50,037
Property and equipment	-	-	-	-	-	-	558,699	558,699
<b>TOTAL ASSETS</b>	<b>11,063,501</b>	<b>3,055,550</b>	<b>2,900,457</b>	<b>4,646,410</b>	<b>21,665,177</b>	<b>10,514,438</b>	<b>4,871,152</b>	<b>58,716,685</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>								
Deposits from customers	14,838,591	5,988,690	3,997,216	4,870,185	1,655,496	-	-	31,350,178
Deposits of banks and other financial institutions	3,470,629	2,364,876	2,177,386	1,589,127	2,467,283	279,070	-	12,348,371
Securities sold under repurchase agreements	1,839,033	2,360	98	850	-	-	-	1,842,341
Bills and acceptances payable	37,227	78,506	33,271	-	-	-	-	149,004
Amount due to Cagamas Berhad	8,972	355,799	437,906	753,937	2,928,974	-	-	4,485,588
Other liabilities	154,003	43,254	17,973	29,910	192,789	1,037	1,487,764	1,926,730
Term loans	-	436,284	-	-	356,466	-	-	792,750
Subordinated certificates of deposits	-	-	-	-	-	-	196,064	196,064
Subordinated term loan	-	-	-	-	-	696,542	58,458	755,000
Exchangeable subordinated capital loan	-	-	460,000	-	-	-	-	460,000
Redeemable Unsecured Bonds	-	-	-	-	135,159	-	-	135,159
Total Liabilities	20,348,455	9,269,769	7,123,850	7,244,009	7,736,167	976,649	1,742,286	54,441,185
Minority interests	-	-	-	-	-	-	811,841	811,841
Shareholders' funds	-	-	-	-	-	-	3,463,659	3,463,659
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>20,348,455</b>	<b>9,269,769</b>	<b>7,123,850</b>	<b>7,244,009</b>	<b>7,736,167</b>	<b>976,649</b>	<b>6,017,786</b>	<b>58,716,685</b>
Net maturity mismatch	(9,284,954)	(6,214,219)	(4,223,393)	(2,597,599)	13,929,010	9,537,789	(1,146,634)	-



## Notes to the Financial Statements (Cont'd)

The Company	Up to 1 month RM'000	>1 to 3 months RM'000	>1 to 5 years RM'000	Non- interest sensitive RM'000	Total RM'000
2004					
<b>ASSETS</b>					
Cash and short-term funds	30,616	-	-	4,130	34,746
Securities purchased under resale agreements	287	-	-	-	287
Deposits with financial institutions	-	95,623	3,716	-	99,339
Investments securities	-	-	9,702	-	9,702
Other assets	-	-	-	46,380	46,380
Investments in subsidiary companies	-	-	-	3,074,348	3,074,348
<b>TOTAL ASSETS</b>	<b>30,903</b>	<b>95,623</b>	<b>13,418</b>	<b>3,124,858</b>	<b>3,264,802</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Other liabilities	-	-	-	3,943	3,943
Term loans	-	224,000	-	-	224,000
Redeemable Unsecured Bonds	-	-	138,325	-	138,325
Total Liabilities	-	224,000	138,325	3,943	366,268
Shareholders' funds	-	-	-	2,898,534	2,898,534
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>-</b>	<b>224,000</b>	<b>138,325</b>	<b>2,902,477</b>	<b>3,264,802</b>
Net maturity mismatch	30,903	(128,377)	(124,907)	222,381	-
2003					
<b>ASSETS</b>					
Cash and short-term funds	36,882	-	-	830	37,712
Securities purchased under resale agreements	150	-	-	-	150
Deposits with financial institutions	18,026	-	-	-	18,026
Other assets	-	-	-	43,237	43,237
Investments in subsidiary companies	-	-	-	2,699,348	2,699,348
Property and equipment	-	-	-	7	7
<b>TOTAL ASSETS</b>	<b>55,058</b>	<b>-</b>	<b>-</b>	<b>2,743,422</b>	<b>2,798,480</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Other liabilities	-	-	-	3,850	3,850
Term loans	-	224,000	-	-	224,000
Redeemable Unsecured Bonds	-	-	135,159	-	135,159
Total Liabilities	-	224,000	135,159	3,850	363,009
Shareholders' funds	-	-	-	2,435,471	2,435,471
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>-</b>	<b>224,000</b>	<b>135,159</b>	<b>2,439,321</b>	<b>2,798,480</b>
Net maturity mismatch	55,058	(224,000)	(135,159)	304,101	-



# Notes to the Financial Statements *(Cont'd)*

## **Credit Risk Management**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending and guarantee activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of the credit risk management framework is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

For non-retail credits, risk measurement begins with an assessment and rating of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores which are translated into a rating grade, which ranges from "AAA" (lowest risk) to "C" (highest risk).

Credit risk is quantified based on Expected Default Frequencies and Expected Losses on default from its portfolio of loans and off-balance sheet commitments. Expected Default Frequencies are calibrated to the internal rating model while Loan Loss Estimates are based on past portfolio default experiences.

For retail credits, an in-house developed credit-scoring system to support the housing and hire purchase applications is being used to complement the credit assessment process.

The Group's lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors. Within these policies, name limits restrict total exposure allowed to corporate groups according to their level of creditworthiness, while sector limits ensure that the Group's total credit exposure to each economic sector is within prudent thresholds.

## **Operational Risk Management**

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

Operational risk management is the discipline of systematically identifying the critical potential points and causes of failure, assess the potential cost and to minimise the impact of such risk through the initiation of risk mitigating measures and policies.

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking contingency planning. These are supported by independent reviews by the Group's Internal Audit team.

## **Legal And Regulatory Risk**

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organization to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimize these risks, staff training and assessments, provision of advise and disseminating of information.

# Notes to the Financial Statements *(Cont'd)*

## Risk Management Policy On Financial Derivatives

### *Purpose of engaging in financial derivatives*

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivatives is one of the financial instruments engaged by the Group both for revenue purposes as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focussed on interest rate derivatives and foreign exchange rate derivatives.

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

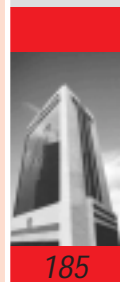
For revenue purposes the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

### *Fair value of financial derivatives*

The estimated fair values of the Group's outstanding derivative financial instruments are as below. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

	2004		2003	
	Principal Amount RM'000	Fair value RM'000	Principal Amount RM'000	Fair value RM'000
Interest rate related contracts:				
Interest rate futures	685,000	(205)	865,000	(1,779)
Interest rate swaps	3,817,928	(1,604)	3,161,000	(11,565)
Malaysian Government securities futures	9,000	(26)	62,800	243
Foreign exchange related contracts:				
Forward exchange contracts	343,456	872	439,101	947
Cross currency swaps	304,000	(2,732)	266,000	(3,327)
	<b>5,159,384</b>	<b>(3,695)</b>	<b>4,793,901</b>	<b>(15,481)</b>



# Notes to the Financial Statements *(Cont'd)*

## ***Risk associated with financial derivatives***

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risk as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

## ***Market risk of derivatives used for trading purposes***

Market risk arising from the above interest rate-related and foreign exchange-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measures that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a 90-day period at a 99% confidence level under normal market condition.

As at 31 March 2004, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM28,650 (RM53,695 as at 31 March 2003).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM6,581,591 (RM3,816,983 as at 31 March 2003).

The use of these instruments to hedge underlying exposures arising from funding or for fixed income instruments acquired for investment purposes are not included in the market risk numbers above.

## ***Credit risk of derivatives***

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

As at 31 March 2004, the amounts of counterparty credit risk, measured in term of the cost to replace the positive value contracts of the Group, was RM5,733,223 (RM5,552,286 as at 31 March 2003). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limits its credit risk within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

## Notes to the Financial Statements (Cont'd)

### 48. Fair Values Of Financial Instruments

Financial instruments are contracts that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiary companies and taxation are excluded, as they do not fall within the scope of Malaysian Accounting Standards Board Standard No. 24, which requires the fair value information to be disclosed.

The estimated fair values of the Group's and the Company's financial instruments are as follows:

2004	The Group		The Company	
	Principal Amount RM'000	Fair value RM'000	Principal Amount RM'000	Fair value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	6,711,084	6,711,084	34,746	34,746
Securities purchased under resale agreements	64,818	64,818	287	287
Deposits with financial institutions	307,669	315,264	99,339	99,339
Dealing securities	3,755,938	3,758,748	-	-
Investment securities	6,292,850	6,637,144	9,702	9,835
Loans, advances and financing *	39,202,329	40,959,002	-	-
Other financial assets	1,302,612	1,302,612	46,380	46,380
	<b>57,637,300</b>	<b>59,748,672</b>	<b>190,454</b>	<b>190,587</b>
Non-financial assets	2,841,310		3,074,348	
<b>TOTAL ASSETS</b>	<b>60,478,610</b>		<b>3,264,802</b>	
<b>Financial Liabilities</b>				
Deposits from customers	33,017,293	33,056,469	-	-
Deposits of banks and other financial institutions	11,442,766	11,269,836	-	-
Securities sold under repurchase agreements	1,696,318	1,696,318	-	-
Bills and acceptances payable	271,740	271,740	-	-
Amount due to Cagamas Berhad	4,066,859	4,069,733	-	-
Term loans	645,000	526,771	224,000	224,000
Subordinated certificates of deposits	197,418	243,448	-	-
Subordinated term loan	680,000	778,997	-	-
Redeemable Unsecured Bonds	798,325	844,790	138,325	138,825
Other financial liabilities	2,430,845	2,430,847	3,943	3,943
	<b>55,246,564</b>	<b>55,188,949</b>	<b>366,268</b>	<b>366,768</b>
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	156,015		-	-
Minority interests	968,558		-	-
Shareholders' funds	4,107,473		2,898,534	
	<b>5,232,046</b>		<b>2,898,534</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>60,478,610</b>		<b>3,264,802</b>	

## Notes to the Financial Statements (Cont'd)

2003	The Group		The Company	
	Principal Amount RM'000	Fair value RM'000	Principal Amount RM'000	Fair value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	4,199,472	4,056,255	37,712	37,712
Securities purchased under resale agreements	6,837	11,631	150	150
Deposits with financial institutions	466,627	660,327	18,026	18,026
Dealing securities	6,164,063	6,189,328	-	-
Investment securities	5,527,420	5,855,444	-	-
Loans, advances and financing *	38,709,241	40,955,412	-	-
Other financial assets	951,586	951,586	43,237	43,237
	56,025,246	58,679,983	99,125	99,125
Non-financial assets	2,691,439		2,699,355	
<b>TOTAL ASSETS</b>	<b>58,716,685</b>		<b>2,798,480</b>	
<b>Financial Liabilities</b>				
Deposits from customers	31,350,178	32,667,321	-	-
Deposits of banks and other financial institutions	12,348,371	10,943,084	-	-
Securities sold under repurchase agreements	1,842,341	1,844,077	-	-
Bills and acceptances payable	149,004	149,004	-	-
Amount due to Cagamas Berhad	4,485,588	4,441,740	-	-
Term loans	792,750	790,144	224,000	224,000
Subordinated certificates of deposits	196,064	226,616	-	-
Subordinated term loan	755,000	896,512	-	-
Exchangeable subordinated capital loan	460,000	470,099	-	-
Redeemable Unsecured Bonds	135,159	145,292	135,159	145,292
Other financial liabilities	1,856,317	1,856,317	3,850	3,850
	54,370,772	54,430,206	363,009	373,142
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	70,413		-	-
Minority interests	811,841		-	-
Shareholders' funds	3,463,659		2,435,471	
	4,345,913		2,435,471	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>58,716,685</b>		<b>2,798,480</b>	

\* The general provision for the Group amounting to RM601,279,000 (RM591,394,000 in 2003) has been included under non-financial assets.

The fair values of derivatives financial instruments are shown in Note 47.

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallize. The Group assesses that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provisions is necessary to be made.

## Notes to the Financial Statements (Cont'd)

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2004:

**(a) Cash And Short-Term Funds**

The carrying values are a reasonable estimate of the fair values because of negligible credit risk and short-term in nature or frequent repricing.

**(b) Securities Purchased Under Resale Agreements And Deposits With Financial Institutions**

The fair values of securities purchased under resale agreements and deposits with financial institutions with remaining maturities less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements and deposits with financial institutions with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing Klibor rates and interest rate swap rates.

**(c) Dealing And Investment Securities**

The estimated fair value is based on quoted or observable market prices at the balance sheet date, where such quoted or observable market prices are not available, the fair value is estimated using discounted cash flow or net tangible assets techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted using prevailing Klibor rates and interest rate swap rates of similar instruments at the balance sheet date.

**(d) Loans, Advances And Financing And Subordinated Term Loans (Loans And Financing)**

The fair value of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing Klibor rates and interest rate swap rates. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying values, net of interest in suspense and specific allowance for bad and doubtful debts and financing.

**(e) Deposits From Customers, Deposits Of Banks And Other Financial Institutions And Securities Sold Under Repurchase Agreements**

The fair values of deposits liabilities payable on demand (current and savings deposits) or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair values of term deposits, negotiable instrument of deposits and securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using Klibor rates and interest rate swap rates.

**(f) Bills And Acceptances Payables**

The carrying values are a reasonable estimate of their fair values because of their short-term nature.

**(g) Amount Due To Cagamas Berhad**

The fair values for amount due to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing Klibor rates and interest rate swap rates.

**(h) Term Loans, Subordinated Certificates of Deposits, Subordinated Term Loans, Exchangeable Subordinated Capital Loan And Redeemable Unsecured Bonds (Borrowings)**

The fair values of borrowings with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair values of borrowings with remaining maturities of more than six months are estimated based on discounted cash flows using Klibor rates and interest rate swap rates.

**(i) Interest Rate Swaps, Futures And Forward Rate Agreements**

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

The fair value of the other financial assets and other financial liabilities, which are considered short term in nature, are estimated to be approximately their carrying value.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.



## Notes to the Financial Statements (Cont'd)

### 49. Net Tangible Assets Per Share (RM)

Net tangible assets per share represent the balance sheet total assets value less total liabilities, minority interests and goodwill arising on consolidation expressed as an amount per ordinary share.

Net tangible assets per share are calculated as follows:

	2004		2003	
	The Group RM'000	The Company RM'000	The Group RM'000	The Company RM'000
Total assets	60,478,610	3,264,802	58,716,685	2,798,480
Less:				
Total liabilities	55,402,579	366,268	54,441,185	363,009
Minority interests	968,558	-	811,841	-
Goodwill on consolidation	281,715	-	295,420	-
	56,652,852	366,268	55,548,446	363,009
Net tangible assets	3,825,758	2,898,534	3,168,239	2,435,471
Issued and fully paid up ordinary shares of RM1.00 each	1,858,806	1,858,806	1,502,578*	1,502,578*
Net tangible assets per share (RM)	2.06	1.56	2.11	1.62

\* Adjusted for the proportional change in the number of ordinary shares pursuant to the Bonus Issue during the financial year.

