

# ASPIRATIONS

annual report 2004

2004 Annual Report

[www.cimb.com.my](http://www.cimb.com.my)

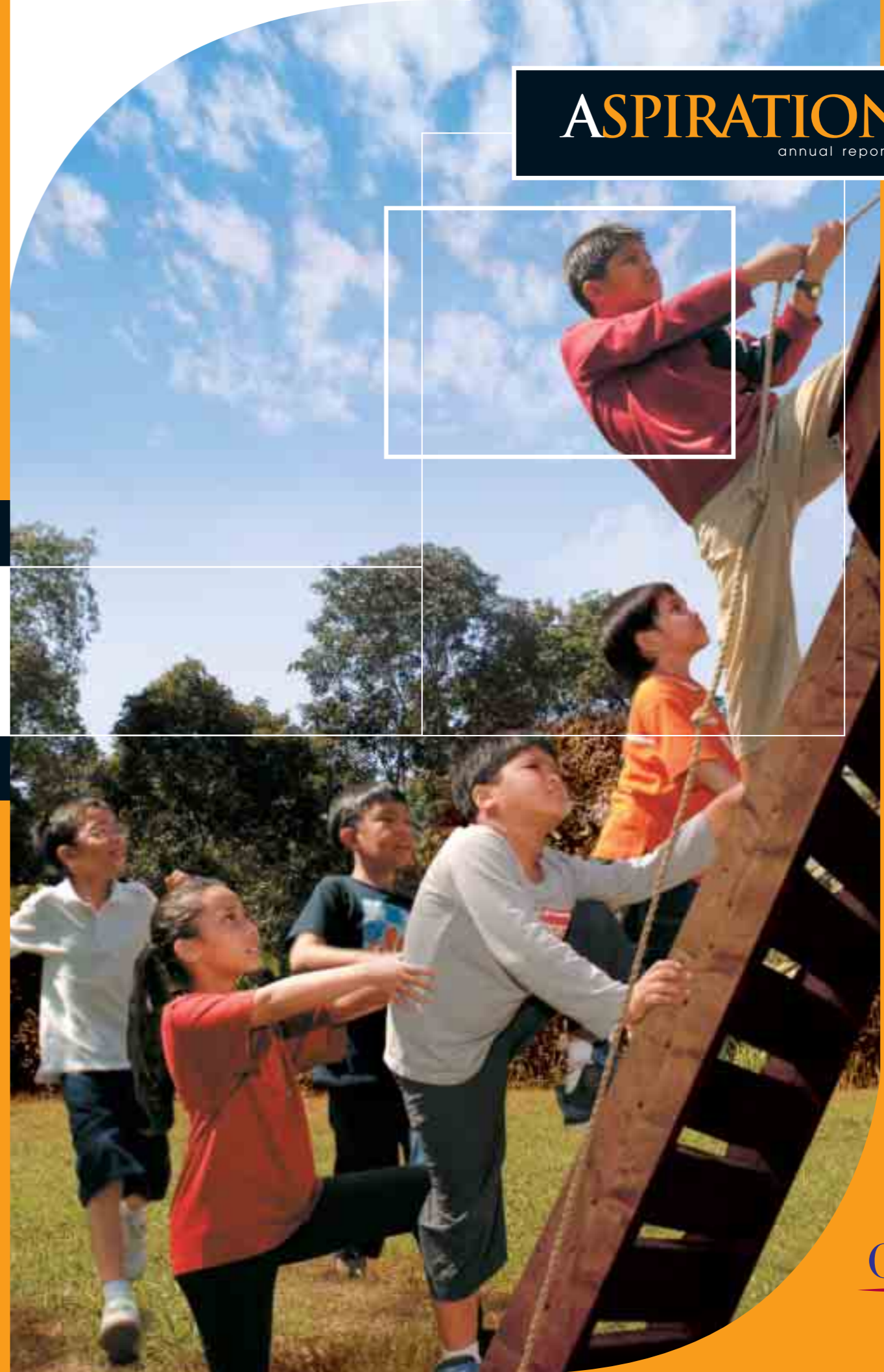
CIMB

CIMB

ASPIRATIONS

CIMB BERHAD 582504-P

CIMB





"Children are our most valuable natural resource"

Herbert Hoover  
US President

**THE COVER** As we celebrate 30 years of achievements in 2004, a milestone that marks CIMB fulfilling much of the ambitions sketched out in our vision statement of 1996, it seems appropriate to look ahead, beyond the present, to future challenges.

"Aspirations" is a theme that grounds our Annual Report this year, chosen to convey our ideas and ambitions for CIMB's continuing evolution. Throughout this report, we have used CIMB employee's children as symbols of potential, the promise that CIMB's future holds. A child embodies courage, ambition, energy, creativity, enthusiasm and resilience; the very qualities that will bring us to the next stage as we stake-out our wider regional aspirations.

## OUR VISION

To be the **Premier Investment Bank in Malaysia**  
post liberalisation and deregulation

## OUR MISSION

To Invest in our people to derive a culture driven by **innovation** to deliver **quality service**  
whilst providing **superior returns** and **value** to our stakeholders





LISTED ON BURSA MALAYSIA IN 2003

30<sup>TH</sup> ANNIVERSARY IN 2004



INCORPORATED IN 1974



MARKET LEADER IN THE MALYSIAN CAPITAL MARKET

TRANSACTIONS

SIGNING CEREMONY FOR THE JOINT VENTURE COMPANY MAPLE TREE MANAGEMENT BERHAD

OVER 1,000 EMPLOYEES



STRATEGIC ALLIANCES

RM14.7 BILLION IN ASSETS

CIMB

AT A GLANCE

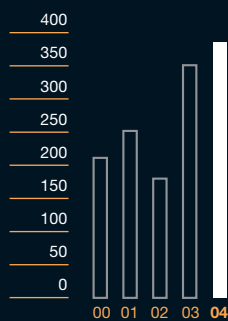
# 3<sup>RD</sup> Annual General Meeting

- Banquet Hall, Kuala Lumpur Golf & Country Club (KLGCC)  
No. 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur
- Friday, 15 April 2005
- 9.30 a.m.

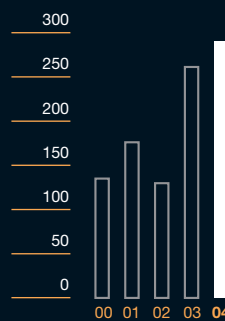
## FINANCIAL HIGHLIGHTS 2004

- Profit before tax increase 10% to RM384.9 million (2003: RM350.8 million)
- Profit after tax and minority interest increased 11% to RM289.7 million (2003: RM260.6 million)
- Return on weighted average equity was 20.7% (2003: 19.0%)
- Earnings per share increased to 33.9 sen (2003: 30.6 sen)

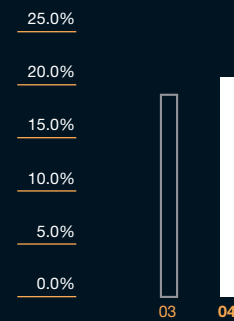
Profit Before Tax (RM Million)



Profit After Tax (RM Million)



Return On Weighted Average Equity



\* The operating results for the years 2000 to 2002 are those of the Commerce International Merchant Bankers Berhad Group (CIMB Group) and are deemed to be representative of the proforma results of the CIMB Berhad Group.



**Zuraidah Zainal**

**Corporate Resources**

*"I'm proud to be a part of Malaysia's Premier Investment Bank. Here we are all given the opportunity to better ourselves, no matter what level we are at."*

**Lim Eng Ping**

**Debt Capital Markets & Syndicate**

*"I relish the challenging nature of my work and the never-ending opportunities to learn new skill sets."*



**Suhanisa Abd. Kadir**

**Group Finance**

*"It is when people ask me where I work and my answer puts a smile on their faces, that's when I know I've made the right decision with CIMB."*

**Penny Leong Sook Peng**

**Retail Sales**

*"CIMB has helped me to realise my full potential as a marketing person."*



# REALISING ASPIRATIONS



**Jamaludin Zakaria**  
Investment Banking  
*"As a premier homegrown investment bank with increasing regional presence, CIMB offers excellent opportunities for individual's to develop their technical core competencies."*



**Alan Yew Teong Soon**  
Investment Banking  
*"Nothing beats the excellent infrastructure for further career development that I've discovered here."*

**Fiona Yew Siew Li**  
Corporate Finance  
*"My life has been enriched with the pleasure of working with some of the best in town and learn from them."*



**Yap See Woon**  
Corporate Finance  
*"I am blessed with a great career opportunity and a friendly working environment."*

**Khairil Anuar Mohamad Sarif**  
Private Client Services  
*"CIMB has groomed my way of thinking. To be more open-minded, susceptible to change and inspired to lead."*

**Julia Goh Mei Ling**  
Equities Research  
*"Working with highly capable, caring and driven people permits me to grow on a continuous learning path."*

**Fauzanita Rathi Ishak**  
Corporate Finance  
*"Working with one of the forerunners of the industry, the thinking-out-of-the-box and the innovations that come with it make it ever exciting for me."*



**Zamzarina Abu Bakar**  
Corporate Finance  
*"Lots of learning and opportunities to gain here. A good prospect not just for my career but personal growth as well."*



**Mohd Khairizal Mohd Khalif**  
Corporate Resources  
*"I'm living my chance to advance my career in a reputable company that is well placed in the market."*



**Quek Chong Wee**  
Investment Banking  
*"The business exposure of a year here is equivalent of 4 elsewhere."*

FULFILLING  
DREAMS

ENRICHING  
LIVES

OUR JOURNEY CONTINUES...

CIMB

# CORPORATE DIRECTORY

- CIMB Berhad
- Commerce International Merchant Bankers Berhad
- CIMB Holdings Sdn Bhd
- CIMB Sharetech Sdn Bhd
- CIMB Nominees (Tempatan) Sdn Bhd
- CIMB Nominees (Asing) Sdn Bhd
- CIMB Real Estate Sdn Bhd/  
CIMB-Mapletree Management Sdn Bhd

10th Floor Bangunan CIMB  
Jalan Semantan Damansara Heights  
50490 Kuala Lumpur Malaysia  
PO Box 12362  
50776 Kuala Lumpur

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603 2084 8888

**Telex:**

MA 30647 PEBSAM

**Facsimile:**

603 2084 8899 (General)  
603 2093 4955 (Corporate Finance)  
603 2093 5689 (Corporate Finance)  
603 2093 5130 (Investment Banking)  
603 2095 0076 (Investment Banking)  
603 2093 8112 (Equity Markets & Derivatives)  
603 2092 3917 (Cross Markets Trading & Treasury)  
603 2095 0112 (Debt Capital Markets & Syndicate)  
603 2723 8638 (Private Banking)  
603 2092 2316 (Private Equity)  
603 2093 0685 (CIMB Islamic)  
603 2093 1008 (Corporate Communications)

- CIMB Discount House Berhad

10th Floor Bangunan CIMB  
Jalan Semantan Damansara Heights  
50490 Kuala Lumpur Malaysia

**Telephone:**

603 2084 8888 (General)  
603 2093 2399 (Dealing)  
603 2094 5399 (Dealing)  
603 2094 6399 (Dealing)  
603 2094 1399 (Dealing)  
603 2093 5989 (Muamalat)  
603 2093 6989 (Muamalat)

**Facsimile:**

603 2094 3566 (General)

- CIMB Securities Sdn Bhd
- CIMSEC Nominees Sdn Bhd
- CIMSEC Nominees (Tempatan) Sdn Bhd
- CIMSEC Nominees (Asing) Sdn Bhd

9th Floor Commerce Square  
Jalan Semantan Damansara Heights  
50490 Kuala Lumpur Malaysia  
PO Box 10126  
50704 Kuala Lumpur

**Telephone:**

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**Telex:**

MA 30991 CIMSEC

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- CIMB Futures Sdn Bhd

10th Floor Bangunan CIMB  
Jalan Semantan Damansara Heights  
50490 Kuala Lumpur Malaysia

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- CIMB (L) Limited

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Financial Park Complex  
Jalan Merdeka  
87000 WP Labuan Malaysia

**Telephone:**

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- Commerce Asset Fund Managers Sdn Bhd/  
Commerce Trust Berhad

Level 5, Menara Milenium  
8, Jalan Damanlela, Bukit Damansara  
50490 Kuala Lumpur

**Telephone:**

603 2084 2222

**Facsimile:**

603 2084 2233

- PT CIMB Niaga Securities

12th Floor, Graha Niaga  
Jl. Jend. Sudirman Kav 58  
Jakarta 12910  
Indonesia

**Telephone:**

622 1250 5717

**Facsimile:**

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2004  
Annual Report



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OUR  
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REVIEW BY  
GROUP CHIEF  
EXECUTIVE



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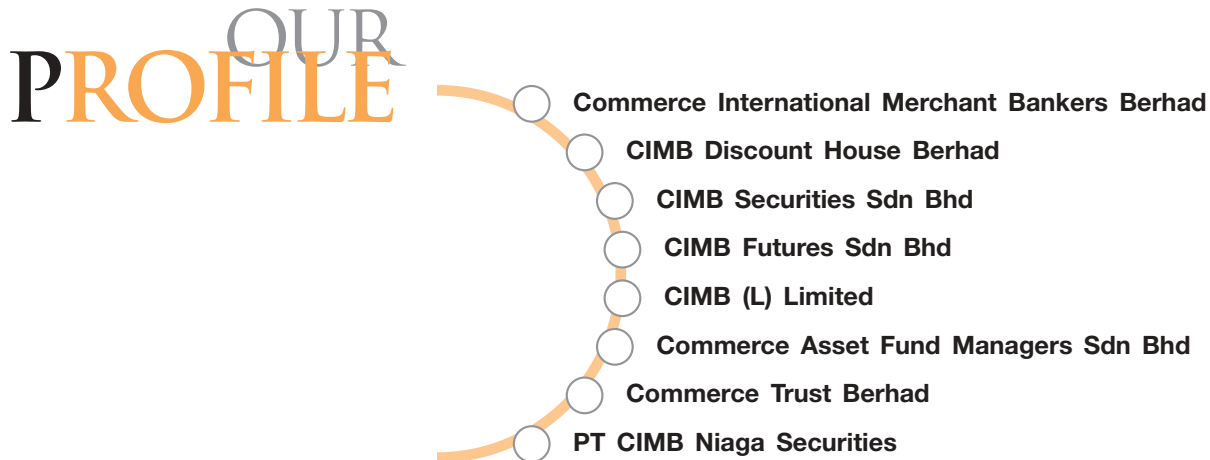
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NOTICE OF ANNUAL  
GENERAL MEETING

## Malaysia's Premier Investment Bank

CIMB Berhad is the investment banking arm of Commerce Asset-Holding Berhad, Malaysia's second largest financial services group.

CIMB Berhad Group comprises eight major subsidiaries:



**CIMB** is a fully integrated investment bank, offering the full range of services in the debt and equity and corporate advisory. **CIMB** also provides services in funds management, lending, private banking, private equity, Islamic capital markets as well as research capability in economics and the equity and debt markets.

**CIMB** is a market leader in the Malaysian capital markets. Since 1991 to 2004, **CIMB** has arranged more than RM57 billion in domestic ringgit bonds. Since 1991, CIMB also raised over RM14.7 billion in initial public offerings (IPOs) on behalf of 139 client companies, equivalent to a 33% market share. Since 1992, it has arranged 79 rights issues on behalf of its clients raising over RM13 billion. **CIMB** also has strong market presence in the secondary bonds, equity and derivative markets.

**CIMB** is listed on Bursa Malaysia. With a market capitalisation of USD1.3 billion as at 31 December 2004, **CIMB** is the South East Asia's largest investment bank.

### SOUND FINANCIAL FOOTING

CIMB Berhad Group's shareholders' funds stand at RM1.4 billion as at 31 December 2004. The merchant bank has a risk weighted capital ratio of 22.4% (after proposed final dividend) and a AA3 rating from Rating Agency of Malaysia, the highest among merchant banks in Malaysia. The Group also has a Baa3 rating from Moody's. The Group's profit before tax for the financial year ended 31 December 2004 was RM384.9 million.

### STRENGTH OF OUR PEOPLE

As of 28 February 2005, the Group's total staff strength stands at 1031. This is made up of a highly experienced senior management team, the largest and the most experienced corporate finance division in the country, and a long list of highly qualified professionals in various other specialists fields. CIMB won the National Human Resource Excellence Award 2002.

### AN AWARD WINNING INVESTMENT BANK

CIMB consistently wins awards and accolades in the Malaysian capital markets from the various leading international financial publications including Best Debt House, Best Equity House & Best M&A House from Euromoney, Best Local Investment Bank from FinanceAsia and Best Local Broker from Asiamoney.

## OUR VALUES

**Integrity** Organisations require sound business fundamentals and a strong reputation to survive in this ever-changing and challenging business environment. At CIMB integrity is at the forefront of everything we do.

**Innovation** The drive to enhance proven methods and invent novel solutions and techniques characterises CIMB. Fleetness of mind and deed will allow effective strategies to be employed in managing the critical changes necessary for continued growth. We aspire to continue leveraging our knowledge base to provide innovative client solutions.

**Client Orientation** Meeting and exceeding the needs and expectations of our clients are central to CIMB's efforts in according optimal products and services. In aspiring to this, we strive to create true client value by offering services with a difference, as well as developing and drawing upon our highly qualified and experienced professionals, to resolve complex financial issues.

**Teamwork** We believe that teamwork goes a long way in adding value to originating well-rounded premium products and services for our clients. CIMB recognises that a team-oriented culture serves to harness individual talents, as well as intra- and inter-divisional efforts, to build the foundations of a flexible yet robust organisation.

**Efficiency** Effective resource utilisation and risk/reward optimisation are critical to enhance profitability and shareholder value. CIMB endeavours to embrace efficient practices in all aspects of managing our capital resources and operations.

# CORPORATE HISTORY

## 1974

- The bank was incorporated as Pertanian Baring Sanwa Multinational Berhad on 24 April 1974. Its founder shareholders were Bank Pertanian Malaysia, Baring Brothers & Co Limited, The Sanwa Bank, Limited and London Multinational Bank Limited.
- The official opening ceremony on 25 October 1974 was officiated by YAB Tun Haji Abdul Razak bin Datuk Hussein, Prime Minister.
- Dr. Agoes Salim was appointed Chairman.

## 1977

- The bank changed its name to Pertanian Baring Sanwa Berhad following the disposal of its equity interest by the London Multinational Bank Limited.

## 1986

- The bank adopted its present name of Commerce International Merchant Bankers Berhad (CIMB).
- Dato' Mohd Desa Pachi and Dr. Mohd Munir Abdul Majid were appointed CIMB's Chairman and Executive Director/Chief Executive Officer respectively.

## 1987

- Securities house CIMB Securities Sdn Bhd, formerly known as Sinaran Securities Sdn Bhd, became part of CIMB Group.

## 1991

- CIMB's holding company, Bank of Commerce (M) Berhad (BOC) changed its name to Commerce Asset-Holding Berhad following the completion of the merger between BOC and United Asian Bank Berhad.

## 1993

- Futures house CIMB Futures Sdn Bhd was established and became the pioneer futures company on the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE).
- Baring Brothers & Co Limited, one of CIMB's original shareholders, sold its equity interest in CIMB to Commerce Asset-Holding Berhad and Bank Pertanian Malaysia in November 1993.
- Encik Md Nor Md Yusof and Mr Robert Cheim Dau Meng were appointed CIMB's Chairman and Chief Executive/Managing Director respectively.

## 1995

- CIMB-OCBC Unit Trust Management Berhad (now known as Commerce Trust Berhad), was incorporated to provide unit trust management services.

## 1996

- CIMB was accorded a long term rating of AA3 by Rating Agency of Malaysia, the first merchant bank to receive a double-A rating.
- CIMB Securities (Hong Kong) Limited was established to enhance CIMB Securities Sdn Bhd's institutional business in Hong Kong.

## 1999

- CIMB marked its 25th operating year.
- Dr. Rozali Mohamed Ali and Dato' Nazir Razak were appointed CIMB's Chairman and Chief Executive/Managing Director respectively.

## 2000

- CIMB Group launched its new corporate logo and expanded into its corporate headquarters at Bangunan CIMB.

## 2001

- CIMB acquired Bumiputra-Commerce Discount House Berhad to enhance its capabilities in the debt capital market.
- CIMB Securities acquired Sharetech Securities Sdn Bhd (formerly known as Labuan Securities Sdn Bhd) in line with consolidation of the stockbroking industry.
- CIMB established a Labuan subsidiary, CIMB (L) Limited to develop activities in the region and offer non-Ringgit financial solutions to our clients.

## 2002

- CIMB launched Malaysia's first full-fledged Private Banking services to advise Malaysian high net-worth individuals on their financial affairs.

## 2003

- CIMB was listed on the Main Board of Bursa Malaysia through its holding company CIMB Berhad. The IPO saw 128,785 million shares being offered via Restricted Offer for Sale to minority shareholders of Commerce Asset-Holding Berhad and was underwritten by 6 merchant bankers and 11 stockbrokers.
- CIMB launched CIMB Islamic to enhance Islamic capital market services.
- CIMB acquired 51% of PT Niaga Sekuritas, now known as PT CIMB Niaga Securities to extend its corporate finance advisory and debt and equity businesses to the Indonesian market.

## 2004

- CIMB marked its 30th operating year.
- CIMB launched its Indonesian operations, PT CIMB Niaga Securities, in Jakarta.
- CIMB Private Banking opened its first branch in Penang.
- CIMB Real Estate Sdn Bhd a wholly-owned subsidiary of CIMB Berhad formed a joint venture with Mapletree Capital Management Pte Ltd of Singapore to undertake real estate investment advisory and real estate fund management services.
- CIMB acquired 70% of Commerce Asset Fund Managers Sdn Bhd and Commerce Trust Berhad to establish its funds management and unit trusts businesses.

<b>25 February</b>	Announcement of results for 4th Quarter and financial year ended 31 December 2003
<b>23 March</b>	Notice of 2nd Annual General Meeting
<b>16 April</b>	2nd Annual General Meeting
<b>20 April</b>	Notice of Extraordinary General Meeting in relation to cash distribution to shareholders
<b>5 May</b>	Announcement of results for 1st Quarter ended 31 March 2004
<b>5 May</b>	Book Closure Date for Payment of Final Dividend
<b>12 May</b>	Extraordinary General Meeting in relation to cash distribution to shareholders
<b>31 May</b>	Payment of Final Dividend of 10 sen per share less income tax of 28% for financial year ended 31 December 2003
<b>19 July</b>	Book Closure Date for cash distribution to shareholders
<b>30 July</b>	Cash distribution of approximately RM350 million or 40.7 sen per share to shareholders
<b>13 August</b>	Announcement of results for 2nd Quarter ended 30 June 2004
<b>4 November</b>	Announcement of results for 3rd Quarter ended 30 September 2004
<b>1 December</b>	Book Closure Date for Payment of Interim tax-exempt Dividend for financial year ended 31 December 2004
<b>21 December</b>	Payment of Interim tax-exempt dividend of 7.5 sen per share

	2004	2003	2002	2001	2000	2004	Growth rate		
			RM Million			%	2003	2002	2001
							%	%	%
<b>OPERATING RESULTS</b>									
Net interest income	194	206	148	110	62	(6)	39	35	77
Non-interest income	393	314	179	351	242	25	75	(49)	45
Total income	601	529	333	463	304	14	59	(28)	—
Total provisions	6	—	20	74	1	100	(100)	(73)	7,300
Overheads	210	179	133	136	93	17	35	(2)	46
Profit before tax	385	351	180	252	211	10	95	(29)	19
Profit after tax and minority interest	290	261	130	176	135	11	101	(26)	30
<b>OPERATING RESULTS-BY SEGMENTS</b>									
Financial advisory, underwriting and other fees	140	131	106	108	105	7	24	(2)	3
Net income from debt	304	274	189	351	123	11	45	(46)	185
Net income from equity	112	106	21	(2)	72	6	405	1,150	(103)
Income from assets management and securities services	14	—	—	—	—	N/A	—	—	—
Other non-interest income	31	18	17	6	4	72	6	183	50
<b>FINANCIAL POSITION</b>									
<b>Assets</b>									
Total assets	14,735	13,259	12,543	10,570	5,748	11	6	19	84
Total loans and advances	1,298	1,456	1,030	936	1,031	(11)	41	10	(9)
<b>Liabilities</b>									
Total deposits and borrowings	10,080	9,166	9,543	6,772	3,023	10	(4)	41	124
Obligations on securities sold under repurchase agreements	2,224	1,669	957	1,965	1,403	33	74	(51)	40
<b>Capital and reserves</b>									
Shareholders' funds	1,409	1,585	1,451	1,394	979	(11)	9	4	42
Average shareholders' funds	1,403	1,375	1,423	1,187	918	2	(3)	20	29
<b>FINANCIAL RATIOS</b>									
Cost to income ratio (%)	34.9	33.8	39.9	29.4	30.6				
Net return on shareholders' funds (%)*	20.7	19.0	9.3	18.0	15.8				
Core capital ratio of the Bank (%)	23.8	23.7	23.0	22.8	23.5				
Risk weighted capital ratio of the Bank (%)	22.4**	22.1**	23.0	22.8	24.1				
General provision to net total loans of the Bank (%)	3.3	3.0	4.4	4.5	4.1				
Non performing loans to net total loans of the Bank (%)	1.9	3.0	4.5	10.8	3.2				
Long term rating of the bank									
– Rating Agency Malaysia	AA3	AA3	AA3	AA3	A1				
– Moody's Investor Service	Baa3	Baa3	—	—	—				
– Fitch IBCA Limited	BBB	—	—	—	—				
– Standard & Poor's	BBB	—	—	—	—				

\* for 2000 to 2002, computation of net return on shareholders' funds is based on opening shareholders' funds; for 2003 and 2004, computation is based on opening shareholders' funds, adjusted and weighted for interim dividend payment during the year.

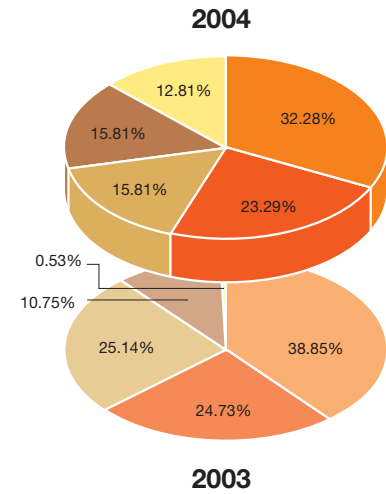
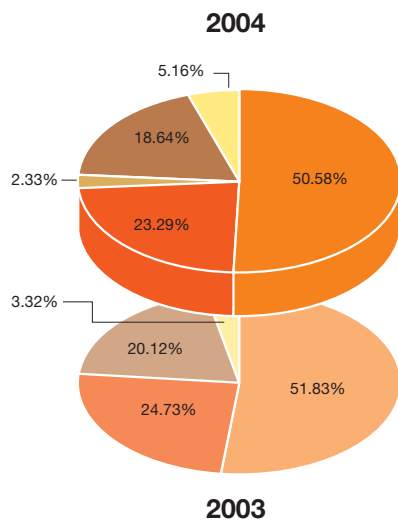
\*\* Adjusted for final dividend.

**Note:**

- The operating results for the years 2000 to 2002 are those of the Commerce International Merchant Bankers Berhad Group (CIMB Group) and are deemed to be representative of the proforma results of the CIMB Berhad Group.
- The financial positions for the years 2000 to 2001 are those of the Commerce International Merchant Bankers Berhad Group (CIMB Group) and are deemed to be representative of the proforma results of CIMB Berhad Group, whilst the financial positions for the years 2002, 2003 and 2004 are those of CIMB Berhad Group.

**TYPE OF INCOME**

- Net interest income
- Net fees and commission
- Net trading income
- Brokerage income
- Other income

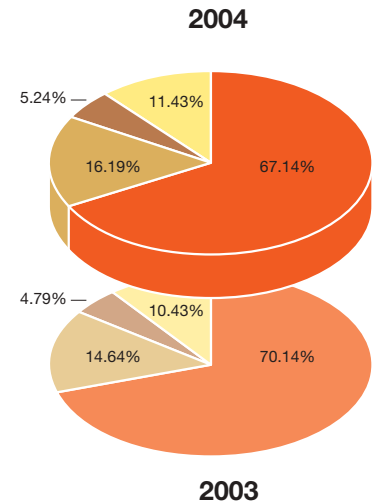
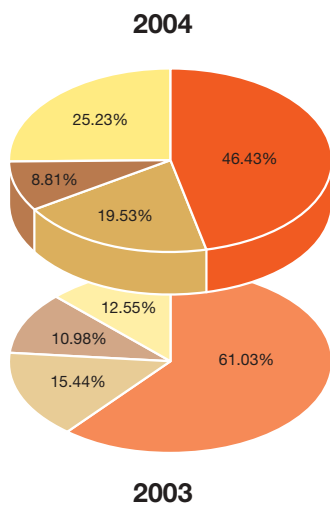


**INCOME MIX ANALYSIS**

- Debt related business
- Financial advisory, underwriting and other fees
- Assets management and securities services
- Equity related
- Others

**TYPE OF EXPENDITURE**

- Personnel costs
- Establishment costs
- Marketing costs
- Administration and general expenses



**ASSETS MIX ANALYSIS**

- Dealing and investment securities
- Cash and deposits
- Loans and advances
- Other assets





# COURAGE



**Dr. Rozali Mohamed Ali**  
Chairman

# LETTER TO OUR SHAREHOLDERS

The year 2004 marked a major milestone in CIMB's history: 30 years ago, Pertanian Baring Sanwa Multinational Berhad, the forerunner of CIMB, was founded. The three-decade period has been exciting, and occasionally testing, for us. I think we can justifiably take pride in our resilience, and our ability to consistently innovate and deliver value in an increasingly sophisticated, ever-changing, competitive, and challenging market.

Overall, CIMB had a very good year, leading the way in a broad number of market segments. The performance during 2004 served to reinforce our position as the country's leading investment bank. We will continue our efforts to maintain this sterling record as we look to the future.

We maintained our leading ranking in mergers and acquisitions, with just under half of the total value of M&A deals for 2004. We also led the way in initial public offerings, primary debt issuances, rights issues, and RM-denominated loan syndications. We were also well positioned in USD-denominated issues in 2004, winning 12% of market share.

We chalked up strong results in the secondary markets, with leading shares of the secondary RM bond market and in equity-linked deals, together with a significant share of the equity broking market.

A number of innovative products were launched during the year, including the first-ever covered call warrants issued in Malaysia for Khazanah Nasional Berhad, and new structured investment products such as range accrual notes, inverse floater notes, and equity-linked notes, providing new options for sophisticated investors.

At the same time we continued to lay the groundwork of new business initiatives for the future. We have built up asset management as a new income stream within our business portfolio. With the acquisition of Commerce Asset Fund Managers Sdn Bhd and Commerce Trust Berhad, we are now developing an annuities income stream, to provide greater earnings stability.

Another dominant theme for 2004 was regional growth. The proposed acquisition of the securities arm of GK Goh Holdings Limited will strengthen our ability to reach out to market players in the region. Together with the acquisition of our Indonesian subsidiary PT CIMB Niaga Securities last year, we are confident that CIMB will be able to effectively enhance its business model regionally.

Good performance does not go unnoticed. We continued to receive awards and accolades in 2004. Finance Asia ranked us Best Investment Bank, Best Equity House and Best Broker. Asia Money ranked us Best Domestic Equity House and Best Domestic Bond House. We were rated Best Islamic Financial Services Provider, Best Debt House, Best Equity House, and Best M&A House by Euromoney.

It was also an especially proud year for CIMB as our Group Chief Executive, Dato' Nazir Razak, was declared CEO of the Year 2004. The award is an acknowledgement of the solid leadership that Dato' Nazir has brought to CIMB, and the Board and staff of CIMB would like to extend our heartiest congratulations to him.

The Group is delighted to welcome Mr Cezar P Consing and Encik Zahardin Oardin as new Independent Non-Executive Directors, who joined us in 2004.

We are also happy to welcome Charon Wardini Mokhzani to the Group following his appointment as Deputy Chief Executive Officer. Charon was previously a member of our Board of Directors and we trust that he will continue to contribute greatly to the Group in his new role.

I would like to thank my fellow Directors for providing support, advice, and collaboration in guiding CIMB. On behalf of the Board, I would also like to thank and congratulate the management and staff of CIMB. Your hard work and dedication is an important factor in CIMB's success.

Overall, Malaysian capital markets remain competitive, and the operating environment continues to pose challenges for players to win market share and improve on returns. The emphasis on competitiveness and performance will be fundamental to success in the years ahead, as Malaysia competes on the global stage.



“2004 was an especially proud year for CIMB as our Group Chief Executive, Dato’ Nazir Razak, was declared CEO of the Year for 2004, in recognition of the solid leadership he has brought to CIMB.”



*Rozali*

**Dr. Rozali Mohamed Ali**  
Chairman

**CIMB Berhad**  
24 March 2005



# AMBITION



**Dato' Nazir Razak**  
Group Chief Executive



# PERFORMANCE REVIEW BY GROUP CHIEF EXECUTIVE

## Dear Shareholder,

In its 30th anniversary last year, your company continued to deliver strong results, bringing home its best-ever financial performance. CIMB has powered ahead in 2004, building upon the previous year's record-breaking numbers and defending its impressive market shares while making strategic advances into new areas for future growth.

Despite challenging market conditions, net profits are up 11.2% year-on-year to RM289.7 million, revenues increased by 13.6%, while return on equity clocked in at 20.7%, a marked improvement from 19.0% in 2003.

Your share price has increased to RM5.35 as of 31 December 2004, from RM1.75 at its initial public offering (IPO) two years ago, despite a total net cash return to shareholders of 70.7 sen per share since being listed. For 2004 alone, the group has delivered 33.2% in total shareholder return.

We are particularly proud that market capitalisation for CIMB Group now stands at RM4.6 billion, making us the largest South-east Asian investment bank.

These excellent results, our continuing market share leadership and several strategic developments last year, notably our first foreign foray, PT CIMB Niaga Securities in Indonesia, CIMB Mapletree Management Sdn Bhd (CMM), the real estate investment tie-up with Temasek Holdings Private Limited (Temasek) subsidiary, the ongoing acquisition of Singapore brokers GK Goh Holdings Limited (GK Goh), as well as the recent addition of asset management and securities services to our line-up, have all established positive momentum for the future. My review, after all, is not just about showing you what CIMB has achieved last year. It's also about showing you what CIMB can become.

This brings me to "Aspirations", a theme that we have chosen this year to underline our vision for the next stage in CIMB's evolution. At this juncture, many goals have already been met and much has been achieved. In many ways, CIMB has arrived as Malaysia's premier investment bank and outgrown its current vision statement. It seems particularly fitting that while the company celebrated its third decade, it should also look beyond its laurels to dream of future challenges.

And who better to embody these dreams and aspirations but CIMB's children? In our annual report, we have used their images to capture the spirit of the company's future development. A child is adventurous, energetic, nimble, imaginative. Social and gregarious creatures, the young are constantly reaching out and building relationships. A child is essentially a growing and learning being. In short, these are the very qualities that CIMB will need for the next stage – to fulfil its true potential as a full-service investment bank while expanding its geographical footprint to realise its regional ambitions.

## Financial Performance in 2004

As touched upon earlier, we are pleased to report that CIMB's financial performance for 2004 continued to break records and was our best ever. Year-on-year, revenues were up by 13.6% to RM601.1 million. With cost to income ratio at 34.9% and only small provisions, pre-tax profit came in at RM384.9 million. Profit after taxation (PAT) rose by 11.2% to RM289.7 million, bringing our net tangible assets up to RM1.63 per share.

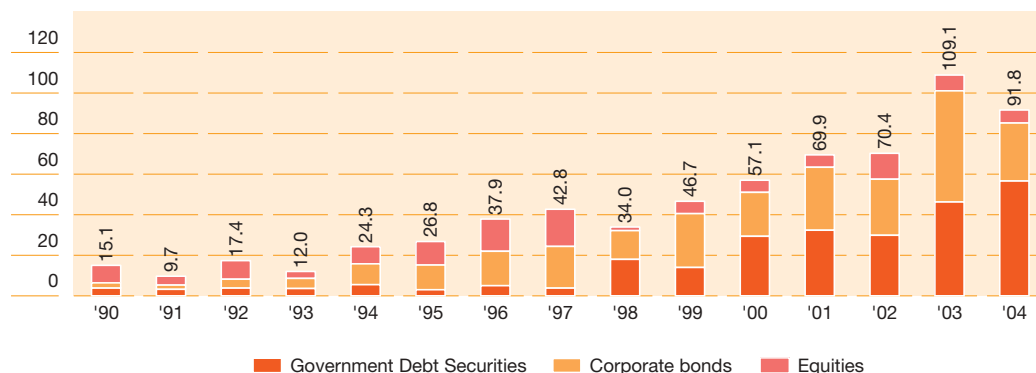
Our full year earnings per share (EPS) increased 10.8% to 33.9 sen per share, from 30.6 sen previously. We also reported a return on equity (ROE) ratio of 20.7% for 2004 compared with 19.0% last year, a result of both stronger earnings and capital returned to shareholders during the year.

## A Challenging Environment...

Seen in the context of the challenging operating environment, our successes in 2004 have been hard-won. We utilised our superior size and track record, coupled with the clever use of new products and opportunities, to drum up business in the difficult market conditions. This bodes well for CIMB's future: your company has demonstrated a reassuring ability to adapt to and nimbly navigate the waters of an increasingly competitive marketplace.

In 2004, total primary gross financing in the RM capital markets fell for the first time since 1998. A total of RM91.8 billion was raised in the debt and equity markets compared to RM109.1 billion in 2003. Furthermore, 61.8% was raised in the form of Government bonds compared to 42.5% in the previous year.

Gross Funds Raised in Malaysia Capital Market (RM Bn)



New corporate debt issuance fell by 36.3% from RM44.9 billion in 2003 to RM28.6 billion in 2004, mainly due to interest rate uncertainty in the first half of the year. In secondary trading, daily trading volume also fell by 25% from RM1.6 billion in 2003 to RM1.2 billion in 2004.

Trading in Bursa Malaysia was up by 36.2% in terms of year-on-year total trading value, but with most activity coming in the first quarter of the year. Backed by positive sentiment for the new administration of Prime Minister Abdullah Ahmad Badawi, the KLCI, which began the year at 793.94 points, marched to a closing high of 909.0 points on 22 March 2004 but turned bearish until the final two months of the year. The KLCI closed the year at 907.43 points, up 14.3%. Meanwhile, the level of new equity issuances last year was uninspiring: value of new issuances dropped by 17.9% from RM7.8 billion in 2003 to RM6.4 billion in 2004.

In the light of limited prospects in our traditional arenas in 2004, we displayed initiative and flexibility by pursuing opportunities elsewhere, particularly in equity secondary placements and USD financing for Malaysian issuers. For the first time, we dominated secondary equity placements by domestic corporations. Overall, foreign interest was very strong. In the first quarter of 2004, Malaysia recorded its highest-ever quarterly portfolio net inflow of RM15.9 billion. This created a conducive environment for secondary share placements and we estimate the RM5.7 billion worth of such transactions was unprecedented in Malaysian history. This included the landmark RM2.9 billion placement of Telekom Malaysia shares by Khazanah Nasional Berhad (Khazanah), joint-lead managed by CIMB.

Malaysian companies took advantage of the bottoming of the US interest rate cycle to indulge in USD fundraising, raising USD4.2 billion in 2004, compared to a meagre USD0.6 billion the previous year. We capitalised on this positive development by taking a 12% market share for Malaysian USD issues in 2004, the largest share by a Malaysian firm.

The advisory market saw a slight slowdown in total value of mergers and acquisitions (M&A's) from RM32.1 billion to RM25.6 billion. Interestingly, several high profile cross-border M&A's such as Temasek's acquisition of 15.9% of Malaysian Plantations Berhad and Telekom Malaysia Berhad's (Telekom) purchase of 27.3% of PT Excelcomindo Pratama in Indonesia, may indicate a new trend and possibly significant new opportunities for us.

To sum up, in spite of market constraints, we helped raise a total of RM11 billion in funds (RM5.4 billion in equity and RM5.6 billion in debt) for our clients, compared to RM13.4 billion in 2003. All our core business segments – debt, equity, and advisory – recorded improved revenues. Our net income from debt amounted to RM303.8 million, which is a 10.8% increase from 2003. In equities, the Group recorded an increase of 4.9% in revenue from the previous year, achieving revenue of RM111.7 million in 2004. Revenues from financial advisory, underwriting, and other fees also saw a year-on-year increase of 6.9% to RM139.8 million for 2004.

**5 Year Track Record**

(RM MM)	2000	2001	2002	2003	2004
Financial Advisory	105	108	107	131	140
Debt Capital Market	123	351	189	274	304
Equity Capital Market	72	(2)	21	106	112
Asset Management & Securities Services	—	—	—	—	14
Other Income	4	6	16	18	31
<b>Total Income</b>	<b>304</b>	<b>463</b>	<b>333</b>	<b>529</b>	<b>601</b>
(Loan Provisions)	(1)	(34)	(16)	10	5
(Other Provisions)	—	(40)	(4)	(10)	(11)
(Total Overhead Expenses)	(93)	(136)	(133)	(179)	(210)
Profit/(Loss) Before Tax <sup>1</sup>	211	252	180	351	385
Net Profit/(Loss) <sup>1</sup>	135	176	130	261	290
Average Shareholders' Funds	918	1,187	1,423	1,375 <sup>2</sup>	1,403 <sup>2</sup>
Return on Equity	15.8%	18.0%	9.3%	19.0%	20.7%
Cost/Income Ratio	30.6%	29.4%	39.9%	33.8%	34.9%
<b>Total net payout per share (sen)<sup>3</sup></b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>22.53</b>	<b>57.30</b>
<b>Earnings per share (sen)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>30.6</b>	<b>33.9</b>

**Notes:**

\*1 Including share of profit/(loss) of associated companies

\*2 Weighted average and based on average shareholders' funds at the beginning of the year less dividends

\*3 Includes both dividends (paid and proposed) and capital repayment paid out for the financial year

\*4 The operating results for the years 2000 to 2002 are those of Commerce International Merchant Bankers Berhad Group (CIMB Group) and are deemed to be representative of the proforma results of the CIMB Berhad Group

Pleasingly, CIMB also delivered strong results in areas outside of our core businesses. Our Islamic Banking arm registered revenues of RM14.8 million, an increase of 53.4% in revenue from the previous year. Our new revenue line of “asset management and securities services”, comprising annuity income stream from funds management, private banking, corporate agency and securities services and private equity made a maiden contribution of RM14.5 million last year, 2.4% of CIMB’s total revenue. With contributions from new acquisitions Commerce Asset Fund Managers Sdn Bhd (CAFM) and Commerce Trust Berhad (CT) consolidated for one month only, future prospects for this revenue line, are very bright indeed.

## New Business Initiatives

Planning for future growth and challenges, CIMB forged ahead last year with a number of strategic initiatives. Good business management not only involves delivering results for the short term, but also building strong foundations for sustainable growth. Through capabilities enhancement, revenue diversification, prudent capital management and enhanced corporate governance, we believe the Group is now better positioned than ever to offer the highest value proposition for our clients as well as stakeholders.

Capabilities enhancement is a constant goal for CIMB. We are always striving to improve the way we work. In mid 2004, we reorganised a number of divisions, keeping in mind the increasing size and complexity of our business. We have divided the Finance and Operations Divisions into two separate divisions: Group Information and Operations (GIOD) and Group Finance. Human Resource, Administration and the CEO's Office, meanwhile, also went through a reorganisation exercise. For 2005 we have also divided our Debt Markets & Derivatives Division into two divisions; Cross Markets Trading and Treasury and Debt Capital Markets & Syndicate.

CIMB has also undertaken a number of restructurings to further enhance our corporate structure. One of these was the incorporation of CIMB Private Equity Sdn Bhd on 9 April 2004. The private equity business for the group will now be funded by CIMB Berhad, and not the merchant bank. Another move was the disposal of CIMB ShareTech Sdn Bhd by CIMB Securities Sdn Bhd (CIMB Securities) to CIMB Berhad, freeing up capital for CIMB Securities to increase its dealing capacity.

Product proliferation was an important theme for the Group in 2004. The introduction of new structured investment products such as range accrual notes, inverse floater notes and equity-linked notes are part of our continuing desire to bring original solutions onto the market. We also lead managed the first ringgit convertible bond, for Tenaga Nasional Berhad. We strive to serve our clients better by constantly learning, constantly innovating, constantly pioneering new product offerings.

We also saw revenue diversification as a high priority last year. The addition of asset management and securities services to CIMB's business portfolio adds greater breadth and stability to the Group's earnings. The acquisition of a 70% stake in both CAFM and CT for a total cash consideration of RM35 million has brought scale to our annuity income stream. CAFM and CT are 30% owned by Principal Financial Group, a US Fortune 500 diversified financial services group with considerable worldwide presence in the private pensions and insurance industries.