### 50. Business Segment Analysis

The Group's businesses are organized into six segments, based on the products and services that it provides. These segments are investment banking, commercial and retail banking, offshore banking, Islamic banking, insurance and others.

#### Investment Banking

Investment banking encompasses merchant banking, stockbroking, futures broking, fund and property management and trustee services. The merchant banking caters to the business needs of large corporate customers and financial institutions and provides customers with, among other things, a broad range of financing options, treasury and derivative services, corporate finance services, debt capital market and private banking. Through the Company's subsidiaries, investment banking also offers stock and futures broking products and services through AmSecurities Sdn Bhd and AmFutures Sdn Bhd, investment management, management of unit trusts and customised investment solutions and property management services through AmInvestment Management Sdn Bhd, AmInvestment Services Berhad, and AmProperty Trust Management Berhad, and trustee services through AmTrustee Berhad.

#### Commercial And Retail Banking

Commercial and retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as term financing, mortgage, trade, hire purchase financing, personal loans and share financing and others, credit cards, remittance services, deposit collection and bancassurance.



## Notes to the Financial Statements (Cont'd)

### Offshore Banking

Through AmInternational (L) Ltd and AmMerchant Bank Labuan branch, the Group has established a presence in the international arena at the Labuan International Offshore Financial Centre. The products and services offered include corporate finance, advisory and trust services, conventional and Islamic banking and acting as Listing Sponsor for corporations seeking listing on the Labuan International Financial Exchange.

### Islamic Banking

Islamic banking segment relates to Islamic Banking Business activities undertaken by the Group.

### Insurance

The insurance segment offers a broad range of life and general insurance products.

### Others

Others are a variety of activities, which support the operating business. It includes corporate income and expense items that are not allocated to individual business segments. In addition, the funding cost of the Group's associated and subsidiary companies are included in this category.

The Group	Commercial		Offshore Banking	Islamic Banking	Insurance	Others	Elimination/ Consolidation Adjustments	Total
	Investment Banking	And Retails						
2004	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	821,046	2,527,585	29,600	517,616	519,150	5,386	-	4,420,383
Revenue from other segments	31,421	69,111	6,452	-	8,217	2,618	(117,819)	-
Operating revenue	852,467	2,596,696	36,052	517,616	527,367	8,004	(117,819)	4,420,383
Segment results	249,901	100,418	16,638	91,312	35,332	(4,039)	(118,248)	371,314
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(14,327)	(14,327)
Profit from operations	249,901	100,418	16,638	91,312	35,332	(4,039)	(132,575)	356,987
Share in results of associated companies	-	-	-	-	-	-	1,437	1,437
Profit/(Loss) before taxation	249,901	100,418	16,638	91,312	35,332	(4,039)	(131,138)	358,424
Taxation	(71,281)	144,261	-	(27,700)	(9,300)	(29,950)	33,811	39,841
Minority interests	-	-	-	-	-	-	(174,544)	(174,544)
Net profit/(loss) for the year	178,620	244,679	16,638	63,612	26,032	(33,989)	(271,871)	223,721



## Notes to the Financial Statements (Cont'd)

The Group	Commercial						Elimination/ Consolidation	Total
2004	Investment Banking RM'000	And Retails RM'000	Offshore Banking RM'000	Islamic Banking RM'000	Insurance RM'000	Others RM'000	Adjustments RM'000	RM'000
<b>Other information</b>								
Segment assets	14,316,274	38,125,249	1,356,433	8,090,237	1,202,117	459,383	(3,392,369)	60,157,324
Investment in subsidiary companies	213,606	30,330	-	-	-	4,763,438	(5,007,374)	-
Investment in associated companies	82,598	200	-	-	-	100	(43,327)	39,571
Goodwill/(reserve) on consolidation	-	-	-	-	(1,565)	-	283,280	281,715
<b>Total assets</b>	<b>14,612,478</b>	<b>38,155,779</b>	<b>1,356,433</b>	<b>8,090,237</b>	<b>1,200,552</b>	<b>5,222,921</b>	<b>(8,159,790)</b>	<b>60,478,610</b>
Segment liabilities	12,771,899	35,635,113	1,423,416	7,357,334	1,073,188	538,506	(3,396,877)	55,402,579
Property and equipment purchases	17,949	52,926	38	12	5,684	35	-	76,644
Depreciation	16,895	60,266	244	428	4,797	1,106	-	83,736
Goodwill on consolidation	-	-	-	-	-	-	14,327	14,327
<b>2003</b>								
External revenue	873,995	2,706,212	27,685	283,940	306,170	5,372	-	4,203,374
Revenue from other segments	36,723	40,937	9,031	-	8,071	5,129	(99,891)	-
<b>Operating revenue</b>	<b>910,718</b>	<b>2,747,149</b>	<b>36,716</b>	<b>283,940</b>	<b>314,241</b>	<b>10,501</b>	<b>(99,891)</b>	<b>4,203,374</b>
Segment results	201,172	278,967	(11,280)	55,423	14,160	1,011	(119,660)	419,793
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(13,787)	(13,787)
<b>Profit from operations</b>	<b>201,172</b>	<b>278,967</b>	<b>(11,280)</b>	<b>55,423</b>	<b>14,160</b>	<b>1,011</b>	<b>(133,447)</b>	<b>406,006</b>
Share in results of associated companies	-	-	-	-	-	-	(3,951)	(3,951)
Profit/(Loss) before taxation	201,172	278,967	(11,280)	55,423	14,160	1,011	(137,398)	402,055
Taxation	(52,174)	62,316	(40)	(20,546)	(3,771)	(12,745)	13,509	(13,451)
Minority interests	-	-	-	-	-	-	(125,448)	(125,448)
<b>Net profit/(loss) for the year</b>	<b>148,998</b>	<b>341,283</b>	<b>(11,320)</b>	<b>34,877</b>	<b>10,389</b>	<b>(11,734)</b>	<b>(249,337)</b>	<b>263,156</b>

## Notes to the Financial Statements (Cont'd)

The Group	Commercial						Elimination/ Consolidation	Total
2003	Investment Banking RM'000	And Retails RM'000	Offshore Banking RM'000	Islamic Banking RM'000	Insurance RM'000	Others RM'000	Adjustments RM'000	RM'000
<b>Other information</b>								
Segment assets	15,164,423	40,391,926	1,207,166	4,457,028	896,025	430,821	(4,176,161)	58,371,228
Investment in subsidiary companies	213,606	30,330	-	-	-	4,555,308	(4,799,244)	-
Investment in associated companies	93,631	200	-	-	-	100	(43,894)	50,037
Goodwill/(reserve) on consolidation	-	-	-	-	(1,565)	-	296,985	295,420
Total assets	15,471,660	40,422,456	1,207,166	4,457,028	894,460	4,986,229	(8,722,314)	58,716,685
Segment liabilities	13,698,724	38,274,984	1,291,595	4,086,930	788,089	730,892	(4,430,029)	54,441,185
Property and equipment purchases	33,141	42,495	129	137	6,749	-	-	82,651
Depreciation	17,125	92,814	312	249	4,553	830	37	115,920
Goodwill on consolidation	-	-	-	-	-	-	13,787	13,787

Operating revenue of the Group and the Company comprise net interest and financing income after interest and income suspended or recovered but before amortisation of premiums less accretion of discounts, fee income, net trading income from money market securities, net trading income from derivatives, net gain/(loss) on sale of quoted investments, gross dividend income from quoted investments, premium income from life and general insurance business, income from Islamic Banking Business before income attributable to depositors, foreign exchange gain and net allowance or writeback for diminution in value of investments.

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for Frasers International Pte. Ltd. and its subsidiary companies, PT AmCapital Indonesia and AmSecurities (HK) Limited, activities of which are principally conducted in Singapore, Indonesia and Hong Kong, respectively. These activities in Singapore, Indonesia and Hong Kong are not significant (less than 1% over the operating revenue, profit before taxation and total assets) in relation to the Group's activities in Malaysia.



# Notes to the Financial Statements (Cont'd)

## 51. Capital Adequacy Ratio

Bank Negara Malaysia's (BNM) guideline on capital adequacy requires the merchant banking subsidiary company, AmMerchant Bank, the commercial banking subsidiary company, AmBank, and the finance subsidiary company, AmFinance, to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk-weighted capital adequacy ratios of AmMerchant Bank of 16.13% (14.71% in 2003), AmBank of 11.96% (12.90% in 2003) and AmFinance of 11.24% (10.76% in 2003), exceed the minimum requirement.

Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratios, the Group's capital adequacy ratios are as follows:

	The Group	
	2004 RM'000	2003 RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	1,858,806	1,001,719
Capital reserve	125,284	140,771
Share premium	263,058	648,280
Statutory reserve	1,164,073	895,385
Exchange fluctuation reserve	19,604	19,827
Unappropriated profit at end of year	676,648	633,640
Minority interests	968,558	773,030
Total	5,076,031	4,112,652
Less:		
Goodwill	281,715	295,420
Deferred tax assets - net	973,249	-
Total tier 1 capital	3,821,067	3,817,232
<b>Tier 2 capital</b>		
Subordinated certificates of deposit	197,300	195,950
Subordinated term loan	565,243 **	710,000
Redeemable Unsecured Bonds	660,000	-
Exchangeable subordinated capital loans	-	460,000
General allowance for bad and doubtful debts	601,279	591,394
Total tier 2 capital	2,023,822	1,957,344
Capital base	5,844,889	5,774,576
Audited risk-weighted assets	45,846,360	45,052,004
<b>Capital Ratios (%):</b>		
Core capital ratio	8.33	8.47
Risk-weighted capital ratio	12.75	12.82

\*\* The amount in the current year comprise the subordinated term loan of RM680,000,000 from Astute Assets Berhad (Astute) net off the Group's dealing investment of RM114,757,000 in the redeemable secured asset-backed bonds issued by Astute.

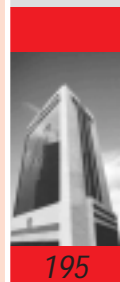
# Notes to the Financial Statements (Cont'd)

## 52. Other Significant Events

1. On 10 May 2003, the Company received the approval of Bank Negara Malaysia (BNM) for the Company to commence negotiations with EON Capital Berhad for a possible merger between the two banking groups. However, the discussion were mutually terminated on 25 June 2003.
2. On 9 July 2003, the Company had received the approval of BNM to commence discussions with Commerce Asset-Holding Berhad for the possible merger of AmBank with Bumiputra-Commerce Bank Berhad and AmFinance with Bumiputra-Commerce Finance Berhad. The discussions were mutually terminated on 5 September 2003.
3. On 28 October 2003, the Company entered into a Supplemental Facility Agreement with Danamodal Nasional Berhad (Danamodal), whereby the RM680 million Subordinated Term Loan obtained from Danamodal was novated to Astute Assets Berhad.

The terms and conditions of the loan remain the same, except for interest payable on the loan, which is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

4. The Company proposed and implemented the following:
  - (i). Increase in the authorised share capital of the Company from RM2,000,000,000 comprising 2,000,000,000 shares of RM1.00 each to RM5,000,000,000 by the creation of 3,000,000,000 new shares of RM1.00 each.
  - (ii). Bonus issue of 505,761,819 new ordinary shares of RM1.00 each in the Company on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in the Company (Bonus Issue) through the capitalisation of RM505,761,819 from the Company's share premium account.
  - (iii). Renounceable rights issue of 303,457,091 new ordinary shares in the Company at an issue price of RM1.10 per new ordinary share on the basis of one (1) new ordinary share for every five (5) existing ordinary shares held in the Company after the Bonus Issue (Rights Issue). The Rights Issue proceeds have been used by the Company to subscribe for a RM325 million non-renounceable rights issue in AmBank, as well as to fund the working capital requirements of the Group.
  - (iv). Adjustment to the Warrants 1997/2007 exercise price from RM10.73 per share to RM6.51 per share and an increase of 56,521,708 additional Warrants 1997/2007 pursuant to the adjustments arising from the Bonus and Rights Issues.
  - (v). Adjustment to the Warrants 2003/2008 exercise price from RM3.60 per share to RM2.19 per share and an increase of 79,557,942 additional Warrants 2003/2008 pursuant to the adjustments arising from the Bonus and Rights Issues and
  - (vi). Increase of 136,079,650 new ordinary shares of RM1.00 each to be issued, upon the exercise of the 56,521,708 additional Warrants 1997/2007 and 79,557,942 additional Warrants 2003/2008 in (iv) and (v) above.
5. On 27 February 2004 and 31 May 2004, the Company announced the following proposals:
  - (i) The Proposed AMFB Privatisation which involves a scheme of arrangement pursuant to Section 176 of the Act between AMFB, the Company and the shareholders of AMFB other than the Company (AMFB Minority Shareholders) whereby AHB will acquire all the AMFB Minority Shares, amounting up to 189,113,911 Shares in AMFB representing up to 35.75% equity interest in AMFB, for a total purchase consideration of up to RM1,361,620,159, equivalent to RM7.20 per AMFB Minority Share (Proposed Consideration Price), to be satisfied through a combination of an issuance of Shares in the Company and cash on the following basis:-
    - (a) the amount of RM771,584,757 by way of the issuance of up to 189,113,911 New Company Shares on the basis of one (1) New Company Share valued at RM4.08 per New Company Share for every one (1) existing AMFB Minority Share held; and



## Notes to the Financial Statements (Cont'd)

- (b) the balance of RM590,035,402 in cash on the basis of RM3.12 for every one (1) existing AMFB Minority Share held.

The entitlement date on which the names of the AMFB Minority Shareholders must be entered into the Record of Depositors of AMFB in order to participate in the Proposed AMFB Privatisation will be determined and announced at a later date after receipt of all relevant approvals for the Proposed AMFB Privatisation, including the sanction of the Court for the Proposed AMFB Privatisation (Entitlement Date).

The number of New Company Shares to be issued will depend on the actual number of AMFB Minority Shares to be acquired as at the Entitlement Date, taking into consideration the new Shares in AMFB that may be issued by AMFB pursuant to the exercise of options under AMFB's employees share option scheme (AMFB ESOS Options) prior to the Entitlement Date. As at 31 March 2004, the number of unexercised AMFB ESOS Options stood at 345,000.

Upon the scheme of arrangement becoming effective, all AMFB Minority Shareholders are bound to exchange their AMFB Shares on the basis of one (1) New Company Share and RM3.12 in cash for every one (1) existing AMFB Minority Share held as at the Entitlement Date.

Pursuant to the Proposed AMFB Privatisation, AMFB will become a wholly-owned subsidiary company of the Company. As AMFB would then no longer meet the public shareholding spread requirements of the Bursa Malaysia, the Bursa Malaysia could de-list AMFB's Shares from the Official List of the Bursa Malaysia as provided under Section 16.09 of the Bursa Malaysia's Listing Requirements. It is the intention of the Company to seek the approval of the Bursa Malaysia to hold AMFB's listing status in abeyance.