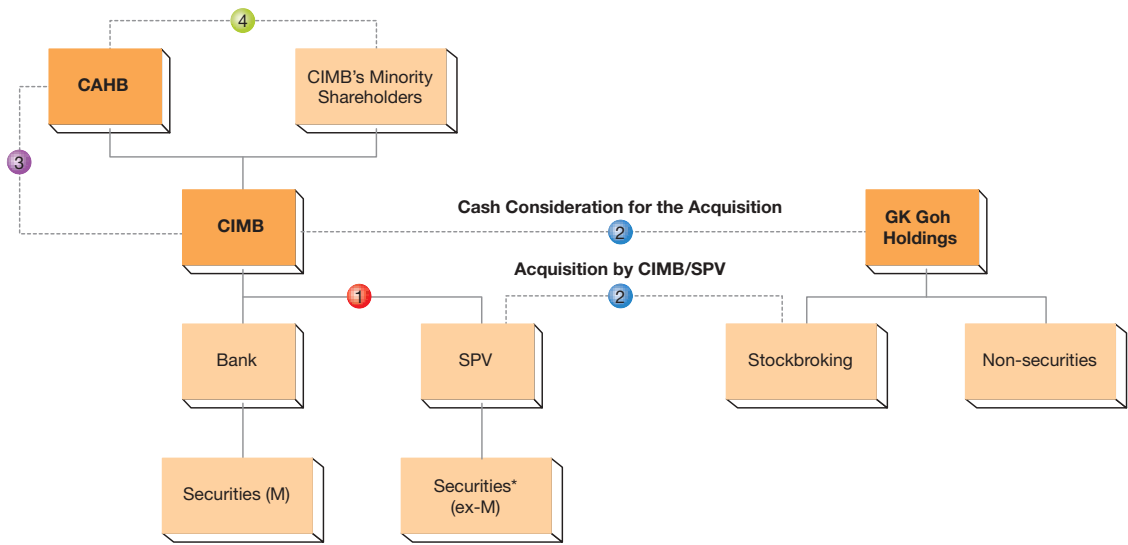
Another significant move was the setting up of CIMB Mapletree Management (CMM) in partnership with a subsidiary of Singapore's Temasek Holdings, during the fourth quarter of 2004. A property joint venture between CIMB Real Estate Sdn Bhd and Mapletree Capital Management Pte Ltd, CMM is an investment fund for opportunities in Malaysian real estate.

Building relationships is integral to our future. Gaining Temasek and the Principal Group as partners should prove to be invaluable to CIMB. We believe an apt, well-matched partnership can bring greater value to stakeholders. A good partnership can also help the parties widen their business networks and increase their pool of knowledge.

Retail expansion has also been a key initiative in diversifying our business. One of CIMB's high profile events of 2004 was our proposed RM400 million acquisition of TA Securities' stock broking businesses, which would have propelled CIMB to become Malaysia's largest retail brokerage. Unfortunately, the deal ran aground and was terminated somewhat acrimoniously. Undeterred, we will continue to explore new areas for organic growth in retail markets. The opening of our new Private Banking branch in Penang in August 2004 is a demonstration of our continued efforts in this direction. We are also excited about the rapid pace of growth in our private banking business, where assets under management grew by about 100% in 2004.

2004 also saw us pushing ahead with our lynchpin medium-term strategy of regional growth. The acquisition of PT CIMB Niaga Securities in 2003 and the proposed purchase of GK Goh's stock broking businesses, announced on 13 January 2005, are major landmarks in our efforts to increase the boundaries of CIMB's catchment area. Valued at RM554.8 million, the proposed GK Goh deal will be our largest acquisition ever and is tantamount to a declaration of intent to evolve into a regional investment bank.

**Summary of GK Goh's Proposed Transaction**



\* Except GK Goh Indonesia subsidiary which is 94% owned

- 1 CIMB incorporates a 100% subsidiary in Singapore ("SPV")
- 2 CIMB (via SPV) acquires the stockbroking Business from GK Goh Holding through a cash consideration of RM133.3 million
- 3 CIMB issues 93.7 mil new shares at RM4.50 per share to CAHB and receives cash to facilitate cash purchase of GK Goh
- 4 CAHB carries out a renounceable restricted offer for sale in the ratio of 1 share for every 9 existing shares on entitlement date at RM4.50 per share to allow minority shareholders to maintain their interest in CIMB

## Delivering Shareholder Value

Creating shareholder value is a core philosophy of our company, which we amply demonstrated in 2004. In terms of total shareholder returns, the Group delivered 33.2% in share price appreciation and cash pay-outs to shareholders in 2004. Since its IPO in January 2003, CIMB has delivered total shareholder returns of 246%.

Our dividend policy reflects this focus on returning value to shareholders. We had announced a dividend target of 15 sen per share as CIMB believes in the importance of giving shareholders a clear indication of expected yields. Total dividend for 2004, in fact, will amount to 18.5 sen per share, higher than our target and equivalent to a net dividend payout ratio of 48%, almost half of 2004's net profit.

Total dividends for last year consist of the recommended final dividend of 7.5 sen per share and a special tax-exempt dividend of 3.5 sen per share, as well as December 2004's interim tax-exempt dividend of 7.5 sen per share. When taken in conjunction with our 40.7 sen per share capital repayment exercise in June 2004, our net payout in 2004 will total 168% of the net profit for 2004.

## Efficient Capital Management

We continued our policy of active capital management in 2004 to benefit both CIMB and its shareholders. In another pioneering move, we led the industry by undertaking a "capital swap" exercise in May 2004, comprising the issuance of a USD100 million subordinated debt and a RM350 million capital distribution. CIMB became the first investment bank in Asia-Pacific to issue USD-dominated sub-debt as we leveraged on our USD debt issuance capacity to optimise our capital mix and unlock better returns on equity. The deal was priced at 5.05% yield to maturity, reflecting excellent timing of the launch and the strong investor interest.

In conjunction with the sub-debt issuance, international debt rating agency Moody's gave us a credit rating of Baa3 while Standard & Poor's and Fitch Ratings both ranked CIMB at BBB. Malaysia's Rating Agency Malaysia had earlier re-affirmed its AA3 rating of the merchant bank. These ratings reflect CIMB's strong financial profile in terms of profitability, asset quality and capitalisation.

Looking forward to 2005, with the imminent introduction of the new Market Risk Framework by Bank Negara Malaysia, banks will now have to account for market risk as well as credit risk in their capital calculations. Also coming into effect this year are new GP8 provisions that require banks to revise their accounting treatment of securities, classifying them into three categories, "held to maturity", "available for sale" and "held for trading". CIMB is well prepared for these regulatory changes and we believe that once implemented, these new regulations will actually enhance our ability to optimally structure and manage our capital.



## Further Analysis of 2004's Financial Performance

Our balance sheet continues to be strong. Our total assets have increased by 11.1% year-on-year to RM14.7 billion in 2004, with 46.4% of this comprising of dealing and investment securities. Overall, our leverage has increased, but this is primarily due to growth in repurchase agreements (REPOS) with Bank Negara, which are low risk assets. Around 70.3% of our total bond holdings as at 31 December 2004 are rated AA and above.

The merchant bank's risk-weighted capital ratio (RWCR) after proposed final dividends remain strong, at 22.4%, far above the minimum requirement of 8%. Even after the implementation of the New Market Risk Framework, the merchant bank's RWCR can be expected to be at least in the mid teens.

The quality of our loan book remains high. In line with international best practice, in 2004 we went to a classification of three months for non-performing loans (NPLs) to raise our prudent standards. Our merchant bank NPL ratio still came down from 3.0% at the end of 2003, to 1.9%. We continued to maintain our surplus general provision (GP) with a merchant bank GP ratio of 3.3%, comfortably above the required minimum ratio of 1.5%. Incidentally, GP coverage at 180% of net NPLs is our highest ever.

We continue to be somewhat frustrated in our efforts to increase our loan book, as we saw a 10.9% decline in our loans and advances from RM1.5 billion to RM1.3 billion. This is due to the extremely difficult lending environment, with commercial banks flush with liquidity and the incursion of foreign commercial banks into businesses such as share margin financing.

Net tangible asset per share for the Group is RM1.63 per share and shareholders' funds stands at RM1.4 billion, lower than RM1.6 billion a year ago, due to the capital payment.



**“Our future will continue to be driven by the collective effort of Team CIMB.”**



Our cost-to-income ratio this year was 34.9%, a touch above 33.8% in 2003. Our total overhead expenditure for 2004 was RM209.8 million, which is a 17.3% increase from the previous year reflecting higher business volume, new business acquisitions as well as an increase in staff strength from 822 employees to 1006 as at 31 December 2004 employees over the year. Our expenditure also included the renovation cost of our offices in Bangunan Amanah Raya and Menara Milenium. Overall, while maintaining our “low fixed, high variable” cost structure, the firm will have to continue investing on infrastructure and new businesses.

We were also more tax-efficient in 2004, as we recorded a lower tax rate of 24.5% against 25.7% in the previous year. This is mainly due to the larger contribution from CIMB Labuan and capital gains from Bursa Malaysia shares we obtained from the demutualisation of the stock exchange.

## Key Personnel Changes

A number of key appointments are expected to bring new breadth of skills and perspectives for the Group to complement our existing talent bank. We welcome the appointment of Mr Cezar P Consing as an independent non-executive director. Mr Consing was previously head of investment banking in Asia for JP Morgan, and is currently a partner of the Rohatyn Group, a New York-based fund management company with a strong focus on emerging markets. The Group also saw the Board appointment of Encik Zahardin Omardin, a lawyer by profession.

Our new Deputy CEO, Encik Charon Wardini Mokhzani also comes from the legal fraternity. He was previously the Managing Partner of Malaysia’s largest corporate law firm. Another notable change was the departure of Encik Yusli Mohamed Yusoff, who resigned as CEO of CIMB Securities to take up the position of CEO at Bursa Malaysia. Ms Julia Hashim was appointed as Executive Director of Dealing of CIMB Securities.

I am also pleased to welcome Mr Yeoh Keat Seng to our Group Management Committee to take over from Mr Neville Azzopardi as Head of Private Client Services. Mr Yeoh was a highly regarded investment analyst although his last position was CEO of CT. Mr Lim Tiang Siew assumed the role as Co-Head of Corporate Finance from Mr Tan Choon Thye who has taken the challenge of leading our corporate finance team in Jakarta. We also appointed Puan Noripah Kamso, previously our Head of Corporate Banking, as CEO of CAFM/CT.

## Subsidiaries' Performance

As 2004 was the inaugural contributing year for several subsidiaries, meriting further examination, my discussion of these companies will be correspondingly more extensive.

### **Commerce International Merchant Bankers (Commerce International)**

Our merchant bank achieved a profit after tax of RM233.5 million this year, a 32% increase from the previous year of RM176.4 million. This represents a net ROE of 23.4%. During the financial year, a tax-exempt interim dividend amounting to RM65.7 million was paid to CIMB Berhad. The bank has proposed a final dividend and special dividend totaling RM120 million to CIMB Berhad.

In July 2004, RAM reaffirmed Commerce International's long term and short term credit ratings of AA3 and P1 respectively. We are proud to note that we maintain the highest rated credit amongst merchant banks in Malaysia.

### **CIMB Discount House (CIMBDH)**

For 2004, CIMBDH achieved a commendable net profit of RM70.9 million, 72.5% higher than the RM41.1 million earned in 2003, due to the strong performance of our debt market and derivatives business. Net ROE was 14.6%.

Moving forward, we note that regulatory changes have resulted in a reduction in the differentiation of the regulatory paradigm governing Commerce International and CIMBDH. We are currently reviewing the usefulness of operating a separate discount house.

### **CIMB Securities (CIMBS)**

CIMBS doubled its net profit year on year from RM23.6 million in 2003 to RM50.9 million in 2004. Net ROE was 30%. This superb performance was achieved on the back of 60.4% increase in its total trading volume compared to 36.2% for the overall market. These results reflected the higher level of institutional activity on Bursa Malaysia Securities Berhad in 2004 compared to retail and CIMB's success in the secondary placement market.

During 2004, CIMBS paid RM120 million in net dividends to the Bank.

### **CIMB Labuan (CIMBL)**

For 2004, CIMBL's contribution to the Group amounted to USD9.0 million or RM34.2 million. This represents a 18.4% improvement from the preceding year's result of USD7.6 million or RM28.8 million. Net ROE was 8.5%.

CIMBL increased its share capital funds from USD25 million to USD31.3 million by the issuance of 125 million redeemable non-cumulative preference shares in June 2004. Accordingly, its share capital and share premium increased from USD25 million to USD150 million. This expansion signalled our intention to mobilise CIMBL for all non-ringgit transactions and to increase our presence in USD capital markets.

A number of deals were completed during the year including the listing of Genting Berhad's USD 300 million Exchangeable Bonds on the LFX, and Kulim Berhad's USD84 million Syndicated Transferable Term Loan.

### **PT CIMB Niaga Securities (CIMB Niaga)**

Our first foray outside Malaysia, PT CIMB Niaga Securities was officially launched in Jakarta on 8 March 2004. Formerly known as PT Niaga Sekuritas, a wholly-owned subsidiary of PT Bank Niaga Tbk (Bank Niaga), it has been re-branded with the entry of the CIMB, which now holds a 51% equity ownership via CIMBL.

CIMB Niaga is a member of both the Jakarta and Surabaya Stock Exchanges. It provides corporate finance advisory services as well as origination, underwriting and broking of fixed income and listed equities in Indonesia. As at 31 December 2004, the company has 44 staff, including 2 staff seconded from CIMB.

It is encouraging to see CIMB Niaga hit the ground running. In its first year operating as a subsidiary of CIMB Group, it registered a net income of Rp2.9 billion, a 38% increase from 2003.

Our flagship transaction was acting as International Selling Agent for the Initial Public Offering of PT Mitra Adiperkasa Tbk. This was the first time a Malaysian investment banking group has been involved as the sole international selling agent for a Regulation S Global Offering by a non-Malaysian issuer. Other noteworthy deals for CIMB Niaga include acting as the Joint Lead Manager for the Rp350 billion bond issue by PT Tunas Baru Lampung; Adviser and Standby Buyer to Bank Niaga in its Reverse Stock Split exercise; and as the Adviser and Lead Underwriter for the tender offer for the remaining shares of PT Millenium Pharmacon International Tbk by Pharmaniaga Berhad.

CIMB has been actively involved in various initiatives to help strengthen business ties between Malaysia and Indonesia. We co-organised the “Indonesian Investment Conference” held in Kuala Lumpur in May 2004. This landmark conference showcased some of the top Indonesian companies to the Malaysian institutional investment community. CIMB is an active member of the Malaysia-Indonesia Business Council.

As CIMB extends its business horizon in the region, we are acutely aware that with business opportunities, comes a responsibility to give back to the same community that has fostered our expansion. In these times of need, we have made significant donations to repatriated Indonesian workers from Malaysia and to Tsunami victims in Aceh.

#### **CIMB Futures (CIMBF)**

We regard CIMBF as “one for the future”, a business whose full potential will only be seen when the market develops a certain level maturity and sophistication. Nevertheless the company achieved its fourth year of consecutive profitability and earned a respectable net profit of RM0.7 million for the year, equivalent to a net ROE of 6.1%. This is on the back of a 31.6% year-on-year improvement in total trading volume on Bursa Malaysia Derivatives Berhad and CIMBF’s commendable 96% increase in contracts handled in 2004 compared to 2003.

CIMBF continues to deal in all available products, including Index Futures, Index Options, Crude Palm Oil Futures, Crude Palm Kernel Oil Futures, 3-year MGS Futures, 5-year MGS Futures, 10-year MGS Futures, and 3-month KLIBOR Futures.

#### **Commerce Asset Fund Managers/Commerce Trust (CAFM/CT)**

We acquired 70% of CAFM and CT from CAHB for a total purchase consideration of RM35 million. For 2004, we only consolidated 1 month earnings for the two companies so their contribution was only RM0.6 million to the group’s net profit (after minority interest).

CAFM provides conventional and Syariah-based portfolio management services to government institutions, corporations, unit trusts, private retirement funds, insurance companies and state funds. Its products include equity funds, balanced funds, income funds, bond funds, capital protected funds and cash management funds. CAFM’s full year financial performance showed a 10.6% increase in net profit from the previous year to RM3.8 million. Net ROE was 26.2%. Total AUM increased by 70.9% to RM5.3 billion during the year.

CT is an award-winning unit trust management company that provides a comprehensive range of unit trust funds. It distributes its units primarily through third party distributors, mainly commercial banks and its funds are managed by CAFM. For 2004, CT's made a net profit of RM3.6 million, up 8.6% from the previous year. Net ROE was 25.9%. The business also recorded a commendable increase of 47.6% in AUM to RM2.4 billion from the previous year.

For 2004, CAFM/CT together ranked fourth in terms of AUM with an estimated 8.9% share of the industry. We believe that we can grow our market share rapidly. Our grounds for optimism? Since CIMB began to manage CAFM/CT in October 2004, AUM increased by 31% from RM4.1 billion to RM5.3 billion.

## Business Divisions' Performance

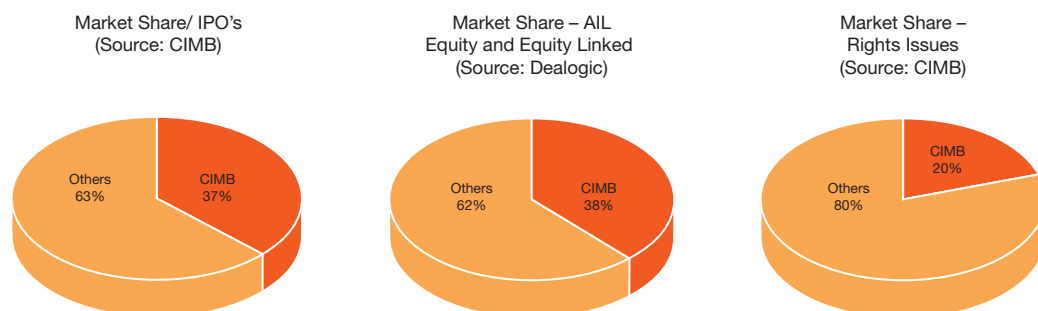
In this section I highlight the performance of our business divisions. In line with our functional organisation structure, divisions' financials would typically be accounted within several different companies. However, our funds management business is fully demarcated within CAFM/CT.

### Investment Banking (IBK)

IBK is responsible for developing and improving issuer client relationships. The division plays the "front-line" role in identifying and originating structures and proposals for existing and potential clients, making it pivotal to issuer client flows, an instrumental part in CIMB's achievements for 2004. We maintained the structure of having only four IBK teams and an independent research unit within the division.

### Equity Markets and Derivatives (EMD)

EMD had an excellent 2004 with CIMB leading all key league tables and sweeping the board of awards in the equity arena. EMD also capitalised on strong foreign interest to generate secondary placement deals.



CIMB was selected as Best Equity House by The Asset, Euromoney, Asiamoney and Finance Asia.

CIMB maintained its market leadership in the domestic IPO market, being the Sole Bookrunner for 3 out of the 6 largest IPOs in 2004 – KLCC Property Holdings Bhd, Ornasteel Holdings Bhd and Sin Chew Media Corporation Bhd. Our market share for IPOs was 37%. Altogether, we were involved in helping our clients raise a total of RM9.5 billion in the equity and equity-linked markets. CIMB established several historical landmarks in 2004 including the largest-ever secondary placement as well as the largest equity-linked issuance in recent Malaysian history, both for Khazanah Nasional Berhad.

For secondary placements we had a dominant market share on the back of three major transactions, Khazanah Nasional Berhad's sale of RM2.9 billion worth of Telekom Malaysia Bhd's shares; Mitsubishi Motors Corporation's sale of Proton shares worth RM396 million, and Shell Overseas Holdings Ltd's RM464 million worth of shares in Shell Refining Company (FOM). The Telekom transaction, in which CIMB was Sole Global Co-ordinator and Joint Bookrunner, received Finance Asia's Achievement Awards 2004 for Best Secondary Offering and Best Malaysia Deal as well as the IFR's Award for Best Malaysia Equity Deal.

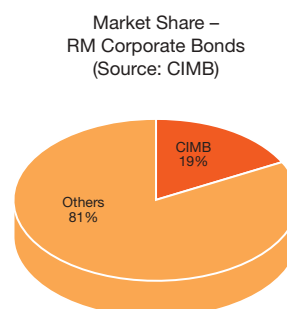
Apart from traditional products, CIMB also led the way for convertible bond issuance for Malaysian issuers. Major deals for 2004 were Tenaga Nasional's RM200 million convertible issue, the first ringgit convertible deal, and Khazanah's USD414.5 million exchangeable bond issue.

### Debt Markets and Derivatives (DMD)

Despite having a slow start for 2004, the Ringgit bond markets saw a decent rally in the second half of the year. Against this backdrop, DMD's businesses performed relatively well in both primary and secondary markets.

We topped the RM primary bonds league table again this year, with 19% of the market share in terms of amounts raised. We estimate having 10.8% of the market share in secondary sovereign bonds markets, and 23.1% of the market share in secondary corporate bond markets, making us the most active player in RM bonds as a whole.

DMD notched up a number of significant deals in the primary markets this year. CIMB jointly lead managed the first residential mortgage-backed securities issue in Malaysia by Cagamas MBS Berhad, a subsidiary of Cagamas. We also assisted Guthrie Properties Holdings Berhad in their RM750 million Medium Term Notes (MTN)



programme. CIMB also joint-lead managed the RM500 million Islamic bond issue by the International Finance Corporation, the first Islamic bond issue by a supranational anywhere in the world.

We were also actively assisting Malaysian corporates raise USD via straight debt as well as convertibles to take advantage of a perceived through in the USD interest rate cycle. In these exercises, we usually partner a global investment bank. Malaysia’s flagship USD debt transaction was Telekom’s USD500 million global bond issue jointly lead managed by CIMB.

DMD’s key new initiative for the year was the launch of structured products to widen the range of products available in the RM capital market following the issuance of Bank Negara’s and the Securities Commission’s guidelines on structured products. We launched range accrual notes, inverse floater notes and equity-linked notes on 18 March 2004. Since then, we have made more such products available. Nevertheless, we are disappointed by the slow development of investor interest, high cost of product development and regulatory restrictions. This strategy will have to be reviewed in 2005.

In the debt market category, we won Asiamoney’s “Deal of the Year” awards for our Telekom and Cagamas deals, and were recognised as “Best Debt House” by Euromoney and Asiamoney.

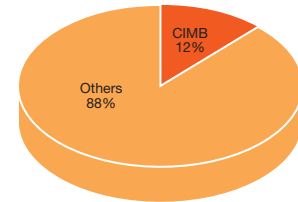
**Corporate Finance (CF)**

CF’s portfolio continued to expand in 2004 from advisory, mergers and acquisitions, origination and compliance for equity capital market transactions, corporate and retail banking to include corporate agency and securities services (CASS) and development of new investment management opportunities. Product widening is part of CF’s strategy to mitigate a noticeable decline in margins in some of its traditional “bread and butter” products.

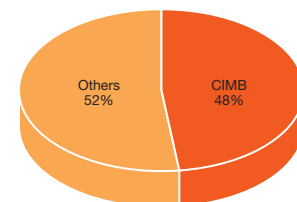
CIMB continued to top the M&A league table, with 32 deals (exceeding RM50 million), for a total deal value of RM12.4 billion or a 48.3% market share by value.

For our achievements, we were named the Best M&A House by Euromoney. Thomson Financial Publications also recognised us as No. 1 in Asia ex-Japan for the number of M&A Transactions, a reflection of both our market position and the relatively large number of deals in Malaysia.

Market Share – USD Bonds (Source: CIMB)



Market Share – M&A (Source: CIMB)





CF also played a key role in our league table successes for EMD's deals as described earlier.

On the lending side, our loans and advances decreased by 10.9% to RM1.3 billion year on year although during the year it reached a high of RM1.7 billion. While retail banking assets grew to RM218.7 million, a 77.9% year-on-year increase, corporate loans declined by 20.7% to RM1 billion. We continue to be frustrated by the extremely competitive situation, with commercial banks flush with liquidity and foreign players muscling into the domestic marketplace.

CASS is a unit set up from various parts of the firm that was handling agency, custodian and nominee services. Although we did not grow this business this year, it is profitable and synergistic with our other areas of business. We are currently exploring ways to achieve better economies of scale.

The new joint venture with Mapletree, signed in November 2004, was the major initiative for CF this year. CIMB and Mapletree have each committed RM100 million to anchor a real estate fund, CMREF1, which intends to raise a further RM300 million in equity and about RM1 billion in debt to invest in properties. Our objective here is to both earn annuity income from funds management and returns as an investor.

### **Private Client Services (PCS)**

Providing some consolation for our failure to dramatically scale-up our retail presence with the proposed acquisition of TA being aborted, PCS performed well in 2004.

Private Banking's (PB) AUM doubled from RM760.3 million at the beginning to RM1.5 billion by the end of 2004. Our number of financial advisers also almost doubled from 11 to 21. PB also played important distributor roles in many primary debt and equity transactions during the year. Meanwhile, the opening of our Penang branch is the beginning of our geographic expansion.

We continued to widen our sourcing of financial products from more service providers to ensure that our clients will have the widest possible offering to choose from. Ultimately, we hope to offer the best-of-class products objectively to our clients, regardless of their source.

Our remisier headcount remained steady at 90. We continue to find it challenging to attract more remisiers to CIMB due to regulatory restrictions on commission sharing. We are also planning to expand our retail reach by placing remisiers in branches in other parts of the country.

Although PB and remisiers are our core retail distribution channels, we have also invested in technology to provide alternative investment tools for our customers. In 2004, we enhanced our i-trade system to incorporate the e-IPO module to enable IPO subscription via the internet and also launched m-Trade for customers to trade shares using their mobile phones.



“Regionalisation is the story for the future of CIMB... We are now working on our... first few steps to realising our ambitions of becoming a South-East Asian investment banking force.”



### Private Equity (PE)

2004 marks a milestone in the maturation of PE: it has now captured sufficient AUM to be self-financing.

As at end of 2004, PE funds under management have increased to just under RM300 million in two funds, CIMB Muamalat Fund I, Ltd. P. (CMF I), a syariah-compliant regional buy-out fund and CIMB Mezzanine Fund (CIMMEZ Fund I), focusing on pre-IPO investments. CMF I with a fund size of RM110 million is close to being fully invested, having participated in seven buy-out transactions around the region. CIMMEZ Fund I was launched and had a successful closing in 3Q2004, exceeding its target amount of RM75 million to close at RM77 million. The fund's investment mandate is to seek minority investment opportunities in companies going for IPO within a 6-12 month time frame.

One of the most encouraging elements for PE has been its success in raising funds from the Middle-east, with the support of CIMB Islamic.

### CIMB Islamic (CI)

CI is responsible for ensuring that CIMB is able to offer an Islamic version of its products and services wherever possible and to support sales of those products. The success of our PE offering in the Middle-east is one such example. Although only 2 years old, CI has built-up an excellent reputation for itself and was recognised by Euromoney as the "best provider of Islamic financial services in Asia" in 2004.

In this field, we broke new ground in 2004 with the International Finance Corporation (IFC). Its RM500 million Bai Bithaman Ajil Islamic Debt Securities (BaIDS) facility, which we jointly lead managed marked three historic milestones: the first non-Islamic supranational in the world issuing Islamic securities; the first ever Islamic issuance by a member of the World Bank Group; and the first Islamic Ringgit securities from foreign issuers since the liberalisation of exchange control in April 2004.

Another innovative deal that we lead managed was the first Ijarah/Murabahah Programme in the domestic market by Dawama Sdn Bhd. The nominal value of the issue was up to RM150 million. More importantly, it marked the first time the combination of Murabahah and Ijarah structures was applied.

CIMB's cumulative market share of the Islamic bond market, between 1996 and 2003, amounted to 18%. For 2004, CIMB managed to capture a market share of only 10%, as we missed out on one mega deal that dominated the pipeline.

## Support Services

CIMB's leadership is underpinned by service excellence and a dynamic approach to management. We continue to place great emphasis on creating the necessary infrastructure to support the delivery of innovative and robust solutions for our clients.

### **Group Finance (GF)**

GF is now responsible for financial accounting, regulatory reporting, tax, strategic management reporting, and secretarial services. It acts as a backbone to all the business units in relation to accounting, reporting and strategic management.

With a changing landscape in the domestic banking industry and the broadening of the revenue base and product ranges of the Group, the unit ensures that sufficient policies and systems are in place to meet the continuing demand for improved corporate governance, accountable financial reporting, compliance with the tax self assessment regime and the timeliness of secretarial filings.

The unit also focuses on issues relating to the Group's strategic direction, performance measurement and reporting. It drives the Group's capital management initiatives and participated in various corporate exercises that drive shareholders' value maximisation. GF is also instrumental in putting in place a performance measurement framework for staff.

### **Group Information and Operations Division (GIOD)**

GIOD was formed to serve as an internal service provider for the Group and its unique one-stop concept provides the value-added platform for effective information and operational solutions for all business units. The new structure will complement the business direction and facilitate growth for the Group.

There are three departments within GIOD that leverage on each other to provide effective and efficient services: Strategic Information Services, Group Operations Management Department and Group Risk Monitoring Department.

### Research

Covering debt, equity, and economics research, the research team offers daily independent investment advice and unbiased views on a sectoral basis on companies to both domestic and foreign fund managers. In line with best practices, IBK and the proprietary trading functions have their own separate research units.

We excelled in all three research segments of debt, equity, and economics, as each unit topped the Edge polls for research houses in 2004. We were also declared “Best Overall Country Research House” by Asiamoney, arguably the most prestigious award in equity research.

### Risk Management

The key focus of our risk management team in 2004 was to strengthen the middle office oversight of our trading desks and assist in the development of new products for the group.

A more detailed discussion on risk management is contained in the Risk Management section on page 120 of this Annual Report.

### CEO's Office

Following a corporate reorganisation effort in 2004, the CEO's Office now consists of Investor Relations (IR) and the Corporate Resources Division, which comprises Human Resource, Administration, Knowledge Management, Corporate Communications and Special Projects units.

The CEO's Office plays a pivotal role as it takes the lead in talent management and the institution of a “High Performance Culture” in CIMB. This is in line with the government's initiative to promote performance excellence in government-linked companies (GLCs). At the same time, we had taken the view that much needs to be done to improve the working environment within the firm to ensure that our recent high performance is sustainable. In 2004 we increased training expenditure by 47.4% from RM1.9 million to RM2.7 million, instituted a comprehensive management trainee program to create a strong pool of well-rounded entry level staff, launched of a much more effective and interactive intranet and developed a more effective performance measurement system for staff.

### Awards

CIMB continues to win accolades for its innovative approach and breakthrough results. In 2004, we had our best-ever haul of awards. Among the awards won by the Group in 2004 are Finance Asia's Best Investment Bank, Best Equity House, Best Broker, and Best Investor Relations Representative Awards. We also won Euromoney's Best Debt House, Best Equity House, Best M&A House, and Best Islamic Financial Services Provider in Asia Awards.

A full list of the awards is contained in the Awards and Achievements section on page 84 of this Annual Report.

## Prospects for 2005

CIMB's near term prospects depend on the Malaysian capital market. Despite two consecutive years of record earnings, I am optimistic the group can do even better this coming year, given the strong underlying growth momentum of the capital market.

The potential for rapid market growth is compelling: The banking system still accounts for 72% of total corporate debt. Yet, almost by definition, the capital market should be the cheaper source of funding for eligible companies. The fact that this cost differential is too often not evident in practice, is a reflection of structural rigidities in our financial system, excess liquidity and slow development of products; all of which will be overcome in time. Furthermore, in terms of liabilities in the banking system, there is some RM365 billion in consumer and corporate fixed deposits, much of which can be tapped by the capital market.

With the slower rate of issuance in 2004, we expect demand for bonds to be very strong at least in the first half of this year. The primary debt pipeline for 2005 could well be within the range of RM35 billion to RM40 billion compared to RM28.6 billion new issuance in 2004.

With the Kurnia Asia Berhad and Bursa Malaysia Berhad initial public offerings kicking off the year, 2005 looks set to be promising for the primary equities market. However, secondary placement activity is unlikely to challenge 2004 levels.

Prospects for M&As will probably depend on the level of cross-border transactions. On this score, 2005 started quite dramatically with the CIMB-GK Goh and the Scomi-Habib-Chuan Hup "cross the causeway" deals. There is also a lot of buzz about infrastructure projects in Indonesia.

We expect the current trend of product proliferation to continue in 2005. In January 2005, we launched basket call warrants on three large Bursa Malaysia listed companies that were well received. There is also a lot of anticipation in the market about Real Estate Investment Trusts (REITs) and securitisation in general.

We expect contribution from “asset management and securities services” to be increasingly significant as CAFM/CT will give its maiden full year contribution in 2005. EPF’s decision to outsource management of more funds, the upcoming pension fund review, and the introduction of deposit insurance are positive signs for the funds management industry. PB, PE and CIMB-Mapletree are also gearing up to raise funds and contribute more revenues in 2005. All in all we are projecting very aggressive growth in CIMB’s total AUM for 2005: a target of 70% growth to RM12 billion from the RM7.1 billion under our case at end of 2004.

We will leverage on our strong Islamic brand to defend our domestic market position while looking for opportunities to expand geographically to tap the large pool of savings in search of syariah-compliant assets. We can expect onshore competition to be more intense in this arena with several of the new foreign licensed Islamic banks expected to focus on the capital market intermediation.

Liberalisation will also be a force to contend with in stock broking and funds management. In early 2005 we are expecting 5 foreign stock broking licenses while funds management will probably follow suit later in the year. The only certainty is that we will have to compete aggressively to defend our market position and retain our top talent. If we respond judiciously and pragmatically to this development, the position of leading domestic players like CIMB may actually be strengthened as a result of the ensuing industry shake-out.

Since its inception in 1974, CIMB has grown from a modest joint venture of four local and international banks to become Malaysia’s premier investment bank as well as South East Asia’s largest. But this pole position is not an entrenched status quo, nor is it a given right. We have to aggressively defend our domestic position and at the same time leverage on it to grow into new markets.

Regionalisation is the story for the future of CIMB. Our proposed acquisition of GK Goh’s stockbroking businesses will transform CIMB into a truly regional player by giving us a strong presence in Singapore and Indonesia, as well as a global equities distribution platform. We are now working on our plans to harmonise CIMB and the various GK Goh businesses, the first few steps to realising our ambitions of becoming a South-east Asian investment banking force.

Which brings me back to the leitmotif of our report this year, “Aspirations”. Some of us may be daunted by what lies ahead. But I urge you not to look at our ambitions for growth and regional expansion purely as an arduous challenge to be grappled with. Although we must never lose sight of our responsibility to act with probity and with measured consideration, it may also serve us well to see this task with a child’s eye: as an adventure, with imagination and perhaps as the greatest game of all.



## Acknowledgements

Our future will continue to be driven by the collective effort of Team CIMB. The support of our Board of Directors, the dedication of our Management team, and the hard work put in by our staff have made all the difference.

The successes of 2004 would also not have been possible without the collaboration and co-operation of our valued clients, all our regulators, our professional colleagues and peers, and our business partners. We thank you for your support, and look forward to renewing and building upon our relationship in the years to come.

I would also like to thank our new and existing shareholders, for keeping faith with CIMB and supporting us in our aspirations. This has only been the second year since our listing on Bursa Malaysia, and we look forward to exciting times ahead.

Thirty years ago, Bank Pertanian Malaysia, Baring Brothers & Co. Limited, The Sanwa Bank, Limited, and the London Multinational Bank Limited banded together as founder shareholders to establish a new merchant bank: Pertanian Baring Sanwa Multinational Berhad. Today we look back in awe at what has been achieved and place on record our gratitude to everyone who has been part of this enterprise. We also look forwards, with ambition and confidence.

Thank you.





“Today we look back in awe at what has been achieved and place on record our gratitude to everyone who has been part of this enterprise. We also look forwards, with ambition and confidence.”

A handwritten signature in white ink that reads "Nazir Razak". The signature is stylized and fluid.

**Dato' Nazir Razak**  
Group Chief Executive

**CIMB Berhad**  
24 March 2005

# TRANSACTIONS FOR THE YEAR

## January '04

Chin Teck  
Plantations Berhad

### Chin Teck Plantations Berhad

Shareholders' mandate for recurrent related party transactions



### SapuraCrest Petroleum Bhd

- Rationalisation of offshore drilling business
- Share Split
- ESOS

MINPLY HOLDINGS (M) BERHAD

### Minply Holdings (M) Berhad

- Private Placement
- ESOS



### Perusahaan Otomobil Nasional Berhad

Share Exchange and transfer of listing status



### Lityan Holdings Berhad

Two (2)-Call Rights Issue

REDtone  
expect innovation

### Redtone International Berhad

Listing on Mesdaq



### Sapura Motors Berhad

Transfer of listing to Main Board

Symphony™  
House

### Symphony House Berhad

Acquisition of company



### Unisem (M) Berhad

Issue of up to USD150 million Euro-Convertible Bonds

**Commerce Asset-Holding Berhad**

RM263.8 million block trade

**Courts Mammoth Bhd**

RM40.2 million placement

**OpenSys (M) Bhd**

Listing on Mesdaq

**Paxelent Corp Bhd**

Rights Issue

**Scomi Group Bhd**

RM125.0 million placement

**Berjaya Land Berhad**

Disposal of shares and ICULS

**Econstates Berhad**

Acquisition of shares

**Hunza Properties Berhad**

Two-Call Rights Issue

**January '04****February '04****February '04****Marco Holdings Berhad**

Rights Issue

**Pan Malaysia Holdings Berhad**

Issue of shares to scheme creditors

**Sern Kou Resources Bhd**

Listing on Second Board

**Symphony House Berhad**

Acquisition of shares

**SapuraCrest Petroleum Bhd**

RM150.0 million placement

**Ingenuity Solutions Bhd**

Listing on Mesdaq

**Pembinaan Limbongan Setia Bhd**

RM43.6 million placement

**Sugar Bun Corp Bhd**

RM3.2 million placement

**Symphony House Bhd**

RM80.0 million placement

**YTL Power International Bhd**

RM42.6 million placement

# TRANSACTIONS FOR THE YEAR

## March '04



**Guthrie Property Development Holding Berhad**  
RM750 million  
Murabahah Medium Term Notes Programme



**AKN Messaging Technologies Berhad**  
Merger with Hong Kong company



**Ayamas Food Corporation Bhd**  
Share and warrant swap



**CIMB Berhad**  
Share buy back



**Commerce Asset-Holding Berhad**  
Share buy back



**Ranhill Power Berhad (formerly known as EPE Power Corporations Bhd)**  
Rights Issue



**Far East Holdings Berhad**  
Settlement of amounts owing



**Octagon Consolidated Berhad**  
Restricted Issue



**SCOMI Group Bhd**  
• Bonus Issue  
• Share Split



**Sunway Holdings Incorporated Berhad**  
RM32 million placement

**Sri Hartamas Berhad**

Rights Issue

**Symphony House Berhad**

Rights Issue

**TH Group Berhad**

ESOS

**March '04****Perusahaan Otomobil Nasional Bhd – PROTON**

RM396.4 million placement

**YTL Power Bhd**

RM54.2 million placement

**Sime Darby Bhd**

RM263.8 million placement

**Telekom Malaysia Bhd**

RM2,910.0 million placement

**Transmile Group Bhd**

RM282.7 million placement

**United U-Li Corp Bhd**

RM14.0 million placement

**April '04****CIMB Commerce International Merchant Bankers Berhad**

USD100 million Subordinated Notes, callable with step-up in 2009

**Dawama Sdn Bhd**

RM150 million Murabahah &amp; Ijarah Commercial Paper &amp; Medium Term Notes Programme

**BSA International Berhad**

Shareholders' mandate for recurrent related party transactions

**C.I. Holdings Berhad**

Shareholders' mandate for recurrent related party transactions

**CIMB Berhad**

Distribution of RM350.0 million cash

**Jotech Holdings Berhad**

- Bonus Issue
- Shareholders' mandate for recurrent related party transactions
- Share buy back

**Marco Holdings Berhad**

Rights Issue

**Metacorp Berhad**

- Share Split
- Bonus Issue

# TRANSACTIONS FOR THE YEAR

## April '04



**Paxelent Corporation Berhad**  
Acquisition of shares



**PPB Group Berhad**  
Privatisation of FFM Berhad by way of a Members' Scheme of Arrangement



**RCE Capital Berhad**  
Disposal of shares



**SCOMI Group Bhd**  
Subdivision of shares



**Sunway Holdings Incorporated Berhad**  
General Offer



**Wah Seong Corporation Berhad**

- Acquisition of shares
- Shareholders' mandate for recurrent related party transactions

## May '04



**Tenaga Nasional Berhad**  
RM200 million nominal value Unsecured Convertible Redeemable Income Securities



**C.I. Holdings Berhad**  
Rights Issue



**Genting Berhad**  
Issuance of USD300 million Exchangeable Notes



**Mudajaya Group Berhad**  
Listing on Main Board



**IGB Corporation Berhad**

- Disposal of shares
- Acquisition of shares



**Intelligent Edge Technologies Berhad**  
Bonus Issue



**Malaysia Mining Corporation Berhad**

- Disposal of shares
- Shareholders' mandate for recurrent related party transactions



**Kumpulan Hartanah Selangor Berhad**  
ESOS



**Kumpulan Perangsang Selangor Berhad**  
Amendments to bye-laws governing existing ESOS



**Metrod (Malaysia) Berhad**  
Acquisitions of shares and partnership interest

**May '04**



**May '04**



**MNI Holdings Berhad**  
Distribution of shares

NEGERI SEMBILAN  
OIL PALMS BERHAD

**Negeri Sembilan Oil Palms Berhad**  
Shareholders' mandate for recurrent related party transactions



**Nylex (Malaysia) Berhad**  
Placement of shares



**SCOMI Group Bhd**  
Transfer of listing to Main Board



**SCOMI Group Bhd**  
Amendments to bye-laws on ESOS



**Sunway Holdings Incorporated Berhad**  
General offer



**Texchem Resources Bhd**  
Bonus Issue



**WCT Engineering Berhad**  
Acquisition of shares



**GPRO Technologies Bhd**  
RM25 million placement

# TRANSACTIONS FOR THE YEAR

## June '04



### Astro All Asia Networks plc

Shareholders' mandate  
for recurrent related party  
transactions



### Eupe Corporation Berhad

ESOS



### Farlim Group (Malaysia) Bhd

- Disposal of land
- Disposal of shares



### IJM Corporation Berhad

General Offer



### Mines City Hotel Berhad

Public Issue/Placement  
of shares

**MALAKOFF**

### Malakoff Berhad

Acquisition of shares



### Menang Corporation (M) Berhad

Proposed Joint Ventures



### SCOMI Group Bhd

Acquisition of shares



### The Store Corporation Berhad

Acquisition of retail  
space



### Symphony House Berhad

- Bonus Issue
- ESOS



### YTL Power International Bhd

42.6 million placement





**Wah Seong Corporation Berhad**  
RM200 million Murabahah & Ijarah Commercial Paper & Medium Term Notes Programme



**Asiatic Development Berhad**  
Acquisition of shares and land



**Bescorp Industries Berhad**  
Corporate and Debt Restructuring



**KNM Group Berhad**

- Bonus Issue
- Share Split
- ESOS



**Nikko Electronics Bhd**

- Share buy back
- Shareholders' mandate for the recurrent related party transactions



**Nikko Electronics Bhd**  
ESOS



**Sapura Motors Berhad**  
Acquisition of shares



**Tradewinds Corporation Berhad**  
Disposal of shares

WOO HING

**Woo Hing Brothers (Malaya) Berhad**  
Corporate and Debt Restructuring

July '04



July '04



**Shell Refining Co (FOM) Bhd**  
RM464.4 million placement

**TAMCO**

**Tamco Corporate Holdings Berhad**  
Listing on Mesdaq



**WCT Land Berhad**  
RM132 million Convertible Redeemable Debt Securities



**Atlan Holdings Bhd**

- Acquisition of shares
- Rights Issue



**Comintel Corporation Bhd**  
Listing on Second Board



**Faber Group Berhad**

- Disposal of shares
- Shareholders' mandate for new recurrent related party transactions



**Guthrie Ropel Berhad**

- Members' Scheme of Arrangement
- Rationalisation Exercise

# TRANSACTIONS FOR THE YEAR

## August '04



### Highlands & Lowlands Berhad

- Members' Scheme of Arrangement
- Rationalisation Exercise
- Disposal of land



### KLCC Property Holdings Berhad

Listing on Main Board



### Kumpulan Guthrie Berhad

- Rationalisation Exercise
- Disposal of land

memstech

### Mems Technology Berhad

Listing on Mesdaq

SRIWANI HOLDINGS BERHAD

### Sriwani Holdings Berhad

- Restructuring
- Disposal of properties



### KNM Group Berhad

RM15.4 million placement

## September '04



### Syarikat Mengurus Air Banjir & Terowong Sdn Bhd

RM2,055 million Medium Term Notes Programme



### Ge-Shen Corporation Berhad

Listing on Second Board



**Commerce Capital (Labuan) Ltd**  
(guaranteed by Commerce Asset-Holding Berhad)  
USD125 million Zero Coupon 5-Year Guaranteed Convertible Bonds due in 2009 convertible into Commerce Asset-Holding Berhad's shares



**TM Global Incorporated**  
USD500 million Fixed Rate Bonds Guaranteed by Telekom Malaysia Berhad



**ACP Industries Berhad**  
Amendments to bye-laws governing ESOS



**Cab Cakaran Corporation Berhad**  
Acquisition of shares



**Coastal Contracts Bhd**

- Share split
- Private placement
- ESOS



**GPA Holdings Berhad**  
Share Split



**IGB Corporation Berhad**  
General Offer



**Jasa Kita Berhad**  
Share Split

September '04



September '04

**MALAKOFF**

**Malakoff Berhad**  
ESOS

**SKP**

**SKP Resources Bhd**

- Bonus Issue
- Share Split
- Transfer of listing to Main Board
- Share buy back



**Sunway Holdings Incorporated Berhad**  
Rights Issue



**Tekala Corporation Berhad**  
ESOS



**United U-Li Corporation Berhad**

- Bonus Issue
- Share Split
- ESOS



**Weida (M) Bhd**

- Bonus Issue
- Share Split
- ESOS



**Woodlandor Holdings Berhad**

- ESOS
- Shareholders' mandate for recurrent related party transactions

# TRANSACTIONS FOR THE YEAR

## October '04



### Kein Hing International Berhad

Listing on Second Board



### Sin Chew Media Corporation Berhad

Listing on Main Board



**BSA International Bhd**  
RM150 million Murabahah Commercial Paper & Medium Term Notes Programme



**Cagamas MBS Berhad**  
RM1,555 million nominal value Residential Mortgage-Backed Securities



**SAJ Holdings Berhad**  
RM1,280 million in nominal value Bai Bithaman Ajil Islamic Debt Securities



**Daiman Development Berhad**

- ESOS
- Share buy back



### Dijaya Corporation Berhad

Independent Advice



### Industrial Concrete Products Berhad

Acquisition of shares



### Marco Holdings Berhad

- Share Split
- Shareholders' mandate for recurrent related party transactions



**Symphony House Berhad**  
Acquisition of shares



**Halim Mazmin Bhd**  
RM23.1 million placement



**Intelligent Edge Bhd**  
RM1.7 million placement



**Gerbang Perdana Sdn Bhd**  
RM1,700 million Medium Term Notes Programme



**British American Tobacco (Malaysia) Berhad**  
Shareholders' mandate for recurrent related party transactions



**Diperdana Holdings Berhad**

- Bonus Issue
- Disposal of business
- Acquisition of shares
- Placement of shares and ICULS



**Kumpulan Europlus Berhad**

- Acquisition of shares
- Disposal of shares

**October '04**

**November '04**



**November '04**

**SK&P SKP Resources Bhd**  
Transfer of listing to Main Board

SRIWANI HOLDINGS BERHAD

**Sriwani Holdings Berhad**

- Reduction of share capital
- Rights Issue



**Talam Corporation Berhad**  
Disposal of shares



**YTL Power International Berhad**  
Acquisition of shares

**December '04**



**International Finance Corporation**  
RM500 million Bai Bithaman Ajil Islamic Debt Securities



**SapuraCrest Dana SPV Pte Ltd**  
(guaranteed by SapuraCrest Petroleum Berhad)  
USD80 million 2.5% Guaranteed Convertible Bonds due 2009

# TRANSACTIONS FOR THE YEAR

## December '04

**CIMB** **CIMB Berhad**  
RM250 million CP  
Programme and RM250  
million MTN Programme



**Feringghi Capital Limited**  
(guaranteed by Khazanah  
Nasional Berhad)  
USD414.5 million Zero  
Coupon Guaranteed  
Exchangeable Notes due  
2009



**Atlan Holdings Bhd**  
Rights Issue



**IJM Corporation Berhad**  
Disposal of shares

memstech

**Mems Technology  
Berhad**  
Bonus Issue



**Naluri Berhad**  
General Offer



**Ornasteel Holdings  
Berhad**  
Listing on Main Board



**Petronas Dagangan  
Berhad**  
Bonus Issue



**Ranhill Berhad**  
Acquisition of shares



**Sapura Resources  
Berhad**  
Acquisition of land



## December '04

SRIWANI HOLDINGS BERHAD

### Sriwani Holdings Berhad

- Rights Issue
- Issuance of preference shares



### Unisem (M) Berhad

- Bonus issue
- Share Split



### WCT Land Berhad Listing on Main Board



### Weida (M) Bhd Transfer of listing to Main Board

*Robert Cheim receiving a plaque from the guest of honour.*



*Rahmah Manap accepting her award.*



## Our Anniversary



*Josephine Wan receiving her long service award from YAB Dato' Sri Najib Tun Abdul Razak, Deputy Prime Minister of Malaysia*



### CIMB Celebrates Its 30 Years

CIMB's 30th anniversary was celebrated on 16 September 2004 at the Ballroom of the Mandarin Oriental Kuala Lumpur. Present at the reception was Deputy Prime Minister YAB Dato' Sri Najib Tun Abdul Razak and YABhg Datin Seri Dato' Rosmah Mansor.