- (ii) Proposed listing of the Company's Investment Banking Group, via a newly incorporated company (Newco), on the Main Board of the Bursa Malaysia.

The Proposed Listing of Newco entails the following:-

- (a) the incorporation of Newco to act as the listing vehicle/holding company, to be a wholly-owned subsidiary company of the Company initially;
- (b) an internal reorganisation involving the transfer of the Company's entire interests in the component companies of the Company involved in the investment banking operations to Newco (Proposed Internal Reorganisation);
- (c) an offer for sale/restricted issue of an aggregate of 40% of the enlarged issued and paid-up share capital of Newco (Proposed Offer) to be undertaken upon completion of the Proposed Internal Reorganisation to the following:-
  - (i) Shareholders of AHB (Entitled AHB Shareholders); and
  - (ii) The following persons who meet the criteria for eligibility for participation in the Proposed Offer (Eligible Employees):-
    1. Directors and employees of Newco and/or its Malaysian-incorporated subsidiary and associated companies;
    2. Directors of AHB; and
    3. Business associates of AHB; and
- (d) the listing of the entire proposed issued and paid-up share capital of Newco on the Main Board of the Bursa Malaysia.

- (iii) The proposed Share Split which involves the reduction of the par value of the Company's Shares from RM1.00 each to RM0.50 each by way of the subdivision of every one (1) existing Share held in the Company into two (2) new ordinary shares in the Company of RM0.50 each. Shareholders of the Company, whose names appear on the Record of Depositors at the close of business on a date to be determined and announced later upon obtaining all relevant approvals, will be entitled to the Proposed Share Split. The Proposed Share Split is expected to be undertaken after the completion of the Proposed AMFB Privatisation.

## Notes to the Financial Statements (Cont'd)

On 25 March 2004 the Securities Commission (SC) has approved the Company's application for a waiver from complying with Paragraph 5 of Guidance Note 8A of the SC Guidelines subject to a condition whereby the Company will be required to implement the Proposed Share Split within three (3) months upon the completion of the Proposed Privatisation of AMFB.

The Proposed Subdivided Shares to be issued shall, upon issue and allotment, rank pari passu in all respects amongst themselves.

The Proposed Share Split will result in a reduction in the existing market price of the Company's shares thus making the Company's shares more affordable for shareholders and investors. The Proposed Share Split will also improve the liquidity and marketability of the Company's shares by virtue of the increase in the number of the Company's shares.

The Proposed AMFB Privatisation, Newco Listing and Share Split are subject to the approvals of SC, Minister of Finance, Bank Negara Malaysia, High Court of Malaya, shareholders of the Company and AMFB and other relevant authorities.

The Proposed AMFB Privatisation and the Proposed Listing of Newco Group are inter-conditional with each other. The Proposed Share Split is not conditional upon the Proposed AMFB Privatisation and the Proposed Listing of Newco Group.

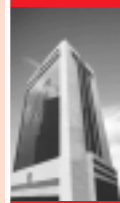
### 53. Prior Year's Adjustments

During the financial year, the Group and the Company adopted MASB Standard 25, Income Tax, on the measurement and recognition of deferred tax assets and/or liabilities which became operative from 1 April 2003. The adoption of MASB 25 has resulted in a change in accounting policy which has been applied retrospectively and has the following impact on previous year results as follows:

<b>The Group</b>	<b>As previously reported RM'000</b>	<b>Effect of change RM'000</b>	<b>As restated RM'000</b>
<b>Balance Sheet</b>			
<b>As at 31 March 2003</b>			
Deferred tax assets	674,649	162,848	837,497
Unappropriated profit	633,640	124,037	757,677
Minority interests	773,030	38,811	811,841
Net tangible assets per share (RM) *	2.03	0.08	2.11
<b>Income Statement</b>			
<b>Financial year ended 31 March 2003</b>			
Net transfer to deferred taxation	3,770	2,748	6,518
Profit after taxation before minority interests	385,856	2,748	388,604
Minority interests	(122,844)	(2,604)	(125,448)
Profit attributable to shareholders	263,012	144	263,156

\* Adjusted for the proportional change in the number of ordinary shares pursuant to the Bonus Issue during the financial year.

The change in accounting policy has the effect of increasing the net profit for the financial year by RM2.8 million.



## Notes to the Financial Statements (Cont'd)

### 54. Comparative Figures

The presentation and classifications of items in the current year's financial statements are consistent with the previous financial year except the following comparative figures which have been restated as a result of the adoption of the MASB Standard 25, which are as follows:

The Group	As previously reported RM'000	As restated RM'000
<b>Balance Sheet</b>		
<b>As at 31 March 2003</b>		
Deferred tax assets	674,649	835,861
Unappropriated profit	633,640	757,677
Minority interests	773,030	811,841
<b>Income Statement</b>		
<b>Financial year ended 31 March 2003</b>		
Net transfer to deferred taxation	3,770	6,518
Profit after taxation before minority interests	385,856	388,604
Minority interests	(122,844)	(125,448)
Profit attributable to shareholders	263,012	263,156

### 55. Islamic Banking Business

The state of affairs as at 31 March 2004 and the results for the financial year ended 31 March 2004 under the Islamic Banking Business of the merchant banking subsidiary company, AmMerchant Bank, commercial banking subsidiary company, AmBank, and finance subsidiary company, AmFinance, after elimination of intercompany transactions and balances and included in the Group financial statements are summarised as follows:

#### BALANCE SHEET AS AT 31 MARCH 2004

	Note	The Group	
		2004 RM'000	2003 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(b)	567,312	317,042
Deposits with financial institutions	(c)	30,000	-
Dealing securities	(d)	107,002	210,921
Investment securities	(e)	554,911	341,391
Financing activities	(f)	6,521,437	3,466,058
Other receivables, deposits and prepayments		46,682	22,350
Deferred tax assets	(t)	48,979	14,913
Statutory deposits with Bank Negara Malaysia		213,650	99,158
Property and equipment	(g)	64	108
<b>TOTAL ASSETS</b>		<b>8,090,037</b>	<b>4,471,941</b>



## Notes to the Financial Statements (Cont'd)

	Note	The Group	
		2004 RM'000	2003 RM'000
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	(h)	3,099,575	1,621,661
Deposits of banks and other financial institutions	(i)	3,538,933	1,989,495
Converted funds	(j)	328,321	305,020
Acceptances payable	(k)	151	91
Other liabilities	(l)	389,633	170,663
Total Liabilities		7,356,613	4,086,930
<b>ISLAMIC BANKING FUNDS</b>			
Capital funds	(m)	475,542	190,542
Unappropriated profit		257,882	194,469
Islamic Banking Funds		733,424	385,011
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>8,090,037</b>	<b>4,471,941</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	(u)	<b>2,432,369</b>	<b>1,620,571</b>

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.

### INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

	Note	The Group	
		2004 RM'000	2003 RM'000
Income derived from investment of depositors' funds and others (Allowance for)/Reversal of allowance for diminution in value of investments	(n)	446,572 (1,924)	232,263 60
Loan and financing loss and allowances	(o)	(158,194)	(72,064)
Net transfer to profit equalisation reserve		(47,870)	(7,593)
Total attributable income		238,584	152,666
Income attributable to the depositors	(p)	(183,463)	(134,223)
Profit attributable to the Group and the Bank		55,121	18,443
Income derived from Islamic Banking Funds	(q)	74,046	51,715
Total net income		129,167	70,158
Operating expenditure	(r)	(37,855)	(14,735)
<b>Profit before taxation</b>		<b>91,312</b>	<b>55,423</b>
Taxation	(s)	(27,899)	(16,525)
Profit after taxation		63,413	38,898

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.



## Notes to the Financial Statements *(Cont'd)*

### STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS FOR THE YEAR ENDED 31 MARCH 2004

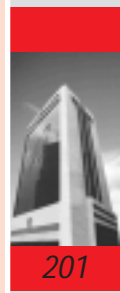
The Group	Note	Capital Funds RM'000	Distributable Unappropriated Profit RM'000	Total RM'000
<b>As at 1 April 2002</b>				
As previously stated		60,000	224,849	284,849
Prior year's adjustments		-	10,892	10,892
As restated		60,000	235,741	295,741
Funds allocated from Head Office		150,542	-	150,542
Transfer to non-Islamic Banking Business		(20,000)	(80,170)	(100,170)
Profit for the year		-	38,898	38,898
<b>As at 31 March 2003</b>		<b>190,542</b>	<b>194,469</b>	<b>385,011</b>
<b>As at 1 April 2003</b>				
As previously stated		190,542	179,556	370,098
Prior year's adjustments	(z)	-	14,913	14,913
As restated		190,542	194,469	385,011
Funds allocated from Head Office		285,000	-	285,000
Profit for the year		-	63,413	63,413
<b>As at 31 March 2004</b>		<b>475,542</b>	<b>257,882</b>	<b>733,424</b>

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.

# Notes to the Financial Statements *(Cont'd)*

## CASH FLOWS STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	The Group	
	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	91,312	55,423
Add/(Less) adjustments for:		
Specific allowance for bad and doubtful financing	114,240	61,408
Net income suspended	52,398	96,583
Transfer to profit equalization reserve	47,870	7,593
General allowance for bad and doubtful financing	47,781	14,362
Allowance/(Reversal of allowance) for diminution in value of investments	1,924	(60)
Depreciation of property and equipment	53	249
Property and equipment written off	3	-
Operating Profit Before Working Capital Changes	355,581	235,558
Decrease/(Increase) In Operating Assets		
Deposits with financial institutions	(30,000)	30,000
Dealing securities	101,995	(127,097)
Financing activities	(3,269,798)	(2,393,810)
Other receivables, deposits and prepayments	(24,332)	(14,200)
Statutory deposits with Bank Negara Malaysia	(114,492)	(48,853)
(Decrease)/Increase In Operating Liabilities		
Deposits from customers	1,477,914	380,478
Deposits of banks and other financial institutions	1,549,438	1,407,565
Converted fund	23,301	(400)
Acceptances payable	60	91
Other liabilities	175,192	59,353
Cash Generated From/(Used In) Operations	244,859	(471,315)
Taxation paid	(66,057)	(41,149)
Net Cash Generated From/(Used In) Operating Activities	178,802	(512,464)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities - net	(213,520)	(32,894)
Purchase of property and equipment	(12)	(137)
Net cash outflow from the transfers of assets and liabilities to non-Islamic Banking operations (Note a)	-	(7,574)
Net Cash Used In Investing Activities	(213,532)	(40,605)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	285,000	150,542
Net Cash From Financing Activities	285,000	150,542
Net Increase/(Decrease) In Cash And Cash Equivalents	250,270	(402,527)
Cash And Cash Equivalents At Beginning Of Year	317,042	719,569
Cash And Cash Equivalents At End Of Year	567,312	317,042



## Notes to the Financial Statements *(Cont'd)*

### CASH FLOWS STATEMENT (Cont'd) FOR THE YEAR ENDED 31 MARCH 2004

#### Note a: Transfer of assets and liabilities to Non-Islamic Banking Business

The summary of the effect of the transfer of assets and liabilities to non-Islamic Banking Business on 15 June 2002, on the Islamic cash flows of the Group during the previous financial year are as follows:

	RM'000
<b>Net assets vested over:</b>	
Cash and short term funds	7,574
Investment securities	113,645
Financing	1,361,063
General allowance for bad and doubtful financing	(23,630)
Specific allowance for bad and doubtful financing	(59,599)
Income-in-suspense	(36,751)
Other assets	2,569
Statutory deposits with Bank Negara Malaysia	44,465
Property, plant and equipment – Cost	911
Property, plant and equipment – Accumulated depreciation	(723)
Deposits from customers	(546,661)
Deposits of banks and other financial institutions	(724,351)
Other liabilities	(38,342)
	<hr/>
Net assets transferred over	100,170
Less: Amount due from Head Office	(100,170)
	<hr/>
	-
Less: Cash and short term funds	(7,574)
	<hr/>
Net cash outflow	(7,574)
	<hr/>

The accompanying Notes form an integral part of the Islamic Banking Business Financial Statements.

# Notes to the Financial Statements *(Cont'd)*

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

### (a) ISLAMIC BANKING BUSINESS

#### DISCLOSURE OF SYARIAH ADVISOR

The Group's Islamic banking activities are subject to conformity with Syariah requirements and confirmation by the Syariah Advisor, Professor Madya Dato' Hj Md. Hashim bin Yahya, Dato' Sheikh Ghazali bin Hj Abdul Rahman and Professor Dr Mohd Daud Bakar. The role and authority of the Syariah Advisor are as follows:

- Advise and provide guidance on all matters pertaining to Syariah principles including product development, marketing and implementation activities.
- Assist in the setting up of business and operational procedures with respect to comply with Syariah principles.

#### ZAKAT OBLIGATIONS

The Group does not pay zakat on behalf of the shareholders or depositors.