Invitees included CIMB's clients, associates, regulators and staff. During the reception, three staff were presented with Long Service Awards. Josephine Wan has served the Group for 30 years while Zaida Ya'cob has been with CIMB for 29 years and Rahmah Manap has been with CIMB for the past 29 years and 28 years respectively.





Zaida Ya'cob receiving her award.



YBhg Dato' Dr. Munir Majid receiving his plaque from the guest of honour.

The Group also paid tribute to its past three Chief Executive Officers. Encik Zainuddin Haji Din was the CEO of Pertanian Baring Sanwa Berhad from 1977 to 1986, YBhg Dato' Dr. Mohd Munir Abdul Majid was CIMB's Chief Executive from 1986 to 1993 and Mr. Robert Cheim Dau Meng was the Group's Chief Executive from 1993 to 1999.

Guests were entertained by the jazz trio Sean Ghazi, Izlyn Ramli and Adam Farouk.



# ENERGY

## BOARD OF DIRECTORS

### CIMB BERHAD

**Dr. Rozali Mohamed Ali**

Non-Independent Non-Executive  
Director and Chairman

**Dato' Nazir Razak**

Non-Independent Non-Executive  
Director

**Zahardin Omardin**

Independent Non-Executive  
Director

**Dato' Hamzah Bakar**

Senior Independent Non-Executive  
Director

**Robert Cheim Dau Meng**

Non-Independent Non-Executive  
Director

**Cezar P. Consing**

Independent Non-Executive  
Director

**Dato' Halim @ Ahmad Muhamat**

Non-Independent Non-Executive  
Director

**Dato' Zainal Abidin Putih**

Independent Non-Executive  
Director

## COMPANY SECRETARIES

**Tan Ae Luh** (MIA 4123)

**Jamil Hajar Abdul Muttalib** (LS 000656)

## BOARD COMMITTEES

### AUDIT COMMITTEE

Chairman

**Dato' Zainal Abidin Putih**

Members

**Dato' Hamzah Bakar**

**Dr. Rozali Mohamed Ali**

Joint Secretaries

**Tan Ae Luh**

**Rossaya Mohd. Nashir**

### NOMINATION COMMITTEE

Chairman

**Dato' Zainal Abidin Putih**

Members

**Dato' Hamzah Bakar**

**Dr. Rozali Mohamed Ali**

**Zahardin Omardin**

**Dato' Nazir Razak**

Joint Secretaries

**Tan Ae Luh**

**Rossaya Mohd. Nashir**

### REMUNERATION COMMITTEE

Chairman

**Dato' Hamzah Bakar**

Members

**Dato' Zainal Abidin Putih**

**Dr. Rozali Mohamed Ali**

Joint Secretaries

**Tan Ae Luh**

**Rossaya Mohd. Nashir**

## REGISTERED OFFICE

7th Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Tel : 603 2084 8888  
Fax : 603 2093 9688  
www.cimb.com.my

## DATE OF INCORPORATION

Incorporated in Kuala Lumpur, Malaysia  
on 11 June 2002 as a public company  
(Co. No. 582504-P) under the Companies  
Act, 1965

## PRINCIPAL BANKER

**Bumiputra-Commerce Bank Berhad**  
Cawangan Tun Perak  
6, Jalan Tun Perak  
P. O. Box 10753  
50050 Kuala Lumpur

## SHARE REGISTRAR

**Symphony Share Registrars Sdn Bhd**  
Level 26 Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 603-2721 2222  
Fax : 603-2721 2530

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**  
Listed on the Main Board on 8 January  
2003

## AUDITORS

**PricewaterhouseCoopers**  
11th Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur

## CIMB GROUP SENIOR MANAGEMENT

**Dato' Nazir Razak**  
Group Chief Executive

**Charon Wardini Mokhzani**  
Deputy Chief Executive

**Robert Cheim Dau Meng**  
Executive Director

**Dr. Gan Wee Beng**  
Executive Director

**Lee K Kwan**  
Director, CEO's Office

**Thomas Meow Yoke Nean**  
Head, Debt Capital Markets & Syndicate

**Loh Shai Weng**  
Co-Head, Corporate Finance

**Lim Tiang Siew**  
Co-Head, Corporate Finance

**Noripah Kamso**  
Chief Executive Officer, Commerce Trust Berhad &  
Commerce Asset Fund Managers Sdn Bhd

**Kok Kong Chin**  
Head, Equity Markets & Derivatives

**Yeoh Keat Seng**  
Head, Private Client Services

**Ng Ing Peng**  
Head, Group Finance

**Iswaraan Suppiah**  
Head, Group Information and Operations

**Hamidah Naziadin**  
Head, Corporate Resources

**Mabel Gan Pek Huong**  
Head, Cross Markets Trading & Treasury

**Badlisyah Abdul Ghani**  
Head, CIMB Islamic

**Commerce International  
Merchant Bankers Berhad**

Chairman

**Dr. Rozali Mohamed Ali**

Members

**Dato' Hamzah Bakar****Nicholas R.H. Bloy****Dato' Nazir Razak****Robert Cheim Dau Meng****Dr. Gan Wee Beng****Zahardin Omardin****Dato' Zainal Abidin Putih**

Joint Secretaries

**Tan Ae Luh****Jamil Hajar Abdul Muttalib****CIMB Discount House  
Berhad**

Chairman

**Dato' Nazir Razak**

Members

**Lee K Kwan****Loh Shai Weng****Dato' Dr. M. Shanmughalingam****Zahardin Omardin**

Joint Secretaries

**Tan Ae Luh****Rossaya Mohd. Nashir****CIMB Securities Sdn Bhd**

Chairman

**Robert Cheim Dau Meng**

Members

**Dato' Halim @ Ahmad Muhamat****Chew Ker Chee****Zahardin Omardin****Julia Hashim****Dato' Dr. M. Shanmughalingam**

Joint Secretaries

**Tan Ae Luh****Rossaya Mohd. Nashir****CIMB Futures Sdn Bhd**

Chairman

**Robert Cheim Dau Meng**

Members

**Noripah Kamso****Chew Ker Chee****Ramlie Mohamat Kamsari**

Joint Secretaries

**Tan Ae Luh****Rossaya Mohd. Nashir****CIMB (L) Limited**

Chairman

**Charon Wardini Mokhzani**

Members

**Dato' Nazir Razak****Lee K Kwan****Dr. Gan Wee Beng****Dato' Dr. M. Shanmughalingam****Zahardin Omardin**

Joint Secretaries

**Nor Azli Mohd. Nor****Rossaya Mohd. Nashir****PT CIMB Niaga Securities**

President Commissioner

**Charon Wardini Mokhzani**

Commissioners

**Yosef Badilangoe****Adhha Abdullah****Commerce Trust Berhad**

Chairman

**Charon Wardini Mokhzani**

Members

**Rosnah Dato' Kamarulzaman****Brig. Gen (R) Dato' Ariff Dato'  
Awang****Loong Chun Nee****Rex Pak Kuen Auyeung****Noripah Kamso****John Campbell Tupling** (alternate  
to Rex Pak Kuen Auyeung)

Secretary

**Rossaya Mohd. Nashir****Commerce Asset Fund  
Managers Sdn Bhd**

Chairman

**Charon Wardini Mokhzani**

Member

**Hazel Mary McNielage**

Secretary

**Rossaya Mohd. Nashir**

## SHAREHOLDERS

### Commerce Asset-Holding Berhad (CAHB)

CAHB is a well-diversified financial group with interests in commercial banking, merchant banking, stock broking, offshore banking, finance company, discount house, leasing factoring, futures broking, venture capital and life insurance. Most recently, general insurance has been included as a new offering from the group.

CAHB is the sole owner of Malaysia's second largest commercial bank – Bumiputra-Commerce Bank Berhad; and owns 71.29% of CIMB and 52.8% of Indonesia's eighth largest bank by assets – PT Bank Niaga Tbk.

CAHB is the 12th largest market capitalised company listed on Bursa Malaysia Securities Berhad based on market capitalisation.

### Public

Public investors, comprising CIMB Berhad Group Directors and employees, and other shareholders, own 28.71% of CIMB.

## SISTER COMPANIES

### Bumiputra-Commerce Bank Berhad (BCB)

BCB is the result of the merger between Bank of Commerce (M) Berhad and Bank Bumiputra Malaysia Berhad. It was officially launched on 1 October 1999. With a customer base of over 3.5 million, it provides a comprehensive range of services that meet the financial needs of small households through to the largest multinational conglomerates. The commercial bank has one of Malaysia's largest ATM networks in the country.

### Commerce Asset Ventures Sdn Bhd (CAV)

CAV is a specialist management company wholly-owned by CAHB that invests equity capital into small and medium sized businesses. It seeks to support growth industries with a global outlook and takes an active role in creating value for the investee companies and its shareholders.

### Commerce Life Assurance Berhad (Commerce Life)

Commerce Life offers comprehensive and competitive financial security plan and benefits via its extensive range of products and services. Bancassurance, a special package of insurance and banking products and services has been the largest revenue contributor.

### Commerce Assurance Berhad (formerly known as AMI Insurans Berhad)

Commerce Assurance Berhad offers a range of products, which include fire, engineering, motor, marine, aviation, transit and miscellaneous insurance. The nation's fifth largest general insurer by gross premiums was acquired by CAHB in February 2004.

### PT Bank Niaga Tbk (Bank Niaga)

Bank Niaga is the eight largest bank in Indonesia by assets as at 30 September 2004. Established in 1955, it was listed on the Jakarta Stock Exchange in 1989. It has a distribution network of 210 branches predominantly in the main commercial centres of Indonesia. It is an award winning franchise in the area of service quality. For 8 years in a row from 1996 to 2004, it has been a recipient of the Banking Service Excellence Award by Marketing Research Indonesia.



#### Dr. Rozali Mohamed Ali

##### **Non-Independent Non-Executive Director & Chairman CIMB Berhad & Commerce International Merchant Bankers Berhad**

Dr. Rozali Mohamed Ali, aged 56, a Malaysian, was appointed Non-Independent Non-Executive Director and Chairman of CIMB Berhad on 28 November 2002. He was appointed Non-Independent Non-Executive Director of Commerce International Merchant Bankers Berhad on 28 July 1993 and has been its Chairman since 1 December 1999. He is also a member of the Audit, Remuneration and Nomination Committees of CIMB Berhad.

Dr. Rozali is currently Executive Director and Group Chief Executive of Commerce Asset-Holding Berhad ("CAHB"). Prior to this, he was Managing Director and Chief Executive of Bumiputra-Commerce Bank Berhad from 30 June 2000 to 31 August 2004, Assistant Director General of the Institute of Strategic and International Studies Malaysia from 1990 to 1996 and held various positions as an engineer in the National Electricity Board, Malaysia between 1970 and 1990. He is currently Chairman of the Association of Banks Malaysia and a member of the Malaysian Energy Commission. He also sits on the Boards of CAHB and several public companies in the CAHB Group such as Bumiputra-Commerce Bank Berhad, PT Bank Niaga Tbk and AFC Merchant Bank of Singapore. He holds a B.Sc. (Hons) in Mechanical Engineering from the Brighton Polytechnic, Sussex, England, and a M.Sc. and Ph.D., both in Mechanical Engineering, from the Imperial College of Science and Technology, University of London.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company, except by virtue of being a representative of CAHB.

Dr. Rozali has attended seven of the total eight Board Meetings of CIMB Berhad held in 2004.

#### Dato' Hamzah Bakar

##### **Senior Independent Non-Executive Director CIMB Berhad**

##### **Independent Non-Executive Director Commerce International Merchant Bankers Berhad**

Dato' Hamzah Bakar, aged 61, a Malaysian, was appointed an Independent Non-Executive Director of CIMB Berhad on 28 November 2002 and nominated as the Senior Independent Non-Executive Director on 16 April 2003. He has been an Independent Non-Executive Director of Commerce International Merchant Bankers Berhad since 26 September 2000. He is also Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees of CIMB Berhad. Currently, he is the Chairman of SapuraCrest Petroleum Berhad (formerly known as Crest Petroleum Berhad) and its subsidiary, Sapura Energy Sdn Bhd, a Director of Scomi Group Berhad and its subsidiaries, Kota Minerals & Chemicals Sdn Bhd and KMC Oiltools Bermuda Ltd. He is also a member of the Board of Commissioners of PT Bank Niaga Tbk and the Board of UEM World Berhad. He served for 20 years in various senior management and board positions in Petrolia Nasional Berhad ("Petronas"), including Senior Vice President for Refining and Marketing, Senior Vice President for Corporate Planning & Development and Main Board Director. Prior to Petronas, he was a Director of the Economic Planning Unit in the Prime Minister's Department. Dato' Hamzah holds a B.Sc. (Hons) in Economics from the Queen's University of Belfast and an MA in Public Policy and Administration, with Development Economics, from the University of Wisconsin.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company.

Dato' Hamzah has attended all eight Board Meetings of CIMB Berhad held in 2004.





**Dato' Nazir Razak**

**Non-Independent Non-Executive Director  
CIMB Berhad**

**Managing Director/Chief Executive  
Commerce International Merchant  
Bankers Berhad**

Dato' Nazir Razak, aged 38, a Malaysian, was appointed a Non-Independent Non-Executive Director of CIMB Berhad on 11 June 2002 and a member of the Nomination Committee on 30 June 2004.

Dato' Nazir graduated from University of Bristol with a BSc (Hons) and obtained a MPhil from the University of Cambridge. He joined CIMB's corporate advisory department in 1989 and managed various fund raising, privatisations, listings and corporate restructuring exercises. In 1993 he transferred to CIMB's wholly-owned subsidiary, CIMB Securities Sdn. Bhd., where he rose to Executive Director with responsibility for its institutional business comprising equities research, sales and dealing. He moved back to CIMB as Deputy Chief Executive on 1 June 1996 and became Managing Director/Chief Executive on 1 June 1999.

Dato' Nazir is a member of the Investment Panel of the Employees Provident Fund, the Securities Commission's Capital Market Advisory Council and the Asia Business Council. He is also a director of CIMB Discount House Berhad, CIMB (L) Limited and the Kuala Lumpur Business Club. He was Chairman of the Industry Action Committee to set up MESDAQ, the stock exchange for high growth companies and a member of the Advisory Panel for Bank Negara Malaysia's Financial Services Master Plan. He is President of the University of Bristol Alumni Association and a trustee of the Rahah Foundation.

In 2004, Dato' Nazir was named Malaysia's CEO of the Year by Business Times and American Express Global Corporate Services. He was also named as one of the "25 Stars of Asia" by BusinessWeek magazine and one of the World Economic Forum's Young Global Leaders.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company.

Dato' Nazir has attended all eight Board Meetings of CIMB Berhad held in 2004.

**Robert Cheim Dau Meng**

**Non-Independent Non-Executive Director  
CIMB Berhad**

**Executive Director  
Commerce International Merchant Bankers Berhad**

Robert Cheim Dau Meng, aged 53, a Malaysian, was appointed a Non-Independent Non-Executive Director of CIMB Berhad on 11 June 2002. He is currently Executive Director of Commerce International Merchant Bankers Berhad and Chairman of its subsidiaries, CIMB Securities Sdn Bhd and CIMB Futures Sdn Bhd. He joined Commerce International Merchant Bankers Berhad in 1984 and held the position of Head of Corporate Finance, General Manager and Executive Director, before assuming the position of CEO from 1993 to 1999. Prior to joining Commerce International Merchant Bankers Berhad, he served in various capacities with the former United Asian Bank Berhad (now known as Bumiputra-Commerce Bank Berhad) between 1977 to 1984, holding the positions of Operations Manager, Audit Manager, Branch Manager and Senior Manager of the Planning and Accounts division. He has also worked in several accounting firms in London. He is a Fellow of the Institute of Chartered Accountants of England and Wales and a member of the Malaysian Institute of Accountants.

He does not have any family relationship with other Directors and/or major shareholders of CIMB Berhad nor does he have any conflict of interest with CIMB Berhad.

Mr. Cheim has attended all eight Board Meetings of CIMB Berhad held in 2004.

**Dato' Halim @ Ahmad Muhamat****Non-Independent Non-Executive Director  
CIMB Berhad**

Dato' Halim @ Ahmad Muhamat, aged 57, a Malaysian, was appointed a Non-Independent Non-Executive Director of CIMB Berhad on 28 November 2002. Dato' Halim is presently the Group Corporate Adviser of Commerce Asset-Holding Berhad (CAHB) and prior to that was the Executive Director/Chief Operating Officer of Bumiputra-Commerce Bank Berhad (BCB), a position held since 4 November 1999. He served 33 years with the former Bank Bumiputra Malaysia Berhad (BBMB). Dato' Halim has served in various capacities in BCB's domestic and international operations, including seven years in BBMB's United States operations. He is also a Director of several public companies of the CAHB Group such as Bumiputra-Commerce Bank Berhad, Bumiputra-Commerce Finance Berhad, Commerce Life Assurance Berhad, PT Bank Niaga Tbk, Labuan Reinsurance (L) Limited, BBMB International Bank (L) Limited, Bumiputra-Commerce International Trust (Labuan) Berhad, BBMB Finance (Hong Kong) Ltd and BBMB Finance Nominee (Hong Kong) Ltd.

Dato' Halim does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company, except by virtue of being a representative of CAHB.

He attended all eight of the Board Meetings held in 2004.

**Dato' Zainal Abidin Putih****Independent Non-Executive Director  
CIMB Berhad & Commerce International  
Merchant Bankers Berhad**

Dato' Zainal Abidin Putih, aged 59, a Malaysian, was appointed an Independent Non-Executive Director of CIMB Berhad on 11 July 2003 and an Independent Non-Executive Director of Commerce International Merchant Bankers Berhad on 30 June 2004. He is also Chairman of CIMB Berhad's Audit and Nomination Committees, and a member of the Remuneration Committee.

Dato' Zainal has extensive experience in audit, management consulting and taxation, having been involved as a practising accountant throughout his career. He was an Adviser with Ernst & Young Malaysia until his retirement on 31 December 2004. He was formerly the Managing Partner of Hanafiah Raslan & Mohamad, past President of the

Malaysian Institute of Certified Public Accountants and previously served as a member of the Malaysian Communication & Multimedia Commission. He is currently Chairman of Pengurusan Danaharta Nasional Berhad and the Malaysian Accounting Standards Board and sits on the Boards of Esso Malaysia Berhad and Tenaga Nasional Berhad. He is also a Trustee of the National Heart Institute. Dato' Zainal qualified as a Chartered Accountant from the Institute of Chartered Accountants of England and Wales and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company.

Dato' Zainal has attended seven of the total eight Board Meetings of CIMB Berhad held in 2004.

### Zahardin Oмарdin

#### **Independent Non-Executive Director CIMB Berhad & Commerce International Merchant Bankers Berhad**

Zahardin Oмарdin, aged 60, a Malaysian, was appointed an Independent Non-Executive Director of CIMB Berhad and Commerce International Merchant Bankers Berhad on 5 May 2004. He also sits on the Boards of other subsidiaries within the CIMB Group, such as CIMB (L) Limited, CIMB Discount House Berhad and CIMB Securities Sdn Bhd. He is presently a Partner of Messrs. Chew Kar Meng, Zahardin & Partners and has previously served on the Boards of various companies including Rakyat First Merchant Bankers Berhad. He was formerly the Head of Legal and Secretarial Department/

Company Secretary of Rothmans of Pall Mall (Malaysia) Berhad (now known as British American Tobacco (M) Berhad). He qualified as a Barrister-at-Law from the Inns of Court School of Law, United Kingdom in 1973. Upon graduation, he worked at The Royal Courts of Justice and the Tax Office in London, after which he returned to Malaysia to practice law.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company.

Encik Zahardin has attended both the Board Meetings of CIMB Berhad held during his tenure as Director in 2004.



### Cezar P. Consing

#### **Independent Non-Executive Director CIMB Berhad**

Cezar P. Consing, aged 45, a Philippine national, was appointed Independent Non-Executive Director of CIMB Berhad on 5 October 2004.

Mr. Consing was previously with JP Morgan for 19 years and headed its Investment Banking Division for Asia Pacific until May 2004. He is currently a partner of The Rohatyn Group, a New York-based funds management company specialising in emerging markets, where he co-heads its Asian operations from Hong Kong. He also sits on the Boards of TRG Management Hong Kong Ltd and the Bank of the Philippine Islands. Mr. Consing is a graduate in Economics (Magna Cum Laude) of De La Salle University and holds an M.A. in Applied Economics from The University of Michigan, Ann Arbor, U.S.A.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company.

Mr. Consing attended the one Board Meeting of CIMB Berhad held during his tenure as Director in 2004.





**Nicholas R.H. Bloy**

**Non-Independent Non-Executive Director  
Commerce International Merchant Bankers Berhad**

Nicholas R.H. Bloy, aged 42, a British national, was appointed a Director of Commerce International Merchant Bankers Berhad on 1 February 2001. He is a founder partner of Navis Capital Partner Limited ("Navis"), a firm managing private equity funds in the Asian region. He was previously an International Director/Partner with the Boston Consulting Group International Incorporated in Asia, prior to which he worked with Bain & Co. in London. He holds a BA (Hons) degree from the University College, London and a Masters degree in Business Administration from INSEAD.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company, except by virtue of his interest in Navis, which in turn has interests in Navis-CIMB General Partner Limited.

Mr. Bloy attended eleven of the total twelve Board Meetings of Commerce International Merchant Bankers held in 2004.

**Dr. Gan Wee Beng**

**Executive Director  
Commerce International Merchant Bankers Berhad**

Dr. Gan Wee Beng, aged 57, a Malaysian, was appointed Executive Director of Commerce International Merchant Bankers Berhad on 29 July 2002, and currently heads the Risk Management, Middle Office, Research, Economics and Credit and Special Assets functions. He is also a Director of CIMB (L) Limited. He has been a consultant to various local and international agencies, which include Bank Negara Malaysia, the Economic Planning Unit of the Prime Minister's Department, Ministry of Finance, World Bank, International Labour Organisation, Asian Development Bank, and UNCTAD. Prior to joining Commerce International Merchant Bankers Berhad, he was the Senior Adviser (Economics) for the Monetary Authority of Singapore besides having held positions as General Manager of Commerce International Merchant Bankers Berhad, Executive Director of CIMBS, Senior Vice President and Head of Corporate Banking for BCB and as an Associate Professor at University of Malaya. He holds a Bachelor and Masters degree in Economics from the University of Malaya and obtained his Ph.D. from the University of Pennsylvania, U.S.A.

He does not have any family relationship with other Directors and/or major shareholders of CIMB Berhad nor does he have any conflict of interest with CIMB Berhad.

Dr. Gan attended eleven of the total twelve Board Meetings of Commerce International Merchant Bankers Berhad held in 2004.



**Carol Tan Ae Luh**  
**Company Secretary**

Carol is currently Joint Company Secretary of the CIMB Group. She joined CIMB in 1984 as Accountant/Company Secretary. She was later promoted as Head of Finance and Operations and her responsibilities included Human Resource, Administration and Information Technology. Over the years, her role and responsibilities grew with the expansion of the CIMB Group.

In 2001, Carol resigned from CIMB, but was retained as Joint Company Secretary to the Group.

Carol holds a Bachelor of Accounting (Hons) from the University of Malaya. She is a Chartered Accountant and worked in an international accounting firm before joining Pertanian Baring Sanwa Bhd, as CIMB was known then.



**Jamil Hajar Abdul Muttalib**  
**Company Secretary**

Encik Jamil holds a Bachelor of Law Degree from the University of London and is a Barrister-at-Law (Lincoln's Inn, UK). He is currently the Executive Vice President/ Company Secretary of Commerce Asset-Holding Berhad. He served in the Malaysian Government's judicial and legal service for nine years as a magistrate, sessions judge, deputy public prosecutor and senior federal counsel before joining Fleet Group Sdn Bhd in 1985 as its legal advisor and company secretary. He has spent more than 12 years with CAHB Group. He is presently Chairman of Commerce Asset Ventures Sdn Bhd.



**Rossaya Mohd Nashir**  
**Company Secretary**

Rossaya is the Joint Company Secretary of the CIMB Group subsidiaries and Head of the Secretarial Services Unit. She joined CIMB in April 2002 and was attached to the Corporate Legal Services Unit before assuming her current position in July 2004. Rossaya has more than 10 years' experience in company secretarial practice. Prior to joining CIMB, she was attached with the Permodalan Nasional Berhad Group where she was the Joint Company Secretary for several subsidiaries. She holds a Bachelor of Laws Degree (majoring in Business Law) from Coventry University, United Kingdom and is an associate member of the Institute of Company Secretaries Malaysia.



Dato' Nazir Razak



Charon Wardini Mokhzani



Robert Cheim Dau Meng



Dr. Gan Wee Beng



Lee K Kwan

## THE MANAGEMENT OF CIMB

For profile of Dato' Nazir Razak, Robert Cheim Dau Meng and Dr. Gan Wee Beng, please refer to the Boards of Directors' Profile page.

**Charon Wardini Mokhzani**

Deputy Chief Executive

Charon was appointed Deputy Chief Executive of Commerce International Merchant Bankers Berhad on 1 August 2004. He is the Chairman of Commerce Asset Fund Managers Sdn Bhd, Commerce Trust Berhad, CIMB (L) Limited, CIMB Real Estate Sdn Bhd and CIMB Private Equity Sdn Bhd and the President Commissioner of PT CIMB Niaga Securities. He is also a member of the Company Law Reform Committee, established by the Companies Commission of Malaysia, and chairs one of the 3 working groups.

Prior to joining CIMB he was the Managing Partner of Zaid Ibrahim & Co, Malaysia's largest law firm, and while still there, an Independent Director of CIMB Berhad when it was first listed until his retirement from the Board in July 2003. Before that he worked in corporate finance at Rashid Hussain Securities Sdn Bhd and as an advocate and solicitor with Shearn Delamore & Co.

In addition to giving legal advice on a variety of corporate and financial transactions, as a lawyer he advised on the legislation for the establishment of Danaharta, the demutualisation of the stock exchange, and the establishment of a regulatory authority for urban transport; having also advised the People's Bank of China on the regulatory framework for asset management companies in China. International legal publications have recognised him as being one of the leading corporate and finance lawyers in Malaysia.

Charon was educated at the Malay College Kuala Kangsar and Bloxham School, England and read Philosophy, Politics and Economics at Balliol College, University of Oxford (BA Hons) and Law at the School of Oriental and African Studies, University of London (LLB Hons). He is a barrister of the Middle Temple and an advocate and solicitor of the High Court of Malaya. He has been a committee member of both the Malay College Old Boys' Association and the Oxford and Cambridge Society of Malaysia.

**Lee K Kwan**

Director, CEO's Office

Lee K Kwan joined CIMB in 1996 as an Assistant General Manager where he set up the bank's Risk Management department. In mid 1997, Kwan became the Treasurer of CIMB and built up the firm's Debt Markets, Derivatives and Treasury division where his core responsibilities included CIMB Group's proprietary trading and market making businesses in debt, derivatives and foreign exchange products, debt capital markets and the treasury function of the group. In mid 2002, Kwan moved on to the CEO's Office; responsible for corporate strategy and structuring the larger transactions of the firm. Prior to joining CIMB, Kwan had more than 7 years of experience in the Canadian financial services industry. Kwan holds a BBA Joint Honours (First Class) Degree in Business Administration and Economics and a Master of Business Administration Degree from Simon Fraser University, Canada.



Loh Shai Weng



Noripah Kamsu



Thomas Meow Yoke Nean



Iswaraan Suppiah



Ng Ing Peng



Kok Kong Chin

### Loh Shai Weng

Co-Head, Corporate Finance

Shai Weng joined CIMB in 1982 and has held various positions in the investment bank prior to his present position.

Shai Weng's expertise is in debt advisory, capital markets and funds management. Among his notable achievements in the debt capital markets are: first fixed income unit trust for Commerce Trust Berhad, first bonds with detachable transferable subscription rights for Kedah Cement Holdings Berhad, first Khazanah Benchmark Bonds, first Al-Istiana and Al-Ijarah Facility for PUTRA and first ABS for automobile receivables for Bumiputra-Commerce Finance Berhad.

He was also actively involved in project advisory during the privatisation era in Malaysia. The notable projects are the Second Link Crossing between Johor and Singapore and the Kuala Lumpur-KLIA Expressway. He is now responsible for CIMB's Real Estate Banking Group.

He is a Fellow of The Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA) and The Malaysian Association of the Institute of Chartered Secretaries and Administrators (MAICSA).

### Noripah Kamsu

Chief Executive Officer, Commerce Trust Berhad/  
Commerce Asset Fund Managers

Noripah Kamsu assumed in September 2004 after bringing more than 20 years of experience in corporate credit and lending.

Noripah was previously Executive Director of CIMB Futures Sdn Bhd and was the President of the Malaysian Futures Brokers Association (MFBA). She has been active in developing the domestic derivatives landscape in the past 6 years.

A book she wrote entitled "Credit Decision Making: The Qualitative Credit Approach", was used by Institut Bank Bank Malaysia (IBBM) as a module for its Certified Credit Professional (CCP) exam.



Noripah obtained her Diploma from Institut Teknologi Mara (now UiTM) in 1978, graduated from Northern Illinois University, Delkalb, USA in 1979, and obtained her MBA from Marshall University, Huntington, West Virginia, USA in 1980.

#### **Thomas Meow Yoke Nean**

Head, Debt Capital Markets & Syndicate

Thomas runs the debt capital market intermediation business of the group which covers origination, syndication and market making in the Malaysian and the regional debt markets. His most notable transactions in 2004 include the IFC RM500 million Islamic Bonds (the first Islamic bonds issued by a supranational), the Cagamas MBS RM1.55 billion Residential Mortgage Backed Securities (first MBS issue in Malaysia), and the Telekom Malaysia USD500 million Bonds (both Cagamas and Telekom deals won the Deal of the Year Awards from Euromoney). Thomas is also the Chief Executive Officer of CIMB Discount House Berhad, a debt market specialist firm and a 100% owned subsidiary of CIMB. He is the chairman of the Treasury and Debt Markets Committee, a committee under the Association of Merchant Banks in Malaysia responsible for issues related to debt, treasury and Islamic capital markets development. Thomas has over 15 years experience in the financial markets covering fixed income, currency and derivatives, with the last 6 years focusing on the Ringgit and regional bond markets. He joined CIMB in 1997 to set up the structured products business in CIMB. He holds an accounting degree from the University of Malaya.

#### **Iswaraan Suppiah**

Head, Group Information & Operations

Iswaraan joined CIMB Securities Sdn Bhd (CIMB Securities) in 1994 and last held the position of Executive Director of Operations and Head, Equity Risk Management in CIMB Securities before assuming the post as Head of Strategic Risk & Compliance with CIMB. He currently oversees the Group Operations Management, Strategic Information Services and Group Risk Monitoring. He started his career with Messrs Arthur Anderson & Co., a firm of public accountants in

1984 and later joined Bank of Commerce (M) Berhad (currently Bumiputra-Commerce Bank Berhad) in 1990 and left as the Section Head in the Internal Audit Department. He is a member of the Malaysian Institute of Certified Public Accountant.

#### **Ng Ing Peng**

Head, Group Finance

Ng Ing Peng joined CIMB in 2000. She has 23 years of audit, finance and operations experience. Prior to joining CIMB, she was Head of Operations at the securities firm of another banking group. A qualified Accountant, she holds a Bachelor of Accounting Degree from University Malaya and is a member of the Institute of Chartered Accountants of England and Wales.

#### **Kok Kong Chin**

Head, Equity Markets & Derivatives

KC Kok is the Head of Equity Markets and Derivatives Division. He is responsible for the group's equity business, which encompasses Equity Capital Markets, Institutional Equity Broking, Equity Derivatives and Futures Broking.

KC has over 15 years' experience in the equity business and has an extensive knowledge of the Malaysian market. He has led managed many equity and equity-linked deals, which include several landmark transactions. The most notable transaction is the RM2.91 billion Secondary Placement of Telekom Malaysia Berhad shares by Khazanah Nasional Berhad in 2004, which was voted Asia's Best Secondary Offering for 2004 by Finance Asia. He was also instrumental in pioneering Malaysia's first covered warrants issue in 2003.

Prior to joining CIMB, he was the Malaysia country head of an International brokerage house for over 5 years. KC started his career in this business in the late eighties with one of Malaysia's leading bank-backed brokerage firm.

KC Kok holds a Bachelor of Business Administration (Honours) degree from Universiti Kebangsaan Malaysia and a Masters in Business Administration from Schulich School of Business, York University, Canada.



Hamidah Naziadin



Yeoh Keat Seng



Lim Tiang Siew



Mabel Gan Pek Huong



Badlisyah Abdul Ghani

**Hamidah Naziadin**

Head, Corporate Resources

Hamidah joined CIMB Securities Sdn Bhd in 1991 to set up the Human Resource Unit. In 2001, she was transferred to CIMB to head the Group functions for Human Resource and Administration. She has 20 years of experience in human resource management and administration which among others include manpower planning, compensation and benefits, learning and development, industrial relations as well as performance management. In July 2004, she was appointed as the Head of Corporate Resources which saw her holding a bigger portfolio encompassing Human Resource, Administration, Corporate Communication, Knowledge Management and Special Projects. Prior to joining CIMB Group, she was attached to another financial institution. She holds a Bachelor of Laws Degree from the University of Wolverhampton.

**Yeoh Keat Seng**

Head, Private Client Services

Yeoh Keat Seng joined CIMB in May 2004. He heads the Private Client Services division that comprises the private client unit, remisiers, e-broking and private banking. Prior to that, Keat Seng was the Chief Executive Officer of Commerce Trust Berhad from 2001 and the Chief Executive Officer and Chief Investment Officer of Commerce Asset Fund Managers Sdn Bhd from January 2004 until his transfer to CIMB. Before joining the Commerce Group, he had served as Head of Research for Crosby Securities (Malaysia) and Head of Research for Merrill Lynch (Malaysia). He has 12 years' experience as an investment analyst and 10 years in management. During his tenure in

investment research, Keat Seng was voted Asiamoney's Best Analyst in Malaysia in 1996 & 1999. Besides being an analyst, he had also authored the book 'Investing Your Savings', which was on the best sellers list in 2003 and 2004. He holds a degree in accountancy from the National University of Singapore apart from being a chartered financial analyst and a certified financial planner.

#### **Lim Tiang Siew**

Co-Head, Corporate Finance

Lim Tiang Siew is an accountant by qualification. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

He started his career in 1976 with a major accounting firm, where he spent some 10 years. During his tenure with the accounting firm, he was seconded to the firm's affiliated office in Melbourne for 18 months.

He moved into the corporate finance industry in 1987, first joining a local merchant bank and subsequently a public listed company. He joined the Corporate Finance Department of CIMB in 1991 and has moved through the ranks, culminating with his appointment on 1 June 2004 as Co-Head of the department. Prior to 1 June 2004, he was Group Head for Mergers & Acquisitions.

During his tenure with CIMB, he has been involved in all areas of corporate finance work, both in respect of domestic transactions as well as cross border acquisitions and fund raising. He has advised and continues to advise some of the largest companies listed on Bursa Securities and on many major transactions by listed companies.

Tiang Siew has been and continues to be actively involved in the formulation and amendments to guidelines, regulations and law reforms in relation to capital market matters.

#### **Mabel Gan**

Head, Cross Markets Trading & Treasury

Mabel joined CIMB in 1997. She was the Co-Head of Debt Markets & Derivatives principal to leading and managing the fixed income, derivatives, structured products and money market teams. Mabel is the treasurer for CIMB Group and is heading the team in the markets. She has over seven years of experience in this field, from trading, market-making, structuring to sales and distribution for both the primary and secondary market. Prior to that, she has over three years of experience in financial consulting and audit.

Mabel is a Fellow of the Chartered Association of Certified Accountants. She sits on the Committee of 'Persatuan Pasaran Kewangan Malaysia' (also known as 'Financial Market Association – Malaysia') and its Market Development and Technical Sub-Committee.

#### **Badlisyah Abdul Ghani**

Head, CIMB Islamic

Badlisyah joined CIMB in 2002 and was attached to the Corporate Finance division, prior to his appointment as Head of CIMB Islamic. He is responsible for all Islamic banking and finance business of the CIMB Group. Previously, he was attached with an Islamic banking group. He holds a Bachelor of Laws Degree from the University of Leeds.

In the December 2004 edition of Euromoney, Badlisyah was one of three Malaysians named "the pioneer in Islamic finance" for his prominent contribution to the development of Islamic financial sector in Malaysia and globally.



Tan Choon Thye



Chew Ker Chee



Norazah Mohd Noor



Adhha Abdullah



Lee Yuet Peng



Wong Sook Peng



Darawati Hussain



Tengku Zarina Tengku Ibrahim



Julia Hashim



Joanne Rodrigues

### Tan Choon Thye

Director, PT CIMB Niaga Securities

Tan Choon Thye joined CIMB in 1988. He holds a Bachelor of Engineering (Hons) Degree from University of Malaya and a Master of Business Administration Degree from the University of Hawaii. He has over 18 years of corporate advisory experience. Prior to joining CIMB, he was attached to another merchant bank and Jerneh Insurance Corporation Berhad.

### Chew Ker Chee

Executive Director, CIMB Securities Sdn Bhd

Chew Ker Chee joined CIMB Securities Sdn Bhd in 1990 as Head of Finance and Operations. He is currently responsible for the Group's Risk Monitoring function and also oversees margin financing and data management services. Previously, he was the Head of Finance and Operations at another securities company of a large banking group. Chew is an Accountant by training. He has over 20 years of experience in the stockbroking industry and is an Accountant by training.

### Norazah Mohd Noor

Head, Group Operations Management

Norazah heads the Group Operations Management encompassing Debt Market & Derivatives, Equity, Futures, Private Banking, CIMB Islamic, CIMB (L) Limited, and PT CIMB Niaga Securities. She has more than 20 years of experience in operations. She is also the Deputy Chief Executive Officer of CIMB Discount House Berhad since 2002. She holds a Diploma in Banking Studies from Institut Teknologi Mara.

**Adhha Abdullah**

Chief Executive Officer, CIMB (L) Limited

Adhha joined CIMB in 1994. He began his career at CIMB's Corporate Finance division where he was involved in restructuring and preparing companies for listing and capital raising exercises. He was also part of CIMB's Proprietary Trading Team, responsible for creating structured equity option products. In 2001, he joined CIMB (L) Limited. In September 2002, he was appointed Chief Executive Officer of CIMB (L) Limited. He holds an undergraduate Degree from Bristol University and a Master's Degree from Cambridge University.

**Lee Yuet Peng**

Director, Risk Management

Lee Yuet Peng has been with CIMB since 1980. She is currently a Director of the Risk Management Department. She has more than twenty years experience in the banking and corporate lending business, including six years in risk management. She holds a Bachelor of Economics (Hons) degree from University of Malaya.

**Wong Sook Peng**

Director, Credit & Special Assets

Wong Sook Peng joined CIMB in 1983 after several years in commercial banking. She has 28 years of experience in corporate credit and lending. She heads the Credit & Special Assets unit which is responsible for credit risk arising from the Group's business activities such as lending, fixed income, derivatives, sales and trading. Prior to heading the Credit & Special Assets unit in 1998, she was attached to CIMB's Corporate Banking Department and subsequently its Capital Markets Division. She holds a Bachelor of Economics (Hons) Degree from University of Malaya.

**Darawati Hussain**

Head, Private Equity

Darawati returned to CIMB in 2001 to set up the Private Equity Unit after spending five years in London, where she was an equity portfolio manager for a US fund management company. Prior to this, she started her career at CIMB in 1991 and was attached to the Corporate Finance division. She holds a Bachelor of Economics and Accountancy degree (Hons) from Durham University, Masters in Business Administration (MBA) Degree from London Business School and is a Chartered Financial Analyst.

**Tengku Zarina Tengku Ibrahim**

Head, Corporate Communications

Having joined in September 2003, she brings to CIMB wealth of experience in corporate communications and public affairs. She started her career with Timuran Holdings Berhad and was responsible for the setting up of the in-house Share Registration Department and thereafter the Public Relations Unit for the Group. She then joined Limkokwing Integrated advertising agency where she managed the advertising and communications for its corporate and government clients. She was also the Head of Public Relations at a financial institution for a few years. Prior to joining CIMB she was Head of Public Affairs with another financial services group.