### (b) CASH AND SHORT-TERM FUNDS

	The Group	
	2004 RM'000	2003 RM'000
Cash and bank balances	9,012	11,329
Money at call and deposits maturing within one month:		
Licensed banks	492,000	222,413
Licensed finance companies	40,000	83,300
Other financial institutions	26,300	-
	<b>567,312</b>	<b>317,042</b>

### (c) DEPOSITS WITH FINANCIAL INSTITUTIONS

Licensed banks	30,000	-
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### (d) DEALING SECURITIES

#### Money Market Securities:

Cagamas mudharabah bearer bonds	53,500	53,500
Malaysian Government Investment Certificates	927	7,298
Negotiable Islamic debt certificate	-	13,655
Islamic Bank Negara Malaysia bills	-	37,257
	<b>54,427</b>	<b>111,710</b>

#### Shares Quoted In Malaysia

	-	8
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#### Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:

Corporate bonds	51,290	-
Islamic corporate bonds	3,704	78,383
Corporate notes	486	20,820
	<b>55,480</b>	<b>99,203</b>

Allowance for diminution in value of investments	109,907 (2,905)	210,921 -
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	<b>107,002</b>	<b>210,921</b>
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# Notes to the Financial Statements *(Cont'd)*

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

	The Group	
	2004 RM'000	2003 RM'000
<b>Market value:</b>		
<b>Money Market Securities:</b>		
Cagamas mudharabah bearer bonds	53,500	53,560
Malaysian Government Investment Certificates	932	7,344
Negotiable Islamic debt certificate	-	13,759
Islamic Bank Negara Malaysia bills	-	37,331
<b>Shares Quoted In Malaysia</b>	-	14
<b>Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Islamic corporate bonds	3,664	80,386
Corporate notes	487	20,847
<b>(e) INVESTMENT SECURITIES</b>		
<b>Money Market Securities:</b>		
Negotiable Islamic debt certificate	237,658	19,977
Malaysian Government Investment Certificates	190,482	137,977
Khazanah bonds	82,491	132,053
Bankers acceptances	4,472	-
Islamic acceptance bills	2,979	-
	<b>518,082</b>	<b>290,007</b>
<b>Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	21,031	42,117
<b>Unquoted Debt Equity Conversion Of Companies Incorporated In Malaysia</b>	<b>10,494</b>	<b>11,476</b>
<b>Total</b>	<b>549,607</b>	<b>343,600</b>
Amortisation of premium less accretion of discount	15,798	9,267
Allowance for diminution in value of investments in Malaysia	(10,494)	(11,476)
<b>Net</b>	<b>554,911</b>	<b>341,391</b>
<b>Market value:</b>		
<b>Money Market Securities:</b>		
Malaysian Government Investment Certificates	202,530	144,629
Negotiable Islamic debt certificate	255,000	19,977
Khazanah bonds	87,231	136,200
Bankers acceptances	4,472	-
Islamic acceptance bills	2,997	-
<b>Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	20,990	42,787

# Notes to the Financial Statements (Cont'd)

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

	The Group	
	2004 RM'000	2003 RM'000
The maturity structure of money market securities held for investment is as follows:		
Maturing within one year	251,123	69,539
One year to three years	186,899	207,295
Three to five years	80,060	13,173
	<b>518,082</b>	<b>290,007</b>
<b>(f) FINANCING ACTIVITIES</b>		
Term financing/Revolving credit financing	2,627,276	1,331,820
Islamic hire purchase, net of unearned income	3,685,629	2,321,650
Credit card receivables	74,752	35,012
Lease receivables	457,146	6,691
Trust receipts	1,646	1,242
Bills receivables	39,383	15,497
Gross financing	<b>6,885,832</b>	<b>3,711,912</b>
Less:		
Allowance for bad and doubtful financing		
General	101,043	53,262
Specific	91,255	56,034
Income-in-suspense	172,097	136,558
	<b>364,395</b>	<b>245,854</b>
Net financing	<b>6,521,437</b>	<b>3,466,058</b>
Financing analysed by concepts are as follows:		
Al-Ijarah	4,566,874	1,879,833
Al-Bai' Bithaman Ajil	1,741,717	1,303,091
Al-Musyarakah	399,187	413,841
Al-Murabahah	86,387	42,898
Al-Bai In'nah	73,533	-
Al-Wujud	17,012	50,581
Al-Istina	1,122	2,537
Al-Mudharabah	-	19,131
	<b>6,885,832</b>	<b>3,711,912</b>



# Notes to the Financial Statements (Cont'd)

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

	The Group	
	2004 RM'000	2003 RM'000
The maturity structure of financing are as follows:		
Maturing within one year	2,582,630	845,998
One year to three years	1,800,270	1,656,318
Three to five years	1,451,240	638,691
Over five years	1,051,692	570,905
	<b>6,885,832</b>	<b>3,711,912</b>

Financing analysed by their economic purposes are as follows:

	The Group			
	2004 RM'000	%	2003 RM'000	%
Purchase of transport vehicles	3,962,298	57.5	1,707,235	46.0
Consumption credit	443,554	6.4	77,812	2.1
Agriculture	401,490	5.8	328,390	8.8
Purchase of landed property of which:				
(a) Residential	350,846	5.1	218,622	5.9
(b) Non-residential	219,127	3.2	232,140	6.3
Investment holding	325,314	4.7	338,772	9.1
Finance, insurance and business services	263,796	3.8	263,495	7.1
Construction	221,454	3.2	124,523	3.4
Manufacturing	190,577	2.8	38,761	1.0
Real estate	157,955	2.3	156,881	4.2
Transport, storage and communication	156,670	2.3	113,020	3.0
General commerce	97,630	1.4	38,664	1.0
Purchase of securities	32,569	0.5	55,683	1.5
Mining and quarrying	7,706	0.1	1,043	0.1
Electricity, gas and water	2,539	0.1	1,047	0.1
Others	52,307	0.8	15,824	0.4
	<b>6,885,832</b>	<b>100.0</b>	<b>3,711,912</b>	<b>100.0</b>

Gross financing analysed by type of customers are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Individuals	4,806,416	2,052,785
Small medium industries	1,081,764	771,384
Business enterprises	964,475	873,111
Government	21,287	7,650
Other domestic entities	6,243	5,152
Foreign entities	4,936	1,093
Non-bank financial institutions	711	737
	<b>6,885,832</b>	<b>3,711,912</b>

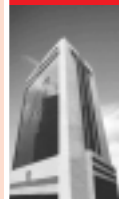


## Notes to the Financial Statements (Cont'd)

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

Movements in non-performing financing including income receivables are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Gross		
Balance at beginning of year	407,545	418,454
Non-performing during the year	180,230	116,847
Recoveries	(38,125)	(44,178)
Amount written off	(63,558)	(40,002)
Debt equity conversion	-	(22,295)
Reclassification to performing financing	(35,183)	(21,281)
Balance at end of year	450,909	407,545
Less:		
Specific allowance	91,255	56,034
Income-in-suspense	172,097	136,558
	263,352	192,592
Non-performing financing – net	187,557	214,953
Total financing less specific allowance and income-in-suspense	6,622,480	3,519,320
Financing sold to Cagamas Berhad	3,508	3,683
	6,625,988	3,523,003
Ratio of net non-performing financing to net financing	2.83%	6.10%



## Notes to the Financial Statements *(Cont'd)*

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

Movements in the allowances for bad and doubtful financing and income-in-suspense accounts are as follows:

	The Group	
	2004 RM'000	2003 RM'000
<b>General Allowance</b>		
Balance at beginning of year	53,262	38,900
Allowance during the year	47,781	14,362
Balance at end of year	<b>101,043</b>	53,262
<b>Specific Allowance</b>		
Balance at beginning of year	56,034	65,256
Allowance made during the year	136,132	74,278
Amount written back in respect of recoveries	(21,892)	(12,870)
Net charge to income statement	114,240	61,408
Adjustment from/(to) deferred asset account	11,799	(1,605)
Reclassification	248	-
Amount written off	(91,066)	(68,108)
Debt equity conversion	-	(917)
Balance at end of year	<b>91,255</b>	56,034
<b>Income-In-Suspense</b>		
Balance at beginning of year	136,558	46,799
Income suspended during the year	68,613	108,066
Amount written back in respect of recoveries	(16,215)	(11,483)
Net charge to income statement	52,398	96,583
Amount written off	(14,851)	(2,441)
Adjustment to deferred asset account	(2,008)	(1,570)
Debt equity conversion	-	(2,813)
Balance at end of year	<b>172,097</b>	136,558

## Notes to the Financial Statements (Cont'd)

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

#### (g) PROPERTY AND EQUIPMENT

The Group	Leasehold improvements RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<b>COST</b>				
At beginning of year	414	250	387	1,051
Additions	3	-	9	12
Write-off	-	(2)	(4)	(6)
At end of year	<b>417</b>	<b>248</b>	<b>392</b>	<b>1,057</b>
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year	414	198	331	943
Additions	1	24	28	53
Write-off	-	(2)	(1)	(3)
At end of year	<b>415</b>	<b>220</b>	<b>358</b>	<b>993</b>
<b>NET BOOK VALUE</b>				
As at 31 March 2004	<b>2</b>	<b>28</b>	<b>34</b>	<b>64</b>
As at 31 March 2003	-	52	56	108
Depreciation charge for 2003	74	56	119	249

#### (h) DEPOSITS FROM CUSTOMERS

	The Group	
	2004 RM'000	2003 RM'000
Mudarabah Fund		
Special investment deposits	<b>119,730</b>	113,220
General investment deposits	<b>2,496,256</b>	1,325,114
Non-Mudarabah Fund		
Demand deposits	<b>70,396</b>	36,502
Savings deposits	<b>270,661</b>	128,955
Negotiable Islamic Debt certificates	<b>142,532</b>	17,870
	<b>3,099,575</b>	1,621,661
The maturity structure of deposits from customers is as follows:		
Due within six months	<b>2,713,502</b>	1,357,571
Six months to one year	<b>256,150</b>	156,761
One year to three years	<b>108,236</b>	37,371
Three to five years	<b>21,687</b>	69,958
	<b>3,099,575</b>	1,621,661
The deposits are sourced from the following types of customers:		
Business enterprises	<b>1,568,040</b>	910,487
Individuals	<b>690,593</b>	270,737
Others	<b>840,942</b>	440,437
	<b>3,099,575</b>	1,621,661

# Notes to the Financial Statements (Cont'd)

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

### (i) DEPOSITS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2004 RM'000	2003 RM'000
Mudarabah Fund		
Licensed banks	25,576	38,599
Other financial institutions	1,359,273	850,045
Non-Mudarabah Fund		
Licensed banks	865,780	506,081
Licensed finance companies	179,661	159,909
Licensed merchant banks	146,439	94,380
Other financial institutions	962,204	340,481
	<b>3,538,933</b>	<b>1,989,495</b>

### (j) CONVERTED FUNDS

This represent funds transferred from Non-Islamic Banking Operations to Islamic Banking Operations for funding purposes at commercial terms.

### (k) ACCEPTANCES PAYABLE

Acceptances payable represent the commercial banking subsidiary company own bills and acceptances rediscounted and outstanding in the market.

### (l) OTHER LIABILITIES

	The Group	
	2004 RM'000	2003 RM'000
Other payables and accruals	269,323	131,743
Amount owing to head office	54,874	27,470
Profit equalization reserves	54,312	6,442
Lease deposits and advance rentals	11,124	916
Provision for taxation and zakat	-	4,092
	<b>389,633</b>	<b>170,663</b>

The movements in profit equalisation reserve are as follows:

Balance at beginning of year	6,442	-
Provision during the year	51,865	8,586
Amount written back during the year	(3,995)	(2,144)
	<b>47,870</b>	<b>6,442</b>
Balance at end of year	<b>54,312</b>	<b>6,442</b>

# Notes to the Financial Statements *(Cont'd)*

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

### (m) CAPITAL FUNDS

	The Group	
	2004 RM'000	2003 RM'000
<b>Allocated:</b>		
Balance at beginning of year	240,542	60,000
Increase during the year	370,000	200,542
Transfer to non-Islamic banking operations	-	(20,000)
Balance at end of year	<b>610,542</b>	240,542
<b>Utilised:</b>		
Balance at beginning of year	190,542	60,000
Increase during the year	285,000	150,542
Transfer to non-Islamic banking operations	-	(20,000)
Balance at end of year	<b>475,542</b>	190,542

### (n) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

Income derived from investment of:		
(I) General investment deposits	301,213	171,203
(II) Specific investment deposits	15,510	16,767
(III) Other funds	129,849	44,293
	<b>446,572</b>	232,263

#### (I) Income derived from investment of general investment deposits

Finance income and hibah:		
Financing activities	287,713	177,357
Dealing securities	4,829	1,236
Investment securities	307	2,911
Money at call and deposits with financial institutions	5,925	6,850
	<b>298,774</b>	188,354
Income-in-suspense	(7,049)	(26,953)
Accretion of discount	4,747	5,780
	<b>296,472</b>	167,181
Net gain from sale of dealing securities	212	24
Net gain from sale of investment securities	427	1,458
	<b>639</b>	1,482
Fee and commission income:		
Commission	1,068	374
Other fee income	3,034	2,166
	<b>4,102</b>	2,540
Total	<b>301,213</b>	171,203



# Notes to the Financial Statements *(Cont'd)*

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

### (II) Income derived from investment of specific investment deposits

	The Group	
	2004 RM'000	2003 RM'000
Finance income and hibah: Financing activities	15,510	16,767

### (III) Income derived from investment of other funds

Finance income and hibah: Financing activities	145,860	96,580
Dealing securities	9,645	1,201
Investment securities	971	1,519
Money at call and deposits with financial institutions	5,538	4,605
	162,014	103,905
Income-in-suspense	(44,830)	(63,314)
Accretion of discount	5,907	1,643
	123,091	42,234
Net gain from sale of dealing securities	704	15
Net gain from sale of investment securities	1,418	871
	2,122	886
Fee and commission income: Commission	658	100
Other fee income	3,978	1,073
	4,636	1,173
Total	129,849	44,293

### (o) FINANCING LOSS AND ALLOWANCES

General allowance for bad and doubtful financing	47,781	14,362
Specific allowance for bad and doubtful financing	114,240	61,408
	162,021	75,770
Bad debts recovered	(3,827)	(3,706)
	158,194	72,064

## Notes to the Financial Statements (Cont'd)

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

#### (p) INCOME ATTRIBUTABLE TO DEPOSITORS

	The Group	
	2004 RM'000	2003 RM'000
Deposits from customers		
Mudarabah Fund	95,684	73,772
Non-Mudarabah Fund	44,083	22,398
Deposits and placements of banks and other financial institutions		
Mudarabah Fund	2,215	2,854
Non-Mudarabah Fund	17,797	5,700
Special placement deposits by Head Office	23,684	29,499
	<b>183,463</b>	<b>134,223</b>

#### (q) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

Finance income and hibah:		
Financing activities	42,005	29,591
Dealing securities	721	283
Investment securities	102	628
Money at call and deposits with financial institutions	1,465	1,505
	<b>44,293</b>	<b>32,007</b>
Income-in-suspense	(519)	(6,316)
Accretion of discount	907	1,013
	<b>44,681</b>	<b>26,704</b>
Net gain from sale of dealing securities	22,453	21,769
Net gain from sale of investment securities	440	414
	<b>22,893</b>	<b>22,183</b>
Fee and commission income:		
Commission	155	64
Other fee income	6,317	2,764
	<b>6,472</b>	<b>2,828</b>
Total	<b>74,046</b>	<b>51,715</b>



# Notes to the Financial Statements *(Cont'd)*

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

### (r) OPERATING EXPENSES

	The Group	
	2004 RM'000	2003 RM'000
Personnel/Staff costs	5,174	4,364
Establishment costs	1,755	2,201
Marketing and communication expenses	26,820	4,223
Administration and general expenses	4,106	3,947
	<b>37,855</b>	<b>14,735</b>

### (s) TAXATION

Estimated current tax payable	61,965	20,546
Transfer to deferred tax assets (Note t)	(34,066)	(4,021)
	<b>27,899</b>	<b>16,525</b>

### (t) DEFERRED TAXATION

Balance at beginning of year		
- As previously reported	-	-
- prior year adjustments	14,913	10,892
As restated	14,913	10,892
Transfer from income statement (Note s)	34,066	4,021
Balance at end of year	<b>48,979</b>	<b>14,913</b>

The deferred tax credits/(debits) are in respect of the following:

Timing differences arising from general allowance for financing	28,291	14,913
Profit equalisation reserves	15,208	-
Unabsorbed tax losses	6,162	-
Allowance for diminution in value of investments	3,742	-
Accretion of discount on investments	(4,424)	-
	<b>48,979</b>	<b>14,913</b>



## Notes to the Financial Statements (Cont'd)

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

#### (u) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic Banking Operations of the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2004, the commitments and contingencies outstanding are as follows:

	2004		2003	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000
<b>The Group</b>				
<b>Commitments</b>				
Sell and buy back agreements	1,451,451	1,451,451	946,221	946,221
Irrevocable commitments to extend credit maturing:				
Within one year	537,814	-	154,574	-
More than one year	97,553	48,777	123,744	61,872
	<b>2,086,818</b>	<b>1,500,228</b>	<b>1,224,539</b>	<b>1,008,093</b>
<b>Contingent Liabilities</b>				
Al-Kafalah guarantees	95,208	95,208	106,942	106,942
Islamic revolving underwriting facilities	216,400	108,200	250,500	125,250
Certain transaction related contingent items	23,499	11,750	34,003	17,002
Financing sold to Cagamas Berhad	3,508	3,508	3,683	3,683
Short-term self liquidating trade-related contingencies	6,936	1,387	904	181
	<b>345,551</b>	<b>220,053</b>	<b>396,032</b>	<b>253,058</b>
	<b>2,432,369</b>	<b>1,720,281</b>	<b>1,620,571</b>	<b>1,261,151</b>

The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.



# Notes to the Financial Statements (Cont'd)

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

### (v) YIELD/PROFIT RATE RISK

The following table shows the profit sensitivity gap, by time bands, on which profit rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

2004							Non- yield/ profit sensitive	Total	Effective profit rate
The Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	558,300	-	-	-	-	-	9,012	567,312	2.70-2.80
Deposits with financial institutions	-	20,000	10,000	-	-	-	-	30,000	2.96
Dealing securities	-	851	100	486	72,877	32,688	-	107,002	3.50-3.97
Investment securities	17,453	188,651	58,081	-	288,952	1,774	-	554,911	3.05-3.50
Financing									
- performing	740,456	227,430	310,344	1,131,463	2,753,595	1,271,636	-	6,434,924	5.40-8.61
- non-performing *	-	-	-	-	-	-	86,513	86,513	-
Other non-interest sensitive balances	-	-	-	-	-	-	309,375	309,375	-
<b>TOTAL ASSETS</b>	<b>1,316,209</b>	<b>436,932</b>	<b>378,525</b>	<b>1,131,949</b>	<b>3,115,424</b>	<b>1,306,098</b>	<b>404,900</b>	<b>8,090,037</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>									
Deposits from customers	1,383,738	829,827	429,541	256,150	129,922	-	70,397	3,099,575	2.68-2.93
Deposits of banks and other financial institutions	1,038,390	808,836	323,021	798,146	553,157	16,455	928	3,538,933	3.03-3.80
Acceptances payable	-	-	151	-	-	-	-	151	-
Converted Fund	-	-	-	-	-	-	328,321	328,321	-
Other non-interest sensitive balances	-	-	-	-	-	-	389,633	389,633	-
<b>Total Liabilities Islamic Banking Funds</b>	<b>2,422,128</b>	<b>1,638,663</b>	<b>752,713</b>	<b>1,054,296</b>	<b>683,079</b>	<b>16,455</b>	<b>789,279</b>	<b>7,356,613</b>	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>2,422,128</b>	<b>1,638,663</b>	<b>752,713</b>	<b>1,054,296</b>	<b>683,079</b>	<b>16,455</b>	<b>1,522,703</b>	<b>8,090,037</b>	
On-balance sheet profit sensitivity gap	(1,105,919)	(1,201,731)	(374,188)	77,653	2,432,345	1,289,643	(1,117,803)	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,105,919)</b>	<b>(1,201,731)</b>	<b>(374,188)</b>	<b>77,653</b>	<b>2,432,345</b>	<b>1,289,643</b>	<b>(1,117,803)</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements (Cont'd)

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

2003

The Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- yield/ profit sensitive RM'000	Total RM'000	Effective profit rate %
<b>ASSETS</b>									
Cash and short-term funds	305,713	-	-	-	-	-	11,329	317,042	2.68–2.80
Dealing securities	3,986	48,707	14,200	10,708	96,846	36,467	7	210,921	2.89
Investment securities	19,979	17,403	14,781	19,544	249,039	20,645	-	341,391	3.05–3.20
Financing									
- performing	87,863	156,253	96,714	251,019	2,215,894	492,214	-	3,299,957	8.61–9.40
- non-performing *	-	-	-	-	-	-	166,101	166,101	-
Other non-interest sensitive balances	-	-	-	-	-	-	136,529	136,529	-
<b>TOTAL ASSETS</b>	<b>417,541</b>	<b>222,363</b>	<b>125,695</b>	<b>281,271</b>	<b>2,561,779</b>	<b>549,326</b>	<b>313,966</b>	<b>4,471,941</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>									
Deposits from customers	724,820	315,433	280,816	156,761	107,328	-	36,503	1,621,661	2.43–2.63
Deposits of banks and other financial institutions	577,207	349,757	35,130	183,331	844,070	-	-	1,989,495	2.80–5.30
Acceptances payable	53	33	5	-	-	-	-	91	-
Converted funds	5,590	101,964	4,668	52,054	140,744	-	-	305,020	-
Other non-interest sensitive balances	-	-	-	-	-	-	170,663	170,663	-
Total Liabilities	1,307,670	767,187	320,619	392,146	1,092,142	-	207,166	4,086,930	
Islamic Banking Funds	-	-	-	-	-	-	385,011	385,011	-
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>1,307,670</b>	<b>767,187</b>	<b>320,619</b>	<b>392,146</b>	<b>1,092,142</b>	<b>-</b>	<b>592,177</b>	<b>4,471,941</b>	
On-balance sheet profit sensitivity gap	(890,129)	(544,824)	(194,924)	(110,875)	1,469,637	549,326	(278,211)	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(890,129)	(544,824)	(194,924)	(110,875)	1,469,637	549,326	(278,211)	-	

\* This is arrived at after deducting the general allowance, specific allowance and income-in-suspense from gross non-performing financing outstanding.



## Notes to the Financial Statements (Cont'd)

### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

#### (w) FAIR VALUE OF ISLAMIC BANKING OPERATIONS FINANCIAL INSTRUMENTS

The estimated fair values of the Group's Islamic Banking operations financial instruments are as follows:

The Group	2004		2003	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	567,312	567,312	317,042	317,042
Deposits with financial institutions	30,000	30,000	-	-
Dealing securities	107,002	107,002	210,921	213,241
Investment securities	554,911	557,589	341,391	350,035
Financing *	6,622,480	7,255,939	3,519,320	3,913,434
Other financial assets	46,682	46,682	22,350	22,350
	<b>7,928,387</b>	<b>8,564,524</b>	4,411,024	4,816,102
Non-financial assets	161,650		60,917	
<b>TOTAL ASSETS</b>	<b>8,090,037</b>		<b>4,471,941</b>	
<b>Financial Liabilities</b>				
Deposits from customers	3,099,575	3,100,413	1,621,661	1,627,340
Deposits of banks and other financial institutions	3,538,933	3,546,687	1,989,495	2,004,147
Converted funds	328,321	340,697	305,020	320,978
Acceptances payable	151	151	91	91
Other financial liabilities	335,322	335,322	160,129	160,129
	<b>7,302,302</b>	<b>7,323,270</b>	4,076,396	4,112,685
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	54,311		10,534	
Islamic Banking Funds	733,424		385,011	
	<b>787,735</b>		<b>395,545</b>	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>8,090,037</b>		<b>4,471,941</b>	

\* The general allowances for the Group amounting to RM101,043,000 (RM53,262,000 in 2003) has been included under non-financial assets.

# Notes to the Financial Statements *(Cont'd)*

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

### (x) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic Banking Business comprises the following items:

	The Group	
	2004 RM'000	2003 RM'000
Income derived from investment of depositors' fund	446,572	232,263
Less: Income attributable to depositors	(183,463)	(134,223)
Income attributable to the Group and the Bank	263,109	98,040
Income derived from Islamic Banking Funds	74,046	51,715
	<b>337,155</b>	<b>149,755</b>

### (y) CAPITAL ADEQUACY RATIO

The risk-weighted capital adequacy ratios of the Islamic Banking operations of AmMerchant Bank of 10.33% (9.24% in 2003), AmBank of 9.53% (9.12% in 2003) and AmFinance of 10.29% (10.51% in 2003), exceed the minimum requirement.

Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratios, the Group's capital adequacy ratios of the Islamic Banking operations are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Tier 1 capital		
Islamic Banking Fund	475,542	190,542
Unappropriated profit at end of year	257,882	179,556
Total tier 1 capital	733,424	370,098
Less: Deferred tax assets - net	(48,979)	-
	<b>684,445</b>	<b>370,098</b>
Tier 2 capital		
General allowance for bad and doubtful debts	101,042	53,262
Capital base	<b>785,487</b>	<b>423,360</b>
Audited risk-weighted assets	<b>7,693,675</b>	<b>4,331,772</b>
Capital Ratios:		
Core capital ratio	<b>8.90%</b>	8.54%
Risk-weighted capital ratio	<b>10.21%</b>	9.77%



# Notes to the Financial Statements (Cont'd)

## NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd)

### (z) PRIOR YEAR'S ADJUSTMENTS

The prior year adjustments relates to the change in accounting policies on adoption of MASB 25, Income Taxes as mentioned on Note 54.

The change in accounting policies resulted from the adoption of MASB 25, Income Taxes, on the measurement and recognition of deferred tax assets and/or liabilities which has been applied retrospectively has the following impact on previous year results:

The Group	As previously reported RM'000	Effect of change RM'000	As restated RM'000
<b>Balance Sheet</b>			
<b>As at 31 March 2003</b>			
Deferred tax assets	-	14,913	14,913
Unappropriated profit	370,098	14,913	385,011
<b>Income Statement</b>			
<b>Finanail year ended 31 March 2003</b>			
Net transfer to deferred taxation	-	4,021	4,021
Profit after taxation	34,877	4,021	38,898

### (aa) COMPARATIVE FIGURES

The comparative figures were extended to comply with the additional disclosures requirements of the MASB Standard i-1 and MASB Standard 25 that are applicable for the financial year ended 31 March 2004.

The following comparative figures which have been restated as a result of the adoption of the MASB Standard 25, which are as follows:

The Group	As previously reported RM'000	As restated RM'000
<b>Balance Sheet</b>		
<b>As at 31 March 2003</b>		
Deferred tax assets	-	14,913
Unappropriated profit	370,098	385,011
<b>Income Statement</b>		
<b>Finanail year ended 31 March 2003</b>		
Net transfer to deferred taxation	-	4,021
Profit after taxation	34,877	38,898

## 56. General Information

The Company is a public limited liability company, incorporated in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

The registered office and the principal place of business of the Company is located at 22nd Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

## Statement by Directors

The directors of **AMMB HOLDINGS BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2004 and of the results and the cash flows of the Group and the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors,



TAN SRI DATO' AZMAN HASHIM



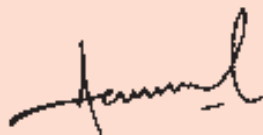
CHEAH TEK KUANG

Kuala Lumpur,  
31 May 2004

## Statutory Declaration

I, **ARUNASALAM MUTHUSAMY**, being the Officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, changes in equity and cash flows are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed **ARUNASALAM MUTHUSAMY**  
at KUALA LUMPUR this 31 day of May 2004.



Before me,



COMMISSIONER FOR OATHS



No: 28-29, Jalan Hang Lekli,  
50100 Kuala Lumpur.

Lodged on behalf by:

Address: 22nd Floor, Bangunan AmBank Group, No 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

Telephone Number: 03-20782633/44/55

# List of Landed Properties As At 31 March 2004

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
The properties owned by the subsidiary companies are as follows:						
<b>Perlis Indera Kayangan</b>						
13, Jalan Jubli Perak 01000 Kangar Perlis Indera Kayangan	One unit of double storey shoplot for branch premises	20 years	Freehold	129,025	2,800	4 Nov 1991
<b>Perak Darul Ridzuan</b>						
5, Main Road 32300 Pulau Pangkor Perak Darul Ridzuan	One unit of two-storey shophouse for branch premises	31 years	Freehold	56,936	2,720	31 Dec 1990
27, Jalan Trump, Kuala Sepetang 34650 Taiping Perak Darul Ridzuan	One unit of double storey shoplot for branch premises	21 years	Freehold	44,801	2,702	4 Nov 1991
23 & 24, Jalan Raja Omar 32000 Sitiawan Perak Darul Ridzuan	Two units of three-storey shoplots for branch premises	22 years	Freehold	266,256	7,040	1 Nov 1991
107, Jalan Tokong Datoh 33300 Grik Perak Darul Ridzuan	One unit of two-storey shoplot for branch premises	19 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	186,743	5,695	29 Dec 1990
79, Main Road 32400 Ayer Tawar Perak Darul Ridzuan	One unit of three-storey shoplot for branch premises	18 years	Freehold	166,059	4,800	17 July 1991
19, Jalan Kemajuan 31000 Batu Gajah Perak Darul Ridzuan	One unit of two-storey shoplot for branch premises	24 years	Freehold	308,864	6,083	31 Dec 1992
52-54, Jalan Taming Sari 34000 Taiping Perak Darul Ridzuan	Two units of 3 1/2-storey shoplots for branch premises	22 years	Leasehold Term: 999 years Expiry: Oct 2879	1,639,512	11,376	25 June 1993
2 & 4, Jalan Temenggong Pusat Bandar 34200 Parit Buntar Perak Darul Ridzuan	Two units of two-storey shoplots for branch premises	15 years	Leasehold Term: 99 years Expiry: Oct 2088	311,508	6,722	23 Dec 1993
<b>Pulau Pinang</b>						
1st & 2nd Floor, MBf Tower Jalan Sultan Ahmad Shah 10020 Pulau Pinang	Two floors of office space for branch premises	14 years	Freehold	8,625,287	26,561	Nov 1991
1 & 3, Lorong Murni 6 Taman Desa Murni, Sungai Dua 13800 Butterworth Pulau Pinang	Two units of double storey shoplots for branch premises	12 years	Freehold	622,061	7,200	28 Nov 1996
35 & 36 - Phase 1 Prai Business Point, Prai Perdana 12000 Seberang Prai Pulau Pinang	Two units of vacant three-storey shop office	4 years	Freehold	1,583,174	10,307	28 Nov 1998
1311, Jalan Besar 14200 Sungai Bakap Province Wellesley Pulau Pinang	One unit of two-storey shoplot for branch premises	14 years	Freehold	212,170	3,894	7 Dec 1992
4194, Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Two units of two-storey shoplots for branch premises	19 years	Freehold	242,310	7,200	16 Sep 1992