**Julia Hashim**

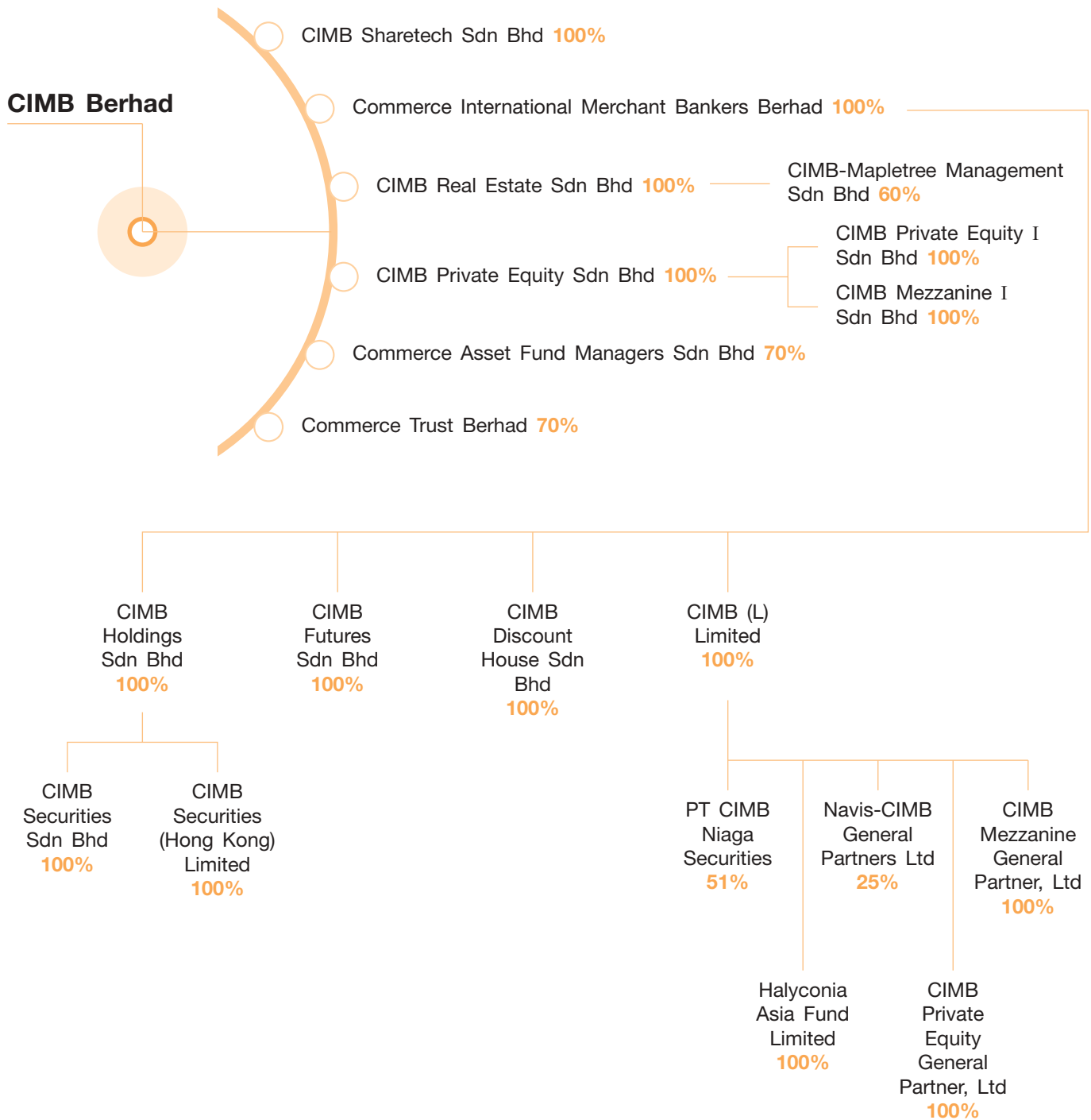
Executive Director, CIMB Securities Sdn Bhd

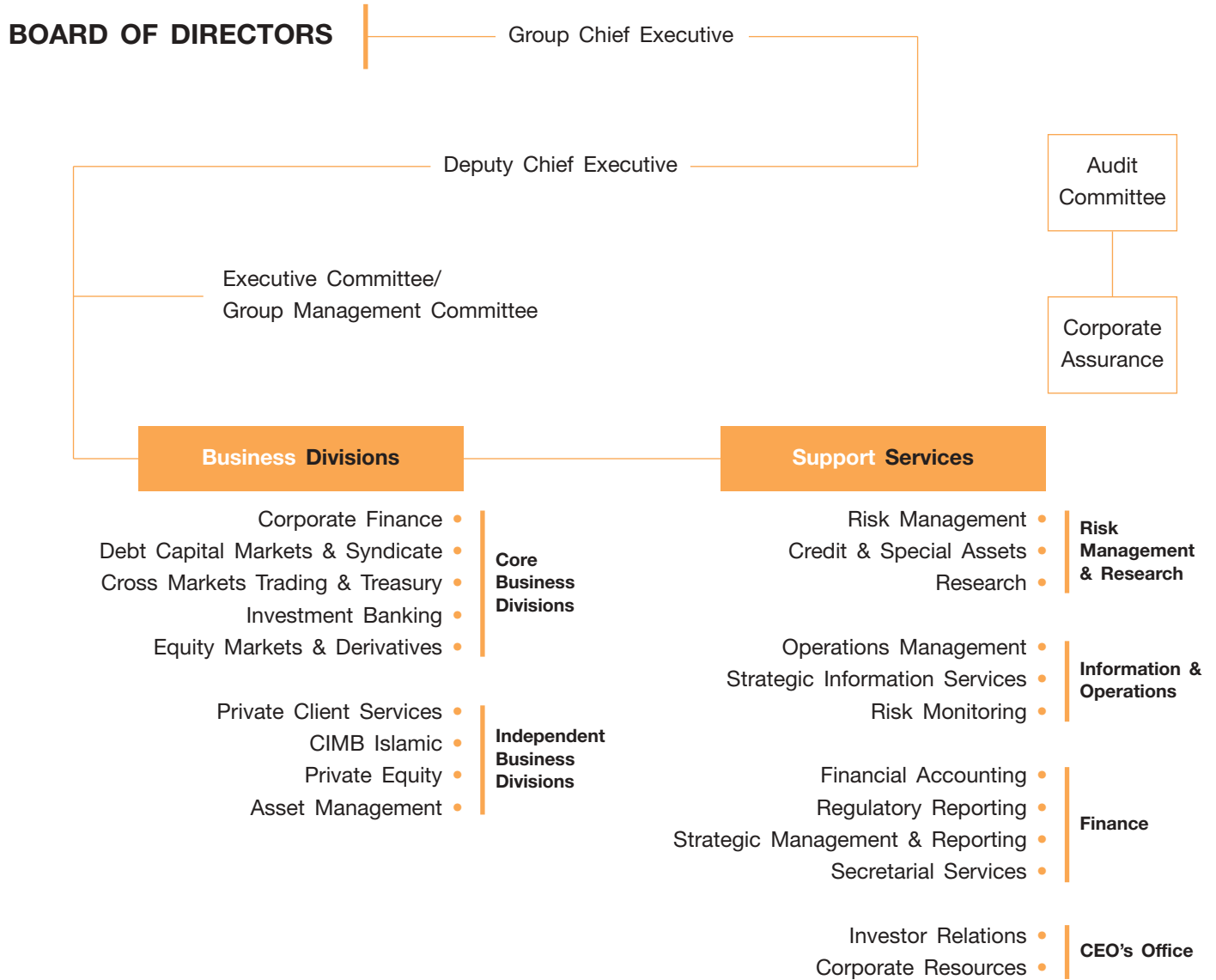
Julia joined CIMB Securities Sdn Bhd (CIMBS) as Vice President of Sales and Corporate Advisory in June 1993. She graduated with a Bachelor of Arts (Hons) Degree in Economics & Politics from University of London's School of Oriental and African Studies. Following a short stint as a Course Tutor at the Economics Faculty at University of Malaya, she joined the Investment Department of a local merchant bank where her responsibilities included managing portfolios in the equity and money markets. She currently heads the Domestic Sales Team at CIMBS as well as holding the position of Co-Head of Institutional Sales. In July 2004 she was appointed Executive Director Dealing of CIMBS.

**Joanne Rodrigues**

Head, Corporate Assurance

Joanne Rodrigues currently heads the Corporate Assurance Department, which provides internal audit services to the Group. Previously, she was attached to one of the big four accounting firms in the Assurance and Business Advisory Department focusing on the financial services industry. Joanne is a member of the Institute of Internal Auditors. She has an undergraduate degree from Bristol University, and is a qualified Chartered Accountant with the Institute of Chartered Accountants of England and Wales (ICAEW).





## Investment Banking

Investment Banking is responsible for developing and improving client relationships. The division plays the “front-line” role in identifying and originating structures and proposals for existing and potential clients. Investment Banking works closely with all product groups.

## Corporate Finance (CF)

CIMB has been Malaysia’s No. 1 CF house since the late 1980s. The core competency of CF is to provide financial advisory services for corporations.

Specific areas include:

- Asset backed securities
- Corporate advisory
- Corporate loans
- Debt restructuring
- Listings
- Loan syndication
- Margin lending
- Mergers and acquisitions
- Project advisory
- Secondary offerings
- Retail share financing
- Real estate funds

## Debt Capital Markets & Syndicate (DCMS)

DCMS intermediates between issuers and investors in primary and secondary debt markets in Malaysia and the region. The range of services provided by DCMS includes:

- Origination, syndication and distribution of primary bonds, medium term notes and commercial papers
- Debt product coverage including both conventional and Islamic as well as Ringgit and non-Ringgit
- Securitisation and distribution of Asset Backed Securities
- Market making and sales coverage in fixed income markets
- Derivatives and structured product sales coverage for fixed income investors





### Cross Markets Trading & Treasury (CMTT)

CIMB is a key player in the Malaysian capital markets. The range of services in CMTT includes:

- Trading in domestic fixed income and equity markets
- Trading in global fixed income and equity markets
- Primary bond markets underwriting
- Trading and market making in exchange-traded and over-the-counter derivatives markets
- Asset/liability and risk management solutions
- Structured products/solutions
- Repo and money market products and services
- Islamic money market services

### Equity Markets & Derivatives (EMD)

CIMB is a leading participant in the Malaysian equity markets. The range of services in EMD includes:

- Underwriting of Initial Public Offerings, convertible/Exchangeable Bonds and Equity linked issues
- Primary and Secondary Placements/Offerings
- Stockbroking and Futures Broking
- Equity Derivatives and Structured Products

### Private Client Services (PCS)

Private Client Services made-up of the Private Client Unit, Branch Broking, Remisiers, e-Broking and Private Banking. PCS offers a broad range of investment solutions and comprehensive advice to different segments of the retail market.

### Private Equity (PE)

Private Equity's services include providing equity and mezzanine financing for mid and late stage investment opportunities, particularly management buyouts, restructurings and recapitalisation exercises. PE also creates strategic alliances by investing in other private equity and venture capital funds.

### CIMB Islamic

CIMB Islamic is an Islamic financial services boutique, which provides investment banking services and products that comply with the Syariah locally and regionally. It specialises, amongst others, in Islamic Debt and Equity Capital Market, Islamic Fund & Asset Management, Islamic Wealth Management, Islamic Liquidity Management and Shariah Advisory Services. All its operations are supervised by a Board-appointed Shariah Committee called the CIMB Fiqh Council.

### Research

CIMB's research specialists provide in-depth and independent research reports for our clients covering economic trends, equities, fixed income and derivatives. CIMB was the first investment bank in Malaysia to develop a dedicated fixed income research team.

## Conferred By



## Award

Top Performer  
for Lifetime  
Bond Fund

- In recognition of Commerce Trust Berhad's Lifetime Bond Fund as the top performer in the general bond fund category.

## Conferred By



## Award

Best Provider  
of Islamic  
Financial  
Services in  
Asia

- In recognition of CIMB Islamic's role in developing the Malaysian Islamic capital market.

## Conferred By



## Award

Best Asian  
Bond

- In recognition of CIMB's role as Joint Bookrunner for the Telekom Malaysia US\$500 million Grade Bond.

Best  
Bookrunner of  
Malaysian  
Ringgit Bonds

- In recognition of CIMB as the Best Bookrunner for Malaysian Ringgit Bonds.

Best  
Malaysian  
Ringgit Bond

- In recognition of CIMB's role as Joint Lead Manager for Malaysia's Inaugural Residential Mortgage Backed Securities (Cagamas RMBS).

Best Asian  
Domestic  
Currency Bond

- In recognition of CIMB's role as Joint Lead Manager for Malaysia's Inaugural Residential Mortgage Backed Securities (Cagamas RMBS).

## Conferred By



## Award

Best Local  
Currency Bond

- In recognition of CIMB's role as Joint Lead Manager and Joint Bookrunner for Malaysia's Inaugural Residential Mortgage Backed Securities (Cagamas RMBS).

## Conferred By



## Award

Best  
Investment  
Grade Bond

- In recognition of CIMB's role as Joint Bookrunner for the Telekom Malaysia USD500 million Grade Bond.

## Conferred By



## Award

Best Local  
Currency Bond

- In recognition of CIMB's role as Joint Bookrunner and Lead Manager in the first ever ringgit-denominated transaction to be sold to foreign investors.

## Conferred By



## Award

Best Malaysia  
Equity Deal

- In recognition of CIMB's role as Sole Global Coordinator and Joint Bookrunner for Malaysia's largest Secondary Placement.

## Conferred By



## Award

Best Fixed  
Income Analyst

- In recognition of CIMB's analyst Jason Wong.

Best Sectorial  
Ringgit Bond  
Research

- In recognition of CIMB's Sectorial Ringgit Bond Research.

Best Ringgit  
Corporate  
Bond Research

- In recognition of CIMB's Ringgit Corporate Bond Research.

Best Ringgit  
Sovereign  
Research

- In recognition of CIMB's Ringgit Sovereign Research.

Best Sales  
Person

- In recognition of CIMB's sales person Ruzi Rani Ajith.

Best  
Economist

- In recognition of CIMB's Analyst Lee Heng Guie.

Conferred By

Award



Best Technology & Electronics Analyst

- In recognition of CIMB's Analyst Kelvin Goh.

Best F&B and Tobacco Analyst

- In recognition of CIMB's Analyst Steven Tan.

Best Equity Research House

- In recognition of CIMB's equity research.

Conferred By

Award



No. 1 for MYR Interest Rate Derivatives

- In recognition of CIMB as the top of the league by fellow competitors in the interbank trading market.

Conferred By

Award



Best Investment Bank, Malaysia

- In recognition of CIMB's strong commitment and overall dominance of the market, especially its strong ties to the leading corporations.

Best Equity House, Malaysia

- In recognition of CIMB's strong commitment to developing the equity market.

Conferred By

Award



Best Overall Country Research

- In recognition of CIMB's equity and economic research.

## Conferred By



## Award

Best Overall  
Sales Services

- In recognition of CIMB's capabilities in Malaysia's brokerage industry.

Best  
Execution

- In recognition of CIMB's capabilities in Malaysia's brokerage industry.

Best In Sales  
Trading

- In recognition of CIMB's capabilities in Malaysia's brokerage industry.

Best for  
Events and  
Conferences

- In recognition of CIMB's capabilities in organising events and conferences.

Best for  
Roadshow  
visits

- In recognition of CIMB's capabilities in arranging roadshows.

Best Local  
Brokerage

- In recognition of CIMB's top position among Asian Equity brokers.

## Conferred By



## Award

Local Market  
Derivatives  
Award

- In recognition of CIMB's contribution to the risk management and derivatives industry.

## Conferred By



## Award

No. 1 in Asia  
ex-Japan for  
M&A  
transactions

- In recognition of CIMB's top position in the number of M&A deals advised from the period of January 2004 to September 2004 in Thomson Financial's 2004 third quarter M&A league table rankings.

Conferred By

Award



Best Malaysia Deal

- In recognition of CIMB’s role as Sole Global Coordinator and Joint Bookrunner for Malaysia’s largest Secondary Placement.

Best Secondary Offering

- In recognition of CIMB’s role as Sole Global Coordinator and Joint Bookrunner for Malaysia’s largest Secondary Offering. (Khazanah’s USD766 million sale in Telekom Malaysia.)

Best Local Investment Bank

- In recognition of CIMB’s steady commitment to developing the Malaysian capital markets (awarded for the fifth consecutive year).

Best Equity House

- In recognition of CIMB’s strong commitment to developing the Malaysian equity market.

Best Broker

- In recognition of CIMB’s top position as the preferred local broker.

Conferred By

Award



Top Lead Manager 1990-2002 (Islamic) Cumulative Number of Issues

- In recognition of CIMB’s strong commitment to developing the Malaysian Islamic bond market.

Top Lead Manager 1990-2002 (Islamic) Cumulative Issue Value

- In recognition of CIMB’s strong commitment to developing the Malaysian Islamic bond market.

Top Lead Manager 1990-2002 Cumulative Number of Issues

- In recognition of CIMB’s strong commitment to developing the Malaysian bond market.

## Conferred By



## Award

Top Lead  
Manager 1990-  
2002  
Cumulative  
Issue Value

- In recognition of CIMB's strong commitment to developing the Malaysian bond market.

## Conferred By



## Award

Best Debt  
House

- In recognition of CIMB's strong commitment to developing the Malaysian bond market (awarded for the third consecutive year).

Best Equity  
House

- In recognition of CIMB's strong commitment to developing the Malaysian equity market (awarded for the third time).

Best M&A  
House

- In recognition of CIMB's active involvement in M&A deals in Malaysia (awarded for the fifth consecutive year).

## Conferred By



## Award

Best Domestic  
Equity House

- In recognition of CIMB's active involvement in the equity market (awarded for the second time).

Best Domestic  
Bond House

- In recognition of CIMB's strong commitment to developing the Malaysian bond market (awarded for the third consecutive year).

## Conferred By



## Award

Best Investor  
Relations  
Representative

- In recognition of CIMB's Best Investor Relations Representative, Ms Lynn Goh.





# CREATIVITY

**The Board of CIMB Berhad exercises diligence in carrying out its fiduciary duties as it strives to protect and further the interests of our stakeholders. Good corporate governance is at the forefront of our agenda and the Company seeks to foster accountability, transparency and professionalism in our Company; right from the top.**

The Board of CIMB Berhad is pleased to declare that CIMB Berhad is in full compliance with the Best Practices of the Malaysian Code of Corporate Governance (“the Code”). This Statement sets out the particular application of Corporate Governance principles by the CIMB Berhad Group, incorporating the Code, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia Listing Requirements”) and Bank Negara Malaysia Guidelines on the establishment of board committees, minimum qualifications and training requirements for directors and defining the responsibilities of independent directors (“BNM Guidelines”).

### Restructuring Exercise

The new structure for CIMB Berhad (“CIMB”) and Commerce International Merchant Bankers Berhad (“the Bank”) Boards and Board Committees ensured full compliance with the Code, Bursa Malaysia Listing Requirements and the BNM Guidelines. This restructuring process began with the appointment of three new independent non-executive Directors to the Boards of both CIMB and the Bank, leading to the restructuring of the Audit, Board Risk, Remuneration and Nomination Committees.

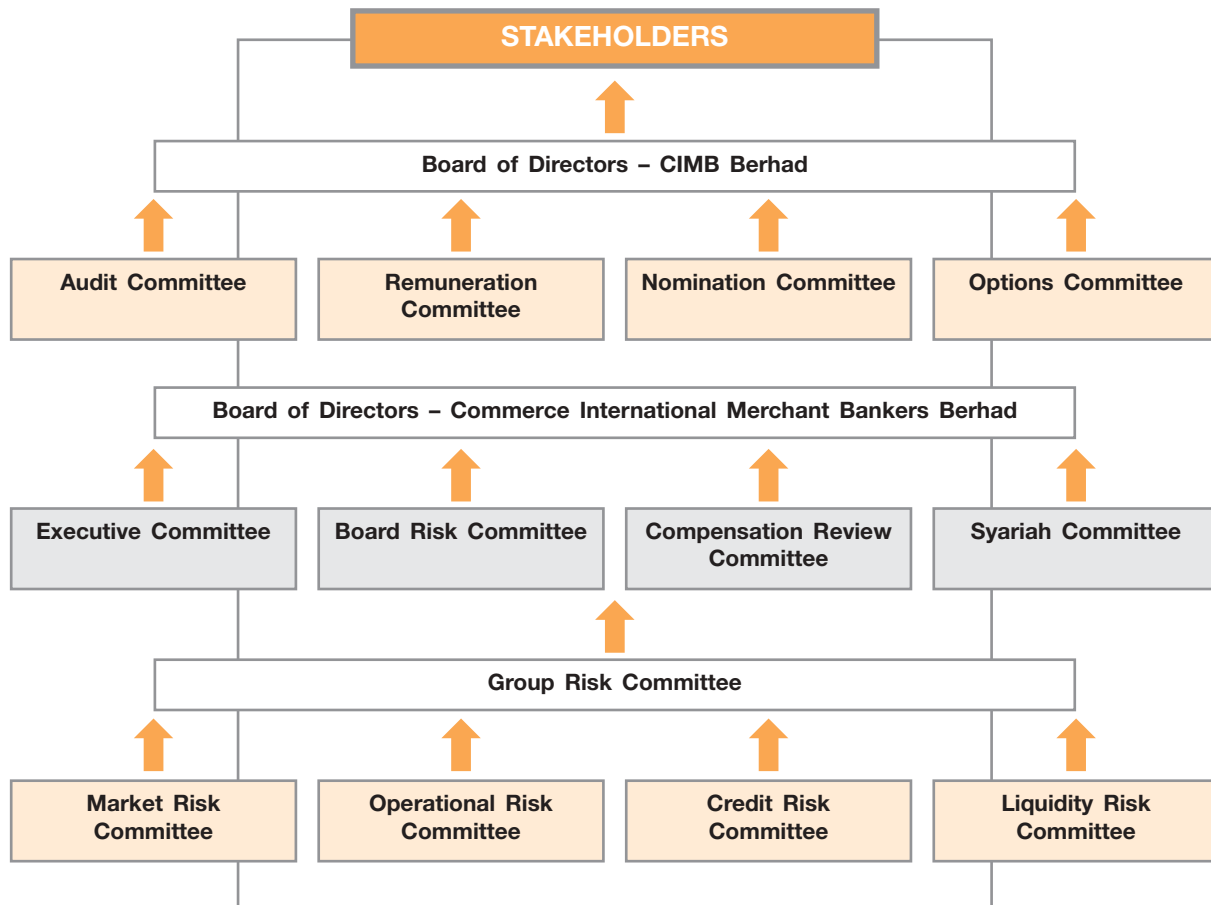
Under the restructuring exercise, the previously combined Remuneration and Nomination Committee was reorganised into two separate committees, while the two Audit Committees for CIMB and the Bank were merged to provide the oversight function for the entire CIMB Group. The members of the Board Risk Committee have also been increased from three to five.

At management level, a new Deputy Chief Executive was appointed in August 2004. Management has also established an Executive Committee to assist the Group Chief Executive in the day-to-day running of the Group’s businesses.

As intellectual capital remains at the forefront of our agenda in an increasingly competitive and sophisticated business environment, CIMB has also reorganised several core divisions to enhance functional effectiveness.

The restructuring process at the Board, Management and organisational level is an initiative which underlines the Group’s commitment to providing the greatest value to our stakeholders.

## 2004 Governance Structure



### THE BOARD OF DIRECTORS

#### Board Size and Balance

The Board is comprised of members who are specialists in the fields of finance and banking, supported by capable individuals from a range of other professions. Cumulatively, their substantive knowledge and experience ensures that the Board is more than capable of providing the expertise required for the task of managing our Company. The Board is responsible for overseeing the conduct and performance of the Group's businesses and reviewing the adequacy of its internal controls.

### Composition

The Board currently comprises eight (8) individuals who serve in the capacity of Non-Executive Directors. Four (4) of these members, who count the Chairman amongst their number, are Non-Independent Directors, whilst the remaining four (4) are Independent Directors. This balance of Independent and Non-Independent members is the result of a conscious initiative during the year to enhance the professional guidance of the Company's affairs and to ensure that no undue influence is exercised on the Board's decision-making.

Three (3) new Board appointments were made in 2004. Encik Zahardin Oardin and Mr. Cezar Peralta Consing were appointed to the CIMB Board on 5 May 2004 and 5 October 2004 respectively. Encik Zahardin is an experienced legal practitioner. Mr. Consing has had an illustrious investment-banking career in his nearly 20 years as the head of JP Morgan's Asia Pacific division. He brings with him a wealth of experience and expertise in international capital markets as well as an excellent network of relationships throughout Asia. Dato' Zainal Abidin Putih, who is already a Board member of CIMB, was appointed to the Board of the Bank on 30 June 2004.

CIMB places great importance upon the balance of Independent Directors. They serve as an essential source of impartial and professional guidance as we endeavour to protect the interests of our various stakeholders. All our Independent Directors fulfill the criteria set by the Bursa Malaysia Listing Requirements and BNM guidelines. They are independent of the Management and major shareholders and are free from

any business or conflicts of interest that may impair their ability to perform their duties as Board Members independently.

Brief backgrounds of each director are presented on pages 66 to 70 of this Annual Report.

### Role of the Board

The Board is the leading catalyst in the decision-making process for CIMB, deliberating and discussing policies and strategies that are proposed by Management. The board's role is to provide general direction to the company and to represent and safeguard the interests of stakeholders. This can be achieved only by having regard to the other relationships on which the Company depends – such as those with employees, customers, suppliers and the community, as well as to the impact of business decisions on the company's reputation and the environment.

In addition, the Board also sets the Company's strategy and its objectives, ensures that the Company has business plans to achieve the objectives and that the Company has a good executive team which is properly remunerated and motivated to achieve the set objectives. The Board also ensures that the Company conforms to best practice in corporate governance and business methods, and that its performance against objectives is reviewed on a regular basis, taking appropriate actions where necessary.

Dr. Rozali Mohamed Ali, who is a Non-Independent Non-Executive Director, is the Chairman of CIMB and has held this position since 28 November 2002. He plays a critical role in the functioning of the Board and is primarily responsible for the orderly conduct of board meetings, keeping discussions on track, encouraging all members to make a contribution, and ensures that all Board resolutions are passed through a majority vote, ensuring no single individual can affect proceedings. The Chairman serves as the main point of contact with the Group Chief Executive, working towards a harmonious relationship between the Board and Management. Dato' Hamzah Bakar is the Senior Independent Director, a role held since 16 April 2003. Dato' Hamzah acts as a channel to whom concerns about the CIMB Group can be conveyed, other than through the Chairman.

Dato' Nazir Razak is the Managing Director/Chief Executive of the Group and the Bank. He is assisted by an Executive Committee, whose members include the Deputy Chief Executive, two Executive Directors of the Bank and a Director from the CEO's Office. The Group Chief Executive has the responsibility for implementation of Board policies, making operational decisions and monitoring the day-to-day running of CIMB's business.

At Board meetings, the Directors deliberate and discuss policies and strategies proposed by Management, taking into account and balancing the interests of all implicated groups, whether they are shareholders, employees, customers, regulators and the society. In this, they use their considerable expertise and experience to contribute to policy formulation and the decision-making process. They also provide professional guidance to the Management as a whole.

#### Appointments to the Board

Via the Nomination Committee, the Board has put in place procedures for the nomination and election of Directors in the CIMB Group. The Committee plays a key role in assisting the Board in nominating new candidates to the Board and Board Committees as well as candidates for the position of Chief Executive Officer or other key senior management. It reviews and assesses the mix of skills that make up the Board and Committees and identifies gaps in Board competencies that should be addressed by new appointments. It also acts as a focal point for the assessment of Board performance.

In 2004, the Board of CIMB adopted a set of criteria for Board appointments that serve as a guideline to the Nomination Committee in determining the suitability of nominees recommended for Board and Committee appointments.

### Meetings and Procedures

Board meetings are scheduled by the 4th quarter of the preceding financial year and are informed in advance to the Directors. The Board of CIMB meets on a quarterly basis to review the CIMB Group's quarterly performance and to discuss new policies and strategies. Additional meetings are called as and when necessary. In 2004, 4 scheduled meetings were held and 4 additional meetings were convened to discuss special matters. The attendance of Board members was as follows:

Directors	Number of Board Meetings Held	Number of Board Meetings Attended
Dr. Rozali Mohamed Ali	8	7
Dato' Hamzah Bakar	8	8
Dato Halim @ Ahmad Muhamat	8	8
Dato' Nazir Razak	8	8
Robert Chiem Dau Meng	8	8
Dato' Zainal Abidin Putih	8	7
Zahardin Oardin	2*	2
Cezar P. Consing	1*	1

**Note:** \* Reflects the number of meetings held during the time the Director held office

The above meetings were held in the Company's Board Room at 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.

### Supply of Information to the Board

All Directors are provided with an agenda of the meeting and associated board papers for their consideration. The Board Papers consist of performance reports and results from every division within the Group, significant policy decisions for consideration, release statements, and disclosures by Directors and Principal Officers of their interests in shares. Board papers are dispatched in advance of Board meetings in order to facilitate informed discussion and decision making. The Group Chief Executive leads the presentation of board papers and provides comprehensive explanation of significant issues. All proposals and recommendations made by Management are comprehensively examined and

discussed by the Board before any decisions is made. Minutes from previous proceedings are provided and are signed by the Chairman of the meeting in accordance with the provision of Section 158 of the Companies Act, 1965.

The Directors are also kept informed as to any corporate announcement released to Bursa Malaysia. Any issues pertaining to related party transactions prior to the announcement of corporate proposals are also highlighted.

All Directors have access to the advice and services of the Company Secretaries, who also serve in that capacity for the various Board Committees.

### Training of Directors

Every new Director is given a comprehensive briefing of the Company's history, operations and financial control systems in order to provide them with first-hand knowledge of the Company's operations. In the light of increasing complexities in the capital markets, financial reporting and in shareholders' expectations, training is an ongoing process in an effort to help Directors stay abreast of relevant new developments.

All the Directors of CIMB have completed Bursa Malaysia's Mandatory Accreditation Program and have fully complied with the requirements under the Continuing Education Program up to 31 December 2004.

In addition to these external programs, internal courses are also arranged in areas that are relevant to the Group's investment banking franchise. In 2004, internal training programs comprised among others, those relating to Risk Awareness and a special course in Anti-Money Laundering and Counter Financing on Terrorism from an Investment Banker's Perspective.

### Re-election of Directors

An election of Directors takes place each year. One-third of the Directors retire from office at each Annual General Meeting and are eligible to offer themselves for re-election. Directors appointed by the Board in each financial year are subject to election by the shareholders at the next Annual General Meeting following their appointments.

Directors standing for re-election at the Annual General Meeting of the Company to be held on 15 April 2005 are detailed in the Notice of the 3rd Annual General Meeting.

### Number of Directorships

The Directors of CIMB and the Bank are in full compliance with the Bursa Malaysia Listing Requirements on the number of directorships held by each Director. The Directors do not hold more than ten (10) directorships in public listed companies and not more than fifteen (15) in non-public listed companies. The listing of directorships held by directors is submitted and confirmed by each Director on a quarterly basis and is tabled at each Board meeting for notification.

## BOARD COMMITTEES

The Board delegates certain responsibilities to Board Committees that operate within clearly defined terms of reference. The Chairmen of the various committees report the outcomes of their committee meetings to the Board, and any further deliberation is made at Board level if required. These reports and deliberations are incorporated into the minutes of the Board meetings.

The various committees are listed below:

### Audit Committee

The Audit Committee of the Board was established on 28 November 2002. It is tasked with assisting the Board in overseeing the Group's activities within its clearly defined terms of reference. It reviews the internal audit plan as a whole, the findings of internal audit and recommends actions to be taken by the Management. It is responsible for the internal audit staff as well as the review and appointment of the external auditors. The Audit Committee has taken a greater role in 2004 by reviewing and considering external auditor's appointments for non-audit services.



In reviewing quarterly results and year-end financial statements prior to making recommendations to the Board, the Committee focuses particularly upon changes in or implementation of major policy changes, significant or unusual events and compliance with accounting standards or legal requirements.

The Audit Committee also seeks to obtain external professional advice and invites outsiders with relevant experience to attend meetings, subject to approval of Bank Negara Malaysia, where applicable.

In pursuance of Paragraph 15.26 of the Bursa Malaysia Listing Requirements, the Audit Committee Report for the financial year ended 31 December 2004 are detailed in pages 110 to 113 of this Annual Report.

The Board conducts an annual review of the performance of the Audit Committee and each of its members to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference. The Board itself has full access to the internal and external auditors and receives reports on all audits tabled to the Audit Committee. The Audit Committee meetings are scheduled a week prior to Board meetings and the minutes of the Audit committee proceedings are immediately presented to the Board for notification.

#### Remuneration and Nomination Committees

The culmination of the restructuring exercise resulted in the separation of the functions of the Remuneration and Nomination Committees. Pursuant to approval received from Bank Negara Malaysia, the pre-existing entity was separated into two bodies on 30 June 2004, this being the Remuneration Committee and the Nomination Committee. Both are under the purview of the CIMB Board.

Prior to the restructuring exercise, the Remuneration and Nomination Committee met twice in 2004. The attendance of the members was as follows:

Members	Number of Meetings Held and Attended
Dr. Rozali Mohamed Ali	2
Dato' Hamzah Bakar	2
Dato' Zainal Abidin Putih	2

#### Remuneration Committee

The essential function of the Remuneration Committee is to assist the Board in developing a policy on remuneration of Directors and key senior management personnel so as to attract and retain directors needed to run the company and ensure that rewards and remuneration packages are commensurate with each of their expected responsibilities and contribution to growth and profitability. The Committee makes recommendations to the Board on the appropriate levels and forms of remuneration for Directors and key members of senior management. A review is conducted annually by the Remuneration Committee on actual performance against Key Performance Indicators after which appropriate recommendations are made to the Board for approval. The Remuneration Committee also determines the remuneration package of the CIMB Syariah Committee, which is a Committee established by the Board of the Bank.

All Directors, apart from CIMB Group Executive Directors, are paid monthly Directors' fee as well as meeting allowance for each Board or Committee meeting they attend. The Directors' remuneration are approved by shareholders at the Annual General Meeting.

The Remuneration Committee is comprised of the following members:

Dato' Hamzah Bakar (Chairman)  
 Dato' Zainal Abidin Putih  
 Dr. Rozali Mohamed Ali

The terms of reference of the Remuneration Committee are set out as follows:

- To recommend a framework of remuneration for Directors, Chief Executive Officer and key senior management officers for the full Board's approval.
- To recommend specific remuneration packages for Chief Executive Officer and Executive Directors/key senior management officers.
- To assess and conduct performance review of Chief Executive Officer and Executive Directors/key senior management officers for the full Board's approval.

The aggregate remuneration paid to Directors of CIMB and the Bank in 2004 were as follows:

**CIMB**

	Total
Fees (RM)	232,000

The Directors' remuneration are broadly categorised into the following bands:

Directors' Remuneration	Number of Directors
Below RM50,000	7
Between RM50,000 to RM100,000	1

**THE BANK**

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	—	300,500	300,500
Salary and Allowances (RM)	1,332,000	—	1,332,000
Bonus (RM)	2,515,000	—	2,515,000
Employees Provident Fund (RM)	555,000	—	555,000
Benefits-in-kind (RM)	150,000	—	150,000
TOTAL	4,552,000	300,500	4,852,500

The Directors' remuneration are broadly categorised into the following bands:

Directors' Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	—	2	2
Between RM50,000 to RM100,000	—	3	3
Between RM950,000 to RM1,000,000	1	—	1
Between RM1,050,000 to RM1,100,000	1	—	1
Between RM2,450,000 to RM2,500,000	1	—	1

### Nomination Committee

The Nomination Committee is comprised of the following members:

Dato' Zainal Abidin Putih (Chairman)  
Dr. Rozali Mohamed Ali  
Dato' Hamzah Bakar  
Zahardin Omardin  
Dato' Nazir Razak

The terms of reference for the Nomination Committee are set out below:

- (i) Establishing minimum requirements for the Board, mix of skills, experience, qualification etc.
- (ii) Recommending to the Board and assessing the nominees for directorship, board committee members and Chief Executive Officer.
- (iii) Overseeing and reviewing the overall composition and balance of the board and other board committees.
- (iv) Recommending to the Board the removal of a Director/Chief Executive Officer from the Board/Management, if necessary.
- (v) Establishing a mechanism for the formal assessment on the effectiveness of the Board and contribution of each of the Director. Annual assessment should be conducted based upon an objective performance criterion approved by the Board.
- (vi) Overseeing the appointment, management succession planning and performance evaluation of key senior management officers.
- (vii) Recommending to the Board the removal of key senior management officers, if necessary.
- (viii) Committee should not be delegated with decision-making powers.

The Nomination Committee considers the nomination of directors and Chief Executive Officers of major subsidiaries of the CIMB Group. This function includes assessing Directors for re-appointment before an application for approval is submitted to Bank Negara Malaysia under the BNM Guidelines; and assessing Directors who are due to retire at their respective Annual General Meetings.

The Nomination Committee met twice after 30 June 2004 with the following attendance:

Members	Number of Meetings Held	Number of Meetings Attended
Dato' Zainal Abidin Putih	2	1
Dr. Rozali Mohamed Ali	2	2
Dato' Hamzah Bakar	2	2
Zahardin Omardin	2	2
Dato' Nazir Razak	2	2

In 2004, the Nomination Committee had assessed and recommended the nomination of additional Directors in major subsidiaries, considering each individual's key competencies, while taking into account the Group's current requirements and the strategy for the future. The following Directors were recommended for appointment by the Nomination Committee in 2004:

Name of Director	Company	Date of Appointment
Zahardin Omardin	CIMB	5 May 2004
	The Bank	5 May 2004
Dato' Zainal Abidin Putih	The Bank	30 June 2004
Julia Hashim	CIMB Securities Sdn Bhd	19 July 2004
Cezar P. Consing	CIMB	5 October 2004
Charon Wardini Mokhzani	CIMB (L) Limited	18 October 2004
	PT CIMB Niaga Securities	10 December 2004
Dato' Dr. M. Shanmughalingam	CIMB Securities Sdn Bhd	7 January 2005

In line with its responsibility to oversee the succession planning in the CIMB Group, the Nomination Committee also assessed and recommended the nomination of a new Deputy Chief Executive for the Bank. Encik Charon Wardini Mokhzani was appointed to this position on 1 August 2004.

At the end of 2004, the Nomination Committee coordinated a performance evaluation exercise of the Directors and Committee members. The Nomination Committee also reviewed and assessed the mix of skills that make up the CIMB Group Board and Committees, and ensured that the Directors and key senior management of the Group which are licensed financial institutions, are not disqualified under section 56 of the Banking and Financial Institutions Act, 1989 ("BAFIA").

The performance evaluation of the CIMB Group Directors for 2004 was concluded in January 2005. A set of performance criteria, previously approved by the Board, is utilised to measure the performance and effectiveness of individuals on the Boards and Committees of the CIMB Group. Board and Committee members conduct a self-assessment exercise on their performance, contribution and effectiveness in the financial year ended 31 December 2004. A compilation of all responses is made and the report for each Committee is formally tabled to the Nomination Committee. The Nomination Committee's report is presented to the Board for notification.

The Nomination Committee is satisfied that the number of Directors on the Boards are sufficient to benefit from a diversity of viewpoints, skills and backgrounds that will support the CIMB Group in its achievement of strategic objectives. The Nomination Committee is of the view that the Boards currently comprise the necessary mix of skills and experience and was satisfied that each of the Boards was able to lead and guide their respective businesses effectively.

#### **Board Risk Committee**

The Board Risk Committee of the Bank aids the Board in the ultimate responsibility for the management of risks in the CIMB Group by identifying, assessing, controlling and reviewing potential principal risks. Its primary function is to oversee the Group's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that a risk management process is in place and functioning in the Group. It was established on 25 November 2002 following Bank Negara Malaysia's recommendations and is exclusively comprised of Non-Executive Directors of the Bank.

The Board Risk Committee meets on a monthly basis and reports to the Board of the Bank every month. It has adopted the following terms of reference:

- (a) Approve the appointment of members to the Group Risk, Market Risk, Credit Risk, Liquidity Risk and Operational Risk Committees and determine their terms of reference.
- (b) Approve global Capital-at-Risk (CAR) limits and the authorities of Group Risk, Market Risk, Credit Risk, and Liquidity Risk and Operational Risk Committees' policies to control the risk.
- (c) Oversee the entire risk management function within CIMB, including reviewing risk policies and strategies, reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- (d) Review and approve proposals recommended by the Risk Committee including proposals on new products and service offerings of the Group.
- (e) Provide strategic guidance and review decisions made by the various Risk Committees.
- (f) Ensure infrastructure, resources and systems and other capabilities are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline and that the risk awareness culture is pervasive throughout the organisation.
- (g) Appoint external consultants, from time to time, to review and advise the Committee on risk management matters.

The attendance of the Board Risk Committee in 2004 was as follows:

Members	Number of Meetings Held	Number of Meetings Attended
Dato' Hamzah Bakar (Chairman)	11	10
Dr. Rozali Mohd. Ali	11	11
Nicholas R. H. Bloy	11	10
Zahardin Oмарdin	6	5
Dato' Zainal Abidin Putih	6	5

Details of the Group's risk management framework are elaborated in pages 120 to 127 of this Annual Report.

## OTHER COMMITTEES

In addition to the above, other Committees established in the CIMB Group are:

### Options Committee

The Options Committee was established in November 2002 to administer the Group's Executive Employee Share Options Scheme ("EESOS"). Members of the Committee are Dr. Rozali Mohamed Ali (Chairman), Mr. Nicholas Bloy, Dato' Nazir Razak and Mr. Robert Cheim Dau Meng. The Options Committee meets at least once a year to deliberate and approve the basis of allocation of share options to eligible employees, in line with the EESOS by-laws and the compensation paradigm of the CIMB Group.

In 2004, the Options Committee met once with full attendance.

### Compensation Review Committee

The Compensation Review Committee was formed in October 2001 and comprises Dr. Rozali Mohamed Ali (Chairman), Mr. Nicholas Bloy, Dato' Nazir Razak and Mr. Robert Cheim Dau Meng. It meets at least once a year and its responsibilities include overseeing the remuneration packages for all employees in CIMB Group, ensuring that remuneration packages are consistent with the banking institution's objectives and strategy and that the compensation framework is continually reviewed and benchmarked to best industry practice.

The Compensation Review Committee met once in 2004 with full attendance.

### Syariah Committee

The CIMB Syariah Committee was established as the CIMB Fiqh Council in May 2003, and assumed its current name on 31 January 2005, pursuant to Bank Negara Malaysia's Guidelines on the Governance of Syariah Committee. The main role and function of the Syariah Committee is to advise and supervise CIMB on its Islamic banking and finance business. The Syariah Committee meets every quarter to review all Islamic banking and finance matters. The members of the Syariah Committee and their attendance at meetings in 2004 are as follows:

Members	Nationality	Number of Meetings Held	Number of Meetings Attended
Associate Professor Dr. Mohd. Daud Bakar (Chairman)	Malaysian	4	4
Professor Dr. Mohammad Hashim Kamali	Canadian	4	4
Associate Professor Dr. Engku Rabiah Adawiah Engku Ali	Malaysian	4	4
Associate Professor Hafiz E. Elzaki	Sudanese	4	4

## RELATIONSHIP WITH SHAREHOLDERS

### Investor Relations

Investor Relations is an area in which top Management is directly involved. Management conducts periodic roadshows and investors briefings both at home and abroad, with financial analysts, institutional shareholders and fund managers. This is in order to highlight the Groups' financial results, performance and potential new developments or items of business. Institutional analysts and fund managers are invited to attend these analyst briefings, chaired by the Group Chief Executive, and acts as a forum for discussion about the firm's performance, developments and prospects.

More details on Investor Relations activities are in pages 128 to 129 of this Annual Report.

### Annual General Meeting

The Annual General Meeting (AGM) is another important forum where dialogue is held with our shareholders. All shareholders are notified of the meeting together with a copy of the Company's Annual Report at least 21 days before the meeting is held.

The Board ensures that every item of special business included in the notices of the AGM or, as the case may be, an Extraordinary General Meeting, is accompanied by a full explanation of the effects of any proposed resolution.

At the AGM, the Group Chief Executive conducts a brief presentation on the Group's financial performance and prospects, whilst shareholders are given ample opportunity to ask for more information on the audited financial statements or other matters concerning the Company. The Chairman and the Board members are prepared to respond to all queries and undertake to provide clarification on issues and concerns that are raised by the shareholders. The external auditors are also present to provide professional and independent clarification, should the need arise, on issues raised by shareholders.

At the end of the Meeting day, the status of all resolutions proposed at the AGM are immediately submitted to Bursa Malaysia. A press conference is also held immediately after the AGM in order for the Directors and Management to meet members of the media for the purposes of clarifying or explaining any issues raised.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

To fulfill our commitments to stakeholders, the Company ensures full, fair and accurate recording and reporting of financial and business information. All financial records and reports accurately reflect transactions and events and conform to required accounting principles.

Statement of Directors' Responsibility in respect of Audited Financial Statements pursuant to Paragraph 15.27 (a) of Bursa Malaysia Listing Requirements:

*"The Directors are responsible for ensuring that financial statements of CIMB are drawn up in accordance with the provisions of the Companies Act, 1965, applicable approved accounting standards in Malaysia and the BNM Guidelines. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates and prepared on a going concern basis. The Directors also strive to ensure that financial reporting presents a balanced and understandable assessment of the Company's position and prospects"*

Management is responsible for preparing the Company's quarterly, half yearly and annual financial statements with all material disclosures such that they are complete, accurate and fairly present the information set forth in conformity with the relevant accounting standards and all applicable rules and regulations. The external auditor provides an opinion, based on its audits, that the financial statements fairly present, in all material respects, the financial position of the Company, its results of operations and cash flows. The external auditors report directly to the Audit Committee, prior to submission of the financial statements to Bank Negara Malaysia and eventual release to Bursa Malaysia within the stipulated time frame. The announcements are posted on the Company's website and reinforce the Board's commitment to provide a true and fair view of the Group's operations.



### Relationship with the Auditors

Through the Audit Committee, the Board maintains an active, transparent and professional relationship with the external auditors, PricewaterhouseCoopers (“PWC”). The external auditors continue to report to the Directors and members of the Company on issues which are included as part of the Company’s statutory financial statements. Matters that require the Board’s attention are regularly highlighted to the Audit Committee and the Board through the issuance of management letters and reports.

The Audit Committee was notified of a rotation of the audit engagement partner for the CIMB Group, in compliance with best practices on auditors’ independence. This recommendation was subsequently approved by Bank Negara Malaysia pursuant to Section 40 of the BAFIA.