# List of Landed Properties As At 31 March 2004 (Cont'd)

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
<b>Wilayah Persekutuan – Kuala Lumpur</b>						
Bangunan AmFinance 8, Jalan Yap Kwan Seng 50450 Kuala Lumpur	46-storey office building for operations and rental	6 years	Freehold	230,835,409	927,070	13 Mar 1990
Wisma AmFinance 113, Jalan Pudu 55100 Kuala Lumpur	One unit 12-storey office building for operations and branch premises	18 years	Freehold	16,326,597	55,700	4 Nov 1991
Warisan MBf Jalan Tun H.S. Lee 50050 Kuala Lumpur	Four-storey pre-war shophot used for branch premises	61 years	Freehold	6,038,684	16,114	24 Apr 1991
2 & 4, Jalan 12/5 Taman Melati, Setapak 53100 Kuala Lumpur	Two units of two-storey shophots for storage purposes	13 years	Freehold	366,928	5,600	17 July 1992
1, Jalan Jejaka 2 Taman Maluri 55100 Kuala Lumpur	One unit of four-storey shophot for branch premises	28 years	Leasehold Term: 99 years Expiry: Sep 2075	312,947	6,600	14 Sep 1992
2 & 4, Jalan 23/70A Desa Sri Hartamas 55048 Kuala Lumpur	Two units of four-storey shophots for rental purposes	5 years	Freehold	3,395,430	13,504	23 Apr 1998
85, 87, 89, 107, 109 & 111 Jalan 3/93, Taman Miharja 55200 Kuala Lumpur	Six units of three-storey shophots for rental purposes	14 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	2,671,021	30,528	9 Mar 1992
45, Jalan 45/26 Taman Sri Rampai, Setapak 53300 Kuala Lumpur	One unit of three-storey shophouse for storage purposes	18 years	Freehold	207,000	1,399	20 Feb 1991
8th & 9th Floors, Bangunan AMDB 1, Jalan Lumut 50400 Kuala Lumpur	Two floors of office space for operations	11 years	Freehold	7,934,202	25,488	18 May 1994
<b>Wilayah Persekutuan – Labuan</b>						
A (03-6) & E (03-1) Kerupang II 87000 Federal Territory of Labuan	Two units of three-room walk-up apartment for residential purposes	9 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	411,338	1,016	30 June 1996
Alpha Park Tower, Condo Labuan 10th Floor, Financial Park Complex 87000 Federal Territory of Labuan	Condominium for residential purposes	8 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	473,976	1,679	1 July 1996
<b>Selangor Darul Ehsan</b>						
11, Jalan Taman, Off Jalan Melayu 41300 Klang Selangor Darul Ehsan	One unit of four-storey shophot under joint venture for rental	19 years	Leasehold Term: 20 years Expiry: July 2006	47,813	6,200	4 Nov 1991
26, Persiaran Raja Muda Musa 42000 Port Klang Selangor Darul Ehsan	Two units of four-storey shophots for branch premises	26 years	Freehold	392,427	6,400	7 July 1988
7 & 9, Jalan Perusahaan 2 Off Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan	Two units of two-storey commercial complex for branch premises	18 years	Leasehold Term: 40 years Expiry: May 2017	539,597	8,000	25 Nov 1995
Damansara Fairway 3, 6C, Persiaran Tropicana Tropicana Golf and Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	One unit of 13-storey office building	13 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	18,891,294	76,120	13 Oct 2000



# List of Landed Properties As At 31 March 2004 (Cont'd)

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
<b>Pahang Darul Makmur</b>						
15, Jalan Besar, Gambang 25000 Kuantan Pahang Darul Makmur	One unit of abandoned two-storey pre-war shophouse	73 years	Freehold	32,001	3,100	4 Nov 1991
Lot 8, Sec 7, Jalan Besar Gambang, 25000 Kuantan Pahang Darul Makmur	One piece of vacant land	N/A	Freehold	27,000	1,600	4 Nov 1991
Lot 4769/13, 4769/14 & 4769/15 Jalan Telok Sisek, Kuala Kuantan Kuantan, Pahang Darul Makmur	Three pieces of vacant land	N/A	Freehold	115,000	8,615	4 Nov 1991
Lot 4, Sec 1, Pekan Mengkuang Mukim of Triang District of Temerloh Pahang Darul Makmur	One piece of vacant land	N/A	Freehold	61,000	410,009	4 Nov 1991
533, Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur	One unit of apartment	20 years	Leasehold Term: 85 years Expiry: Aug 2067	171,586	980	30 Nov 1985
105, Jalan Loke Yew 28700 Bentong Pahang Darul Makmur	One unit of three-storey shoplot for branch premises	51 years	Freehold	361,813	7,200	5 Sep 1990
93, Jalan Haji Abdul Aziz 25000 Kuantan Pahang Darul Makmur	One unit of 3 1/2 -storey shoplot for branch premises	18 years	Freehold	664,001	6,556	1 Dec 1989
28, Jalan Zabidin 28400 Mentakab Pahang Darul Makmur	One unit of three-storey shoplot for branch premises	35 years	Leasehold Term: 99 years Expiry: Jan 2066	585,827	8,010	29 Oct 1986
<b>Melaka</b>						
154 & 156 Kompleks Munshi Abdullah Jalan Munshi Abdullah 75100 Melaka	Two units of four-storey shoplots for branch premises	21 years	Leasehold Term: 99 years Expiry: Feb 2084	987,791	16,596	25 June 1993
Lot 43 & 44, Sec 7, Jalan Hang Tuah Town Area XXI, Melaka Tengah Melaka	Two pieces of vacant land for rental purposes	N/A	Freehold	3,492,416	26,789	4 Nov 1991
2430, Jalan Besar 73000 Tampin Melaka	Two units of two-storey shoplots for branch premises	18 years	Leasehold Term: 99 years Expiry: 2039	393,448	5,740	21 Oct 1986
<b>Negeri Sembilan Darul Khusus</b>						
226, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus	One unit of abandoned four-storey shophouse	20 years	Freehold	146,302	5,200	4 Nov 1991
Lot 14, Rompin, Jempol Negeri Sembilan Darul Khusus	One piece of vacant land	N/A	Freehold	50,000	219,412	4 Nov 1991
22 & 23, Jalan Dato' Lee Fong Yee 70000 Seremban Negeri Sembilan Darul Khusus	Two units of four-storey shoplots for branch premises	19 years	Freehold	1,161,144	22,000	15 Mar 1990

# List of Landed Properties As At 31 March 2004 (Cont'd)

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
<b>Johor Darul Takzim</b>						
S142, Bt 22, Jalan Mersing Kahang New Village 86700 Kahang Johor Darul Takzim	One unit of double storey shoplot for branch premises	21 years	Freehold	77,157	2,300	4 Nov 1991
33 & 35, Jalan Permatang 12 Taman Desa Jaya 81100 Johor Bahru Johor Darul Takzim	Two units of two-storey shoplots for storage purposes	14 years	Freehold	421,782	5,800	8 July 1990
31-7, Jalan Raya Kulai Besar 81000 Kulai Johor Darul Takzim	One unit of shoplot for branch premises	16 years	Freehold	414,086	6,930	19 May 1992
14 & 15, Jalan Abdullah 85000 Segamat Johor Darul Takzim	Two units of four-storey shoplots for branch premises	64 years	Freehold	399,284	5,832	12 June 1985
100, Jalan Besar 83700 Yong Peng Johor Darul Takzim	One unit of shoplot for branch premises	66 years	Freehold	234,947	3,120	12 June 1985
178, Jalan Rugayah 83000 Batu Pahat Johor Darul Takzim	Four units of three-storey shoplots for branch premises	16 years	Freehold	1,543,627	20,160	25 May 1991
PTD No. 3700, 3702, 3887, 4338 4339, 4745 and 4772 H.S.(D) 9062, 9064, 9249, 9695 9696, 10101 and 10128 Mukim Paloh, Daerah Kluang Johor Darul Takzim	Seven pieces of bungalow land	N/A	Freehold	385,344	48,168	29 Dec 1999
PT 4758, 4759, 4760, 4761, 4762 4763, 4764, and 4765 H.S.(D) 10114, 10115, 10116 10117, 10118, 10119, 10120 and 10121 Mukim Paloh, Daerah Kluang Johor Darul Takzim	Eight pieces of semi-detached land	N/A	Freehold	239,616	29,952	29 Dec 1999
<b>Kelantan Darul Naim</b>						
707, Jalan Masjid Lama 17000 Pasir Mas Kelantan Darul Naim	One unit of two-storey shoplot for branch premises	26 years	Leasehold Term: 66 years Expiry: Jan 2061	352,495	3,024	25 June 1993
<b>Terengganu Darul Iman</b>						
50, Jalan Lim Teck Wan 23000 Dungun Terengganu Darul Iman	One unit of double storey shoplot for branch premises	21 years	Freehold	166,804	3,600	4 Nov 1991
<b>Sabah and Sarawak</b>						
TL017533238, Likas District of Kota Kinabalu Sabah	Vacant commercial land	N/A	Leasehold Term: 99 years Expiry: Dec 2075	8,270,189	216,232	24 May 2001
MDLD 154 & 155, Block 24 SEDCO Shophouses 91000 Lahad Datu Sabah	Two units of shoplots for branch premises	16 years	Leasehold Term: 99 years Expiry: Dec 2083	573,295	4,800	30 Sep 1987
257, Jalan Haji Taha 93400 Kuching Sarawak	Seven-storey office building for branch premises and rental	5 years	Leasehold Term: 855 years Expiry: July 2792	15,059,499	51,906	31 Dec 1994



# Shareholding and Warrant Holding Structures

As At 3 August 2004

## ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	: RM5,000,000,000
Paid-up Share Capital	: RM1,862,535,898
Class of Share	: Ordinary share of RM1.00 each
Voting Rights	: 1 vote per shareholder on a show of hands 1 vote per ordinary share on a poll

	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
<b>Size of Shareholdings</b>				
Less than 100	462	1.38	17,697	0.00
100 - 1,000	8,095	24.23	6,344,337	0.34
1,001 - 10,000	19,495	58.35	79,280,880	4.26
10,001 - 100,000	4,636	13.88	123,474,715	6.63
100,001 - less than 5.0% of issued shares	720	2.15	937,746,464	50.35
5.0% and above of issued shares	3	0.01	715,671,805	38.42
<b>Total</b>	<b>33,411</b>	<b>100.00</b>	<b>1,862,535,898</b>	<b>100.00</b>

## Location of Shareholders

Malaysia	31,806	95.20	1,392,582,048	74.77
Singapore	330	0.98	4,386,564	0.24
Hong Kong	11	0.03	521,538	0.03
Australia	40	0.12	428,054	0.02
Japan	2	0.01	21,000	0.00
United States	12	0.04	193,633	0.01
Other Countries	1,210	3.62	464,403,061	24.93
<b>Total</b>	<b>33,411</b>	<b>100.00</b>	<b>1,862,535,898</b>	<b>100.00</b>

## Types of Shareholders (By Nationality)

Malaysian				
- Individual	26,899	80.51	162,550,240	8.73
- Nominee companies	4,333	12.97	790,768,832	42.46
- Other companies	574	1.72	439,262,976	23.58
Singaporean	330	0.98	4,386,564	0.24
Hong Kong	11	0.03	521,538	0.03
Australian	40	0.12	428,054	0.02
Japanese	2	0.01	21,000	0.00
American	12	0.04	193,633	0.01
Other Nationalities	1,210	3.62	464,403,061	24.93
<b>Total</b>	<b>33,411</b>	<b>100.00</b>	<b>1,862,535,898</b>	<b>100.00</b>

# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## 30 LARGEST SHAREHOLDERS

	No. of Shares	%
1. UOBM Nominees (Tempatan) Sdn Bhd - Arab-Malaysian Corporation Berhad	376,526,825	20.22
2. Employees Provident Fund Board	201,369,980	10.81
3. Arab-Malaysian Corporation Berhad	137,775,000	7.40
4. UOBM Nominees (Tempatan) Sdn Bhd - UOB Labuan for Arab-Malaysian Corporation Berhad	90,000,000	4.83
5. Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore	39,692,360	2.13
6. CIMB Nominees (Tempatan) Sdn Bhd - Commerce International Merchant Bankers Bhd	29,148,615	1.56
7. HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for the Great Eastern Life Assurance Co Ltd	27,585,900	1.48
8. ValueCap Sdn Bhd	22,271,700	1.20
9. CIMB Nominees (Tempatan) Sdn Bhd - Regal Genius Sdn Bhd	21,750,000	1.17
10. HSBC Nominees (Asing) Sdn Bhd - Abu Dhabi Investment Authority	21,405,600	1.15
11. HSBC Nominees (Asing) Sdn Bhd - Emerging Markets Growth Fund	20,939,700	1.12
12. Malaysia Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad	15,200,000	0.82
13. Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore	12,918,800	0.69
14. Ginagini Sdn Bhd	12,184,809	0.65
15. CIMB Nominees (Tempatan) Sdn Bhd - Commerce International Merchant Bankers Bhd	11,865,000	0.64
16. Pertubuhan Keselamatan Sosial	11,202,880	0.60
17. RHB Nominees (Tempatan) Sdn Bhd - RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	10,441,080	0.56
18. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	10,437,120	0.56
19. Amanah Raya Nominees (Tempatan) Sdn Bhd - Sekim Amanah Saham Nasional	10,110,500	0.54
20. HSBC Nominees (Asing) Sdn Bhd - Pictet and CIE for Pictet Targeted Fund FCP	9,128,300	0.49



# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## 30 LARGEST SHAREHOLDERS

	No. of Shares	%
21. Cartaban Nominees (Tempatan) Sdn Bhd - Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board	8,811,980	0.47
22. Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund XB1L for UBS Global Emerging Markets Equity Fund	8,596,100	0.46
23. HSBC Nominees (Asing) Sdn Bhd - Pictet and Cie for Pictet Asia Growth Fund FCP	7,735,300	0.42
24. Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore	7,250,300	0.39
25. HSBC Nominees (Asing) Sdn Bhd - MSCO NY for Liberty Square Offshore Partners Ltd	7,189,420	0.39
26. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund A56A for Artisan International Small Cap Fund	7,073,740	0.38
27. HLG Nominee (Tempatan) Sdn Bhd - PB Trustee Services Bhd for HLG Growth Fund	6,960,960	0.37
28. Citicorp Nominees (Asing) Sdn Bhd - American International Assurance Company Ltd	6,850,000	0.37
29. Malaysia Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad	6,799,600	0.37
30. HSBC Nominees (Asing) Sdn Bhd - Capital International Emerging Markets Investment Fund	6,384,000	0.34
<b>Total</b>	<b>1,165,605,569</b>	<b>62.58</b>

## SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim Slan Sdn Bhd	-	-	645,673,539 <sup>(1)</sup>	34.67
Ginagini Sdn Bhd	-	-	639,761,634 <sup>(2)</sup>	34.35
Arab-Malaysian Corporation Bhd	12,184,809	0.65	627,576,825 <sup>(3)</sup>	33.70
Employees Provident Fund Board	605,826,825	32.53	21,750,000 <sup>(4)</sup>	1.17
	249,018,520	13.37	-	-

### Notes: -

(1) Deemed interested by virtue of his direct and indirect interests in Arab-Malaysian Corporation Bhd and Azman Hashim Holdings Sdn Bhd.