### INTERNAL CONTROL

The Board recognises its responsibility in maintaining a sound system of internal control in the CIMB Group to safeguard stakeholders’ investments and the Group’s assets. In establishing and reviewing the internal control systems, the Board, together with the Audit Committee, periodically reviews the existence and effectiveness of internal controls by routine checking, reporting, proper delegation of authority and approval systems. In developing the internal control system, consideration is given to the overall control environment of the Company, assessment of both operational and financial risks and an effective monitoring mechanism.

### Knowledge Management

The company has embraced knowledge management to ensure effective flow of information and timely dissemination of information as these are imperative to both employees and prospective investors. Employees are encouraged to utilise the Group’s intranet, CIMBnet, so as to be well informed of the Group’s activities and to keep abreast with developments in the capital markets. CIMBnet also provides a forum for employees to exchange ideas and discuss work-related matters. The Company also maintains a website at <http://www.cimb.com.my> from which stakeholders and the general public can access information about our activities. Announcements and material information on the Company are also posted on this website simultaneously as it is disclosed to the investing public, in accordance with the Listing Requirements.

The Group is in strict adherence with the disclosure requirements of Bursa Malaysia as well as with relevant requirements of the Securities Industry Act, 1983. We exercise the greatest diligence in ensuring confidentiality and preventing abuse of undisclosed material information. This is achieved through our internal control procedures, which incorporate a Chinese Wall Policy on material information and a Delegated Authority Manual incorporating a Communications Policy which restricts communication with the media to only designated personnel. This results in a coordinated process of promoting due diligence and greater accountability when dealing with the Company’s material information and making corporate disclosures.

The Statement of Internal Control of CIMB is presented in pages 114 to 119 of this Annual Report.

## ADDITIONAL COMPLIANCE INFORMATION

### Material Contracts

Save as disclosed below, neither the Company nor any of its subsidiary companies had entered into any material contract which involved Directors' and/or major shareholders' interests, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

Date	Parties	Nature	Consideration (RM)	Mode of Settlement of Consideration	Relationship
18.08.2004	CIMB Berhad ("CIMB") and Commerce Asset-Holding Berhad ("CAHB")	Share Sale Agreement for the acquisition of 70% equity interest in Commerce Trust Berhad	17,000,000	Cash	CAHB is the substantial shareholder and ultimate holding company of CIMB
18.08.2004	CIMB and CAHB	Share Sale Agreement for the acquisition of 70% equity interest in Commerce Asset Fund Managers Sdn Bhd ("CAFM")	18,000,000	Cash	CAHB is the substantial shareholder and ultimate holding company of CIMB

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

During the financial year under review, the Company had not entered into any recurrent related party transaction which are of a revenue or trading nature which requires shareholders' mandate.

### Share Buy-Backs

There were no share buy-backs during the financial year ended 31 December 2004.

### Options, Warrants or Convertible Securities Exercised

The Company had on 11 February 2004 and 21 September 2004 made an offer to grant options to eligible employees of the CIMB Group to subscribe to shares of the Company under the Executive Employee Share Options Scheme ("EESOS"). The total number of share options offered to eligible employees of the CIMB Group amounts to 26,329,000 ordinary shares of RM1 each. As at 31 December 2004, a total of 1,656,200 of the share options had been exercised.

The Company has not issued any warrants or convertible securities.

**American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”)**

The Company has not sponsored any ADR or GDR program for the financial period ended 31 December 2004.

**Sanctions and/or Penalties**

The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by any regulatory bodies, except for the following:

CIMB Securities Sdn Bhd (“CIMBS”), a wholly-owned subsidiary of CIMB, had been charged on 5 December 1997 under Section 41(1) of the Securities Industries Act 1983 (“SIA”), being a charge brought by the Securities Commission (“SC”). The charges assert that CIMBS, as an agent of a principal, Credit Lyonnaise Securities (Singapore) Pte Ltd (“CLSS”), through its dealer’s representative, Ng Wai Hong (“NWH”), sold Perusahaan Otomobil Nasional Bhd. shares on behalf of its principal when at the time of the sale (the date of the sale being 14 August 1997), CIMBS’ principal did not have a currently exercisable and unconditional right to vest the securities in the purchaser thereby committing an offence under Section 41(1)(a) of the SIA, which is punishable under Section 41(2) of the SIA. Under Section 41(2) of the SIA, a person is liable on conviction to a fine not exceeding RM1 million or to imprisonment for a term not exceeding 10 years or both.

On 17 May 2004, the Sessions Court at Kuala Lumpur found each of CIMBS, CLSS and NWH guilty of an offence under the said Section 41 of the SIA. Subsequently, on 20 May 2004, the Sessions Court had heard the plea in mitigation by Counsel for CIMBS, CLSS and NWH and imposed fines of RM400,000 each for CIMBS and CLSS and RM200,000 for NWH of which CIMBS and NWH had paid on even date. CIMBS has since filed a Notice of Appeal on the decision.

**Non-Audit Fees**

During the financial year under review, non-audit fees paid to the external auditors of the Group amounted to RM1,182,725.

**Utilisation of Proceeds from Corporate Proposals**

In December 2004, the Company implemented a Commercial Papers (“CPs”) and Medium Term Notes (“MTN”) Programme. The aggregate outstanding nominal value of the CPs and the MTNs issued under the CP Programme and the MTN Programme respectively shall not exceed RM250 million at any point in time. The tenure for the CP Programme is seven years from the date of first issuance under the CP Programme, while the tenure of the MTN Programme is ten years from the date of first issuance under the MTN Programme. The proceeds to be raised from the issuance of CPs and MTN Programme will be utilised for:

- (i) refinancing the borrowings of the Company;
- (ii) financing asset acquisitions and other capital expenditures by CIMB Berhad Group; and
- (iii) for working capital requirements of CIMB Berhad Group.

On 20 December 2004, CIMB Berhad utilised its first CP Programme by issuing RM55 million nominal value CPs at a discount rate, with an effective yield of 2.83% and six months tenure.

**Variation in Results**

There was no variation in results made or released by the Company in the financial year ended 31 December 2004.

**Profit Guarantee**

The Company did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2004.

**Revaluation Policy**

The Company has not adopted a regular revaluation policy on its landed property. Details of the property are disclosed in page 294 of this Annual Report.

The Audit Committee (“AC”) of CIMB Berhad functions as a specialised Committee within the Board of Directors to provide greater focus regarding the Group’s state of internal control and governance. The Committee provides the Board of Directors and stakeholders with an independent oversight over the CIMB Group.

### AUDIT COMMITTEE COMPOSITION

On 23 January 2004, Bank Negara Malaysia (“BNM”) approved CIMB Berhad’s request to consolidate the CIMB and the Bank’s Audit Committees into one Committee. This request was made with the intention that a group level Committee would provide a more effective and efficient oversight for CIMB and its subsidiaries. Following this, and subsequently, BNM’s approval of all the directors on the committee, the Bank’s audit committee was dissolved on 30 June 2004, and the CIMB Audit Committee became the sole AC for the Group.

The AC comprises wholly of non-executive directors with the majority of the members being independent. In accordance to Bursa Malaysia’s listing requirements, at least one member of the Committee is a member of the Malaysian Institute of Accountants (“MIA”).

Commerce International Merchant Bankers Berhad (Committee dissolved on 30 June 2004)		No. of Meetings	
		Held	Attended
Dato’ Hamzah Bakar (Chairman)	Independent Non-Executive	4	4
Nicholas R.H. Bloy	Non-Executive	4	2
Dr. Rozali Mohamed Ali	Non-Executive	4	4

CIMB Berhad		No. of Meetings	
		Held	Attended
Dato’ Zainal Abidin Putih (Chairman)	Independent Non-Executive	7	7
Dato’ Hamzah Bakar	Independent Non-Executive	7	7
Dr. Rozali Mohamed Ali (appointed 30 June 2004)	Non-Executive	5	5
Robert Cheim Dau Meng (resigned 30 June 2004)	Non-Executive	2	2



Dato' Hamzah Bakar

Dato' Zainal Abidin Putih  
Chairman

Dr. Rozali Mohamed Ali

## MEETINGS

In keeping abreast with current issues and the state of internal control within the Group, the AC convenes once every two months with a quorum of at least two members. All relevant papers for the AC meetings are prepared and provided to the Directors one week before the meeting to ensure that there is sufficient time to review the reports and documents.

The AC meetings were usually held 1 week prior to the Board of Directors meeting to allow enough time for all relevant issues to be considered and highlighted to the Board. The minutes of the latest AC meetings are tabled at the Board of Directors Meeting by the Chairman of the Audit Committee together with any other issues that the Chairman deems necessary.

## TERMS OF REFERENCE

The terms of reference of the Audit Committee are:

- To review internal controls of the CIMB Group including the internal audit scope, internal audit programme, internal audit findings, and recommend action to be taken by the Management. The reports of internal auditors and the AC are not subject to clearance of the Group Chief Executive.
  - To evaluate the performance and decide on the remuneration package of the internal auditors.
  - To approve the appointment or termination of senior staff members of the internal audit function and to be informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.
  - To consider the major findings of internal investigations and management responses.
  - To review with the external auditors, the scope of their audit plan, system of internal accounting controls, the audit controls, the audit reports (including management letter and management response), the assistance given by the Management and any finding or action to be taken.
  - To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts.
  - To review the Balance Sheet and Profit and Loss Account for submission to the Board of Directors and ensure the prompt publication of annual accounts.
- To review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on the following:
    - Changes in or implementation of major accounting policy changes
    - Significant and unusual events
    - Compliance with accounting standards and other legal or regulatory requirements
  - To review any related party transactions that may arise within the CIMB Group.
  - To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of BNM, where necessary.

## SUMMARY OF ACTIVITIES

The AC members take their responsibilities seriously and this is reflected in their activities during the year. This included the following:

- Approved the co-sourcing arrangement between Corporate Assurance and an external consultant to review CIMB Islamic's compliance with the syariah laws and regulations. This was the first such review to be done by a financial institution.
- Considered and commented on the Audit Reports and Ratings issued by the BNM examiners.
- Regularly monitored remedial actions taken by management on the issues and recommendations raised by BNM in their audit reports.

- Reviewed and verified that process of the allocation of share options to employees ensured that the allocation was in accordance with the stated criteria.
- Considered and recommended to the Board, on the reappointment of the external audit.
- Deliberated over the external auditors audit plan, scope of work and the reasonableness of the audit fees.
- Reviewed and approved the half year limited review performed by the external auditors.
- Reviewed and approved the Annual Internal Audit Plan.
- Reviewed all audit reports, investigations and special reviews performed by the internal auditors providing support and recommendations for management, where necessary.
- Reviewed and approved the quarterly results as well as the year end financial statements of the CIMB Group. During these instances, the AC took note of changes in the accounting policies and their ensuing effects on the Group's financials.

## CORPORATE ASSURANCE

To assist in its responsibilities in providing an assurance to the Board, the AC relies on the Corporate Assurance Department (formerly known as "Strategic Risk & Compliance") to perform the internal audit functions of the Group. The Corporate Assurance Department provides the details to the AC on matters relating to the effectiveness of the system of internal control and the overall governance practices within the Group.

The audits and reviews conducted by CA are laid out in the annual plan that was reviewed and approved by the Audit Committee at the beginning of the year. The plan was derived from a risk assessment process that considered the risks within each department or unit and the extent that it would have an impact on the Group. In performing the risk assessment, CA draws from its own experiences as well as the Corporate Risk Scorecard ("CRS") that is being maintained as part of the Group's Operational Risk Framework.

Further details on the CRS are set out in the Statement of Internal Control.

Beyond the risk based audits, the auditors also assist in the evaluation of risks and control in the implementation of new products and projects.

To reinforce the independence of the Corporate Assurance Department ("CA"), the AC meets with the auditors regularly to discuss the audit reports and any other pertinent matters.

## REGULATORY FRAMEWORK

Effective internal control is the foundation for the safe and sound operations of a financial institution. CIMB Group is committed to embrace the Malaysian Code on Corporate Governance and the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements.

### MALAYSIAN CODE ON CORPORATE GOVERNANCE

... requires listed companies to maintain a sound system of internal control to safeguard shareholder’s investment and the Group’s assets.

### BURSA SECURITIES LISTING REQUIREMENTS

Paragraph 15.27 (b) requires the Board to make a statement about the state of internal control of the listed issuer as a group.

In adherence to the requirement above, the Board of CIMB is pleased to issue the following statement regarding the state of internal control in CIMB for the year 2004 as a group. This statement has been prepared with reference to, and guidance from Bursa Securities’s Statement on Internal Control: Guidance for Directors of Public Listed Companies.

This statement describes the internal control framework practised throughout the business operations of the Group in general, and the processes that make up the framework in particular.

## ACCOUNTABILITY OF THE BOARD

The Board of CIMB acknowledges that it is responsible for designing and maintaining an efficient and effective internal control system to safeguard shareholders’ investment and the Group’s assets. The tasks involved in maintaining a sound internal control system include regularly reviewing the strategic direction, financial, operational and compliance controls and risk management policies and procedures.



The Board, guided by the corporate objectives, defines the risk standards and parameters to maximise long term shareholders' value whilst exceeding the needs of customers, employees and all related stakeholders. In the design of the internal control system, the Board has defined the risk management framework to identify key risk areas, evaluate the impact and set policies in relation to the risks and their appropriate controls. The implementation of the defined framework is then delegated to the Management.

The Board of CIMB subjects the processes of the framework to regular reviews. In addition to this, the Board of the Bank, which is the main subsidiary of CIMB, meets on a monthly basis to discuss matters related to the banking group in accordance with Bank Negara Malaysia (BNM) Guidelines.

Whilst acknowledging their responsibility for the system of internal control, the Directors are aware that such a system cannot produce an absolute assurance against material misstatement or loss or the occurrence of unforeseeable circumstances.

### **AN INTEGRATED RISK MANAGEMENT AND CONTROL FRAMEWORK**

The management of all forms of business risk continues to be an important part of ensuring that the business create and protect value for shareholders. CIMB Group has adopted the Enterprise-Wide Risk Management framework ("EWRM") to manage its risks. This integrated, proactive and process-oriented approach is adopted to manage risks, and ultimately business opportunities. It facilitates well-aligned processes, which leads to a thorough understanding of the Group's risk management capabilities, so that it can quickly capitalise on business opportunities.

The EWRM framework involves a continuous process of identifying, managing and reporting significant risks that may affect the achievement of business objectives. With EWRM, the Board and Management have a comprehensive methodology to anticipate and manage existing and potential risks rigorously. This proactive approach is cascaded downwards through the CIMB Group via the Management's efforts of embedding a strong risk control culture at the operational level.

To complement the EWRM framework the Group has implemented the Corporate Risk Scorecard (CRS) system to capture and monitor operational risk factors affecting the Group's business activities in a structured and effective manner. This initiative demonstrates further the Group's ambition in meeting the highest standards in corporate governance and internal control.

The scorecard maps out and prioritises the various risks, based on the possibility of the risk occurring and its impact on shareholders' value. It provides the Board and the Management with a complete view of the enterprise-wide operational risk exposure on a single common platform. This in turn facilitates the prioritisation of risk issues for the CIMB Group to plan its resources and address the risks accordingly, whilst also serving as one of the key drivers in preparing the statement of internal control.

In addition to these internal mechanisms, CIMB Berhad's parent company, Commerce Asset-Holding Berhad ("CAHB") continues to apply the 'Strategic Risk Management Framework and Group Risk Metrics and Scorecard' for the entire CAHB Group to facilitate the monitoring of risk at the parent company level.

## RISK CONTROL PROCESS

The critical processes that the Board has established in order to review the adequacy and integrity of the system of internal control and management information systems, in addition to compliance with applicable laws, regulations, rules, directives and guidelines are as follows:

### Organisation Structure

The Group designed its organisation structure in a manner that clearly delineates authorisation levels and proper segregation of duties. This helps ensure effective communication of risk control objectives and establishment of authority and duties in accordance with Management criteria.

During the year, the management reorganised the support function and consolidated the back office to mirror the investment banking concept.

### Risk Committees

Committees have been established within the Group with specific responsibilities and functions, which are clearly defined in their respective terms and references. These committees have the authority to examine matters within their scope and report to the Board recommendations that they propose.

The Board Risk Committee reports directly to the Board of the Bank. It oversees the entire EWRM and provides strategic guidance and reviews decisions made by the various Risk Committees. The Board Risk Committee consists of five Non-Executive Directors.

The Group Risk Committee, comprising the senior Management of the CIMB Group, performs the oversight function for capital allocations and overall risks limits guided by the risk appetite defined by the Board.

The Group Risk Committee is further supported by specialised sub-committees; namely, Credit Risk Committee, Market Risk Committee, Liquidity Risk Committee and Operational Risk Committee. These are all Board delegated committees that meet at least once a month.

### Internal Policies & Procedures

All business units' policies and procedures have been documented and approved by the Board for application across the CIMB Group. In particular, the policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are stated in operations manuals, guidelines and directives, which are issued by the Group. Regular reviews and updates are performed semi-annually to ensure that the documentation is current.

### Monthly Performance Review

Each business unit is subjected to performance reviews in the monthly Group Management Committee (GMC) meetings. The performance of each business unit is assessed against approved budgets and explanation is provided for significant variances. The review also details fresh business proposals, achievements for the month and listing of defaulted accounts.

**Compliance**

The compliance units of the subsidiaries, namely CIMB Securities Sdn Bhd and CIMB Futures Sdn Bhd, are responsible for reviewing their respective compliance with the regulatory requirements and internal policies. Any deviations or breaches are brought to the attention of the Audit Committee and the respective Boards are kept informed of the causes and the remedial measures taken.

Middle Office implements CIMB's risk management framework by undertaking its monitoring activity close to the trading floor.

During the year, Group Risk Monitoring ("GRM") has been formed to undertake the Group's compliance function. Whilst this is not a regulatory requirement, GRM is given the mandate to review compliance to regulatory requirement, compliance to internal Policies & Procedures and undertake investigations for breaches.

**Audit**

The Corporate Assurance Department (CAD) performs the internal audit function for CIMB Group based on the annual audit plan as approved by the Audit Committee. In addition to this, CAD also monitors compliance with policies and procedures and reviews the effectiveness of the internal control systems. Audits are performed on all business units and subsidiaries based upon risk assessment.

The Audit Committee (AC) deliberate findings and recommendations proposed by the internal and external auditors as well as the Compliance Units of the Group's subsidiaries. Apart from that, it evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. It also reviews the internal audit functions in relation to the internal audit scope of audits, the quality of the audits and the annual audit plan. The minutes of the AC meetings are tabled to the Board of CIMB and the Bank on a periodic basis.

To further enhance its internal control, the Group has undertaken the following initiatives:-

- **Group-Wide Chinese Wall Policy.** In embracing the investment banking framework advocated in the Capital Market Master Plan, the CIMB Group has developed a Group-wide Chinese Wall Policy. This effort covers both the CIMB Group committees and organisational structures, and attempts to eliminate, if not manage, the conflict of interests arising from the convergence of various business practices.
- **Operational Risk Sub-Committee.** In anticipation of the implementation of Basel II, the Operational Risk Sub-Committee (ORSC) was formed to develop and implement enterprise-wide operational risk framework and initiatives. Among its functions are to develop, maintain and track enterprise-wide operational loss data, and create operational risk awareness and accountability across all business units in the CIMB Group. In short, the ORSC seeks to identify, quantify and integrate operational risk into CIMB Group's EWRM framework.
- **Exceptions Management Procedure.** The Board has put in place an "Exceptions Management Procedure" formalising the escalation of reporting when internal or external breaches are detected. This procedure advocates timely remedial measures and strengthens transparency and management oversight.
- **Risk Awareness.** Various risks related training, for example Chinese Wall Procedures and an in-house Corporate Risk Awareness training, were conducted to enhance the control environment and instil a healthy risk culture across the Group. The training sessions also seeks to promote and cultivate individual responsibility for risk management as each staff is in essence, an ambassador of CIMB.
- **Code of Ethics.** Efforts were taken to remind all staff to observe BNM's code of ethics through semi-annual reminders on the Group's Intranet.
- **Anti Money Laundering (AML) Vigilance.** The CIMB Group is committed in ensuring that there is sufficient vigilance in detecting and reporting money laundering activities to ensure that our financial system is not abused in any manner by criminal elements.

We have established policies and procedures for anti-money laundering and suspicious transaction reporting. In addition to this, there is an AMLA compliance officer appointed and an AMLA Committee has been set-up primarily to advise on the strategic direction on all AMLA related matters. Apart from that, training and awareness programme is made compulsory for all relevant staff.

# Risk Control Process

At CIMB, we are dedicated to ensuring that risk management processes are put into place to ensure organisation preparedness and efficient monitoring of risk across the Group.

## RISK MANAGEMENT

Risk management is an integral part of the CIMB Group's business and activities, and the extent to which the Group is able to identify, assess, monitor, and manage each of the various types of risk is critical to its soundness and profitability. The Group has reviewed its risk management process against the backdrop of its functional transformation into a full-fledged transaction-based investment bank and it has rationalised the overlaps between the risk management tasks assumed by individual business units and the centralised risk oversight function. The Group's risk management is applied on an enterprise-wide basis, ensuring a consistent approach across the Group and continuous evaluation. The risk management of the Group is independent of the Group's operating units and reports to the Board of the Bank on a regular basis. New businesses/products/activities or entry into new markets are not embarked upon unless recommended by the Group Risk Committee and approved by the Board.

Generally, the objectives of the Group's integrated risk management framework are to:

- identify the various exposures and operational requirements;
- establish the policies and procedures to measure, monitor, manage and report these exposures, and to ensure that they are within the Group's risk profile as approved by the Board of CIMB; and
- set out the appropriate responsibilities and structures required in the risk management process.

## AN INTEGRATED RISK MANAGEMENT AND CONTROL FRAMEWORK

CIMB Group adopts the enterprise-wide risk management framework (EWRM) to manage its risks, which is implemented by a number of committees. The EWRM framework involves the ongoing process of identifying, managing and reporting significant risks that may affect the achievement of its business objectives. This robust methodology equips the Board of the Bank and the Management with a comprehensive tool-kit to anticipate and manage both the existing and potential risks, taking into consideration the changes in the risk profile experienced in the industry and within the Group.

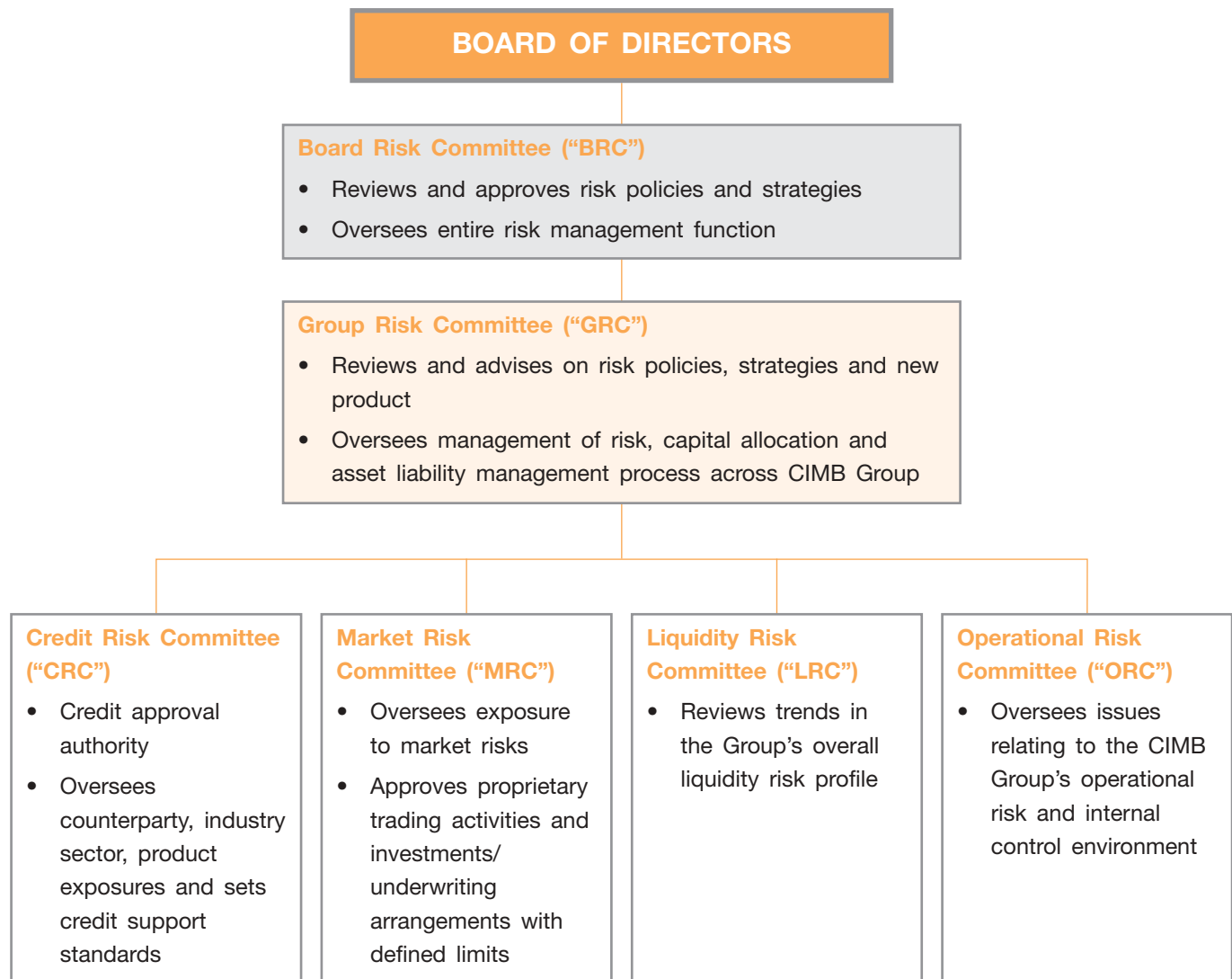
CIMB employs a Capital-at-Risk (“CaR”) framework as a common measure of risk within the CIMB Group. The CaR framework focuses on economic capital needed to cushion against unexpected losses. CaR can be aggregated, thus allowing measurement of the CIMB Group’s total risk, and it provides a basis for risk-return consideration, hence serving as a limit for risk-taking. Risk capital is allocated to business units that utilise the balance sheet of the CIMB Group. The CaR framework forms the basis of return on risk-adjusted-capital, which is used by the CIMB Group to compare profitability across differing businesses and for measurement of CIMB’s performance.

## ROLE OF SENIOR MANAGEMENT

In line with best practices in corporate governance, the Board Risk Committee determines the risk policy objectives for the CIMB Group, and assumes ultimate responsibility for risk management. The Board Risk Committee also establishes the yearly allocation of risk capital to support all risks taken by the Group. The day-to-day responsibility for risk management and control, however, has been delegated to the Group Risk Committee, which reports directly to the Board Risk Committee. Sub-committees delegated from the Group Risk Committee are also in place to manage and control specific risk areas.

Specific committees have been delegated the responsibilities which are clearly defined in their terms of references. These committees have their scope and report back to the Board of the Bank with their recommendations. The Board Risk Committee, comprising five (5) Non-Executive Directors, reports directly to the Board of the Bank, oversees the entire EWRM and provides strategic guidance and reviews decisions made by the various risk committees. The Group Risk Committee, comprising the senior management of the Group, undertakes the oversight function for capital allocations and overall risks limits guided by the risk appetite as defined by the Board of CIMB. The Group Risk Committee is further supported by four (4) specialised sub-committees, namely, Market Risk Committee, Credit Risk Committee, Liquidity Risk Committee and Operational Risk Committee.

The roles and responsibilities of the sub-committees are as follows:





## KEY ACTIVITIES

CIMB Group's EWRM process rests with a number of management committees. The purpose of each is to identify, analyse, monitor and review the principal risks to which the Group is exposed. Essentially, these constitute:

- **market risk** – arising from changes in market prices such as interest rates, exchange rates and share prices;
- **credit risk** – relating to the quality of counterparties with whom the Group deals, as well as their potential for defaults;
- **liquidity risk** – relating to the funding of the Group's activities; and
- **operational risk** – relating to the potential losses arising from a breakdown in controls and the implementation of safeguards to ensure the proper functioning of people, systems and facilities. This includes legal and regulatory issues, and the need to ensure that all work undertaken by the Group meets the strictest standards of legislation and documentation.

The primary oversight body is the Risk Management Group (RMG), which comprises the Risk Management Division (RMD), Middle Office (MO) and Credit & Special Assets (CSA), which are independent of the Group's business units and which assist the senior Management and the various risk committees in monitoring and controlling the Group's risk exposures.

### The roles of RMG

The key responsibilities of RMG is to identify, analyse, monitor, review and report the principal risks to which the Group is exposed. It is directly responsible for monitoring risk limits set by the BRC for the respective business units. The goals of RMD are to understand the risk profile of each trading area and to initiate and propose risk policies, risk measurement methodologies and risk limits in order to aggregate and control credit, market and operational risks across the enterprise, to articulate large trading or position risks and to propose independent valuation methodology of the trading portfolios. With these risks and valuation policies in place, the MO's responsibility is to operationalise the risk management framework by ensuring that the processes, procedures, controls and resources are in accordance with business expectations and internal policies for market transaction activities, in particular mark-to-market and parameters verification procedures. CSA, however, is responsible for the credit review function to ensure that all counterparty risk decisions taken within the delegated authority meets the accepted standards of the Group.

On an annual basis, the RMD proposes the global CaR limit to the Group Risk Committee and the Board Risk Committee for approval. This limit is allocated by the Group Risk Committee to the various businesses of the CIMB Group through the Market Risk Committee and Credit Risk Committee. The appropriate market and credit allocations are given by the various business units to execute their business plans each year. The Group Risk Committee ensures that the CIMB Group's aggregate risk exposure does not exceed the global CaR limit approved by the Board Risk Committee.

### Market Risk

Market risk is defined as any fluctuation in value of the portfolio resulting from changes in market prices and market parameters, such as interest rates, exchange rates and share prices.

Market risk within the Group resulting from the Group's trading activities can arise either from customer-related businesses or from proprietary positions. The Bank, together with CIMB Discount House Berhad, make markets in debt securities as well as interest rate and currency derivative instruments, while equity proprietary activities are carried out by the Bank itself, its broking arm and offshore subsidiary. In general, the Group hedges its trading positions by employing a variety of strategies, including the use of derivative instruments.

The Group manages market risk through risk limits set by the Group Risk Committee. The Group Risk Committee is assisted by the Market Risk Committee whose role, amongst others, is to oversee the Group's exposure to market risks and to consider and determine trading, investment and underwriting proposals within defined limits. The utilisation of market risk limits is reviewed on a daily basis by the RMD, which employs statistical methods to measure and monitor the risks associated with the Group's trading activities. The RMD, together with the MO, also provides independent valuation of portfolios and generates daily and weekly risk position reports for the information of the Group Risk Committee.

The Group has adopted a Value-at-Risk ("VaR") approach in the measurement of market risks. VaR is a statistical measure of the potential losses that could occur to movements in market rates and prices over a specified time horizon within a given confidence level. Duration-weighted gap VaR and various other multi-factor models are also employed to assess market risks.

### Credit Risk

Credit and counterparty risk is defined as the possibility of losses due to an unexpected default or a deterioration of creditworthiness of a business partner.

Credit risk arises in many of the Bank's business activities. In lending activities, it occurs primarily through loans as well as commitments to support clients' obligations to third parties, i.e. guarantees. In sales and trading activities, credit risk arises as a result of the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivatives activities, credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are obligated to pay the Group the positive fair value or receivable resulting from the execution of contract terms.

The Credit Risk Committee ensures that the risk exposures undertaken match the risk appetite of the Group, and that proper authorisation procedures are adhered to. Problematic exposures identified by the business units and the Management are carefully monitored and proactive measures taken, where possible, to minimise financial loss to the Group. All exposures are proactively assessed and those identified as potentially problematic are managed centrally by the CSA unit, a dedicated and specialised team within the risk management function.

All credit exposures are given an internal rating, based on a combination of quantitative and qualitative criteria. Adherence to set credit limits is monitored on a daily basis by the RMD which combines all exposures for each counterparty, including off balance sheet and potential exposure, and ensure that limits are not exceeded. The Group also has in place guidelines that limit its exposure to any one counterparty or group, industry sector and rating classification.

In summary, potential credit exposures are evaluated by the Credit Risk Committee and are monitored against approved limits on a regular basis. The alleviation of credit risk exposures adopted by the Bank includes restricting concentration of risks to any one large sector/industry, or to a particular counterparty group or individual, the application of single customer limit, as well as assessing the quality of collateral.

The Group also enters into master agreements that provide for closeout and settlement netting with counterparties, whenever possible. A master agreement that governs all transactions between two (2) parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

The extent to which the Group's overall exposure to credit risk is reduced through a master netting arrangement may change substantially within a short period following the balance sheet date because the exposure is affected by each transaction subject to the agreement.

In accordance with the Revised Basel II Framework issued by BIS in June 2004, a working committee was set up to implement the Standardised Approach on Credit Risk by January 2008 as set by BNM.

### Liquidity Risk

Liquidity risk is defined as the risk of the Group being unable to fulfil its current or future payment obligations in full and at the due date. The Liquidity Risk Committee, whose main role is to oversee the overall liquidity management of the Group, ensures compliance with the liquidity framework prescribed by BNM, and reviews periodically the assumptions of the liquidity risk management framework.

The Group's liquidity risk management focuses on avoiding over dependence on volatile sources of funding, diversification of sources of funds, and maintenance of sufficient liquid assets. To ensure the Group is able to cover all payment obligations on due dates as part of the liquidity management process, the RMD prepares liquidity analyses for the Bank, CIMB Discount House Berhad and CIMB (L) Limited in line with BNM's liquidity framework. In addition, management action triggers are set to provide timely warning on emerging liquidity pressures. The Group has also developed a contingency funding plan to deal with extreme liquidity crisis situations.

In summary, the methods of managing liquidity risks employed by CIMB are generally aimed at providing timely forewarning on liquidity pressure as well as the severity of potential exposures.

### Operational Risk

Operational risk includes risks that arise from internal processes of an organisation. These may result from inadequacies or failures in processes and controls or in projects due to fraud, unauthorised activities, error, omission, inefficiency, systems failure or from external events. Operational risks are less direct than credit and market risks, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In order to reduce or mitigate these risks, the Group has established and maintained an effective internal control environment, which incorporates various control mechanisms at different levels throughout the organisation. These control mechanisms are designed to better ensure that operational policies and procedures are being followed and that the Group's various businesses are operating within established corporate policies and limits. The Operational Risk Committee has an oversight responsibility for all operational and other matters that affect the Group's day-to-day activities. The Operational Risk Committee also reviews the operating policies and procedures for new products/businesses to ensure that the supporting infrastructure is in place prior to doing the business as well as conducting investigations on any malfunctions to determine the root problem and following up on remedial measures.

The Bank will adopt the Basic Indicator Approach recommended under the Basel II.

### Business continuity plan

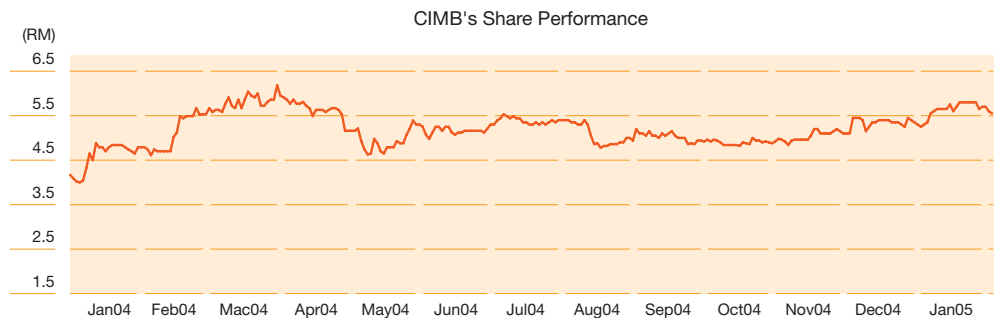
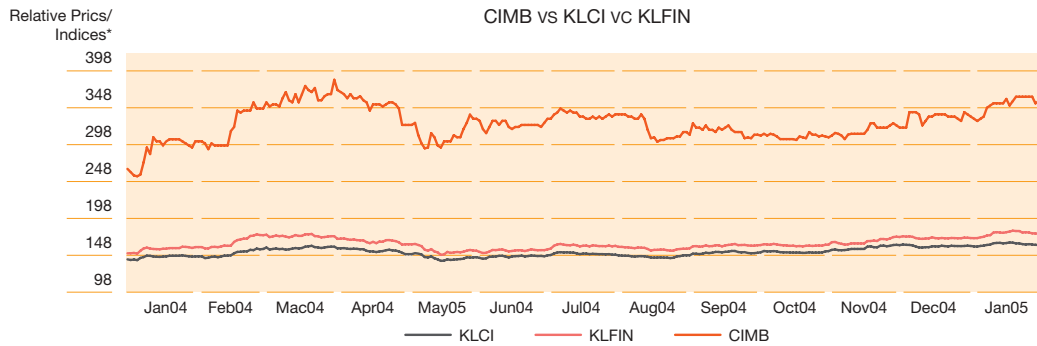
CIMB is in the process of establishing a business continuity management framework to safeguard the continuity of CIMB's business operations post-disaster by minimising the impact of any disaster, reducing the time required to restore operations and increasing the sense of security and confidence amongst creditors and regulators. The framework consists of a disaster recovery team and two (2) committees: the business continuity committee and the crisis management committee. CIMB has also approved a plan to introduce a business continuity facility to centralise CIMB's critical capability and resources.



**CIMB firmly believes in transparency and accountability to shareholders and investors.**

CIMB now has 7,479 holders of fully paid ordinary shares, an increase of eight per cent on last year. Our Investor Relations efforts have seen a diversification of the share register over this time, such that as at 28 February 2005, international investors held 12.92 per cent of the Bank's shares, compared to 12.03 per cent a year ago.

CIMB believes in keeping the investment community informed of all major developments in a timely and accurate manner. CIMB has a very active investor relations unit which reports directly to the Group Chief Executive. In 2004, CIMB's Miss Lynn Goh was voted the "Best Investor Relation Representative" in the Finance Asia Survey.





#### Communication Channels:

##### (a) Annual General Meeting (AGM)

Shareholders have the right to attend CIMB's AGM, usually held in April and are encouraged to raise questions. Shareholders not able to attend can vote on resolutions through the proxy forms. In 2004, approximately 250 CIMB shareholders were present at CIMB's AGM.

##### (b) Corporate Website

CIMB's website ([www.cimb.com.my](http://www.cimb.com.my)) can be accessed for recent announcements by the firm, including our quarterly, interim and annual financial results, presentations, past and current annual reports to shareholders as well as key financial data. Investors may also register here to receive copies of CIMB's annual reports.

##### (c) Analysts Briefings

Analysts presentations are held in conjunction with our interim and final year end results and other major announcements with comprehensive presentation materials prepared and distributed. Conference calls are also arranged for analysts and investors overseas. During the year, both JP Morgan and G.K. Goh Research had initiated coverage on CIMB, in addition to the eight research houses that presently cover CIMB.

##### (d) Roadshows

Every year, Investor Relations focuses on targeting new shareholders, particularly in offshore markets. Hence, investor roadshows form an essential part of our annual calendar. In 2004, we had both domestic and international roadshows across Singapore, Hong Kong and Europe and have participated in investor conferences such as Deutsche Bank's Annual Malaysia Corporate Day in Singapore and Credit Suisse First Boston's Investor Forum in Hong Kong.

##### (e) Investor meetings

In 2004, we have met over 180 institutional investors at roadshows and meetings. The Group Chief Executive was present at most investor meetings.







# ENTHUSIASM



The Corporate Resources Division was set up in July 2004 and consists of the following departments, Human Resource, Administration, Corporate Communications, Knowledge Management and Special Projects. The various departments were integrated under one division to provide efficient service and value added support to the entire Group.



### HUMAN RESOURCE

The Human Resource Department comprises of four major units: Recruitment & Manpower Planning, Compensation & Benefits, HR Systems & Support, and Learning & Development. Our main aim is to be the strategic partner for business and support divisions by supporting their manpower needs through effective human capital management and development.

#### Achievements & Initiatives

2004 marked a significant advancement in the support function provided by our Human Resource Department in satisfying business needs. We initiated the revamping of our performance management system, in line with the Government's call to implement Key Performance Indicators (KPIs) for Government-linked Companies. We have also completed the key competencies model for all levels of staff and established a tracking mechanism for measuring KPIs.

We promote a continuous learning culture within the organisation. CIMB has launched its second phase of education financing via its scholarship scheme. This is in addition to the existing sponsorship scheme launched in 2003. A budget of RM500,000 has been provided to sponsor eligible employees' children with excellent academic achievements to take up studies at tertiary learning institutions. Scholarships have also been offered to qualified staff to pursue their post-graduate degree abroad. For this year, we have sponsored one of our senior staff to further his MBA studies at Cambridge University on a full-time basis.

CIMB is a firm advocate for organisational learning. In 2004, various categories of training programmes were offered to all staff for their participation, and the company has invested approximately RM3 million to fund these human capital development activities. Our training plans showcased courses ranging from technical to generic soft skills programmes, as well as IT and computer related courses tailored for different learning groups.



Recognising the need to nurture and groom talent, we have recruited more than ten management trainees in year 2004 to continue building a ready pool of capable young executives for CIMB. In addition to job attachments in various departments, we have designed and organised business & operations familiarisation training, technical and generic training, as well as policies and procedures training for our management trainees.

In crystallising our vision to be an “Employer of Choice”, we have reviewed and streamlined our compensation and benefits package. We have also standardised the compensation paradigm for all companies within the Group, including newly-acquired subsidiaries.

We continued to invest in technology to upgrade and enhance the HR service delivery process. An ESOS module was introduced to empower our staff by facilitating share trading and easy tracking of their stock options. There were also on-going enhancements to existing e.HR modules, such as claims for medical expenses, to make the process more user-friendly.



### Outlook for 2005

A significant development for 2005 will be the expansion of our existing scholarship scheme to include the children of our remisers as part of the CIMB family. This initiative fosters the concept of belonging among our staff, and rewards for all those associated with the Group.

Succession planning and talent management will also be major highlights of our HR strategy in 2005. We will embark on various strategies to attract, retain and manage our top performers by promoting personal development, career self-management, employee engagement, job ownership and team loyalty. We will also embark on a expansion drive to recruit move quality fresh graduates into our Management Trainee Programme. This is in line with our vision to make CIMB the ‘where-I-want-to-be’ workplace for top talents in the industry.

In terms of organisational development, all employees will continue to receive ample training opportunities with a focus on teamwork and building a high performance culture. Various technical courses will also be arranged to equip our staff with the latest product knowledge and skills to enable them to carry out their job effectively.

### Human Resource Development Strategy

At CIMB, we adopt the philosophy of recruiting, developing, rewarding and retaining the right talents in a “high performance” driven culture. In embracing this culture, we offer the best learning platform, bright career advancement opportunities, and an excellent training ground.

The key characteristics of CIMB's talent management strategy are empowerment, active involvement in decision-making, open communication and performance based reward systems. We will maintain this approach as we continue to build the CIMB's talent capital for the future.

### KNOWLEDGE MANAGEMENT

To compete effectively in a knowledge-based economy, we recognise the importance of continuously enhancing our business intelligence. We undertook various initiatives throughout the year to improve access to information, therefore assisting in boosting productivity. We launched our new intranet portal to improve information flow within the Group and facilitate collaboration between our staff. The group enterprise portal serves as a single gateway to the Group's information sources, making it easy for staff to search through disparate data sources.

We also place great importance on the need to manage and leverage unstructured information within the organisation. We developed systems that enable us to extract insights and knowledge from a vast amount of unstructured information and to apply them for competitive advantage. Two web-based client information systems were developed in-house for our equity dealers to help them track earnings, trading patterns and client feedback online, as well as making daily reports such as client outstanding position and exposure viewable from their own PCs.

Going forward, we will continue to explore and develop new areas to further institutionalise knowledge management within the Group.

### CIMBnet and CIMB website

In 2004, CIMB produced a new site known as the CIMBnet. Corporate Communications oversees the uploading of news, corporate information, event updates and press releases on the CIMBnet.

In 2005, the Group intends to launch a new website for the Group.

### CORPORATE COMMUNICATIONS

The focus of the Corporate Communications Unit (CCU) is on managing the Group's communication and branding strategy. The unit's main function is to develop and implement communications initiatives for the Group internally and externally through business communications. CCU also ensures that the perceptions of the Group's stakeholders are well-managed.

Brand building is also another crucial responsibility of the CCU. This is to develop and implement the CIMB's brand building initiatives across all companies in the Group.

### Achievements & Initiatives

CIMB's presence in the National Annual Corporate Reporting Awards (NACRA) has been established by our consecutive wins for annual reporting as an unlisted company. In 2004, CIMB received a Certificate of Merit for being shortlisted as one of the top 13 listed companies. This was the first time CIMB has submitted our annual report for the NACRA awards as a listed company.

We were also recognised by the Asiamoney Brokers Poll as Best for Events and Conferences in 2004. This is a reflection of our successful efforts at brand-building through the efficient organisation of various events and conferences.

Last year, CIMB Group re-iterated and reinforced their brand positioning and value through our brand identity “Breakthrough Ideas, Breakthrough Results”. CCU maintained a consistent look and feel for all their communications activities be it above as well as below the line.

The Group also embarked on a new advertising campaign, leveraging on the ‘partnership’ theme. The Group’s advertising campaign consists of three advertisements. “The violin and bow”, “the second quill and ink” and “the third bow and arrow”. The advertisements highlighted three significant deals undertaken by CIMB.

The Group was also active in community service projects. CCU organised a staff ‘gotong-royong’ for Rumah Kanak-Kanak Insan Cemerlang and an environmental project with Malaysian Nature Society.

CIMB continued with donations to Kiwanis Down Syndrome Foundation, Pusat Harian Kanak-kanak Spastik, Majlis Kebajikan Kanak-kanak Malaysia, Malaysian Red Crescent Society, Yayasan Anak-anak Yatim (Rumah Ilham), Persatuan Kanak-kanak Insan Cemerlang and the Malaysian AIDS foundation amongst others.

CIMB continues to build its reputation as a corporate citizen that encourages aid for underprivileged children. The Group’s sponsorship and donations for 2004 amounted to RM1.7 million, which was 180% higher than the RM56.8 thousand set aside by CIMB in 2003.

CCU also strives to strengthen internal communications. We introduced an online CIMB newsletter which was launched in August 2004. The newsletter is published bi-annually is produced in conjunction with various divisions within the Group.

## ADMINISTRATION

There are three main units within the ambit of the Administration Department: Building Maintenance, Telecommunications and General Administration. The Administration Department plays a critical role in ensuring the smooth operations as well as the timely maintenance of the Group’s infrastructures.

One of the department’s key initiatives is the Occupational Safety and Health Administration OSHA Committee carried out the Office Fire Safety and Evacuation Training for Fire Marshalls and Committee Members. This training provided participants with valuable exposure to fire fighting and rescue techniques. A Fire Evacuation Exercise was also carried out at Bangunan CIMB. CIMB was also shortlisted for the Anugerah Cemerlang Keselamatan & Kesihatan Pekerjaan Kebangsaan 2004.

## SPECIAL PROJECTS

A key role of the Special Projects Unit is to spearhead the Company’s Business Continuity Plan (BCP). We appointed an external consultant to assist in this project, and a working committee was set up comprising of representatives from various departments. The main responsibility of this committee was to identify the requirements for the committee members respective departments and subsequently develop their respective Business Continuity Plans.

The Special Projects unit would also be involved in any special projects undertaken by the Group especially those which require technical feasibility studies.

## Our Branding

### “Breakthrough Ideas. Breakthrough Results”

remained our branding platform for 2004. “Breakthrough Ideas. Breakthrough Results” in essence, positions CIMB as an innovator of ideas and solutions that are not purely conceptual but are workable in the real marketplace.

It also positions CIMB as result-oriented with the ability to execute with speed and accuracy.

The CIMB logo consists of the letters 'CIMB' in a white, serif font, centered on a dark blue rectangular background. A thin red horizontal line is positioned directly beneath the letters.The word 'Brand' is written in a white, sans-serif font on an orange rectangular background.

## Communicating Our Brand

At CIMB, we communicate our business and brand through an integrated communications platform that comprises advertising, public relations, event marketing, publications and community service. Our advertisements are presented in the form of corporate, tombstone and accolades advertising campaigns.

**Corporate**

The campaign that highlights CIMB's partnership theme

# Advertising



**Tombstone**

Credibility campaign that highlights CIMB's equity and CIMB Islamic deals



**Private Banking**

CIMB's Private Banking advertisement campaign





### Press Activities

Increasing CIMB's profile and product awareness via focused publications and media interviews

# Public Relations



### Event Marketing

Strategic event marketing and sponsorship to strengthen client relationship as well as to create awareness of CIMB's business offerings.

### Publications

Increasing brand awareness and exposure via annual report, diary, notebook, corporate brochure and product brochures.

### Community Service

Extending CIMB's brand through focused community services initiatives. CIMB focuses on environment conservation and underprivileged children.



The CIMB team at the gotong royong.



The children being entertained by the staff.

## CIMB & THE COMMUNITY

In 2004, CIMB contributed in cash,  
in kind and via voluntary efforts to the community.



Adhha Abdullah presenting the mock cheque.



CIMB Staff painting the Rumah KIIC.



### Gotong-Royong

CIMB organised a *gotong royong* in aid of 100 mentally challenged children from Pertubuhan Kanak-kanak Insan Istimewa Cemerlang (KIIC). A group of 50 CIMB staff helped to upgrade the home, which included the installation of fixtures and fittings, and painting the home, while others entertained and minded the children for the afternoon. In addition, the children of KIIC were also presented with gifts from CIMB.

Pertubuhan KIIC educates approximately 100 mentally challenged children and is currently managed by its administrator, Puan Maziyah Sabudin. The classes accommodate 40 children a day and are conducted three times a week by Puan Maziyah and her assistants. The home is a rented dilapidated low-cost single-storey linked house located at Ulu Yam Lama, Selangor.

## ARTS & EDUCATION

### Sophia Vari Exhibition

CIMB was the main sponsor for the Sophia Vari Exhibition at Balai Seni Lukis Negara. Sophia Vari is one of Greece's most prominent and successful international artist, and her sculpture and paintings have been collected by key international institutions ranging from the Greek National Gallery in Athens to the Calouste Gulbenkian Foundation in Lisbon.



*Dato' Nazir presenting a memento to Sophia Vari.*



*Guest of Honour HRH Raja Muda of Perak Raja Dr Nazrin Shah ibni Sultan Azlan Shah and Sophia Vari.*

### 1st ASEAN International Chopin Piano Competition

CIMB sponsored the 1st ASEAN International Chopin Piano Competition in Kuala Lumpur. The competition attracted many young talents from Malaysia and other ASEAN countries to compete to represent ASEAN in the 6th Asian International Chopin Competition to be held in Japan.

### HELP Institute Annual Book Prize 2004

CIMB sponsored a HELP Institute Annual Book Prize 2004 at the HELP Institute Scholarship and Annual Academic Awards 2004.

### Yayasan Wawasan Rompin – Monetary Fund

CIMB contributed to the Yayasan Wawasan Rompin. The foundation focuses on the education and welfare of orphans.



*Sophia Vari delivering her speech during the launch of her exhibition.*





CIMB Staff who participated in the Hong Leong Foundation Charity Run.



The winning teams.



CIMB's Deputy Chief Executive Charon Wardini Executive Charon Wardini presenting the mock cheque to a representative from University Malaya.



Head of Corporate Communications Tengku Zarina Tengku Ibrahim presenting the HELP Institute Annual Book Prize.



### **The National Reading Summit and The National Storytelling Congress 2004**

CIMB sponsored The National Reading Summit and The National Storytelling Congress 2004, playing its role as a strategic partner of the Ministry of Education. The event is part of the government's move to make Malaysians lifelong readers and to create a knowledge-rich society.

### **FEA Graduation Nite 2004 – Mokhzani Memorial Award**

CIMB contributed to the 40th Convocation Ceremony of the Faculty of Economics and Administration of University of Malaya. The occasion saw the best student in the Master of Economics programme receive the newly established Mokhzani Memorial award set up in recognition of the late Datuk Dr. Mokhzani Abdul Rahim.

### **The Malay College, Kuala Kangsar**

CIMB contributed to The Malay College Old Boys Association (MCOBA) to fund its operating expenses.

### **St John's Institution**

CIMB sponsored the St John's Institution's annual dinner to mark the school's 100 year anniversary celebrations.

## **SPONSORSHIPS**

### **Persatuan Kebajikan Bekas Pasukan Keselamatan**

CIMB sponsored wheel chairs for the Persatuan Kebajikan Bekas Pasukan Keselamatan, which will be given to former police and military men.



### **Tabung Amanah Perwira Dan Pertahanan Negara – Amanah Raya**

CIMB contributed to the Tabung Amanah Perwira dan Pertahanan Negara (TAPPN), in aid of national defenders. The funds are utilised for the improvement of their overall quality of life as well as to provide educational aid for the children of these heroes.

### **Kolej Teknologi Islam Melaka**

CIMB donated to the Kolej Teknologi Islam Melaka as part of the contribution to the Program Anak Angkat organised by the college.

### **Majlis Kanser Nasional**

CIMB sponsored the MAKNA Cross Nation Run 2004 where Suwaibah Muhammad Nasir was the first Malaysian woman to run solo around Peninsular Malaysia with a distance of 2,004 km. It was held in conjunction with Merdeka Month and World Women's Day, which was also MAKNA's 10th anniversary.

### **Malaysian AIDS Foundation**

CIMB co-sponsored the Red Ribbon Gala 2004 organised by the Malaysian AIDS Foundation. The Red Ribbon Gala Dinner is a charity dinner where the Red Ribbon Media Award winners get their prizes and raised funds for HIV-positive patients.



#### **Rat Race 2004**

CIMB was among the participating companies at the Rat Race 2004 organised by the Edge magazine. The race raises money for the benefit of various charities channeled through the Yayasan Bursa Malaysia.

#### **Sponsorship for Team G-1 Symphony – Racing for Charity**

CIMB sponsored the Team G-1 Racing for the 2004 Merdeka Millennium Endurance Race. The contribution is also part of donations channeled to charitable organisations.

#### **Hong Leong Foundation Charity Run**

CIMB was one of the sponsors for this annual charity run held throughout the country. The Group participated in the Kuala Lumpur run by sending 44 participants. The run is to develop a healthy and caring society through the participation of the largest annual national charity run in the country.

#### **Surau Kg Baru Lurah Bilut, Bentong, Pahang**

CIMB donated to the purchase of a set of computer and printer for the Surau Kg Baru Lurah Bilut in Bentong Pahang.



#### **Bursa Malaysia Invest Malaysia**

CIMB participated in the INVEST Malaysia 2004 exposition which featured the Malaysian capital market. The exposition held at Putra World Trade Center showcased Malaysia's finest companies and a series of educational seminars and workshops on smart investing and the financial markets.

#### **Persatuan Pemilik Rumah Bukit Damansara**

CIMB contributed towards the fund of the Persatuan Pemilik Rumah Bukit Damansara, Kuala Lumpur. The contribution was channeled towards the construction of the Pondok Polis Bukit Damansara.

#### **2nd Asia Economic Summit 2004**

CIMB sponsored ASLI's 2nd Asia Economic Summit 2004. ASLI is an independent non-profit Research Institute that promotes leadership, international business relations, economic cooperation and strategic thinking. ASLI is owned by the non-profit ASLI Foundation.

### **Majlis Penyampaian Anugerah Kecemerlangan Industri 2003**

CIMB donated to the Majlis Penyampaian Anugerah Kecemerlangan Industri 2003 organised by the Ministry of International Trade and Industry Malaysia.

## **DONATIONS**

### **Nurnesa Uzma**

Nurnesa Uzma at the age of three months was diagnosed with Biliary Atresia, a chronic liver condition, and since then Nurnesa has gone through several operations. CIMB has made a generous contribution to aid medical expenses.

### **Majlis Kebangsaan Kesatuan Pekerja – Pekerja Kerajaan Malaysia**

CIMB donated 5 artificial legs to the Majlis Kebangsaan Kesatuan Pekerja-pekerja Kerajaan Malaysia. The artificial legs were given to government employees who have lost their legs while on duty.

### **Pertubuhan Kanak-kanak Kanser Malaysia**

CIMB contributed to the Pertubuhan Kanak-kanak Kanser Malaysia. The Association provides monetary assistance to the family of patients in terms of medicinal treatment, education and in the event of a death, funeral expenses.

### **Kiwanis Down Syndrome Foundation**

CIMB contributed to the Kiwanis Down Syndrome Foundation for the welfare of children with Down Syndrome below 6 years of age.

### **Pusat Harian Kanak-kanak Spastik**

CIMB upgraded the Pusat Harian Kanak-kanak Spastik's therapy room and the study room. The Pusat Harian Kanak-kanak Spastik helps children that are physically less able and poor in education, counseling and physical therapy.

### **Tabung Kebajikan Pendidikan Kelab Komunikasi Belia – Pelajar Miskin Luar Bandar**

CIMB donated to the Tabung Kebajikan Pendidikan Kelab Komunikasi Belia, which organises programmes to help poor students from the outskirts areas.

### **Yayasan Anak-anak Yatim PTTDI – Rumah Ilham**

CIMB contributed to the Yayasan Anak-anak Yatim PTTDI. The foundation manages Rumah Ilham Orphanage, which brings up 50 boys, aged 7 to 18 years.

### **Malaysian Red Crescent Society**

CIMB made a contribution to the International Youth Fund launched by the Malaysian Red Crescent Society. The fund supports youth activities and expenses especially for the rural and underprivileged. In addition, the fund supports youth that participate in student exchanges or attend courses in leadership, disaster relief and management organised by the International Federation of Red Cross and Red Crescent and the International Committee of the Red Cross.

### **Tsunami Relief Fund**

CIMB assisted Tsunami victims by contributing to the Tsunami Relief Fund when tragedy struck late last year. The Group and staff contributed not only cash but also sent containers of mineral water, clothes, food and medicine for the victims in Sri Lanka. CIMB's holding company Commerce Asset-Holding Berhad donated RM1 million to Indonesia in which RM175,000 was CIMB's contribution. In addition, CIMB Private Banking also donated RM25,000 to the Tabung Kumpulan Wang Amanah TYT Yang Dipertua Negeri Pulau Pinang in aid of the Tsunami victims in Penang.

In its efforts to conserve nature, CIMB together with the Malaysian Nature Society (MNS) organised a one-day trip to the Kuala Selangor Nature Park with orphans from the Rumah Tunas Harapan and Rumah Agathians.

CIMB volunteers and the children were brought on a nature walk and MNS volunteers educated the staff and children about the conservation and preservation of the mangrove and nature.

After lunch, the children and volunteers were made aware of the numerous usage of coconut leaves. Pak Ngah from an environmental education centre in Kampung Indah Banting, taught the children and staff how to make a 'keris', a cricket and a 'ketupat' out of coconut leaves. It was an enjoyable and educational session for the children and volunteers.

CIMB also made a contribution towards the MNS fund for the conservation of the Nature Park and maintenance of the education centre as well as the conservation of wildlife in Malaysia.

Later, a group of 16 staff took off on a bird watching trip into the park where the children and volunteers explored the mangrove area.

## Nature Conservation







## Environmental Preservation



*Tengku Zarina Tengku Ibrahim, presenting a mock cheque to the representative of the Malaysian Nature Society.*



The volunteers later visited the Rumah Tunas Harapan Kuala Selangor and later the children were treated to a seafood dinner.

The one day nature trip ended with a visit to the Kampung Kuantan Kelip-kelip Centre to see the fireflies.

### Paper Recycling Programme

In 2004, CIMB continued its effort of recycling paper on a regular basis. Just like any other corporate organisation which utilises a substantial amount of paper, CIMB ensures that all paper materials that originate from its extensive subscription to printed publication and its usage are recycled.

Paper that have been designated for recycling will be disposed at CIMB's k-Centre where materials such as newspapers, magazines, shredded documents, computer forms, circulars and printouts are segregated before being sent off for recycling every week. In 2004, CIMB managed to accumulate a substantial amount from its paper recycling campaign, the proceeds of which were utilised for the purchase of facilities/equipment for our k-Centre.

Investors Presentation for Guthrie Property Holdings Berhad's launch of its Murabahah Medium Term Notes Programme.

**26 February 2004**



**16 March 2004**

Telecommunications Conference 2004 with the theme 'Emerging Drivers of Malaysian Telecommunications'.

Launch of PT CIMB Niaga Securities in Jakarta.

**8 March 2004**



**18 March 2004**

Derivatives & Structured Products Conference 2004 with the theme 'Towards Alternative Investments in Malaysia'.

Signing ceremony for  
Dawama Sdn Bhd's  
Murabahah & Ijarah  
Medium Term Notes  
Issuance Programme.

**16 April 2004**



CIMB's 2nd Annual  
General Meeting.

**16 April 2004**



# 2004



**19 April 2004**

Tenaga Nasional Berhad's  
presentation for the  
proposed issuance of  
RM200 million  
Convertible Redeemable  
Income Securities.



**13 May 2004**

Investment Conference  
on Indonesia with the  
theme 'Evaluating  
Investment  
Opportunities.'



**18-19 May 2004**

Islamic Financial Services  
Board (IFSB) Summit in  
London.

BSA International Berhad's Investor Presentation in conjunction with the RM150 million Murabahah Commercial Papers & Medium Term Notes Programme.

**30 June 2004**



International Labuan Islamic Finance Conference.

**6 July 2004**



Launch of Mobile Phone Share Trading System.

**12 July 2004**



**2 August 2004**

Signing ceremony for the Underwriting Agreement with WCT Land Berhad.



**2 August 2004**

Launch of KLCC Property Holdings Berhad's Prospectus.

Euromoney Conference  
with the theme  
'Remaking Malaysia:  
Investing in the New  
Malaysia.'

**3-4 August 2004**

2004



**19 August 2004**

Launch of CIMB Private  
Banking Penang Branch.



**26-29 August 2004**

Bursa Malaysia Invest  
Malaysia 2004 exposition.

Signing ceremony for the Underwriting Agreement for Sin Chew Media Corporation Berhad.

**7 September 2004**



**20 September 2004**

Sin Chew Media Corporation Berhad's Prospectus Launch.

CIMB's 30th Anniversary, Mandarin Oriental, Kuala Lumpur.

**16 September 2004**



**24 September 2004**

Presentation by Cagamas MBS Berhad on Residential Mortgage Back Securities (RMBS).

2004

Luncheon Talk on 'The  
New Political Landscape.'

27 September 2004



WCT Land Berhad's  
Prospectus Launch.

25 October 2004



18 October 2004

Signing ceremony for  
SAJ Holdings Sdn Bhd's  
RM1.28 billion Bai  
Bithaman Ajil Islamic  
Debt Securities.

Signing ceremony for  
Ornasteel Holdings  
Berhad's Underwriting  
Agreement.

**8 November 2004**



**10 November 2004**

Signing Ceremony For  
The Joint Venture  
Company CIMB and  
Mapletree Capital  
Management Pte Ltd.



**26 November 2004**

CIMB Annual  
Management Dialogue  
with the theme  
'Embracing a High  
Performance Culture.'



# 2004

CIMB received Certificate of Merit at the National Annual Corporate Report Awards (NACRA).

**30 November 2004**



International Finance Corporation's launch of Bai Bithaman Ajil Islamic Debt Securities.

**1 December 2004**



**10 December 2004**

Dato' Nazir Razak was awarded CEO of the Year 2004.



**30 December 2004**

Kurnia Asia Berhad's Prospectus Launch.



14 February 2004

CIMB Intra Group Golf Tournament was held at the Kuala Lumpur Golf and Country Club which saw groups battle to be the CIMB golf champion.

27 March 2004

CIMB Sports Club's annual treasure hunt which started from Bangunan CIMB to Damai Laut, Lumut, Perak.



8 April 2004

Yusli's Farewell Cocktail at KLGCC.



8 May 2004

CIMB participated in the 'Perhimpunan Hari Pekerja 2004', held at the Stadium Putra, Bukit Jalil.



11 July 2004

CIMB's Inter Securities Futsal Tournament at Petaling Jaya.



**24 July 2004**

Inter Merchant Bank soccer & netball tournament at Stadium PKNS, Kelana Jaya, Petaling Jaya.



**2 October 2004**

Inter Merchant Bank games (IMBG) held at Stadium Maybank, Kuala Lumpur.



**10 October 2004**

CIMB hosted the 6th CIMB Invitational Inter-Securities Bowling Tournament in Bangsar Shopping Complex Bowling Center.

**20 October 2004**

Staff buka puasa held at the Mandarin Oriental Kuala Lumpur.



**6 December 2004**

CIMB Staff Open House held at The Legend Hotel, Kuala Lumpur.



# RESILIENCE

## ANALYSIS OF THE BALANCE SHEET

### Total assets

The CIMB Group's total assets as at 31 December 2004 grew by 11.1% over the total assets as at 31 December 2003 to RM14.7 billion. The increase in total assets, primarily due to an increase in cash and short-term funds and securities purchased under resale agreements, was mainly funded by growth in deposits from customers, "obligations purchase under resale agreements" and short term borrowings.

### Cash and short-term funds

The Group's cash and short-term funds registered a growth of 59.7% to RM2.7 billion as at 31 December 2004. An increase in the deposits from customers, proceeds from sale of dealing securities and obligations from the sale of repurchase agreements placed as short term deposits accounted for the growth.

### Securities purchased under resale agreements

The securities purchased under resale agreements increased significantly by RM2.4 billion in 2004 compared to RM0.1 billion as at 31 December 2003. This arose primarily from increased repurchase transactions with Bank Negara Malaysia as a result of initiatives taken by Bank Negara Malaysia to grow the REPO market.

### Deposits and placements with financial institutions

The Group's deposits and placements with financial institutions grew to RM159.8 million as at 31 December 2004, due to increased interbank lending to financial institutions.

### Dealing securities

The Group's holdings in dealing securities decreased by 18.4% to RM5.6 billion from RM6.8 billion primarily due to disposal of money market instruments in 2004.

### Investment securities

There was no significant movement in the Group's investment securities, which increased marginally by RM6.4 million.

**Loans and advances**

The Group's total net loans and advances decreased by 10.9% to RM1.3 billion in 2004, mainly in corporate loans due to difficult lending operating environment. Our retail loan book recorded a strong growth of 78.0% to RM218.8 million.

The quality of our loan book remains strong. In spite of a reclassification of non-performing loans (NPLs) from 6 months to 3 months, the Group's NPL ratio improved to 1.7% from 2.6% as at 31 December 2004, which was well below the banking system's net non-performing loans ratio of 7.6%. The Bank's general provision (GP) ratio of 3.3% exceeded the minimum 1.5% ratio required. This is reflective of our conservative approach to loan provisioning in order to protect the strength of our balance sheet, which is complemented by strong credit risk management.

**Other assets**

The Group's other assets decreased by 44.1% to RM0.9 billion primarily due to RM0.8 billion of trade receivables arising from the forward sale of dealing securities included in other debtors in 2003.

**Total liabilities, shareholders' funds and minority interests**

The Group's total liabilities grew by RM1.6 billion or 14.1%, mainly due to increase in deposits from customers, obligations on securities sold under repurchase agreements, short term borrowings and the issuance of USD100 million of Subordinated Notes. Minority interests also increased to RM20.9 million in 2004 mainly due to 30% minority interests in CAFM and CT in 2004.

The Group's shareholders' funds remained strong at RM1.4 billion even after the payment of final dividend for 2003, interim dividend in 2004 and a further capital distribution of approximately RM350 million, amounting to a total of RM475.6 million. This was due to a strong after tax earnings of RM289.7 million achieved by the Group in 2004 coupled with proceeds of RM11.3 million from shares issued pursuant to the exercise of employees' share options under the CIMB Berhad's Executive Employee Share Option Scheme.

The net tangible assets of the Group as at 31 December 2004 stood at RM1.4 billion or RM1.63 per share (2003: RM1.6 billion or RM1.86 NTA per share).

**Deposits from customers and placements of banks and other financial institutions**

Deposits from customers grew by 39.3% to RM5.9 billion in 2004, mainly due to the Group's competitive rates, strong financial position and good relationship with corporate clients.

Deposits and placements of banks and other financial institutions decreased by 31.2% to RM2.8 billion as part of the Group's funding of its gapping operations and to further improve the Group's funding costs.

The above remain the Group's main source of deposits accounting for more than 65.2% of the Group's total liabilities.

**Obligations on securities sold under repurchase agreements**

Obligations on securities sold under repurchase agreements saw a significant increase of 33.3% to RM2.2 billion in 2004. This was mainly due to the Group's efforts to reduce its funding costs through collateralised borrowings which is also in line with Bank Negara Malaysia's efforts to develop the REPO market.

**Short term borrowings**

Short term borrowings increased to RM264.4 million in 2004 from the issuance of commercial papers, USD term loan and revolving credit facilities to finance the Group's working capital.

**Long term borrowings**

Long term borrowings increased by 31.9% to RM1.1 billion, primarily from the issuance of USD100 million Subordinated Notes. This was in line with the Group's efforts to optimise its funding mix.

**Commitments and Contingencies**

The principal amount of commitments and contingencies increased by RM54.2 billion to RM154.9 billion in 2004, mainly due to interest rate futures contracts undertaken for hedging purposes. The credit equivalent increased by RM0.3 billion.

**ANALYSIS OF THE INCOME STATEMENT**

The Group reported a net profit after tax and minority interests of RM289.7 million, an increase of 11.2% from 2003, despite a challenging operating environment in 2004. Total income before provisions increased by 13.6% to RM601.1 million in 2004 whilst overhead expenses increased by 17.3% to RM209.8 million.

**Net Interest Income**

Net interest income of the Group decreased by 5.8% to RM193.7 million in 2004 (2003: RM205.5 million) mainly due to a decrease in dealing securities held by the Group during the year.

Net interest suspended on non-performing loans for the Group decreased by RM6.2 million in 2004 mainly due to recoveries from delinquent accounts and the restructuring of NPLs during the year.

Net interest income for 2004 accounted for 32.2% of the total income (excluding provisions) of the Group in 2004 (2003: 38.8%).

**Income from Islamic Banking Operations**

Income from Islamic banking operations showed an increase of 53.4% to RM14.8 million in 2004.



**Non Interest Income**

Non interest income of the Group grew by 25.1% to RM392.5 million in 2004 compared to RM313.8 million in 2003. The growth was driven by the following:

- (i) growth in brokerage income which contributed 16.0% of the net income compared to 10.7% in 2003;
- (ii) increase in non interest income also included write-back of provision for diminution in value of dealing and investment securities amounting to RM86.9 million compared to RM160.4 million provision made in 2003 (resulting in a total increase to income of RM247.3 million). However, net gain from trading activities in dealing and sale of investment securities dropped from RM273.5 million to RM31.4 million in 2004;
- (iii) increase in net fee and commission income by 6.9% from RM130.8 million to RM139.8 million in 2004 due to higher placement fees from various major placements during the year;
- (iv) income from asset management and securities services of RM14.5 million was mainly contributed by fund management, private banking, corporate agency and securities services and private equity. We expect significant growth and contribution from the asset management business; and
- (v) the recognition of Bursa Malaysia shares of RM12.9 million.

The Group's non-interest income for 2004 accounted for 65.3% of the total income (excluding provisions) of the Group in 2004 (2003: 59.3%).

**Loan loss and provision and Provision for other receivables**

There was a net charge of RM6.3 million for loan loss and provision and provision for other receivables in 2004. This comprised a writeback of loan loss and provision of RM5.2 million arising from recovery from NPLs in 2004 and a provision for other receivables of RM11.5 million in 2004. This was due to the Group's effort to provide for legacy assets to further strengthen the Group's balance sheets.

**Overhead Expenses**

The Group's overhead expenses amounted to RM209.8 million in 2004, 17.3% higher than the RM178.9 million incurred in 2003. Personnel costs increased by 12.1% to RM140.7 million mainly due to increase in staff count from 822 employees in 2003 to 1007 employees in 2004 and higher provision for bonuses.

Establishment costs rose by 29.5% in 2004 mainly due to the renovation of Menara Milenium, Bangunan Amanah Raya and the new branch office in Penang.

With increase in revenue, the marketing and administration & general expenses also increased, by 34.0% and 26.8% respectively in 2004.

The Group's cost to income ratio stood at 34.9% for the year ended 31 December 2004 compared to 33.8% in 2003.

**Taxation**

Tax expenses for the year increased by RM4.2 million of 4.7% which was in line with the higher profits. The group's effective tax rate was lower at 24.5% and this was mainly due to the larger contribution from CIMB Labuan and Bursa Malaysia shares.



FINANCIAL

STATEMENTS

# CIMB

## **CIMB Berhad**

*Company Number 582504-P  
Incorporated in Malaysia*

## **REPORTS AND FINANCIAL STATEMENTS**

for the financial year ended 31 December 2004

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The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries include merchant banking and provision of related financial services, carrying on the business of a discount house, stock and share broking, futures broking, offshore banking, trading in securities, assets management, private equity, private client services and provision of nominee services. There was no significant change in the nature of these activities during the financial year.

### FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation	290,558	125,734
Minority interest	(846)	—
Net profit for the financial year after minority interest	289,712	125,734

### DIVIDENDS

A final dividend of 10.00 sen per share, less income tax at 28%, on the Company's issued and paid-up share capital of RM852,856,000, amounting to RM61,391,000 in respect of the financial year ended 31 December 2003 was paid during the financial year.

During the financial year, a tax exempt interim dividend of 7.50 sen per share, on the Company's issued and paid up share capital of RM855,575,000, amounting to RM64,168,000 was paid.

The Directors propose a final dividend of 7.50 sen per share, less income tax at 28%, and a tax exempt special dividend of 3.50 sen per share, on the Company's issued and paid-up share capital of RM855,905,000, amounting to RM76,176,000 in respect of the current financial year.

### BUSINESS PLAN AND STRATEGY IN 2004

The advisory and origination businesses continue growing, with activities concentrated in initial public offerings and mergers and acquisitions. The Group capitalised on a stronger debt market and its involvement in large primary debt deals during the financial year. The Group also performed better in the equity markets due to improvement in trading volumes on Bursa Malaysia Securities Berhad and its involvement in several large secondary deals placements during the financial year, indicating a good portfolio mix of businesses.

## OUTLOOK FOR 2005

The Group expects quite different market conditions but believes that it has the strength to capitalise on better equity markets and advisory opportunities while remaining resilient in more challenging debt market conditions. The Group also expects a larger contribution from newer businesses such as private client services, private equity and assets management.

## RATING PROFILE OF ITS SUBSIDIARY, COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD (“CIMB”)

Rating Agency	Date	Rating Classification	Rating Received
Rating Agency Malaysia Berhad (RAM)	July 2004	Long term	AA3
		Short term	P1
Moody’s Investors Service	January 2005	Long term deposits	Baa3
		Short term deposits	P-3
		Financial strength	D-
		Subordinated debt	Ba1
Fitch IBCA Limited	January 2005	Long term	BBB
		Outlook	Stable
		Subordinated debt	BBB-
Standard & Poor’s	April 2004	Long term	BBB
		Short term	A2
		Subordinated debt	BBB-

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### (a) Completion of the acquisition of CIMB ShareTech Sdn Bhd by CIMB Berhad

On 6 January 2004, the Company had proposed to acquire the entire ordinary equity interest in CIMB ShareTech Sdn Bhd (“ShareTech”) comprising 40,003,120 ordinary shares of RM1.00 each from CIMB Securities Sdn Bhd (“CIMB Securities”) for a cash consideration of RM47.8 million.

The acquisition was completed on 8 September 2004.

ShareTech had been acquired by CIMB Securities in 2001, in line with the industry consolidation drive. Subsequent to that, its stock-broking business had been merged with that of CIMB Securities, and ShareTech’s stock-broking licence had been surrendered to the regulators.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)****(b) Sale of Banyan Ventures Sdn Bhd**

On 30 January 2004, CIMB entered into a Sale and Purchase Agreement with Tan Choi Khaw and Michael Toh Kian Seng to dispose of its 37.04% equity interest comprising 1,000,000 ordinary shares of RM1.00 each in Banyan Ventures Sdn Bhd for a total consideration of RM39,338. The Sale and Purchase Agreement was subsequently completed on 16 February 2004.

**(c) Memorandum of Understanding ("MOU") with Al-Tawfeek Company for Investment Funds Limited ("Al-Tawfeek")**

CIMB and Al-Tawfeek had on 11 February 2004 agreed to mutually terminate the MOU and not to proceed with the formalisation of the alliance to jointly undertake Islamic banking activities globally. However, both parties have agreed to work towards maintaining and enhancing the good relationship that exists between them.

**(d) Executive Employee Share Option Scheme ("EESOS")**

The Company had on 11 February 2004 and 21 September 2004 made an offer to grant options to the Senior Management and executive staff of CIMB Berhad Group to subscribe to shares of the Company under the EESOS 2 and EESOS 3. The total number of EESOS 2 and EESOS 3 options offered to the Senior Management and executive staff of the Group amounted to 26,329,000 ordinary shares of RM1 each of the Company.

**(e) Memorandum of Agreement with TA Enterprise Berhad in relation to the proposed acquisition by CIMB Berhad of the entire equity interest in Botly Securities Sdn Bhd**

CIMB Berhad had on 13 February 2004 entered into a Memorandum of Agreement ("MOA") with TA Enterprise Berhad ("TAE") in relation to the proposed acquisition by CIMB Berhad of the entire equity interest in Botly Securities Sdn Bhd, from TAE for a total purchase consideration of RM400 million to be satisfied by the issuance of 80,000,000 new ordinary shares of RM1.00 each in CIMB Berhad at an issue price of RM5.00 per share.

The MOA sets out the respective parties' agreement on the principal terms of the proposed acquisition and definitive agreements would be entered into at a later date.

On 23 March 2004, the Company announced that the MOA was terminated.

**(f) Incorporation of CIMB Private Equity Sdn Bhd**

In April 2004, CIMB Berhad incorporated a new subsidiary, CIMB Private Equity Sdn Bhd ("CIMB PE"). CIMB PE is intended as an investment-holding company, the subsidiaries of which will be involved in various funds for private clients.

CIMB PE has incorporated CIMB Private Equity 1 Sdn Bhd and CIMB Mezzanine 1 Sdn Bhd, both of which are in the process of inviting interested parties to invest in their funds. At the same time, a parallel offshore fund structure has also been established to attract foreign investors via two offshore subsidiaries, CIMB Mezzanine General Partner, Limited and CIMB Private Equity General Partner, Limited. These offshore subsidiaries are wholly owned by CIMB (L) Limited.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)****(g) Issuance of Subordinated Notes**

On 15 April 2004, CIMB issued USD100 million in aggregate principal amount of Subordinated Notes (“the Notes”) due 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5% per annum from, and including 15 April 2004 to, but excluding 15 April 2009 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 3.7%. The interest is payable semi-annually in arrears on 15 April and 15 October in each year, commencing on 15 October 2004. The Notes were issued at a price of 99.843 per cent of the principal amount of the Notes. The Notes will, subject to the prior written approval of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of CIMB in the event of certain changes affecting taxation in Malaysia at any time at their principal amount plus accrued interest.

The Notes constitute unsecured liabilities of CIMB, and are subordinated in right of payment to the deposit liabilities and all other liabilities of CIMB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of CIMB.

**(h) Capital distribution to CIMB Berhad's shareholders**

On 30 July 2004, CIMB Berhad implemented a cash distribution of approximately RM350 million or 40.7 sen per share to the shareholders from its share premium account.

**(i) Subscription of redeemable non-cumulative preference shares in CIMB (L) Limited**

CIMB has on 9 August 2004, subscribed for 125.0 million redeemable non-cumulative preference shares at USD0.05 each at an issue price of USD1.00 each in its wholly-owned subsidiary, CIMB (L) Limited, for a total consideration of USD125.0 million (equivalent to RM475.0 million). The Bank is entitled to dividend at the discretion of the Board of Directors of CIMB (L) Limited.

The redeemable non-cumulative preference shares rank in priority to the existing ordinary shares of CIMB (L) Limited with respect to payment of dividend and amounts receivable upon liquidation, dissolution or winding up of CIMB (L) Limited.

**(j) Proposed joint venture with Mapletree Capital Management Pte Ltd**

On 10 November 2004, the Company through its wholly-owned subsidiary, CIMB Real Estate Sdn Bhd (“CIMB RE”), had formed a joint venture with Mapletree Capital Management Pte Ltd (“Mapletree”), a wholly-owned subsidiary of Mapletree Investments Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings Private Limited, Singapore. CIMB RE was incorporated on 5 November 2004.

The joint venture company is known as CIMB-Mapletree Management Sdn Bhd (“CMM”) and will undertake real estate investment advisory and real estate fund management services to a proposed real estate fund to be set up by both parties to be known as “CM-1” and other real estate funds in Malaysia. CIMB RE will hold a 60% stake in CMM while Mapletree will hold the remaining 40%.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)****(k) Capital injection in P.T. CIMB Niaga Securities**

On 5 May 2003, the Company's wholly-owned subsidiary, CIMB (L) Limited ("CIMBL") had on 3 December 2004 made a capital injection amounting to Rp3,813,158,317 or RM1,606,000 into P.T. CIMB Niaga Securities in order to increase the share capital of the company to Rp50 billion by 31 December 2004. CIMBL's equity interest has not changed, and remains at 51% of the total paid up share capital of P.T. CIMB Niaga Securities.

**(l) Commercial Papers and Medium Term Notes Issuance Programme**

The Company has implemented Commercial Papers ("CPs") and Medium Term Notes ("MTN") Programmes in December 2004. The aggregate outstanding nominal value of the CPs and the MTNs issued under the CP Programme and the MTN Programme respectively shall not exceed RM250 million at any point in time.

The tenure for the CP Programme is seven years from the date of first issuance under the CP Programme, while the tenure of the MTN Programme is ten years from the date of first issuance under the MTN Programme.

On 20 December 2004, CIMB Berhad utilised its first CP Programme by issuing RM55 million nominal value CPs at a discount, with an effective yield of 2.83% and six months tenure.

**(m) Acquisition of Commerce Asset Fund Managers Sdn Bhd ("CAFM") and Commerce Trust Berhad ("CTB") from Commerce Asset-Holding Berhad ("CAHB")**

On 18 August 2004, CIMB Berhad proposed to acquire a 70% equity interest in CAFM and CTB, for a cash consideration of RM18 million and RM17 million respectively.

The acquisition was completed on 23 November 2004.

**(n) Proposed rationalisation of the fund management business of CAFM with unit trust business of CTB ("Proposed Business Rationalisation")**

On 10 December 2004, CIMB Berhad proposed to undertake a rationalisation of its fund management and unit trust businesses through CTB. In relation thereto, CAFM had on 9 December 2004, entered into the Business Rationalisation Agreement with CTB for the purpose of the Proposed Business Rationalisation whereby CAFM shall sell and transfer to CTB the assets and liabilities in relation to or utilised in the fund management business of CAFM ("CAFM Business") to form a single fund management and unit trust entity under CTB.

CTB will assume the obligations and responsibilities in discharging all the liabilities and other obligations of CAFM pursuant to the CAFM Business and in consideration, CAFM will transfer and vest to CTB all its rights, titles and interests on the assets including all rights of enforcements, demands, claims and entitlements of CAFM arising from or in connection with the fund management business of CAFM, up to and including the completion date of the Proposed Business Rationalisation.

The Proposed Business Rationalisation is expected to be completed in the second quarter of the financial year ending 31 December 2005.



**SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

- (a) (i) **Proposed acquisition of the stockbroking and stockbroking-related companies of G. K. Goh Holdings Limited (“stockbroking businesses”) by a wholly-owned subsidiary of CIMB Berhad to be incorporated in Singapore (“CIMBB SPV”)**

CIMB Berhad had on 13 January 2005 entered into a conditional Sale and Purchase Agreement (“SPA”) with G. K. Goh Holdings Limited (“GKGH”) for the acquisition of the stockbroking businesses from GKGH by CIMBB SPV for a total cash consideration of SGD239.14 million (equivalent to approximately RM554.80 million).

The proposed acquisition is subject to approval from the relevant authorities in Malaysia and Singapore.

- (ii) **Proposed issuance of Company’s ordinary shares to its holding company, CAHB**

CIMB Berhad had on 13 January 2005 entered into a placement agreement with CAHB for the issuance of 93,663,167 new CIMB Berhad’s shares at an issue price of RM4.50 per share, for a total cash consideration of approximately RM421.48 million.

- (iii) **Proposed renounceable restricted offer for sale of the CIMB Berhad’s share by CAHB**

Upon completion of (i) and (ii) above, CAHB will offer the CIMB Berhad’s shares for sale to the existing CIMB Berhad’s shareholders, at an offer price of RM4.50 per share, on the basis of one for every nine existing CIMB Berhad shares.

- (b) **Offering of 12,800,000 cash-settled basket call warrants (“Basket CW”).**

On 13 January 2005, CIMB offered 12,800,000 American-style cash-settled Basket CW over ordinary shares of the following underlying companies:

- Arab-Malaysian Corporation Berhad;
- Malaysian Plantations Berhad;
- Multi-Purpose Holdings Berhad; and
- Sime Darby Berhad.

The Basket CWs are to be listed on the Call Warrants Board of Bursa Malaysia Securities Berhad. The offer is in line with CIMB’s objective to diversify the revenue sources of the CIMB Berhad group of companies by issuing derivatives and structured products in light of their growth potential in the Malaysian capital market, thereby further increasing its value proposition to clients and enhancing shareholders’ value of CIMB Berhad.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

### DIRECTORS

The Directors of the Company who have held office since the date of the last report and at the date of this report are as follows:

#### Directors

Dr. Rozali bin Mohamed Ali

Dato' Hamzah bin Bakar

Dato' Halim @ Ahmad bin Muhamat

Dato' Mohamed Nazir bin Abdul Razak

Cheim Dau Meng

Dato' Zainal Abidin bin Putih

Zahardin bin Oмарdin

(appointed 5 May 2004)

Cezar P. Consing

(appointed 5 October 2004)

In accordance with the Company's Article of Association, Dato' Mohamed Nazir bin Abdul Razak and Cheim Dau Meng, retire from the Board under Articles 76 and 77 at the forthcoming Annual General Meeting, and Zahardin bin Oмарdin and Cezar P. Consing retire under Article 83, and being eligible, offer themselves for election.

### DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2004, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the equity compensation benefits disclosed in Note 42 to the financial statements.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Notes 32 and 42 to the financial statements.

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings, the Directors' beneficial interests in the shares, warrants and share options of the Company and its holding company are as follows:

	No. of ordinary shares of RM1 each			
	Balance as at 1 January/ date of appointment	Acquired	Sold	Balance as at 31 December
<b>Commerce-Asset Holding Berhad</b>				
Dr. Rozali bin Mohamed Ali	314,800	200,000	(200,000)	314,800
Dato' Mohamed Nazir bin Abdul Razak	250,000	—	(150,000)	100,000
Dato Halim @ Ahmad bin Muhamat	—	150,000	(100,000)	50,000
Zahardin bin Omardin	8,000	—	—	8,000

	No. of ordinary shares of RM1 each			
	Balance as at 1 January/ date of appointment	Acquired	Sold	Balance as at 31 December
<b>CIMB Berhad</b>				
Dr. Rozali bin Mohamed Ali	201,000	—	—	201,000
Dato' Hamzah bin Bakar	50,000	—	—	50,000
Dato' Halim @ Ahmad bin Muhamat	20,000	—	—	20,000
Dato' Mohamed Nazir bin Abdul Razak	—	12,800,000	(7,100,000)	5,700,000
Cheim Dau Meng	—	470,000	(470,000)	—
Zahardin bin Omardin	1,000	—	—	1,000

	No. of share options over ordinary shares of RM1 each granted under the CAHB ESOS 2002/2007			
	Balance as at 1 January	Granted	Exercised	Balance as at 31 December
<b>Commerce-Asset Holding Berhad</b>				
Dr. Rozali bin Mohamed Ali	1,000,000	—	(200,000)	800,000
Dato' Halim @ Ahmad bin Muhamat	500,000	—	(150,000)	350,000

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)**

No. of share options over ordinary shares of RM1 each granted by CAHB to Chief Executive Officer of Commerce International Merchant Bankers Berhad

	Balance as at 1 January	Granted	Exercised	Balance as at 31 December
<b>CIMB Berhad</b>				
Dato' Mohamed Nazir bin Abdul Razak	38,000,000	—	(12,800,000)	25,200,000

No. of share options over ordinary shares of RM1 each granted under the Executive Employees Share Options Scheme ("EESOS 1")

	Balance as at 1 January	Granted	Exercised	Balance as at 31 December
<b>CIMB Berhad</b>				
Cheim Dau Meng	1,720,000	—	(470,000)	1,250,000

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares, warrants, share options and debentures in the Company or of its related corporations during the financial year.

**SHARE CAPITAL**

During the year, 4,061,200 new ordinary shares of RM1 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Executive Employee Share Options Scheme ("EESOS") at the following exercise price:

Number of CIMB Berhad share issue	Exercise price per share (RM)
25,000	1.50
29,000	1.51
1,658,000	1.62
605,000	1.64
260,400	4.15
753,200	4.19
471,900	4.49
258,700	4.55
<b>4,061,200</b>	

**EXECUTIVE EMPLOYEE SHARE OPTIONS SCHEME (“EESOS”)**

The Company had on 11 February 2004 and 21 September 2004 made an offer to grant options to the Senior Management and executive staff of CIMB Berhad Group to subscribe to shares of the Company under the EESOS 2 and EESOS 3. The total number of EESOS 2 and EESOS 3 options offered to the Senior Management and executive staff of the Group amounted to 26,329,000 ordinary shares of RM1 each of the Company.

Details of the EESOS are set out in Note 42 (a) to the financial statements.

The Company has been granted exemption from the Registrar of Companies from having to disclose in this report the name of the persons to whom less than 450,000 options have been granted during the financial year and details of their holdings. The remaining option holders are as follows:

**No. of share options over ordinary shares of RM1 each  
granted under the EESOS 2**

	<b>Balance as at 1 January</b>	<b>Granted</b>	<b>Exercised</b>	<b>Balance as at 31 December</b>
Loh Shai Weng	—	450,000	(30,000)	420,000
Tan Choon Thye	—	450,000	(90,000)	360,000
Kenny Kim	—	450,000	—	450,000
Kong Sooi Lin	—	825,000	(115,000)	710,000
Kok Kong Chin	—	863,000	(35,600)	827,400
Meow Yoke Nean	—	1,994,000	—	1,994,000
Lee Kok Kwan	—	2,000,000	(62,000)	1,938,000
Mabel Gan Pek Houg	—	2,992,000	(360,800)	2,631,200

**No. of share options over ordinary shares of RM1 each  
granted under the EESOS 3**

	<b>Balance as at date of appointment</b>	<b>Granted</b>	<b>Exercised</b>	<b>Balance as at 31 December</b>
Charon Wardini Mokhzani	—	1,500,000	—	1,500,000

Options granted to option holders who are also Directors of the Company are disclosed in the section on “Directors’ interests in shares and debentures”.