(2) Deemed interested by virtue of its interest in Arab-Malaysian Corporation Bhd and Ginagini Sdn Bhd.

(3) Deemed interested by virtue of its interest in Arab-Malaysian Corporation Bhd.

(4) Deemed interested through the shares held by its subsidiary company.

# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## ANALYSIS OF WARRANT 1997/2007 HOLDINGS

No. of Warrants in Issue	: 143,534,078
Exercise Price of Warrants	: RM6.51
Exercise Period of Warrants	: 14 May 1998 – 13 May 2007 (Only in the months of January, April, July and October)
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share of RM1.00 each in the Company.
Voting Rights at meetings of warrant holders	: 1 vote per warrant holder on a show of hands 1 vote per warrant on a poll

	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
<b>Size of Warrants Holdings</b>				
Less than 100	904	10.75	59,292	0.04
100 - 1,000	1,048	12.46	582,339	0.41
1,001 - 10,000	4,412	52.46	22,071,388	15.38
10,001 - 100,000	1,893	22.51	56,117,974	39.09
100,001 - less than 5.0% of issued warrants	153	1.82	64,703,085	45.08
5.0% and above of issued warrants	0	0.00	0	0.00
<b>Total</b>	<b>8,410</b>	<b>100.00</b>	<b>143,534,078</b>	<b>100.00</b>

## Location of Warrant Holders

Malaysia	8,194	97.43	122,846,068	85.59
Singapore	58	0.69	831,522	0.58
Australia	1	0.01	1,649	0.00
United States	2	0.02	19,795	0.01
Other Countries	155	1.85	19,835,044	13.82
<b>Total</b>	<b>8,410</b>	<b>100.00</b>	<b>143,534,078</b>	<b>100.00</b>

## Types of Warrant Holders (By Nationality)

Malaysian				
- Individual	7,011	83.37	81,775,369	56.97
- Nominee companies	1,118	13.29	36,551,655	25.47
- Other companies	65	0.77	4,519,044	3.15
Singaporean	58	0.69	831,522	0.58
Australian	1	0.01	1,649	0.00
American	2	0.02	19,795	0.01
Other Nationalities	155	1.85	19,835,044	13.82
<b>Total</b>	<b>8,410</b>	<b>100.00</b>	<b>143,534,078</b>	<b>100.00</b>



# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
1. Citicorp Nominees (Asing) Sdn Bhd - Goldman Sachs International	6,000,000	4.18
2. AA Assets Nominees (Tempatan) Sdn Bhd - Low Hock Peng	5,000,000	3.48
3. DB (Malaysia) Nominee (Asing) Sdn Bhd - UBS AG	2,620,200	1.83
4. Citicorp Nominees (Asing) Sdn Bhd - GSI for DKR Soundshore Oasis Holding Fund Ltd	2,500,000	1.74
5. RHB Nominees (Asing) Sdn Bhd - Artradis Barracuda Fund	2,200,686	1.53
6. Citicorp Nominees (Asing) Sdn Bhd - Merrill Lynch International	1,955,129	1.36
7. AllianceGroup Nominees (Tempatan) Sdn Bhd - Chan Chee Kit	1,585,848	1.10
8. Tan Boon Har	1,394,916	0.97
9. Citicorp Nominees (Tempatan) Sdn Bhd - Janaki @ Mallika a/p Palaniappan	1,332,500	0.93
10. IOI Corporation Bhd	1,319,696	0.92
11. SBB Nominees (Tempatan) Sdn Bhd - Pertubuhan Keselamatan Sosial	1,250,411	0.87
12. Mayban Securities Nominees (Tempatan) Sdn Bhd - Chin Shih Shyong	1,232,872	0.86
13. Amsec Nominees (Tempatan) Sdn Bhd GK Goh Stockbrokers Pte Ltd for Omar Bin Malek Ali Merican	1,150,000	0.80
14. Tan Soon Lai	1,128,340	0.79
15. Chew Ee Suan	1,089,837	0.76
16. RHB Nominees (Tempatan) Sdn Bhd GK Goh Stockbrokers Pte Ltd for Merican & Partners Asset Management Sdn Bhd	986,000	0.69
17. HSBC Nominees (Asing) Sdn Bhd - HPBS SG for Tenacious Hold Limited	948,953	0.66
18. Lew Tin Yang @ Leu Ting Yeang	910,101	0.63
19. JF Apex Nominees (Tempatan) Sdn Bhd - See Kooi Lum @ Chui Sue Lim	800,000	0.56
20. Affin Nominees (Tempatan) Sdn Bhd - Tan Boon Har	753,876	0.53



# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
21. MIDF Sisma Nominees (Tempatan) Sdn Bhd - Leong Yun Lien	730,800	0.51
22. Kumpulan Kseena Sdn Bhd	691,006	0.48
23. AmFinance Berhad - Yip Yoke Sim	593,863	0.41
24. Public Nominees (Tempatan) Sdn Bhd - Teh Yoke Wan @ Tee Yoke Wan	580,090	0.40
25. Mayban Nominees (Tempatan) Sdn Bhd - Tan Lee Kuang	544,374	0.38
26. Mayban Securities Nominees (Tempatan) Sdn Bhd - Lee Swee Eng	501,000	0.35
27. Ee Cheng Tak	500,000	0.35
28. Leong Chee Yee (Liang Juyi)	459,000	0.32
29. Chew Ley Tiong	449,924	0.31
30. Lee Meng Yong	445,397	0.31
<b>Total</b>	<b>41,654,819</b>	<b>29.01</b>



# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## ANALYSIS OF WARRANT 2003/2008 HOLDINGS

No. of Warrants in Issue	: 202,017,810
Exercise Price of Warrants	: RM2.19
Exercise Period of Warrants	: 20 March 2003 – 19 March 2008
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share of RM1.00 each in the Company.
Voting Rights at meetings of warrant holders	: 1 vote per warrant holder on a show of hands 1 vote per warrant on a poll

	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
<b>Size of Warrants Holdings</b>				
Less than 100	1,236	15.33	61,577	0.03
100 - 1,000	1,237	15.36	663,571	0.33
1,001 - 10,000	4,704	58.44	15,060,454	7.45
10,001 – 100,000	747	9.28	22,036,052	10.91
100,001 - less than 5.0% of issued warrants	126	1.57	82,607,397	40.89
5.0% and above of issued warrants	2	0.02	81,588,759	40.39
<b>Total</b>	<b>8,052</b>	<b>100.00</b>	<b>202,017,810</b>	<b>100.00</b>

## Location of Warrant Holders

Malaysia	7,801	96.89	188,734,013	93.43
Singapore	75	0.93	684,972	0.34
Australia	5	0.06	35,563	0.02
United States	6	0.07	49,375	0.02
Other Countries	165	2.05	12,513,887	6.19
<b>Total</b>	<b>8,052</b>	<b>100.00</b>	<b>202,017,810</b>	<b>100.00</b>

## Types of Warrant Holders (By Nationality)

Malaysian				
- Individual	6,314	78.42	34,769,741	17.21
- Nominee companies	1,311	16.28	43,639,897	21.60
- Other companies	176	2.19	110,324,375	54.62
Singaporean	75	0.93	684,972	0.34
Australian	5	0.06	35,563	0.02
American	6	0.07	49,375	0.02
Other Nationalities	165	2.05	12,513,887	6.19
<b>Total</b>	<b>8,052</b>	<b>100.00</b>	<b>202,017,810</b>	<b>100.00</b>

# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
1. Arab-Malaysian Corporation Berhad	75,214,328	37.23
2. Employees Provident Fund Board	12,328,528	6.10
3. AA Assets Nominees (Tempatan) Sdn Bhd - Gabungan Harmoni Sdn Bhd	4,727,357	2.34
4. Ginagini Sdn Bhd	3,945,451	1.95
5. HSBC Nominees (Asing) Sdn Bhd - MSCO NY for Liberty Square Offshore Partners Ltd	3,892,160	1.93
6. Kenanga Nominees (Tempatan) Sdn Bhd - Irama Hasrat Sdn Bhd	3,860,110	1.91
7. Azman Hashim Holdings Sdn Bhd	3,342,309	1.65
8. BHLB Trustee Berhad - PRUGrowth Fund	3,074,000	1.52
9. CIMB Nominees (Tempatan) Sdn Bhd - Regal Genius Sdn Bhd	2,989,936	1.48
10. Pertubuhan Keselamatan Sosial	2,518,351	1.25
11. Tahan Insurance Malaysia Berhad	2,445,500	1.21
12. HLG Nominee (Tempatan) Sdn Bhd - PB Trustee Services Bhd for HLG Growth Fund	1,934,989	0.96
13. Low Chee Kein	1,880,094	0.93
14. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	1,700,000	0.84
15. HSBC Nominees (Asing) Sdn Bhd - MSCO NY for Liberty Square Partners LP	1,607,840	0.80
16. Soong Bee Yoke	1,515,100	0.75
17. Universal Trustee Malaysia Berhad - HLG Balanced Fund	1,234,752	0.61
18. Citicorp Nominees (Tempatan) Sdn Bhd - CMS Dresdner Asset Management Sdn Bhd for Malaysian Assurance Alliance Bhd	1,226,200	0.60
19. Ng Leong Huat	1,205,000	0.60
20. BHLB Trustee Berhad - TA Growth Fund	1,105,000	0.55
21. RHB Nominees (Asing) Sdn Bhd - Artradis Barracuda Fund	1,044,900	0.52
22. Mayban Nominees (Tempatan) Sdn Bhd - Eng Lai Sim	1,030,000	0.51



# Shareholding and Warrant Holding Structures

As At 3 August 2004 (Cont'd)

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
23. Mayban Nominees (Tempatan) Sdn Bhd - Avenue Asset Management Services Sdn Bhd for Perusahaan Otomobil Nasional Berhad	1,000,000	0.50
24. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for The Hwang-DBS Select Opportunity Fund	945,000	0.47
25. DB (Malaysia) Nominees (Tempatan) Sdn Bhd - Kumpulan Sentiasa Cemerlang Sdn Bhd for Progressive Insurance Bhd	850,000	0.42
26. HSBC Nominees (Asing) Sdn Bhd - MSCO NY for Torrey Pines Master Fund Ltd	750,000	0.37
27. DB (Malaysia) Nominees (Tempatan) Sdn Bhd - Kumpulan Sentiasa Cemerlang Sdn Bhd for Malaysian Assurance Alliance Bhd	715,000	0.35
28. AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for HLG Blue Chip Fund	672,000	0.33
29. Tiong Nam Transport Holdings Berhad	659,848	0.33
30. John Hancock Life Insurance (Malaysia) Berhad	640,501	0.32
<b>Total</b>	<b>140,054,254</b>	<b>69.33</b>

## DIRECTORS' INTEREST IN COMPANY AND ITS RELATED CORPORATIONS

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
<b>The Company – AMMB Holdings Bhd</b>				
Tan Sri Dato' Azman Hashim	-	-	645,673,539 <sup>(1)</sup>	34.67
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	226,071	0.01	-	-
Cheah Tek Kuang	485,800	0.03	-	-
			<b>No. of Warrants 1997/2007</b>	
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	19,795	0.01	-	-
			<b>No. of Warrants 2003/2008</b>	
Tan Sri Dato' Azman Hashim	245,793	0.12	85,877,273 <sup>(1)</sup>	42.51
Cheah Tek Kuang	46,189	0.02	-	-
<b>Subsidiary Company - AMFB Holdings Bhd</b>				
			<b>No. of Shares</b>	
Tan Sri Dato' Azman Hashim	734,490	0.14	340,230,256 <sup>(2)</sup>	64.34
Dato'Azlan Hashim	95,952	0.02	-	-
Cheah Tek Kuang	38,000	0.01	-	-
<b>Subsidiary Company - AmAssurance Bhd</b>				
			<b>No. of Shares</b>	
Dato'Azlan Hashim	-	-	34,062,000 <sup>(3)</sup>	34.06

Tan Sri Dato' Azman Hashim, by virtue of his interest in the shares and warrants of AMMB Holdings Bhd (AHB), he is also deemed to have an interest in the shares of the subsidiaries of AHB to the extent that AHB has an interest.

Other than stated above, none of the other directors of the Company had any direct and deemed interest in the Company or its related corporations.

### Notes:-

(1) Deemed interested by virtue of his direct and indirect interests in Arab-Malaysian Corporation Bhd and Azman Hashim Holdings Sdn Bhd.

(2) Deemed interested by virtue of his interest in AMMB Holdings Bhd and AMDB Equipment Trading Sdn Bhd.

(3) Deemed interested by virtue of his interest in ABH Holdings Sdn Bhd.