**BAD AND DOUBTFUL DEBTS**

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

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

**CURRENT ASSETS**

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Group and of 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 of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and of 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 affect the ability of the Group and of the Company to meet their obligations 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 of the Company which would render any amount stated in the financial statements misleading.

### ITEM OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in Note 46 to the financial statements.

Except as disclosed in Note 44 to the financial statements, 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 of the Company for the financial year in which this report is made.

### ULTIMATE HOLDING COMPANY

The Directors regard Commerce Asset-Holding Berhad, a company incorporated in Malaysia, as the ultimate holding company.

### AUDITORS

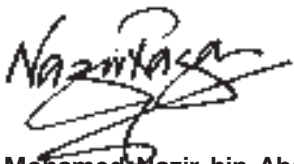
The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 January 2005.



**Dr. Rozali bin Mohamed Ali**

Director



**Dato' Mohamed Nazir bin Abdul Razak**

Director

Kuala Lumpur

22 February 2005

	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Assets</b>					
Cash and short-term funds	3	2,717,806	1,701,315	812	72
Securities purchased under resale agreements		2,552,373	109,276	5,454	—
Deposits and placements with financial institutions	4	159,848	23,527	10,511	2,978
Dealing securities	5	5,557,225	6,814,157	—	—
Investment securities	6	1,284,385	1,277,967	—	—
Loans and advances	7	1,297,512	1,456,334	—	—
Other assets	8	884,551	1,581,096	495	284
Statutory deposits with Bank Negara Malaysia	9	195,070	212,795	—	—
Tax recoverable		1,483	9,115	81	8
Investment in subsidiaries	10	—	—	1,092,993	1,343,703
Investment in associates	11	1,274	319	—	—
Amount due from ultimate holding company		138	—	—	—
Fixed assets	12	50,954	47,121	—	—
Goodwill on consolidation	13	10,407	—	—	—
Deferred tax assets	14	21,684	25,702	—	—
<b>Total assets</b>		<b>14,734,710</b>	<b>13,258,724</b>	<b>1,110,346</b>	<b>1,347,045</b>
<b>Liabilities, shareholders' funds and minority interests</b>					
Deposits from customers	15	5,857,839	4,205,514	—	—
Deposits and placements of banks and other financial institutions	16	2,816,241	4,094,343	—	—
Obligations on securities sold under repurchase agreements		2,224,296	1,668,621	—	—
Other liabilities	17	961,234	782,330	352	199
Amount due to ultimate holding company		627	207	—	—
Amount due to a subsidiary		—	—	—	2,571
Provision for taxation and zakat	18	38,317	48,449	—	—
Short term borrowings	19	264,424	—	104,224	—
Long term borrowings	20	1,141,721	865,830	—	—
<b>Total liabilities</b>		<b>13,304,699</b>	<b>11,665,294</b>	<b>104,576</b>	<b>2,770</b>
Share capital	21	855,905	851,844	855,905	851,844
Reserves	22	553,243	732,757	149,865	492,431
<b>Shareholders' funds</b>		<b>1,409,148</b>	<b>1,584,601</b>	<b>1,005,770</b>	<b>1,344,275</b>
Minority interest		20,863	8,829	—	—
<b>Total liabilities, shareholders' funds and minority interest</b>		<b>14,734,710</b>	<b>13,258,724</b>	<b>1,110,346</b>	<b>1,347,045</b>
<b>Commitments and contingencies</b>					
Principal	37	154,866,415	100,703,429	—	—
Credit equivalent	37	1,407,790	1,073,757	—	—



## INCOME STATEMENT

for the financial year ended 31 December 2004

	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest income	23	541,743	531,950	339	32
Interest expense	24	(348,037)	(326,401)	(687)	—
Net interest income		193,706	205,549	(348)	32
Income from Islamic Banking operations	49	14,835	9,671	—	—
Loan loss and provision	25	5,221	9,995	—	—
Provision for other receivables		(11,508)	(9,621)	—	—
		202,254	215,594	(348)	32
Net fee and commission income	26	139,848	130,814	400	250
Dividend income	27	8,077	5,187	150,895	181,111
Net trading income	28	94,710	133,007	—	—
Net gain/(loss) from investment securities	29	23,618	(19,926)	—	—
Income from assets management and securities services		14,523	—	—	—
Brokerage income		95,367	56,886	—	—
Other non-interest income	30	16,375	7,872	—	—
Non interest income		392,518	313,840	151,295	181,361
Net income		594,772	529,434	150,947	181,393
Overhead expenses	31	(209,830)	(178,946)	(1,398)	(277)
		384,942	350,488	—	—
Share of (loss)/profit of associates		(9)	297	—	—
Profit before taxation		384,933	350,785	149,549	181,116
Taxation	33	(94,366)	(90,113)	(23,815)	(50,703)
Share of tax of associates	33	(9)	(3)	—	—
Net profit after taxation		290,558	260,669	—	—
Minority interest		(846)	(40)	—	—
<b>Net profit for the financial year</b>		<b>289,712</b>	<b>260,629</b>	<b>125,734</b>	<b>130,413</b>
<b>Earnings per share (sen)</b>					
– basic	34	33.93	30.64	—	—
– diluted	34	33.53	30.46	—	—
<b>Dividend per share (sen)</b>					
– special dividend of Nil sen (2003: 21.29 sen) less taxation	35	—	15.33	—	15.33
– tax exempt interim dividend of 7.50 sen (2003: Nil sen)	35	7.50	—	7.50	—
– proposed final dividend of 7.50 sen (2003: 10.00 sen) less taxation and tax exempt special dividend of 3.50 sen (2003: Nil sen)	35	8.90	7.20	8.90	7.20

	Note	Non-distributable		Distributable		Total RM'000		
		Share capital RM'000	Share premium RM'000	Reserve on consolidation RM'000	Exchange fluctuation reserve RM'000		Statutory reserve RM'000	Retained profits RM'000
Balance as at 1 January 2004		851,844	492,384	92,474	12	57,628	90,259	1,584,601
Net profit for the financial year		—	—	—	—	—	289,712	289,712
Net gains and losses not recognised in the income statement – currency translation difference		—	—	—	(926)	—	—	(926)
Transfer to statutory reserve	22	—	—	—	—	33,995	(33,995)	—
Issue of shares arising from exercise of share options	42(a)	4,061	7,230	—	—	—	—	11,291
Return to shareholders via capital distribution	43(h)	—	(349,971)	—	—	—	—	(349,971)
Final dividends paid for financial year ended 31 December 2003	35	—	—	—	—	—	(61,391)	(61,391)
Interim dividends paid for financial year ended 31 December 2004	35	—	—	—	—	—	(64,168)	(64,168)
<b>Balance as at 31 December 2004</b>		<b>855,905</b>	<b>149,643</b>	<b>92,474</b>	<b>(914)</b>	<b>91,623</b>	<b>220,417</b>	<b>1,409,148</b>
Balance as at 1 January 2003		850,000	491,203	92,436	—	3,247	14,306	1,451,192
Net profit for the financial year		—	—	—	—	—	260,629	260,629
Net gains and losses not recognised in the income statement – currency translation difference		—	—	—	12	—	—	12
Transfer to statutory reserve	22	—	—	—	—	54,381	(54,381)	—
Issue of shares arising from exercise of share options	42(a)	1,844	1,181	—	—	—	—	3,025
Special dividends paid for financial year ended 31 December 2003	35	—	—	—	—	—	(130,295)	(130,295)
Adjustment to reserve on consolidation		—	—	38	—	—	—	38
<b>Balance as at 31 December 2003</b>		<b>851,844</b>	<b>492,384</b>	<b>92,474</b>	<b>12</b>	<b>57,628</b>	<b>90,259</b>	<b>1,584,601</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2004

	Note	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained profit/ (accumulated loss) RM'000	Total RM'000
Balance as at 1 January 2004		851,844	492,384	47	1,344,275
Net profit for the financial year		—	—	125,734	125,734
Issue of shares arising from exercise of share options	42(a)	4,061	7,230	—	11,291
Return to shareholders via capital distribution	43(h)	—	(349,971)	—	(349,971)
Final dividends paid for financial year ended 31 December 2003	35	—	—	(61,391)	(61,391)
Interim dividends paid for financial year ended 31 December 2004	35	—	—	(64,168)	(64,168)
<b>Balance as at 31 December 2004</b>		<b>855,905</b>	<b>149,643</b>	<b>222</b>	<b>1,005,770</b>
Balance as at 1 January 2003		850,000	491,203	(71)	1,341,132
Net profit for the financial year		—	—	130,413	130,413
Issue of shares arising from exercise of share options	42(a)	1,844	1,181	—	3,025
Dividends paid for financial year ended 31 December 2003	35	—	—	(130,295)	(130,295)
<b>Balance as at 31 December 2003</b>		<b>851,844</b>	<b>492,384</b>	<b>47</b>	<b>1,344,275</b>

	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Cash flows from operating activities</b>					
Profit before taxation		384,933	350,785	149,549	181,116
Add/(less) adjustments:					
Loan loss and provision		(5,221)	(8,823)	—	—
Interest-in-suspense		5,369	11,521	—	—
Interest expense on long term borrowings		71,252	78,965	—	—
Interest expense on short term borrowings		903	—	—	—
Depreciation of fixed assets		11,837	11,247	—	—
Provision for other receivables		11,508	9,621	—	—
Amortisation of premium less accretion of discount		632	(512)	—	—
Amortisation of goodwill		35	—	—	—
(Writeback)/provision for diminution in value of investment securities		(16,234)	58,958	—	—
Net (reversal)/unrealised loss on reevaluation of dealing securities		(70,514)	101,515	—	—
Share of loss/(profit) of associates		9	(297)	—	—
Gain on disposal of fixed assets		(554)	(318)	—	—
Gain from sales of investment securities		(7,384)	(39,032)	—	—
Gross dividend from investment securities		(75)	(884)	—	—
Unrealised foreign exchange gain		(1,104)	(66)	—	—
Fixed assets written off		100	111	—	—
Gross dividend from subsidiaries		—	—	(150,895)	(181,111)
Cash flow from operating profit/(loss) before changes in operating assets and liabilities		385,492	572,791	(1,346)	5

	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>(Increase)/decrease in operating assets</b>					
Securities purchased under resale agreements		(2,421,992)	(31,828)	(5,454)	—
Deposits and placements with financial institutions		(136,340)	77,000	(7,533)	(2,978)
Dealing securities		1,326,051	947,253	—	—
Loans and advances		158,692	(492,430)	—	—
Other assets		706,108	(1,052,222)	(211)	(284)
Amount due from ultimate holding company		(138)	—	—	—
Statutory deposits with Bank Negara Malaysia		17,725	(46,135)	—	—
<b>Increase/(decrease) in operating liabilities</b>					
Deposits from customers		1,652,325	(501,336)	—	—
Deposits and placements of banks and other financial institutions		(1,298,102)	81,794	—	—
Obligations on securities sold under repurchase agreements		555,675	711,386	—	—
Other liabilities		156,729	345,353	153	198
Amount due to holding company		420	15	—	—
Amount due to subsidiary		—	—	(2,571)	—
Cash from operating activities		1,102,645	611,641	(16,962)	(3,059)
Taxation paid		(94,651)	(92,753)	(22)	—
Net cash from/(used in) operating activities		1,007,994	518,888	(16,984)	(3,059)

	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Cash flows (used in)/from investing activities</b>					
Dividend received from investment securities		54	636	—	—
Dividend received from associates		—	1,676	—	—
Dividend received from a subsidiary		—	—	127,029	130,400
Acquisition of subsidiaries	46	(24,546)	(7,504)	(82,790)	—
Acquisition of associates		(1,000)	—	—	—
Proceeds from disposal of associates	11	39	624	—	—
Net disposal of investment securities		21,969	293,627	—	—
Purchase of fixed assets		(14,330)	(7,843)	—	—
Proceeds from disposal of fixed assets		1,767	784	—	—
Subscription of subsidiary's preference shares		—	—	(16,500)	—
Proceeds from capital repayment of a subsidiary		—	—	350,000	—
Net cash (used in)/from investing activities		(16,047)	282,000	377,739	130,400
<b>Cash flows from/(used in) financing activities</b>					
Net drawdown of short term borrowings		264,424	—	—	—
Interest expense on long term borrowings		(71,149)	(58,264)	—	—
Net drawdown of long term borrowings		295,897	41,830	—	—
Dividends paid	35	(125,559)	(130,295)	(125,559)	(130,295)
Issue of shares	42(a)	11,291	3,025	11,291	3,025
Return to shareholders via capital distribution	43(h)	(349,971)	—	(349,971)	—
Proceeds from drawdown of short term borrowings		—	—	104,224	—
Net cash from/(used in) financing activities		24,933	(143,704)	(360,015)	(127,270)
<b>Net increase in cash and cash equivalents during the financial year</b>					
		1,016,880	657,184	740	71
<b>Cash and cash equivalents at beginning of the financial year</b>					
		1,701,315	1,044,129	72	1
<b>Effects of exchange rate changes</b>					
		(389)	2	—	—
<b>Cash and cash equivalents at end of the financial year</b>					
	3	2,717,806	1,701,315	812	72

Included in cash and cash equivalent of the Group are trust accounts maintained by the stock broking subsidiaries in trust for clients' and dealer's representatives amounting to RM35,339,000 (2003: RM31,976,000) and RM6,206,000 (2003: RM5,991,000) respectively.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

#### **A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and the Company have been prepared under historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines, Syariah requirements and the provisions of the Companies Act, 1965.

The financial statements incorporate activities relating to Skim Perbankan Islam ("SPI") which have been undertaken by the Group. SPI refers generally to the acceptance of deposits and dealing in Islamic Securities under Syariah principles.

#### **B BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included from the date of acquisition up to the date of disposal. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition other than the cost of issuing shares and other capital instruments. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill on consolidation. In the case where the Group's share of the fair values of their separable net assets at the date of acquisition is in excess of the purchase consideration, the difference will be recognised as reserve on consolidation in the balance sheet.

Goodwill on consolidation is amortised using straight line method over the estimated useful life of 25 years.

Minority interest is measured as the minorities' share of the post acquisition fair value of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

**B BASIS OF CONSOLIDATION (CONTINUED)**

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition.

**C RECOGNITION OF FEES AND OTHER INCOME**

Fees from advisory and corporate finance activities are recognised as income based on completion of each stage of the engagement and issuance of invoice.

Loan and debt securities arrangement fees, management and participation fees, underwriting commissions, acceptance and placement fees are recognised as income when all conditions precedent are fulfilled.

Portfolio management fees, commitment fees, guarantee fees and income from asset management and securities services which are material are recognised as income based on the time apportionment method.

Brokerage fees which are material are recognised as income based on inception of such transactions.

Dividends from subsidiaries are recognised when the right to receive payment is established. Dividends from dealing securities are recognised when received. Dividends from investment securities are recognised when declared.

Income from Islamic Banking is recognised on an accrual basis in accordance with the principles of Syariah and Bank Negara Malaysia's "Guidelines on the Specimen Financial Statements for the Banking Industry, BNM/GP8".

**D RECOGNITION OF INTEREST INCOME**

Interest income is recognised on an accrual basis by reference to rest periods which are either monthly or yearly.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing when repayments are in arrears for 3 months or more from first day of default for loans and after 3 months from maturity date for bankers' acceptances.

The Group's policy on suspension of interest is in conformity with Bank Negara Malaysia's "Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3".



**E DEALING SECURITIES**

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term, and are stated at the lower of cost and market value. All related realised gains and losses and unrealised losses are included in net trading income. Interest earned while holding dealing securities are reported as interest income. Dividends received are included in dividend income.

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

**F INVESTMENT SECURITIES**

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement pursuant to Bank Negara Malaysia's New Liquidity Framework.

Malaysian Government securities, Malaysian Government treasury bills, Malaysian Government investment certificates, Cagamas bonds, other Government securities, and bank guaranteed private debt securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date. Other private debt securities are valued at lower of cost and market value. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

Amortisation of premium or accretion of discount is recognised using the effective yield method. Interest earned while holding investment securities are reported as interest income. Dividends received are included in dividend income.

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

**G DERIVATIVE FINANCIAL INSTRUMENTS****Trading**

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured at their fair value. The fair values of trading derivative financial instruments are included in the balance sheet and gains and losses on these instruments are taken directly to the income statement and are generally included in net gains or loss from trading activities.

Foreign exchange and interest rate forwards, futures and forward purchases and sales of securities entered into for trading purposes are valued at prevailing market rates based on quoted and observable market prices. Interest rate and currency swap agreements are valued at their net present value based on discounted cash flow models. Interest rate and equity option contracts are valued using options pricing models.

**G DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)****Hedging**

Foreign exchange and interest rate forwards, futures, swaps and options entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged item. To qualify as a hedge, the forwards, futures and swaps position must be designated as a hedge and be effective in reducing the market risk of an existing asset, liability, firm commitment, or anticipated transaction where there is a high probability of the transaction occurring and the extent, term and nature of the exposure is capable of being estimated. The fair value of the hedge must move inversely with changes in the fair value of the underlying exposure.

Where the hedged item ceases to exist, the corresponding derivative hedge contract is restated at fair value and any resulting unrecognised gains and losses are taken to the income statement and are generally included in net gains or loss from trading activities.

**H LOANS, ADVANCES AND OTHER RECEIVABLES**

Loans, advances and other receivables include term loans, acceptances credit, staff loans and subordinated debts. They are carried at the recoverable amount represented by the gross value of the outstanding balance adjusted for provisions for bad and doubtful debts, unearned income and interest-in-suspense.

**I PROVISION FOR BAD AND DOUBTFUL DEBTS**

Specific provisions are made for doubtful debts which have been individually reviewed and specifically identified as bad or doubtful.

A general provision based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified, at the balance sheet date.

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

The Group's provision for non-performing loans is in conformity with the minimum requirements of Bank Negara Malaysia "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3" as well as requirements for provision for bad and doubtful debts under the Rule 1104 of Bursa Malaysia Securities Berhad.

With regards to provisioning for subordinated debts subscribed by the Group arising from its collateralised bond obligation, the subordinated debts are held at cost and provision is made for any diminution based on the financial position of the special purpose vehicle and its underlying assets.

## **J SALE AND REPURCHASE AGREEMENTS**

Securities purchased under resale agreements are securities which the Group and the Company have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet. Securities purchased are not recognised in the financial statements.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the balance sheet. Securities sold are retained in the financial statements.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

## **K INVESTMENT IN SUBSIDIARIES**

Investments in subsidiaries are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

## **L INVESTMENT IN ASSOCIATES**

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Associates are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not exercise control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the results of associates for the financial year. The Group's investments in associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Investments in associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

**M FIXED ASSETS**

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost of the fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are:

Long-term leasehold land – 50 years or more	Over the lease period of 78 years
Building on leasehold land	2% or over the lease period of 78 years, whichever is shorter
Office equipment and furniture	20% – 33 $\frac{1}{3}$ %
Computer equipment and software	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20%
Renovation	20% or over the period of the tenancy, whichever is shorter

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

**N COLLATERALISED BOND OBLIGATIONS**

The Group through its collateralised bond obligation (“CBO”) programme, packages and sells private debt securities to a special purpose vehicle (“SPV”). The SPV will in turn issue bonds to raise funds for the purchase of assets.

The Group receives fees income for the various services provided to the SPV. These fees are determined on an arms length basis and are recognised on an accrual basis. The Group is also a counterparty to the SPV for certain interest rate swaps contracted on arms length basis. Correspondingly, the Group offsets the positions held with the SPV by entering into interest rate swap and futures contracts with external parties to ensure no material gain or loss is incurred by the Group from the interest rate swap contracts transacted with the SPV. The interest rate swaps are measured at their fair values.

Any subordinated debt or bond obtained under this programme is held at cost and a provision is made for any diminution in value based on the position of the SPV and its underlying assets. The interest earned by the Group on the subordinated debt or bond is recognised on an accrual basis.

**O SHORT TERM BORROWINGS**

Short term borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, short term borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the short term borrowings. The interest expense is recognised on an accrual basis and charged to the income statement.

## P LONG TERM BORROWINGS

Long term borrowings comprise mainly negotiable certificates of deposits and subordinated notes issued by the Group with remaining maturity of more than one year. These long term borrowings are initially recognised at cost, being the issue proceeds received, net of transaction costs incurred. In subsequent periods, long term borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the long term borrowings. The Group engages in long term borrowings for the purpose of hedging its interest rate, liquidity and foreign exchange positions. The interest expense is recognised on an accrual basis and charged to the income statement.

## Q CURRENCY TRANSLATIONS

Individual monetary foreign currency assets and liabilities are stated in the balance sheet at spot rates of exchange which closely approximate to those ruling at the balance sheet date. Foreign currency transaction items are converted at rates prevailing on transaction dates. Exchange gains and losses are recognised as income or expense in the financial year in which they arise. Financial statements of foreign subsidiaries that are integral to the operations of the Group and Company are translated as if the transactions of the foreign subsidiary had been those of the Group and Company.

In respect of foreign subsidiaries which operations are not integral to the operation of the Group and Company, the balance sheet is translated at the rates of exchange ruling at the balance date. The results of the entity are translated at the average rates of exchange for the financial year. Exchange differences arising from this translation are dealt with through exchange fluctuation reserve account in shareholders' equity.

The principal closing rates used in the translation of foreign currency amounts were as follows:

Foreign currency	2004 RM	2003 RM
1 US Dollar	3.8000	3.8000
1 Euro	5.1833	4.7335
100 Japanese Yen	3.7051	3.5435
100 Hong Kong Dollar	48.8774	48.8450
1 Singapore Dollar	2.3279	2.2275
100 Indonesian Rupiah	0.0409	0.0490

## R INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

**S DEFERRED TAXATION**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from loans and advances, investment securities and unutilised tax losses.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

**T PROVISION**

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligations, and when a reliable estimate of the amount can be made.

**U EMPLOYEE BENEFITS****Short term employee 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.

**Defined contribution plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

The Group contributes to a national defined contribution plan (the Employees' Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

**Equity compensation benefits**

The Group does not make a charge to the income statement in connection with options on the shares of the Company and its holding company which are granted to Directors and employees. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

**V LEASES****Finance lease**

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Operating leases**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

**W CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, bank balances and deposit placements maturing less than one month held for the purpose of meeting short term commitments and that are readily convertible into known amounts of cash without significant risk of changes in value.

**X SEGMENT REPORTING**

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of operating income earned from providing products or services to external clients and whose operating income, results or assets are 10 per cent or more of all the segments are reported separately.

**Y PROFIT EQUALISATION RESERVE ("PER")**

In relation to Islamic banking, PER is a mechanism to reduce the fluctuations in the profit rates payable to the depositors. It is provided based on the Framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. PER is reflected under other liabilities of the Group.

**Z SHARE CAPITAL**

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instruments.

Distributions to holders of financial instruments classified as an equity instrument are charged directly to equity.

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include merchant banking and provision of related financial services, carrying on the business of a discount house, stock and share broking, futures broking, offshore banking, trading in securities, assets management, private equity, private client services and provision of nominee services. There was no significant change in the nature of these activities during the financial year.

The number of employees as at the end of the financial year was 1006 (2003: 822) in the Group, and 1 (2003: Nil) in the Company.

The holding company is Commerce Asset-Holding Berhad, a company incorporated in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and the principal place of business of the Company is:

7th Floor  
Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

## 2 USE OF FINANCIAL INSTRUMENTS

The main subsidiary of the Group, Commerce International Merchant Bankers Berhad (“CIMB”), is a full service investment bank that offers an extensive range of on and off-balance sheet financial instruments.

### A Financial risk management objectives and policies

#### Market risk

Market risk is defined as any fluctuations in value of the portfolio resulting from changes in market prices and market parameters, such as interest rates, exchange rates and share prices.

Market risk within the Group as a result of the Group’s trading activities can arise either from customer-related business or from proprietary positions. CIMB, with the discount house, make markets in debt securities as well as interest rate and currency derivative instruments; while equity proprietary activities are carried out by the bank, broking-arm and an offshore subsidiary. In general, the Group manages its trading positions by employing a variety of hedging strategies, including the use of derivative instruments.

The Group manages market risk through risk limits set by the Risk Committee. The role of Market Risk Committee, amongst others, is to oversee the Group’s exposure to interest rate and equity risks and to consider and determine trading, investment and underwriting proposals within defined limits.



## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### A Financial risk management objectives and policies (continued)

#### Market risk (continued)

The utilisation of interest rate and equity risk limits is reviewed on a daily basis, by the Risk Management Unit ("RMU") which employs statistical methods to measure and monitor the risks associated with the Group's trading activities. The RMU also provides independent valuation of portfolios and generates daily and weekly risk position reports for the information of senior management.

The Group has adopted a value-at-risk ("VAR") approach in the measurement of interest rate and equity risks. VAR is a statistical measure of the potential losses that could occur due to movements in market rates and prices over a specified time horizon within a given confidence level.

#### Credit risk

Credit and counterparty risk is defined as the possibility of losses due to an unexpected default or deterioration of a business partner's credit-worthiness.

Credit risk arises in many of the Group's business activities. In lending activities, it occurs primarily through loans as well as commitments to support clients' obligations to third parties, i.e. guarantees. In sales and trading activities, credit risk arises because of the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are obligated to pay the Group the positive fair value or receivable resulting from the execution of contract terms.

The Credit Risk Committee ensures that the risk exposures undertaken match the risk appetite of the Group, and that proper authorisation procedures are adhered to. Problematic exposures identified by the business units and management are carefully monitored and proactive measures taken, where possible, to minimise financial loss to the Group. All exposures are proactively assessed for potential risk and those identified as potentially problematic are managed centrally by the Credit & Special Assets Unit, a dedicated and specialised team within the risk management function.

All credit exposures are given an internal rating, based on a combination of ratios and qualitative criteria. Adherence to set credit limits is monitored on a daily basis by the RMU who combine all exposures for each counterparty, including off-balance sheet and potential exposures, and ensure that limits are not exceeded. The Group also has in place credit guidelines that limit its exposure to any one counterparty or group, industry sector and rating classification.

#### Netting arrangements

The Group also enters into master agreements that provide for close-out and settlement netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

The extent to which the Group's overall exposure to credit risk is reduced through a master netting arrangement may change substantially within a short period following the balance sheet date, as the exposure is affected by each transaction subject to the agreement.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### A Financial risk management objectives and policies (continued)

#### Liquidity risk

Liquidity risk is defined as the risk of the Group being unable to fulfil its current or future payment obligations in full and at the due date.

There is a Liquidity Risk Committee whose main role is to oversee the overall liquidity management of the Group, ensure compliance with the liquidity framework prescribed by Bank Negara Malaysia, and review periodically the assumptions underlying the liquidity risk management framework.

The Group's liquidity risk management focuses on avoiding over dependence on volatile sources of funding, diversification of funding maturity structure and sources of funds, and maintenance of sufficient liquid assets. To ensure the Group is able to cover all payment obligations on due dates as part of the liquidity management process, the RMU prepares liquidity analysis for the bank and the discount house in line with Bank Negara Malaysia's liquidity framework. In addition, management action triggers are set to provide timely warning on emerging liquidity pressures. The Group has also developed a contingency funding plan to deal with extreme liquidity crisis situations.

#### Operational risk

Operational risks includes risks that arise from internal processes of an organisation. These may result from inadequacies or failures in processes, controls or projects due to fraud, unauthorised activities, errors, omissions, inefficiencies, systems failures or from external events.

Operational risks are less direct than credit and market risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In order to reduce or mitigate these risks, the Group has established and maintained an effective internal control environment, which incorporates various control mechanisms at different levels throughout the organisation. These control mechanisms are designed to better ensure that operational policies and procedures are being followed and that the Group's various businesses are operating within established corporate policies and limits.

The Group has an Operational Risk Committee with oversight responsibility for all operational and other matters that affect the Group's day-to-day activities. The committee also reviews the operating policies and procedures for new products/businesses to ensure that the supporting infrastructure is in place prior to doing business.

The Group's aspirations to meet the highest standards in risk, controls and governance are further demonstrated through its Corporate Risk Scorecard project. This initiative complements the Enterprise Wide Risk Management ("EWRM"), by capturing and profiling the Group's risk in a systematic and organised method for identifying, controlling and monitoring its risk exposure. The scorecard maps out and prioritises the various risks, based on the possibility of a risk event occurring and its impact on shareholders' value. It provides the senior management with a complete view of the enterprise-wide operational risk exposure on a single common platform. This facilitates the prioritisation of risk issues for the Group to plan its resources and address them accordingly, whilst also serving as one of the key drivers in preparing this statement of internal control.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

The Group 2004	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Islamic Banking RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	2,200,801	—	—	—	—	30,813	486,192	2,717,806
Securities purchased under resale agreements	1,920,562	581,103	34,677	16,031	—	—	—	2,552,373
Deposits and placements with financial institutions	3,927	38,889	16,935	97	—	—	100,000	159,848
Dealing securities	154,501	119,522	233,723	3,636,825	1,173,251	186,194	53,209	5,557,225
Investment securities	450,136	770	—	170,645	548,965	113,869	—	1,284,385
Loans and advances	961,052	87,431	187,008	135,124	36,031	(109,134) <sup>^</sup>	—	1,297,512
Statutory deposits with Bank Negara Malaysia	—	—	—	—	—	195,070	—	195,070
Other assets*	603,516	97	—	—	—	365,922	956	970,491
<b>Total assets</b>	<b>6,294,495</b>	<b>827,812</b>	<b>472,343</b>	<b>3,958,722</b>	<b>1,758,247</b>	<b>782,734</b>	<b>640,357</b>	<b>14,734,710</b>

<sup>^</sup> The negative balance includes specific provisions, interest-in-suspense and general provisions for loans and advances in accordance with the Group's accounting policy on provision for bad and doubtful debts.

\* Other assets include tax recoverable, investment in associates, fixed assets, goodwill on consolidation and deferred tax assets.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk (continued)

The Group 2004	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Islamic Banking RM'000	Total RM'000
<b>Liabilities</b>								
Deposits from customers	3,530,148	1,860,272	270,003	—	—	—	197,416	5,857,839
Deposits and placements of banks and other financial institutions	1,357,709	919,851	231,716	—	—	—	306,965	2,816,241
Obligations on securities sold under repurchase agreements	2,224,296	—	—	—	—	—	—	2,224,296
Borrowings	96,200	—	168,224	499,891	600,000	—	41,830	1,406,145
Other liabilities#	354,500	36	51	—	—	635,267	10,324	1,000,178
<b>Total liabilities</b>	<b>7,562,853</b>	<b>2,780,159</b>	<b>669,994</b>	<b>499,891</b>	<b>600,000</b>	<b>635,267</b>	<b>556,535</b>	<b>13,304,699</b>
On balance sheet								
– interest rate gap	(1,268,358)	(1,952,347)	(197,651)	3,458,831	1,158,247			
Off-balance sheet								
– interest rate gap	558,600	1,679,485	(2,960,042)	1,496,757	(774,800)			
<b>Net interest rate gap</b>	<b>(709,758)</b>	<b>(272,862)</b>	<b>(3,157,693)</b>	<b>4,955,588</b>	<b>383,447</b>			

# Other liabilities include amount due to ultimate holding company and provision for taxation and zakat.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk (continued)

The Group 2003	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Islamic Banking RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	1,591,851	—	—	—	—	18,502	90,962	1,701,315
Securities purchased under resale agreements	49,612	—	—	59,664	—	—	—	109,276
Deposits and placements with financial institutions	1,001	22,256	270	—	—	—	—	23,527
Dealing securities	143,605	269,571	898,294	3,160,008	1,846,033	144,904	351,742	6,814,157
Investment securities	—	—	—	278,582	902,245	67,134	30,006	1,277,967
Loans and advances	896,482	248,136	188,788	204,691	28,967	(124,227) <sup>^</sup>	13,497	1,456,334
Statutory deposits with Bank Negara Malaysia	—	—	—	—	—	211,534	1,261	212,795
Other assets*	1,170,835	—	246	—	—	490,124	2,148	1,663,353
<b>Total assets</b>	<b>3,853,386</b>	<b>539,963</b>	<b>1,087,598</b>	<b>3,702,945</b>	<b>2,777,245</b>	<b>807,971</b>	<b>489,616</b>	<b>13,258,724</b>

<sup>^</sup> The negative balance includes specific provisions, interest-in-suspense and general provisions for loans and advances in accordance with the Group's accounting policy on provision for bad and doubtful debts.

\* Other assets include tax recoverable, investment in associates, fixed assets and deferred tax assets.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk (continued)

The Group 2003	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Islamic Banking RM'000	Total RM'000
<b>Liabilities</b>								
Deposits from customers	3,255,646	634,032	240,259	—	—	—	75,577	4,205,514
Deposits and placements of banks and other financial institutions	1,992,305	1,353,864	457,300	—	—	—	290,874	4,094,343
Obligations on securities sold under repurchase agreements	1,636,221	32,400	—	—	—	—	—	1,668,621
Long term borrowings	—	—	—	224,000	600,000	—	41,830	865,830
Other liabilities#	271,038	32	—	—	—	554,124	5,792	830,986
<b>Total liabilities</b>	<b>7,155,210</b>	<b>2,020,328</b>	<b>697,559</b>	<b>224,000</b>	<b>600,000</b>	<b>554,124</b>	<b>414,073</b>	<b>11,665,294</b>
On balance sheet								
– interest rate gap	(3,301,824)	(1,480,365)	390,039	3,478,945	2,177,245			
Off-balance sheet								
– interest rate gap	1,445,600	512,273	(558,923)	(456,750)	(942,200)			
<b>Net interest rate gap</b>	<b>(1,856,224)</b>	<b>(968,092)</b>	<b>(168,884)</b>	<b>3,022,195</b>	<b>1,235,045</b>			

# Other liabilities include amount due to ultimate holding company and provision for taxation and zakat.

Actual repricing dates may differ from contractual dates as contractual terms do not reflect the actual behavioural patterns of assets and liabilities. Assets and liabilities are assumed to be held until the earlier of contractual repricing or maturity dates. The Group uses this contractual repricing information as a base, which is then altered to incorporate consumer behaviour, in managing its interest rate risk.

The off-balance sheet interest rate gap is calculated using the derivative instruments' principal amount, without taking into account the cash flows impact relating to the derivative instruments.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk (continued)

The Company 2004	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	–	–	–	–	–	812	812
Securities purchased under resale agreements	5,454	–	–	–	–	–	5,454
Deposits and placements with financial institutions	10,511	–	–	–	–	–	10,511
Other assets*	10	–	–	–	–	1,093,559	1,093,569
<b>Total assets</b>	<b>15,975</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,094,371</b>	<b>1,110,346</b>
<b>Liabilities</b>							
Other liabilities	58	–	51	–	–	243	352
Short term borrowings	50,000	–	54,224	–	–	–	104,224
<b>Total liabilities</b>	<b>50,058</b>	<b>–</b>	<b>54,275</b>	<b>–</b>	<b>–</b>	<b>243</b>	<b>104,576</b>
<b>Net interest rate gap</b>	<b>(34,083)</b>	<b>–</b>	<b>(54,275)</b>	<b>–</b>	<b>–</b>		

\* Other assets include tax recoverable and investment in subsidiaries.

In 2003, all the Company's assets and liabilities are non-interest bearing except for deposits and placements with banks and other financial institutions, which amounted to RM2,978,000, maturing within one month.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk (continued)

The tables below summarises the effective average interest rate by major currencies for each class of financial asset and financial liability. The calculation of effective average interest rate excludes non-interest bearing financial assets and financial liabilities.

2004	The Group		
	MYR %	USD %	
<b>Financial assets</b>			
Cash and short-term funds	2.74	2.44	
Securities purchased under resale agreements	2.95	—	
Deposits and placements with financial institutions	3.09	2.24	
Dealing securities	4.36	4.72	
Investment securities	6.25	—	
Loans and advances	6.14	2.50	
Other assets – due from brokers and clients	9.17	—	
<b>Financial liabilities</b>			
Deposits from customers	2.75	2.42	
Deposits and placements of banks and other financial institutions	2.88	2.40	
Obligations on securities sold under repurchase agreements	2.61	—	
Short term borrowings	3.21	2.84	
Long term borrowings	6.09	5.04	
Other liabilities – due to brokers and clients	3.23	—	
2003	MYR %	The Group USD %	EURO %
<b>Financial assets</b>			
Cash and short-term funds	2.86	1.19	—
Securities purchased under resale agreements	8.50	—	—
Deposits and placements with financial institutions	2.75	1.35	—
Dealing securities	4.43	4.35	4.25
Investment securities	6.47	—	—
Loans and advances	6.30	1.61	—
Other assets – due from brokers and clients	10.00	—	—
<b>Financial liabilities</b>			
Deposits from customers	2.85	1.06	—
Deposits and placements of banks and other financial institutions	2.96	1.20	—
Obligations on securities sold under repurchase agreements	2.69	—	—
Long term borrowings	5.89	—	—
Other liabilities – due to brokers and clients	2.45	—	—



## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### B Interest rate risk (continued)

	The Company	
	2004 MYR %	2003 MYR %
<b>Financial assets</b>		
Securities purchased under resale agreements	2.60	—
Deposit and placements with financial institutions	2.71	2.80
<b>Financial liabilities</b>		
Short term borrowings	3.21	—

### C Credit risk

The following table sets out the credit risk concentrations of the Group by classes of financial assets:

The Group 2004	Short term funds and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Dealing securities RM'000	Investment securities RM'000	Loans and advances <sup>^</sup> RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Commitments and contingencies* RM'000
Agricultural	—	—	—	—	62,801	1,113	—	63,914	4,800
Mining and quarrying	—	—	—	—	—	10	—	10	—
Manufacturing	—	—	247,326	8,969	168,989	5,375	—	430,659	12,892
Electricity, gas and water	—	—	776,267	471,066	9,511	14,278	—	1,271,122	32,500
Construction	—	—	343,732	43,830	124,969	4,453	—	516,984	145,695
Real estate	—	—	77,835	84,374	80,239	1,806	—	244,254	6,855
General commerce	—	—	28,978	—	58,045	2,490	—	89,513	50,486
Transport, storage and communication	—	—	1,247,675	229,335	85,465	16,418	—	1,578,893	57,277
Finance, insurance and business services	1,830,849	76,428	897,760	128,105	136,696	330,961	—	3,400,799	1,010,160
Government and government agencies	1,046,805	2,475,945	1,519,350	164,372	—	69,458	195,070	5,471,000	38,282
Purchase of residential, landed property, securities and transport vehicles	—	—	243,626	2,361	475,439	358,987	—	1,080,413	35,340
Consumption credit	—	—	—	—	78,298	—	—	78,298	—
Others	—	—	33,405	76,333	56,981	61,754	—	228,473	13,503
	2,877,654	2,552,373	5,415,954	1,208,745	1,337,433	867,103	195,070	14,454,332	1,407,790
Assets not subject to credit risk	—	—	141,271	75,640	—	17,448	—	234,359	—
Total	2,877,654	2,552,373	5,557,225	1,284,385	1,337,433	884,551	195,070	14,688,691	1,407,790

<sup>^</sup> Excludes general provision amounting to RM39,921,000.

\* Comprises credit equivalent of credit risk related instrument and derivative related instrument amounting to RM404,966,000 and RM1,002,824,000 respectively.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

## C Credit risk (continued)

The Group 2003	Short term funds and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Dealing securities RM'000	Investment securities RM'000	Loans and advances <sup>^</sup> RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Commitments and contingencies* RM'000
Agricultural	—	—	—	—	130,500	955	—	131,455	2,505
Mining and quarrying	—	—	55,209	—	—	1,764	—	56,973	—
Manufacturing	—	—	190,762	6,720	106,004	3,761	—	307,247	9,215
Electricity, gas and water	—	—	1,235,012	395,645	—	13,690	—	1,644,347	102,791
Construction	—	—	459,930	150,567	214,066	66,114	—	890,677	100,160
Real estate	—	—	9,993	100,301	124,103	2,334	—	236,731	44,251
General commerce	—	—	22,596	—	10,038	2,844	—	35,478	1,237
Transport, storage and communication	—	—	1,042,672	288,727	279,170	16,154	—	1,626,723	110,988
Finance, insurance and business services	660,752	109,276	1,300,612	135,089	245,585	323,960	—	2,775,274	566,966
Government and government agencies	1,064,090	—	2,178,003	190,149	—	885,006	212,795	4,530,043	19,020
Purchase of residential, landed property, securities and transport vehicles	—	—	266,737	2,346	349,075	255,697	—	873,855	16,619
Others	—	—	9,519	—	37,920	8,277	—	55,716	100,005
	1,724,842	109,276	6,771,045	1,269,544	1,496,461	1,580,556	212,795	13,164,519	1,073,757
Assets not subject to credit risk	—	—	43,112	8,423	—	540	—	52,075	—
Total	1,724,842	109,276	6,814,157	1,277,967	1,496,461	1,581,096	212,795	13,216,594	1,073,757

<sup>^</sup> Excludes general provision amounting to RM40,127,000.

\* Comprises credit equivalent of credit risk related instruments and derivative related instruments amounting to RM555,225,000 and RM518,532,000 respectively.

## 2 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

### C Credit risk (continued)

The following table sets out the credit risk concentrations of the Company by asset class:

	The Company						
	2004				2003		
	Short term funds and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Other assets RM'000	On-balance sheet total RM'000	Short term funds and placements with financial institutions RM'000	Other assets RM'000	On-balance sheet total RM'000
Agricultural	—	—	—	—	—	—	—
Mining and quarrying	—	—	—	—	—	—	—
Manufacturing	—	—	—	—	—	—	—
Electricity, gas and water	—	—	—	—	—	—	—
Construction	—	—	—	—	—	—	—
Real estate	—	—	—	—	—	—	—
General commerce	—	—	—	—	—	—	—
Transport, storage and communication	—	—	—	—	—	—	—
Finance, insurance and business services	11,323	5,454	10	16,787	3,050	—	3,050
Government and government agencies	—	—	—	—	—	—	—
Purchase of residential landed property, securities and transport vehicles	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
	<b>11,323</b>	<b>5,454</b>	<b>10</b>	<b>16,787</b>	3,050	—	3,050
Assets not subject to credit risk	—	—	485	485	—	284	284
<b>Total</b>	<b>11,323</b>	<b>5,454</b>	<b>495</b>	<b>17,272</b>	3,050	284	3,334

### 3 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and balances with banks and other financial institutions	59,875	50,443	812	72
Money at call and deposit placements maturing within one month	2,657,931	1,650,872	—	—
	<b>2,717,806</b>	<b>1,701,315</b>	<b>812</b>	<b>72</b>

Included in cash and balances with banks and other financial institutions of the Company is an amount of RM757,000 (2003: RM72,000) maintained with a related licensed bank in Malaysia.

Included in cash and short-term funds of the Group are trust accounts maintained by the stock broking subsidiaries in trust for clients' and dealer's representatives amounting to RM35,339,000 (2003: RM31,976,000) and RM6,206,000 (2003: RM5,991,000) respectively.

### 4 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	143,753	22,527	10,511	2,978
Licensed finance companies	15,000	—	—	—
Other financial institutions	1,095	1,000	—	—
	<b>159,848</b>	<b>23,527</b>	<b>10,511</b>	<b>2,978</b>

Included in deposits and placements with financial institutions are RM10,511,000 (2003: RMNil) maintained with a related licensed bank in Malaysia.

## 5 DEALING SECURITIES

	The Group	
	2004 RM'000	2003 RM'000
<b>Money market instruments:</b>		
Malaysian Government treasury bills	37,940	145,165
Malaysian Government securities	800,086	871,978
Other Government securities	87,715	206,240
Bank Negara Malaysia bills	1,095	241,616
Bank Negara negotiable notes	1,273	50,884
Cagamas bonds	233,927	137,728
Danaharta bonds	—	121,456
Khazanah bonds	33,865	20,472
Negotiable instruments of deposits	110,000	285,547
Bankers' acceptances	—	204,350
Commercial papers	48,337	95,476
	<b>1,354,238</b>	<b>2,380,912</b>
<b>Quoted securities:</b>		
<b>In Malaysia</b>		
Shares	141,232	125,709
Warrants	11,261	13,495
Loan stocks	7,043	65
<b>Outside Malaysia</b>		
Private debt securities	320,689	424,905
Shares	714	5,637
<b>Unquoted securities:</b>		
<b>In Malaysia</b>		
Private and Islamic debt securities	3,644,951	3,763,549
Shares	12,957	—
<b>Outside Malaysia</b>		
Private debt securities	51,153	99,885
Unit trust	12,987	—
	<b>5,557,225</b>	<b>6,814,157</b>

## 5 DEALING SECURITIES (CONTINUED)

Included in dealing securities are:

- (a) Securities amounting to RM60,007,000 (2003: RM50,575,000) invested by asset management companies on behalf of the Group.
- (b) Malaysian Government securities, unquoted private and Islamic debt securities in Malaysia, amounting to principal value of RM61,000,000 (2003: RM25,000,000) which have been pledged as credit support assets for certain over-the-counter derivative contracts.