# Group Directory (Cont'd)

Kajang (Life Branch)  
Tel: 03-9076 4315

**PERAK DARUL RIDZUAN**  
Sg. Siput (Life Branch)  
Tel: 019-542 9616

**KEDAH**  
Taman Bandar Baru  
Sg. Petani (Life Branch)  
Tel: 04-441 6841

Jalan Kg. Baru, Sg. Petani  
Tel: 04-425 7271  
Fax: 04-425 7273

**NEGERI SEMBILAN DARUL KHUSUS**  
Senawang (Life Branch)  
Tel: 06-763 2624  
Fax: 06-763 2624

Seremban (Life Branch)  
Tel: 019-253 7249

**JOHOR DARUL TAKZIM**  
Kota Tinggi (Life Branch)  
Tel: 07-883 0477  
Fax: 07-883 3661

Muar (Life Branch)  
Tel: 06-951 8999, 952 8999  
Fax: 06-952 4588

**SABAH**  
Tawau (Life Branch)  
Tel: 087-341 763  
Fax: 087-341 763

General Division Branch Offices:

**SELANGOR DARUL EHSAN**  
Klang  
Tel: 03-3344 7430  
Fax: 03-3343 6331

**PERAK DARUL RIDZUAN**  
Ipoh  
Tel: 05-253 3493, 255 7509  
Fax: 05-253 1650

**PULAU PINANG**  
Jalan Anson  
Tel: 04-226 3618, 228 9963  
Fax: 04-227 3886

**KEDAH DARUL AMAN**  
Alor Setar  
Tel: 04-733 7898  
Fax: 04-732 4606

Sungai Petani  
Tel: 04-421 7177, 421 7188  
Fax: 04-423 8528

**KELANTAN DARUL NA'IM**  
Kota Bharu  
Tel: 09-747 0042, 747 0043  
Fax: 09-747 0046

**TERENGGANU DARUL IMAN**  
Kuala Terengganu  
Tel: 09-624 2388, 624 2361  
Fax: 09-624 2364

**PAHANG DARUL MAKMUR**  
Kuantan  
Tel: 09-566 3012  
Fax: 09-567 9792

**NEGERI SEMBILAN DARUL KHUSUS**  
Seremban  
Tel: 06-767 1180, 767 1181  
Fax: 06-767 1171

**MELAKA**  
Taman Melaka Raya  
Tel: 06-283 4323, 283 4324  
Fax: 06-282 2122

**JOHOR DARUL TAKZIM**  
Batu Pahat  
Tel: 07-432 7219  
Fax: 07-432 7224

Johor Bahru  
Tel: 07-334 2618  
Fax: 07-334 7620

**SABAH**  
Kota Kinabalu  
Tel: 088-240 480  
Fax: 088-240 4841

**SARAWAK**  
Kuching  
Tel: 082-415 296  
Fax: 082-428 537

Sibu  
Tel: 084-310 930, 318 289  
Fax: 084-317 302

Miri  
Tel: 085-422 275, 423 395  
Fax: 085-416 995

## AmInvestment Services Berhad

9th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2032 2888  
Fax: 03-2031 5210  
Telex: MA 31167 & 31169 ABMAL

Correspondence Address:

P.O. Box 10233  
50708 Kuala Lumpur

Branch Offices:

**WILAYAH PERSEKUTUAN  
KUALA LUMPUR**  
Tel: 03-2282 8263  
Fax: 03-2282 8036

**PERAK DARUL RIDZUAN**  
Ipoh  
Tel: 05-545 7633  
Fax: 05-545 9633

**PULAU PINANG**  
Cantonment Road  
Tel: 04-229 7318, 229 7319  
Fax: 04-229 7314

**KEDAH DARUL AMAN**  
Alor Setar  
Tel: 04-734 1077  
Fax: 04-734 1079

**NEGERI SEMBILAN DARUL KHUSUS**  
Seremban  
Tel: 06-764 4031  
Fax: 06-764 4030

**MELAKA**  
Taman Melaka Raya  
Tel: 06-281 1770, 282 1770  
Fax: 06-281 8770

**SABAH**  
Kota Kinabalu  
Tel: 088-266 350, 266 351  
Fax: 088-266 352

**SARAWAK**  
Kuching  
Tel: 082-238 633, 258 677  
Fax: 082-238 644

Miri  
Tel: 085-428 356  
Fax: 085-428 351

## AmInvestment Management Sdn Bhd

10th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633, 2078 2644,  
2078 2655  
Fax: 03-2078 9358

## AmFutures Sdn Bhd

15th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2034 1120/1121  
Fax: 03-2034 1162

## AmInternational (L) Ltd

Head Office:

Level 12(B), Block 4 Office Tower  
Financial Park Labuan Complex  
Jalan Merdeka  
87000 Federal Territory of Labuan  
Tel: 087-413 133/439 399  
Fax: 087-425 211, 439 395  
Telex: MA 85075 AMMB

Kuala Lumpur Marketing Office:

14th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2031 7899  
Fax: 03-2031 7909

## AmProperty Trust Management Berhad

17th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633  
Fax: 03-2732 0644  
Telex: MA 31167 & 31169  
ABMAL

## AMMB Consultant Sdn Bhd

9th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633, 2078 2644,  
2078 2655  
Fax: 03-2078 8933

## AmTrustee Berhad

Registered Office:

22nd Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur

Operations:

17th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633, 2078 2644,  
2078 2655  
Fax: 03-2031 3070

## PT Arab-Malaysian Capital Indonesia

Gedung BRI II, Suite 805-806  
Jalan Jen. Sudirman Kav. 44-46  
Jakarta 10220, Indonesia  
Tel: (62) (21) 574 2310  
Fax: (62) (21) 571 3706

## Fraser Securities Pte Ltd

10, Collyer Quay  
#27-01, Ocean Building  
Singapore 0104  
Tel: 02-6535 9455  
Fax: 02-6534 4826



# Group Branch Network



STATES	BRANCHES	STATES	BRANCHES	STATES	BRANCHES
<b>Wilayah Persekutuan, Kuala Lumpur</b>		<b>Pulau Pinang</b>		<b>Kelantan Darul Naim</b>	
AmMerchant Bank Berhad	1	AmMerchant Bank Berhad	1	AmBank Berhad	1
AmBank Berhad	3	AmBank Berhad	2	AmFinance Berhad	7
AmFinance Berhad	25	AmFinance Berhad	14	AmAssurance Berhad	1
AmSecurities Sdn Bhd	1	AmAssurance Berhad	1	<b>Terengganu Darul Iman</b>	
AmAssurance Berhad	2	AmInvestment Services Berhad	1	AmBank Berhad	1
AmInvestment Services Berhad	1			AmFinance Berhad	6
<b>Selangor Darul Ehsan</b>		<b>Perlis Indera Kayangan</b>		AmAssurance Berhad	1
AmBank Berhad	2	AmFinance Berhad	2	<b>Pahang Darul Makmur</b>	
AmFinance Berhad	30			AmBank Berhad	1
AmAssurance Berhad	1	<b>Kedah Darul Aman</b>		AmFinance Berhad	9
<b>Perak Darul Ridzuan</b>		AmBank Berhad	2	AmAssurance Berhad	1
AmBank Berhad	1	AmFinance Berhad	5		
AmFinance Berhad	21	AmAssurance Berhad	2		
AmAssurance Berhad	1	AmInvestment Services Berhad	1		
AmInvestment Services Berhad	1				



STATES	BRANCHES	STATES	BRANCHES	STATES	BRANCHES
<b>Negeri Sembilan Darul Khusus</b>		<b>Johor Darul Takzim</b>		<b>Wilayah Persekutuan, Labuan</b>	
AmBank Berhad	1	AmMerchant Bank Berhad	1	AmFinance Berhad	1
AmFinance Berhad	8	AmBank Berhad	4	AmInternational (L) Ltd	1
AmAssurance Berhad	1	AmFinance Berhad	22	<b>Sarawak</b>	
AmInvestment Services Berhad	1	AmSecurities Sdn Bhd	1	AmMerchant Bank Berhad	1
		AmAssurance Berhad	3	AmBank Berhad	3
<b>Melaka</b>		<b>Sabah</b>		AmFinance Berhad	15
AmBank Berhad	1	AmMerchant Bank Berhad	1	AmAssurance Berhad	3
AmFinance Berhad	5	AmBank Berhad	1	AmInvestment Services Berhad	2
AmAssurance Berhad	1	AmFinance Berhad	13	<b>Singapore</b>	
AmInvestment Services Berhad	1	AmAssurance Berhad	2	Fraser Securities Pte Ltd	
		AmInvestment Services Berhad	1	<b>Indonesia</b>	
				PT Arab-Malaysian Indonesia	



HSBC AmFinance

HSBC Bank Group

**PROXY FORM**

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of the above Company, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, THE CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held on 29 September 2004 and at any adjournment thereof, as indicated below: -

No.	Resolution	For	Against
1.	Receive the Audited Accounts for the year ended 31 March 2004 and the Reports of the Directors and Auditors thereon.		
2.	Declare a first and final dividend of 4.0% less tax for the year ended 31 March 2004.		
3.	Approve Directors' fees.		
4.	Re-elect Y Bhg Tan Sri Dato' Azman Hashim as Director under Article 89.		
5.	Re-elect Mr Cheah Tek Kuang as Director under Article 89.		
6.	Re-elect Y Bhg Dato' Izham bin Mahmud as Director under Article 97.		
7.	Re-elect Puan Shalina Azman as Director under Article 97.		
8.	Re-elect Y Bhg Tan Sri Datuk Dr Aris Othman as Director under Article 97.		
9.	Re-elect Y Bhg Tan Sri Datuk Clifford Francis Herbert as Director under Article 97.		
10.	Re-elect Y Bhg Dato' Mohd Ibrahim bin Mohd Zain as Director under Article 97.		
11.	Appoint Messrs Ernst & Young as the Auditors of the Company, and to authorise the Directors to determine their remuneration.		
12.	<b>SPECIAL BUSINESS</b> Authorise the Directors to issue shares pursuant to the Company's Employees' Share Option Scheme II.		
13.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "X" or a "✓" in the spaces above how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

Number of shares held

\_\_\_\_\_  
Signature of Shareholder

## 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.

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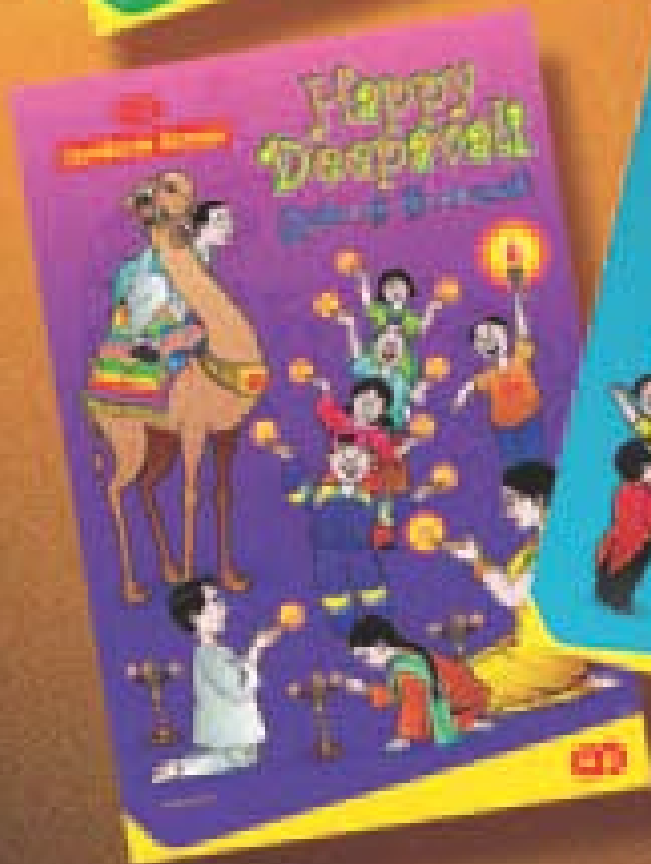
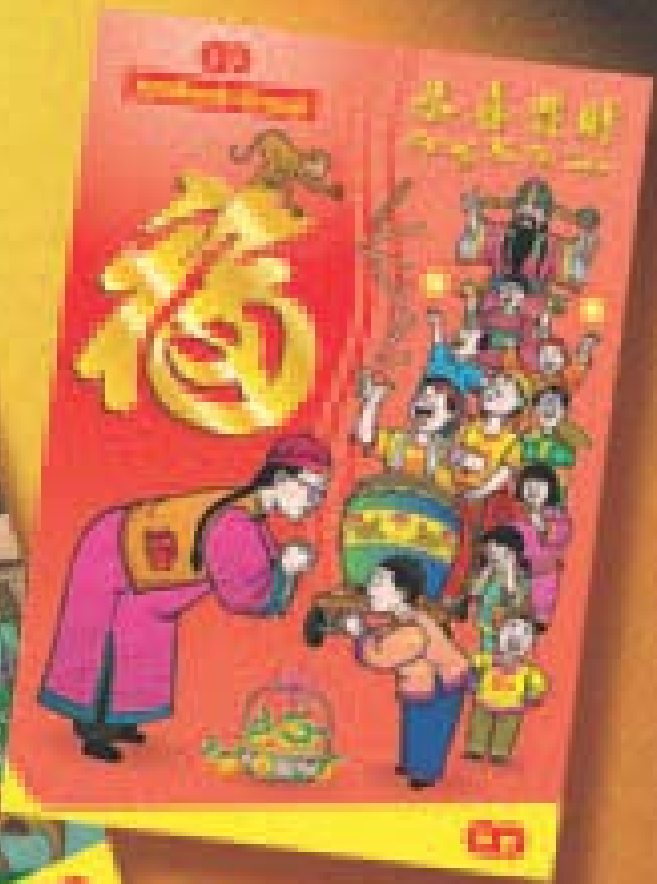
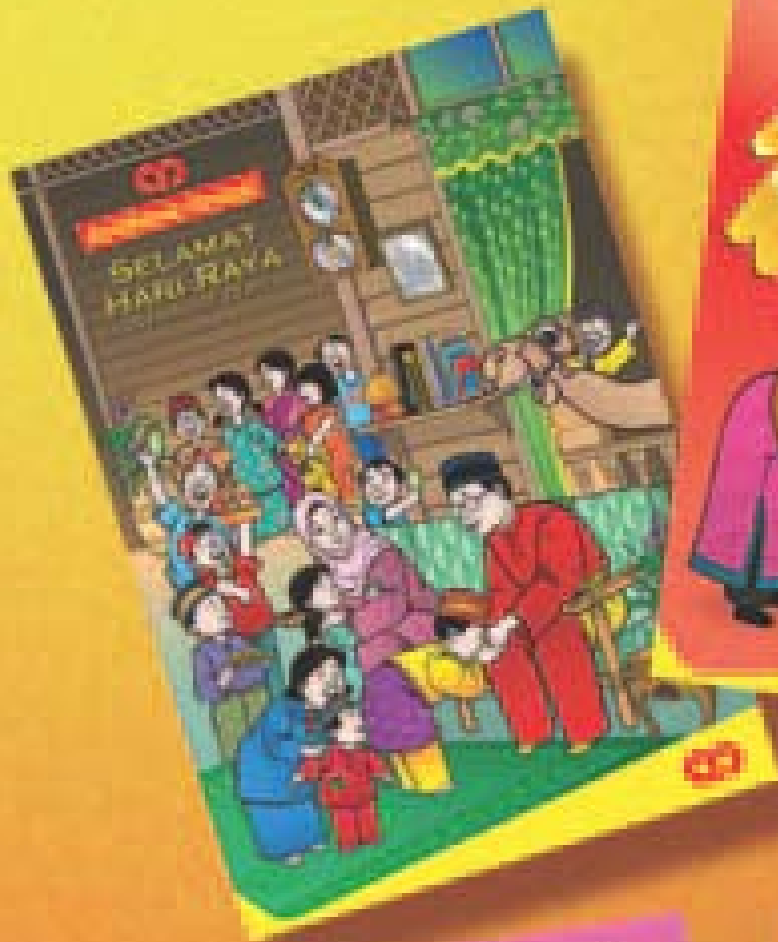
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**STAMP**

The Registered Office  
**AMMB HOLDINGS BERHAD**  
22nd Floor, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia

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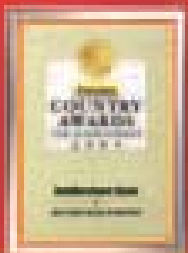


# Profit from our Achievements

## Top Lead Manager 2003

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

Best Bond House



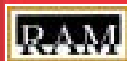
FinanceAsia

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- 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**