	The Group	
	2004 RM'000	2003 RM'000
<b>Market value of money market instruments and quoted securities</b>		
Malaysian Government treasury bills	38,031	146,399
Malaysian Government securities	805,019	872,846
Other Government securities	87,775	206,302
Bank Negara Malaysia bills	1,107	242,164
Bank Negara negotiable notes	1,278	51,142
Cagamas bonds	234,671	138,196
Danaharta bonds	—	121,659
Khazanah bonds	34,841	20,495
Negotiable instruments of deposits	110,000	285,547
Bankers' acceptances	—	204,350
Commercial papers	48,585	96,806
Shares in Malaysia	158,870	153,192
Warrants in Malaysia	15,265	14,812
Loan stocks in Malaysia	7,419	92
Private debt securities outside Malaysia	324,878	427,428
Shares outside Malaysia	839	6,187

## 6 INVESTMENT SECURITIES

	The Group	
	2004 RM'000	2003 RM'000
<b>Money market instruments:</b>		
Danaharta Urus bonds	—	23,536
Bankers' acceptances	770	—
	770	23,536
<b>Quoted securities:</b>		
<b>In Malaysia</b>		
Shares	17,844	350
<b>Unquoted securities:</b>		
<b>In Malaysia</b>		
Shares	17,378	3,142
Loan stocks	44,585	46,313
Private debt securities	811,345	1,293,697
Unit trust	450,135	—
	1,323,443	1,343,152
<b>Outside Malaysia</b>		
Private equity funds	38,000	21,280
	1,380,057	1,388,318
Accretion of discount less amortisation of premium	—	1,555
Provision for diminution in value:		
– Quoted shares in Malaysia	—	(14)
– Unquoted loan stock in Malaysia	(3,938)	(3,938)
– Unquoted private debt securities in Malaysia	(91,734)	(107,954)
	1,284,385	1,277,967

## 6 INVESTMENT SECURITIES (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(i) Market value of money market instruments and quoted securities:</b>		
Danaharta Urus bonds	—	25,776
Bankers' acceptances	770	—
Shares in Malaysia	18,351	433
<b>(ii) The maturity structure of money market instruments held for investments is as follows:</b>		
Less than one year	770	—
One to three years	—	23,536

## 7 LOANS AND ADVANCES

	The Group	
	2004 RM'000	2003 RM'000
Term loans		
– Fixed rate	46,913	221,186
– Floating rate	1,036,598	996,675
Claims on customers under acceptance credits	30,000	625
Factoring receivables	128,735	210,545
Subordinated debt	127,277	127,294
Staff loans of which RM390,000 (2003: RM418,000) is to Directors	39,820	32,385
	1,409,343	1,588,710
Unearned income	(2,697)	(6,582)
Gross loans and advances	1,406,646	1,582,128
Provision for bad and doubtful debts:		
– General	(39,921)	(40,127)
– Specific	(50,100)	(66,867)
Interest-in-suspense	(19,113)	(18,800)
Net loans and advances	1,297,512	1,456,334



## 7 LOANS AND ADVANCES (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(i) The maturity structure of loans and advances is as follows:</b>		
Maturing within one year	951,675	1,053,257
One year to three years	156,663	321,151
Three years to five years	176,279	180,327
Over five years	122,029	27,393
	<b>1,406,646</b>	1,582,128
<b>(ii) The loans and advances analysed by their economic purposes are as follows:</b>		
Agricultural	62,801	130,500
Manufacturing	178,965	117,486
Electricity, gas and water	9,511	—
Construction	140,660	228,084
Real estate	87,923	129,557
Purchase of residential landed property	30,259	24,330
General commerce	58,043	10,290
Transport, storage and communication	85,465	293,103
Finance, insurance and business services	153,097	261,985
Purchase of securities	437,180	325,503
Purchase of transport vehicles	9,519	8,020
Consumption credit	78,298	—
Others	74,925	53,270
	<b>1,406,646</b>	1,582,128

## 7 LOANS AND ADVANCES (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(iii) Movements in the non-performing loans are as follows:</b>		
At 1 January	123,802	146,045
Classified as non-performing during the financial year	36,035	32,721
Classified as performing during the financial year	(3,920)	—
Amount written back in respect of recoveries/reclassification	(47,738)	(42,269)
Amount written off	(16,744)	(12,695)
At 31 December	91,435	123,802
Net non-performing loans	22,222	38,135
Ratio of net non-performing loans to total loans (net of specific provision and interest-in-suspense)	1.66%	2.55%

	The Group	
	2004 RM'000	2003 RM'000
<b>(iv) Movements in the provision for bad and doubtful debts and interest-in-suspense are as follows:</b>		
<b>General provision</b>		
At 1 January	40,127	44,260
Amount written back to income statement	(206)	(4,133)
At 31 December	39,921	40,127
(as % of total loans less specific provision and interest-in-suspense)	2.98%	2.68%
<b>Specific provision</b>		
At 1 January	66,867	83,001
Provision made during the financial year	3,432	6,635
Amount transferred to provision for diminution in value	—	(11,444)
Amount written back in respect of recoveries/reclassification	(8,514)	(11,325)
Amount written off	(11,685)	—
At 31 December	50,100	66,867
<b>Interest-in-suspense</b>		
At 1 January	18,800	18,142
Provision made during the financial year	7,549	15,664
Amount written back in respect of recoveries/reclassification	(2,180)	(4,143)
Amount written off	(5,056)	(10,863)
At 31 December	19,113	18,800

## 7 LOANS AND ADVANCES (CONTINUED)

On 12 December 2001, the Company's subsidiary, Commerce International Merchant Bankers Berhad ("CIMB") had securitised private debt securities via a collateralised bond obligations programme amounting to RM485 million. These private debt securities were acquired from CIMB by a special purpose vehicle, CBO One Berhad ("CBO One"), which is funded through the issuance of bonds and subordinated debt. The scheme and the issuance of bonds is in compliance with the Securities Commission's "Guidelines on the Offering of Asset-Backed Debt Securities" dated 11 April 2001. CBO One is a company owned by an unrelated party.

The Company and the Group do not in any way stand behind the capital value and/or performance of the securities or the assets of CBO One except to the limited extent provided in the transaction documents through the provision of arms-length services. Neither the Company nor the Group guarantees the payment of interest or the repayment of principal due on the securities. However, the Group does hold the subordinated debt whose terms stipulate that losses up to the nominal value of the debt and bonds issued by CBO One, would be absorbed first by the Group and then by the bondholders, in the event of a loss by CBO One. In addition, the Group also holds some of the bonds issued by CBO One for trading purposes.

The Group is not obliged to support any losses that may be suffered by the investors and does not intend to provide such support.

With regards to the subordinated debt held by the Group arising from its collateralised bond obligation, the following are the details as at 31 December 2004:

<b>Issuer</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Principal RM'000</b>
CBO One Berhad	11 December 2001	11 December 2008	126,929

The interest rates for subordinated debt consist of a periodical rate up to 5% per annum and a final rate of up to 15% per annum. Interest is payable semi-annually on 11 June and 11 December commencing 11 June 2002. The amount of interest due and payable is subject to the availability of funds based on certain prescribed criteria. The principal amount will be settled in full upon maturity date.

## 8 OTHER ASSETS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest receivable	84,722	82,329	10	4
Deposits and revaluation of derivative financial instruments	319,461	319,776	—	—
Due from brokers and clients net of provision for doubtful debts of RM7,924,000 (2003: RM8,058,000)	368,875	256,247	—	—
Other debtors, deposits and prepayments net of provision for doubtful debts of RM25,725,000 (2003: RM10,899,000)	111,493	922,744	485	280
	<b>884,551</b>	<b>1,581,096</b>	<b>495</b>	<b>284</b>

Included in other debtors is RMNil (2003: RM800,000,000) of trade receivables arising from the forward sale of dealing securities.

## 9 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits relate to the merchant banking subsidiary and are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

## 10 INVESTMENT IN SUBSIDIARIES

	The Company	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	1,092,993	1,343,703

## 10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

During the financial year:

- (a) In April 2004, CIMB incorporated a new subsidiary, CIMB Private Equity Sdn Bhd.
- (b) The Company's wholly owned subsidiary, CIMB (L) Limited, had on 18 June 2004 received the Certificates of Incorporation dated 15 June 2004 from the Labuan Offshore Financial Services Authority for the incorporation of two new offshore subsidiaries, CIMB Private Equity General Partner Limited and CIMB Mezzanine General Partner Limited.
- (c) In September 2004, the Company had acquired the entire ordinary equity interest in CIMB ShareTech Sdn Bhd comprising 40,003,120 ordinary shares of RM1.00 each from CIMB Securities Sdn Bhd.
- (d) In November 2004, the Company had acquired 70% equity interest in Commerce Trust Berhad and Commerce Asset Fund Manager Sdn Bhd, comprising 4,900,000 and 3,850,000 ordinary shares of RM1.00 each from Commerce Asset-Holding Berhad.
- (e) In November 2004, the Company incorporated a new subsidiary, CIMB Real Estate Sdn Bhd.

The subsidiaries of the Company are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
Commerce International Merchant Bankers Berhad+	Merchant banking and provision of related financial services	Malaysia	100	100
CIMB Private Equity Sdn Bhd+	Private equity	Malaysia	100	—
CIMB ShareTech Sdn Bhd+	Trading in securities	Malaysia	100	—
Commerce Asset Fund Managers Sdn Bhd+	Fund Management	Malaysia	70	—
Commerce Trust Berhad+	Unit Trust Manager	Malaysia	70	—
CIMB Real Estate Sdn Bhd+	Real estate investment	Malaysia	100	—

## 10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries held by Commerce International Merchant Bankers Berhad are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
CIMB Holdings Sdn Bhd+	Investment holding	Malaysia	100	100
CIMB Futures Sdn Bhd+	Futures broking	Malaysia	100	100
CIMB Nominees (Tempatan) Sdn Bhd+	Nominee services	Malaysia	100	100
CIMB Nominees (Asing) Sdn Bhd+	Nominee services	Malaysia	100	100
CIMB Discount House Berhad+	Discount house	Malaysia	100	100
CIMB (L) Limited+	Offshore banking	Malaysia	100	100
iCIMB Sdn Bhd+	Dormant	Malaysia	100	100

Details of the subsidiaries held by CIMB Private Equity Sdn Bhd are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
CIMB Private Equity 1 Sdn Bhd+	Private equity's fund	Malaysia	100	—

Details of the subsidiaries held by CIMB Holdings Sdn Bhd are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
CIMB Securities Sdn Bhd+	Stock and share broking	Malaysia	100	100
CIMB Securities (Hong Kong) Limited*	Trading in securities	Hong Kong	100	100

## 10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries held by CIMB Securities Sdn Bhd are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
CIMSEC Nominees (Tempatan) Sdn Bhd+	Nominee services	Malaysia	100	100
CIMSEC Nominees (Asing) Sdn Bhd+	Nominee services	Malaysia	100	100
CIMSEC Nominees Sdn Bhd+	Nominee services	Malaysia	100	100
CIMB ShareTech Sdn Bhd+	Trading in securities	Malaysia	—	100

Details of the subsidiaries held by CIMB ShareTech Sdn Bhd are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
ShareTech Nominees (Tempatan) Sdn Bhd+	Nominee services	Malaysia	100	100
ShareTech Nominees (Asing) Sdn Bhd+	Nominee services	Malaysia	100	100

Details of the subsidiaries held by CIMB (L) Limited are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
Halyconia Asia Fund Limited+	Open-ended investment fund	British Virgin Islands	100	100
P.T. CIMB Niaga Securities*	Stock and share broking	Indonesia	51	51
CIMB Private Equity General Partner Limited+	Fund management	Malaysia	100	—
CIMB Mezzanine General Partner Limited+	Fund management	Malaysia	100	—

+ Audited by PricewaterhouseCoopers, Malaysia

\* Audited by an overseas affiliate of PricewaterhouseCoopers, Malaysia

## 11 INVESTMENT IN ASSOCIATES

	The Group	
	2004 RM'000	2003 RM'000
Share of net assets of associates	1,274	319

Details of the associate held by Commerce International Merchant Bankers Berhad are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
Banyan Ventures Sdn Bhd	Fund management and investment holding	Malaysia	—	37

On 30 January 2004, CIMB entered into a Sale and Purchase Agreement with Tan Choi Khaw and Michael Toh Kian Seng to dispose of its 37.04% equity interest comprising 1,000,000 ordinary shares of RM1.00 each in Banyan Ventures Sdn Bhd for a total consideration of RM39,338. The Sale and Purchase agreement was subsequently completed on 16 February 2004.

Details of the associate held by CIMB (L) Limited are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
Navis-CIMB General Partner Ltd	Fund management	Malaysia	25	25

Details of the associate held by CIMB Private Equity Sdn Bhd are as follows:

Name of company	Principal activities	Place of incorporation	Percentage of equity held	
			2004 %	2003 %
CIMB Mezzanine 1 Sdn Bhd	Private equity's fund	Malaysia	100	—



## 11 INVESTMENT IN ASSOCIATES (CONTINUED)

CIMB Mezzanine I Sdn Bhd ('CIMBM') is a special purpose entity set up by the Group to facilitate investments in private companies. The entire paid up ordinary share capital of CIMBM of RM2 is held by the Group.

CIMBM is funded primarily by the issuance of redeemable preference shares ('RPS') to investors. The terms and conditions of the RPS and the Memorandum and Articles of Association of CIMBM are structured in such a manner that the residual risks and rewards of the company are borne by the investors in RPS. As at 31 December 2004, the Group holds 19% of the RPS of the entity amounting to RM1 million. In addition, Commerce International Merchant Bankers Berhad, a subsidiary company, has been appointed as the investment advisor to CIMBM and earns management and incentive fees.

Although the Group holds the entire ordinary share capital of CIMBM, the Group does not have control over CIMBM and therefore does not regard CIMBM as a subsidiary. However, the Group has significant influence over CIMBM by virtue of its holding of the RPS and its role as an investment advisor to CIMBM. Accordingly, CIMBM has been accounted for as an associate of the Group using the equity method of accounting.

## 12 FIXED ASSETS

The Group 2004	Leasehold land – 50 years or more RM'000	Building on leasehold land – 50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2004	18,609	7,135	15,567	18,498	15,837	—	75,646
Additions	—	—	1,579	6,217	6,302	232	14,330
Amount arising from acquisition of subsidiaries	—	—	1,291	4,357	361	778	6,787
Disposals	—	—	(18)	(42)	(3,067)	—	(3,127)
Exchange differences	—	—	209	(233)	(78)	—	(102)
Written off	—	—	—	(178)	(130)	—	(308)
At 31 December 2004	18,609	7,135	18,628	28,619	19,225	1,010	93,226
<b>Depreciation</b>							
At 1 January 2004	496	189	8,321	12,605	6,914	—	28,525
Charge for the financial year	372	143	3,156	4,933	3,225	8	11,837
Amount arising from acquisition of subsidiaries	—	—	441	3,142	300	207	4,090
Disposals	—	—	(13)	(35)	(1,866)	—	(1,914)
Exchange differences	—	—	193	(240)	(11)	—	(58)
Written off	—	—	—	(171)	(37)	—	(208)
At 31 December 2004	868	332	12,098	20,234	8,525	215	42,272
<b>Net book value as at 31 December 2004</b>							
	17,741	6,803	6,530	8,385	10,700	795	50,954

**12 FIXED ASSETS (CONTINUED)**

The Group 2003	Leasehold land – 50 years or more RM'000	Building on leasehold land – 50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2003	18,609	7,135	14,397	15,466	13,062	68,669
Additions	—	—	1,007	2,736	4,100	7,843
Amount arising from acquisition of subsidiary	—	—	169	399	523	1,091
Disposals	—	—	(4)	(1)	(1,724)	(1,729)
Written off	—	—	(2)	(102)	(124)	(228)
At 31 December 2003	18,609	7,135	15,567	18,498	15,837	75,646
<b>Depreciation</b>						
At 1 January 2003	124	47	5,282	7,062	5,568	18,083
Charge for the financial year	372	142	2,902	5,267	2,564	11,247
Amount arising from acquisition of subsidiary	—	—	141	357	77	575
Disposals	—	—	(2)	(1)	(1,260)	(1,263)
Written off	—	—	(2)	(80)	(35)	(117)
At 31 December 2003	496	189	8,321	12,605	6,914	28,525
<b>Net book value as at 31 December 2003</b>	<b>18,113</b>	<b>6,946</b>	<b>7,246</b>	<b>5,893</b>	<b>8,923</b>	<b>47,121</b>

**13 GOODWILL ON CONSOLIDATION**

	The Group	
	2004 RM'000	2003 RM'000
At 1 January	—	—
Acquisition of subsidiaries	10,442	—
Amortisation charge	(35)	—
At 31 December	10,407	—
Cost	10,442	—
Accumulated amortisation	(35)	—
	10,407	—

#### 14 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	The Group	
	2004 RM'000	2003 RM'000
Loans and advances	15,107	15,164
Investment securities	(8,344)	(8,152)
Excess of capital allowance over depreciation	(2,209)	(1,782)
Unutilised tax losses	10,559	11,319
Other temporary difference	6,571	9,153
Deferred tax assets	<b>21,684</b>	25,702

The movements in deferred tax assets/(liabilities) during the financial year comprise the following:

The Group	Loans and advances RM'000	Investment securities RM'000	Excess of capital allowance over depreciation RM'000	Unutilised tax losses RM'000	Other temporary difference RM'000	Total RM'000
At 1 January 2004	15,164	(8,152)	(1,782)	11,319	9,153	25,702
Acquisition of subsidiaries	—	—	(402)	—	—	(402)
(Charged)/credited to income statement (Note 33)	(57)	(192)	(25)	(760)	(2,582)	(3,616)
At 31 December 2004	<b>15,107</b>	<b>(8,344)</b>	<b>(2,209)</b>	<b>10,559</b>	<b>6,571</b>	<b>21,684</b>
At 1 January 2003	16,689	(8,610)	(2,451)	12,952	2,088	20,668
Transfer from provision of taxation	—	2,249	—	—	—	2,249
(Charged)/credited to income statement (Note 33)	(1,525)	(1,791)	669	(1,633)	7,065	2,785
At 31 December 2003	15,164	(8,152)	(1,782)	11,319	9,153	25,702

Deferred tax assets of the Group in respect of unutilised tax losses have been recognised as these tax losses relate to subsidiaries that are making profits in the current financial year, and future taxable profits are probable.

## 15 DEPOSITS FROM CUSTOMERS

	The Group	
	2004 RM'000	2003 RM'000
Demand deposits	21,380	14,933
Fixed deposits	5,836,459	4,190,581
	<b>5,857,839</b>	4,205,514
<b>(i) Maturity structure of fixed deposits is as follows:</b>		
– Due within six months	5,755,459	4,090,382
– Six months to one year	81,000	100,199
	<b>5,836,459</b>	4,190,581
<b>(ii) The deposits are sourced from the following customers:</b>		
– Business enterprises	5,421,448	4,037,591
– Others	436,391	167,923
	<b>5,857,839</b>	4,205,514

## 16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2004 RM'000	2003 RM'000
Licensed banks	1,425,414	2,350,478
Licensed finance companies	25,000	226,561
Other financial institutions	1,365,827	1,517,304
	<b>2,816,241</b>	4,094,343

**17 OTHER LIABILITIES**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest payable	50,492	47,168	110	—
Revaluation of derivative financial instruments	317,595	212,247	—	—
Due to brokers and clients	432,223	314,936	—	—
Others	160,924	207,979	242	199
	<b>961,234</b>	<b>782,330</b>	<b>352</b>	<b>199</b>

**18 PROVISION FOR TAXATION AND ZAKAT**

	The Group	
	2004 RM'000	2003 RM'000
Taxation	38,315	48,447
Zakat	2	2
	<b>38,317</b>	<b>48,449</b>

**19 SHORT TERM BORROWINGS**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Unsecured</b>				
Commercial papers	54,224	—	54,224	—
USD term loan	114,000	—	—	—
Revolving credit facilities	96,200	—	50,000	—
	<b>264,424</b>	<b>—</b>	<b>104,224</b>	<b>—</b>

## 19 SHORT TERM BORROWINGS (CONTINUED)

Contractual interest rate at balance sheet date %	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Maturity profile</b>				
Within one month ECOF + (0.5% to 1%)	96,200	—	50,000	—
One month to six months *	54,224	—	54,224	—
Six months to one year LIBOR + 0.2%	114,000	—	—	—
	<b>264,424</b>	<b>—</b>	<b>104,224</b>	<b>—</b>

\* The commercial papers of RM54,224,000 (2003: RMNil) were issued at a discount, with an effective yield of 2.83%.

## 20 LONG TERM BORROWINGS

	Note	The Group	
		2004 RM'000	2003 RM'000
Negotiable certificates of deposits	(i)	762,076	865,830
Subordinated notes	(ii)	379,488	—
Others		157	—
		<b>1,141,721</b>	<b>865,830</b>
<b>(i) Maturity structure of long term negotiable certificates of deposits are as follows:</b>			
– One year to two years		100,000	120,000
– Two years to five years		62,076	145,830
– Five years to ten years		600,000	600,000
		<b>762,076</b>	<b>865,830</b>

Negotiable certificates of deposits with maturity of less than one year amounting to RM120,000,000 (2003: RM100,000,000) have been reclassified to deposits and placements of banks and other financial institutions.

## 20 LONG TERM BORROWINGS (CONTINUED)

The details of the negotiable certificates of deposits are as follows:

Principal segregated by maturity year	Range of fixed interest rate per annum %	The Group	
		2004 RM'000	2003 RM'000
Year 2005	3.70 to 6.10	—	120,000
Year 2006	5.00	100,000	100,000
Year 2007	3.35	4,000	4,000
Year 2008	—	41,830	41,830
Year 2009	—	16,246	—
Year 2011	6.50	600,000	600,000
		<b>762,076</b>	865,830

The negotiable certificates of deposits (“NCD”) issued are unsecured, unsubordinated and have no rights of conversion. The respective NCD bear fixed coupon rates on their respective nominal amounts as set out in the table above.

Interest on coupon bearing NCD is payable semi-annually on the respective dates as set out in the respective certificates during the respective years they remain outstanding.

Included in the NCD is zero coupon NCD issued with a face value of RM50,000,000 (2003: RM50,000,000) in accordance with Syariah principles. The unaccreted discounts amounted to RM6,167,000 (2003: RM7,706,000) as at the financial year end.

Unless previously purchased or redeemed and cancelled, the Bank shall redeem the respective NCD at their nominal value on the date of maturity upon surrender of the relevant certificates by the holders of the NCD through an authorised depository as specified in the Guidelines on Negotiable Instruments of Deposit (“Guidelines”) issued by Bank Negara Malaysia. The terms and conditions of the NCD shall be as provided for in the Guidelines.

- (ii) On 15 April 2004, CIMB issued USD100 million in aggregate principal amount of Subordinated Notes (“the Notes”) due 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5% per annum from, and including 15 April 2004 to, but excluding 15 April 2009 and, thereafter, at a rate per annum equal to the US Treasury Rate Plus 3.7%. The interest is payable semi-annually in arrears on 15 April and 15 October in each year, commencing on 15 October 2004. The Notes were issued at a price of 99.843 per cent of the principal amount of the Notes. The Notes will, subject to the prior written approval of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of CIMB in the event of certain changes affecting taxation in Malaysia at any time at their principal amount plus accrued interest.

The Notes constitute liabilities of CIMB, and are subordinated in right of payment to the deposit liabilities of CIMB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratios of CIMB.

## 21 SHARE CAPITAL

	The Group and The Company	
	2004 RM'000	2003 RM'000
Ordinary shares of RM1 each:		
<b>Authorised</b>		
At 1 January/31 December	<b>2,000,000</b>	2,000,000
<b>Issued and fully paid</b>		
At 1 January	<b>851,844</b>	850,000
Issued during the financial year – exercise of share options	<b>4,061</b>	1,844
At 31 December	<b>855,905</b>	851,844

The Company implemented an Executive Employee Share Option Scheme (“EESOS”) which came into effect on 2 January 2004 for a period of five years. Details of the share options scheme are disclosed in Note 42(a) to the financial statements.

These shares rank pari passu in all aspects with the existing ordinary shares of the Company.

## 22 RESERVES

Included in the Group’s reserves are statutory reserves of RM91,623,000 (2003: RM57,628,000) maintained in compliance with Section 36 of the Banking And Financial Institutions Act, 1989. This statutory reserve is not distributable by way of dividends.

Based on the estimated tax credit available, the prevailing rate applicable to dividend and subject to agreement with the tax authorities, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank the payment of dividend out of all its retained profits as at 31 December 2004.



**23 INTEREST INCOME**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Loans and advances	87,337	82,772	—	—
Money at call and deposit placements with financial institutions	80,964	31,350	339	32
Dealing securities	281,125	344,681	—	—
Investment securities	55,512	69,160	—	—
Others	42,806	14,996	—	—
	<b>547,744</b>	<b>542,959</b>	<b>339</b>	<b>32</b>
Amortisation of premium less accretion of discount	(632)	512	—	—
Net interest suspended	(5,369)	(11,521)	—	—
	<b>541,743</b>	<b>531,950</b>	<b>339</b>	<b>32</b>

**24 INTEREST EXPENSE**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits and placements of banks and other financial institutions	66,776	75,210	—	—
Deposits from customers	153,485	129,137	—	—
Obligations on securities sold under repurchase agreements	54,655	41,557	—	—
Negotiable certificates of deposits	57,525	78,965	—	—
Others	15,596	1,532	687	—
	<b>348,037</b>	<b>326,401</b>	<b>687</b>	<b>—</b>

**25 LOAN LOSS AND PROVISION**

	The Group	
	2004 RM'000	2003 RM'000
Writeback of bad and doubtful debts:		
– general provision (net)	206	4,133
– specific provision (net)	5,082	4,690
	<b>5,288</b>	<b>8,823</b>
Bad debts:		
– recovered	–	1,172
– written off	(67)	–
	<b>5,221</b>	<b>9,995</b>

**26 NET FEE AND COMMISSION INCOME**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Fees on loans and advances	19,004	20,984	–	–
Portfolio management fees	7,985	5,259	–	–
Advisory and arrangement fees	56,033	60,661	–	–
Guarantee fees	868	2,043	–	–
Underwriting commissions	7,351	22,256	–	–
Placement fees	47,251	16,062	–	–
Management fees	–	–	400	250
Other fee income	1,356	3,549	–	–
	<b>139,848</b>	<b>130,814</b>	<b>400</b>	<b>250</b>

**27 DIVIDEND INCOME**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Dealing securities	8,002	4,303	—	—
Investment securities	75	884	—	—
Subsidiaries	—	—	150,895	181,111
	<b>8,077</b>	<b>5,187</b>	<b>150,895</b>	<b>181,111</b>

**28 NET TRADING INCOME**

	The Group	
	2004 RM'000	2003 RM'000
Net gain from trading activities	24,008	234,485
Net reversal of unrealised loss/(unrealised loss) on revaluation of dealing securities	70,702	(101,478)
	<b>94,710</b>	<b>133,007</b>

**29 NET GAIN/(LOSS) FROM INVESTMENT SECURITIES**

	The Group	
	2004 RM'000	2003 RM'000
Gain from sale of investment securities	7,384	39,032
Writeback of/(provision for) diminution in value of investment securities	16,234	(58,958)
	<b>23,618</b>	<b>(19,926)</b>

**30 OTHER NON-INTEREST INCOME**

	The Group	
	2004 RM'000	2003 RM'000
Foreign exchange gain/(loss)		
– unrealised	1,104	66
– realised	(131)	709
Gain on disposal of fixed assets	554	318
Other non-operating income	14,848	6,779
	<b>16,375</b>	<b>7,872</b>

**31 OVERHEAD EXPENSES**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel costs	140,741	125,506	232	208
Establishment costs	33,917	26,195	–	–
Marketing expenses	11,499	8,580	16	–
Administration and general expenses	23,673	18,665	1,150	69
	<b>209,830</b>	<b>178,946</b>	<b>1,398</b>	<b>277</b>
The above expenditure include the following disclosures:-				
Directors' remuneration (Note 32)	4,136	3,019	232	191
Rental of premises	4,008	3,385	–	–
Hire of equipments	4,624	4,534	–	–
Auditors' remuneration				
– statutory audit	394	287	35	31
– other services	1,103	381	442	–
– training	5	5	–	–
– half year audit review	75	225	–	–
Depreciation of fixed assets	11,837	11,247	–	–
Fixed assets written off	100	111	–	–
Amortisation of goodwill	35	–	–	–

Included in personnel costs of the Group are wages, salaries and bonuses of RM113,278,000 (2003: RM103,549,000), and contributions to defined contribution retirement plan of RM12,918,000 (2003: RM6,032,000).

### 32 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year were as follows:

#### Directors

Dr. Rozali bin Mohamed Ali

Dato' Hamzah bin Bakar

Dato' Halim @ Ahmad bin Muhamat

Dato' Mohamed Nazir bin Abdul Razak

Cheim Dau Meng

Dato' Zainal Abidin bin Putih

Zahardin bin Oardin

(appointed 5 May 2004)

Cezar P. Consing

(appointed 5 October 2004)

The aggregate amount of emoluments receivable by Directors of the Company during the financial year were as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-executive Directors				
– Salary and other remuneration	942	945	–	–
– Bonuses	2,099	1,253	–	–
– Defined contribution retirement plan	431	330	–	–
– Fees	567	387	232	191
– Estimated cash value of benefits-in-kind	97	104	–	–
	<b>4,136</b>	<b>3,019</b>	<b>232</b>	<b>191</b>

The Directors of the Company have been granted options under the Executive Employee Share Option Scheme ("EESOS"), CEO Options, CAHB ESOS 2002/2007 as follows:

	EESOS		CEO Options		CAHB ESOS 2002/2007	
	2004 '000	2003 '000	2004 '000	2003 '000	2004 '000	2003 '000
At 1 January	1,720	–	38,000	42,000	1,500	1,500
Granted	–	2,000	–	–	–	–
Exercised	(470)	(280)	(12,800)	(4,000)	(350)	–
At 31 December	<b>1,250</b>	<b>1,720</b>	<b>25,200</b>	<b>38,000</b>	<b>1,150</b>	<b>1,500</b>

Please refer to Note 42(a) for the terms and conditions of the EESOS and Note 42(c) for the terms and conditions of the CEO Options. The terms and conditions of the CAHB ESOS 2002/2007 are disclosed in the financial statements of the ultimate holding company, CAHB.

**33 TAXATION****(a) Tax expense for the financial year**

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current tax				
– Malaysian income tax	90,750	92,898	23,815	50,703
– Foreign tax	—	—	—	—
Share of tax of associates	9	3	—	—
Deferred tax (Note 14)	3,616	(2,785)	—	—
	<b>94,375</b>	<b>90,116</b>	<b>23,815</b>	<b>50,703</b>
Current tax				
– Current year	90,983	92,598	23,815	50,703
– (Over)/under provision in prior year	(224)	303	—	—
Deferred tax				
– Origination and reversal of temporary difference	3,616	(2,785)	—	—
	<b>94,375</b>	<b>90,116</b>	<b>23,815</b>	<b>50,703</b>

**(b) Numerical reconciliation of income tax expense**

The explanation on the relationship between tax expense and profit before taxation is as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before taxation	384,933	350,785	149,549	181,116
Tax calculated at a tax rate of 28% (2003: 28%)	107,781	98,220	41,874	50,712
Income not subject to tax	(7,622)	(4,744)	(18,358)	(70)
Expenses not deductible for tax purposes	3,973	4,361	299	61
Effects of different tax rates	(9,533)	(8,024)	—	—
(Over)/underprovision in prior years	(224)	303	—	—
Tax expense	<b>94,375</b>	<b>90,116</b>	<b>23,815</b>	<b>50,703</b>

### 34 EARNINGS PER SHARE

#### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2004	2003
Net profit for the financial year (RM'000)	<b>289,712</b>	260,629
Weighted average number of ordinary shares in issue ('000)	<b>853,815</b>	850,733
Basic earnings per share (sen)	<b>33.93</b>	30.64

#### (b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, share options granted to management (as disclose in Note 42(a) to the financial statements).

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year for the share options calculation.

	The Group	
	2004	2003
Net profit for the financial year (RM'000)	<b>289,712</b>	260,629
Weighted average number of ordinary shares in issue ('000)	<b>853,815</b>	850,733
Adjustments for share options ('000)	<b>10,339</b>	4,777
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>864,154</b>	855,510
Diluted earnings per share (sen)	<b>33.53</b>	30.46

**35 DIVIDEND**

	The Group and the Company			
	2004		2003	
	Gross per share Sen	Amount of dividend net of tax RM'000	Gross per share Sen	Amount of dividend net of tax RM'000
Special dividend paid	—	—	21.29	130,295
Tax exempt interim dividend paid	7.50	64,168	—	—
Final dividend proposed/paid	7.50	46,219	10.00	61,391
Tax exempt special dividend proposed	3.50	29,957	—	—
	<b>18.50</b>	<b>140,344</b>	31.29	191,686

A final gross dividend in respect of the financial year ended 31 December 2004 of 7.50 sen (2003: 10.00 sen) per share, less income tax of 28%, and tax exempt special dividend of 3.50 sen (2003: Nil sen) amounting to RM76,176,000 (2003: RM61,391,000) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The proposed final dividend will be reflected in the financial statements of the next financial year ending 31 December 2005 when approved by shareholders.

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES****(a) Related parties and relationship**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
Commerce Asset-Holding Berhad ("CAHB")	Ultimate holding company
Subsidiaries of the Company as disclosed in Note 10	Subsidiaries
Associates of the Company as disclosed in Note 11	Associates
Bumiputra-Commerce Bank Berhad and its subsidiaries as disclosed in its financial statements	Subsidiaries of ultimate holding company
Commerce Life Assurance Berhad	Subsidiary of ultimate holding company
AMI Insurans Berhad	Subsidiary of ultimate holding company
Commerce Capital (Labuan) Ltd.	Subsidiary of ultimate holding company
Commerce Asset Ventures Sdn Bhd and its subsidiaries as disclosed in its financial statements	Subsidiaries of ultimate holding company
Commerce Asset Realty Sdn Bhd	Subsidiary of ultimate holding company
Commerce Asset Nominees Sdn Bhd	Subsidiary of ultimate holding company
Commerce MGI Sdn Bhd	Subsidiary of ultimate holding company
Commerce Volantia Sdn Bhd	Subsidiary of ultimate holding company
PT Bank Niaga and its subsidiaries as disclosed in its financial statements	Subsidiaries of ultimate holding company
Rangkaian Segar Sdn Bhd	Associate of ultimate holding company



### 36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, securities and derivative transactions. These transactions were carried out on commercial terms and at market rates.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

	2004		2003	
	Holding company RM'000	Other related companies RM'000	Holding company RM'000	Other related companies RM'000
<b>Sales:</b>				
Malaysian Government securities	—	824,743	170,177	1,178,692
Islamic Bank Negara negotiable notes	—	—	—	65,426
Bankers' acceptances and Islamic accepted bills	—	—	—	312,813
Treasury Bills	—	9,941	—	—
Government agency bonds and notes	—	170,186	—	439,698
Bank Negara Malaysia Bills	—	19,952	—	—
Private debt securities	—	418,128	—	812,903
Commercial paper	—	—	—	85,905
	—	1,442,950	170,177	2,895,437
<b>Purchases:</b>				
Malaysian Government securities	—	855,537	104,196	699,660
Treasury bills	—	29,746	—	—
Government agency bonds and notes	—	212,056	10,006	149,990
Bank Negara Malaysia bills	—	74,615	—	94,775
Private debt securities	—	389,542	24,076	940,723
Commercial paper	—	—	—	7,812
Bankers' acceptances and Islamic accepted bills	—	—	—	361,617
	—	1,561,496	138,278	2,254,577

### 36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Related party transactions and balances (continued)

	2004		2003	
	Holding company RM'000	Other related companies RM'000	Holding company RM'000	Other related companies RM'000
<b>Income:</b>				
Interest income	1,432	3,984	675	92,893
Loss/(gain) from sale of securities	—	(768)	—	4,977
Fee income	80	624	68	146
	<b>1,512</b>	<b>3,840</b>	<b>743</b>	<b>98,016</b>
<b>Expenditure:</b>				
Interest expense	1,808	4,561	6	347,201
Rental paid	928	—	1,282	—
	<b>2,736</b>	<b>4,561</b>	<b>1,288</b>	<b>347,201</b>
<b>Amount due from:</b>				
Cash and short term funds	—	117,195	—	308,595
Loans and advances	—	26,653	—	49,400
Deposits and placements	—	259	—	250,030
Trading securities	11,032	450,135	—	48,804
Brokerage income receivable	—	44	—	194
Interest receivable	86	7	—	239
	<b>11,118</b>	<b>594,293</b>	<b>—</b>	<b>657,262</b>
<b>Amount due to:</b>				
Fixed deposits	502,078	—	—	2,978
Obligations on securities sold under repurchase agreements	—	—	—	43,723
Negotiable certificates of deposits	—	30,000	—	95,000
Deposits and placements	—	36,933	—	2,510,108
Interest payable	299	210	—	1,207
Rent payable	88	—	61	—
	<b>502,465</b>	<b>67,143</b>	<b>61</b>	<b>2,653,016</b>

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****(b) Related party transactions and balances (continued)**

	2004		2003	
	Holding company RM'000	Other related companies RM'000	Holding company RM'000	Other related companies RM'000
<b>Principal Foreign exchange contracts:</b>				
Swaps	—	190,000	—	269,109
<b>Interest rate contracts:</b>				
Swaps	250,000	1,131,668	250,000	960,435

**(c) Employee benefits**

During the financial year, employees of the CIMB Berhad Group were granted options on CIMB Berhad and CAHB shares. Details of the share option scheme are disclosed in Note 42(a) to the financial statements and the financial statements of the ultimate holding company, CAHB.

**37 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group enters into various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions and hence, they are not provided for in the financial statements.

These commitments and contingencies are not secured over the assets of the Group, except for certain dealing securities being pledged as credit support assets for certain over-the-counter derivative contracts.

**37 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The commitments and contingencies constitute the following:

	The Group			
	2004	2004	2003	2003
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
<b>Credit risk related instruments</b>				
Direct credit substitutes	237,759	237,759	224,092	224,092
Certain transaction related contingent items	108,395	54,198	39,795	19,898
Obligations under underwriting agreements	155,493	77,745	163,546	81,773
Irrevocable commitments to extend credit:				
– Maturity exceeding one year	70,527	35,264	325,783	162,892
– Maturity not exceeding one year	217,629	–	322,394	–
Sell and buy back agreements	–	–	66,570	66,570
	<b>789,803</b>	<b>404,966</b>	1,142,180	555,225
<b>Derivative related instruments</b>				
Foreign exchange related contracts:				
<i>Forwards</i>				
– Less than one year	–	–	3,169	59
<i>Foreign exchange swaps</i>				
– Less than one year	214,977	574	905,515	12,539
<i>Cross currency swaps</i>				
– Less than one year	7,166	173	16,690	501
– One year to less than five years	690,800	73,939	211,497	27,958
Interest rate related contracts:				
– Less than one year	48,676,218	25,642	29,097,845	8,344
– One year to less than five years	98,875,742	694,745	63,154,196	331,938
– Five years to less than ten years	5,563,950	207,751	6,106,000	137,193
Equity related contracts:				
– Less than one year	25,180	–	19,912	–
– One year to less than five years	22,579	–	46,425	–
	<b>154,076,612</b>	<b>1,002,824</b>	99,561,249	518,532
	<b>154,866,415</b>	<b>1,407,790</b>	100,703,429	1,073,757

### 37 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### **Credit risk related instruments**

**Direct credit substitutes** comprise guarantees undertaken by the Group to support the financial obligations of its customers to third parties.

**Certain transaction related contingent items** represent financial products whose crystallisations are dependent on specific events other than default in payment by the customers. They include performance related contingents and standby letters of credit.

**Obligations under underwriting agreements** arise from underwriting agreements relating to the issue of securities, whereby the Group is obliged to subscribe or purchase the securities in the event the securities are not taken up when issued.

**Irrevocable commitments to extend credit** include all obligations on the part of the Group to provide funding facilities.

**Sell and buy back agreements** are the obligation of the Group to perform its promise to buy back specified Islamic securities at maturity.

#### **Derivative related instruments**

The Group utilises the following financial instruments for both trading and hedging purposes:

##### ***Foreign exchange related contracts***

**Forward foreign exchange contracts** are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

**Foreign exchange swaps** are agreements to exchange, and on termination of the swaps, re-exchange principal amounts denominated in different currencies.

**Cross currency swaps** involve the 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.

##### ***Interest rate related contracts***

**Interest rate futures** are agreements to buy or sell standard quantity of placements at an agreed rate of interest on a standard future date.

**Interest rate swaps** involve the exchange of interest obligations with a counterparty for a specified period without exchanging the underlying principal.

**Interest rate caps and floors** give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds, instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively.

### 37 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Derivative related instruments (continued)

##### *Equity related contracts*

**Equity futures** are exchange-traded agreements to buy or sell a standard quantity of a basket of equities in the form of published indices, at an agreed price on a standard future date.

**Equity options** oblige the option writer to pay to the buyer the amount by which the market index exceeds the agreed strike rate.

##### *Others*

The Group has also given a continuing guarantee to Labuan Offshore Financial Services Authority to meet the liabilities and financial obligations and requirements of its subsidiary, CIMB (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

##### **Credit equivalent**

The above transactions are categorised and credit equivalents calculated under BNM guidelines for the risk based measurement of capital adequacy. The credit equivalent amounts are a measure of the potential loss to the Group in the event of possible non-performance by a counterparty.

The credit equivalent exposure from direct credit substitutes is the fair value of the transaction, whereas the credit equivalent exposure to certain transaction related contingent items is 50% of the face value.

The credit equivalent exposure from obligations under underwriting agreements is 50% of the face value. As to irrevocable commitments to extend credit, the credit equivalent exposure for commitments with maturity exceeding one year is 50%, while commitments with an original maturity of up to one year, or which can be conditionally cancelled at any one time is 0%.

The credit equivalent exposure on sell and buy back agreements is 100% of the face value.

The Group is not exposed to credit risk for the full face value of their foreign exchange and interest rate related contingencies, but only to the potential cost of replacing the contracts if the counterparty defaults. The credit equivalent exposure is calculated using the current exposure method and is disclosed for each product class. This amount is based on the summation of two elements, that are the replacement costs (obtained by marked to market) of all contracts with positive value and the amount of potential future exposure calculated by applying given “add-on” factors to the principal value of each contract.

**37 COMMITMENTS AND CONTINGENCIES (CONTINUED)****Credit equivalent (continued)**

A breakdown of foreign exchange, interest rate and equity contracts is as follows:

	The Group	
	2004 Principal RM'000	2003 Principal RM'000
<b>Foreign exchange contracts:</b>		
– Forwards	–	3,169
– Foreign exchange swaps	214,977	905,515
– Cross currency swaps	697,966	228,187
<b>Interest rate contracts:</b>		
– Futures	122,512,616	85,009,612
– Swaps	30,587,294	13,338,429
– Options	16,000	10,000
<b>Equity contracts:</b>		
– Futures	13,830	19,912
– Option	33,929	46,425

Foreign exchange, interest rate and equity related contracts are subject to market risk and credit risk.

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2004, the amount of foreign exchange exposure in terms of net outstanding amount was RM34,870,000 (2003: RM39,933,000) for the Group and RMNil (2003: RMNil) for the Company, while the amount of interest rate exposure in terms of net interest rate repricing gap was RM1,198,722,000 (2003: RM1,264,040,000) and RM88,358,000 (2003: RM2,978,000) for the Group and the Company respectively.

**Credit risk**

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Company has a gain position. As at 31 December 2004, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,002,824,000 (2003: RM518,532,000) for the Group and RMNil (2003: RMNil) for the Company. The amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

### 38 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Authorised and contracted for	15,200	9,120
Authorised but not contracted for	54,942	—
The capital commitments are attributed to:		
– subscription for investments	15,200	9,120
– fixed assets	54,942	—

### 39 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments representing minimum rentals not adjusted for operating expenses which the Group is obliged to pay is as follows:

	2004 RM'000	2003 RM'000
Not later than one year	3,094	3,154
Later than one year and not later than five years	2,550	2,971

### 40 SEGMENT REPORTING

The Group is divided into five major business lines – Financial advisory, underwriting and other fees, Debt related, Equity related, Assets management and securities services and Others. The business lines are the basis on which the Group reports its primary segment information.

**Financial advisory, underwriting and other fees** mainly comprise fees derived from structured financial solutions, origination of capital market products including debt and equity, mergers and acquisitions, secondary offerings, asset backed securities, debt restructurings, corporate advisory, Islamic capital market products and project advisory. In addition, this segment also includes underwriting of primary equities and debt products.

**Debt related** mainly comprises proprietary trading and market making in the secondary market for debt, debt related derivatives and structured products. It includes the origination of lending products such as corporate loans and margin lending. It also invests in proprietary capital.





#### 40 SEGMENT REPORTING (CONTINUED)

2004	Financial advisory and underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Asset management and securities services RM'000	Others RM'000	Total RM'000
Segment assets	67,129	13,954,753	607,050	6,800	—	14,635,732
Investment in associates	—	—	1,274	—	—	1,274
Unallocated assets	67,129	13,954,753	608,324	6,800	—	14,637,006 97,704
<b>Total assets</b>						14,734,710
Segment liabilities	3,085	12,705,903	385,592	13,392	—	13,107,972
Unallocated liabilities						196,727
<b>Total liabilities</b>						13,304,699
<b>Other segment items</b>						
Incurred capital expenditure:						
– addition of fixed assets	1,857	6,919	4,642	912	—	14,330
– additions of fixed assets from acquisition of subsidiaries	—	—	—	2,697	—	2,697
Depreciation	(1,710)	(6,486)	(2,866)	(775)	—	(11,837)
Amortisation of premium less accretion of discount	—	(632)	—	—	—	(632)
Provision for doubtful debts	(14,826)	5,221	3,318	—	—	(6,287)
Writeback of diminution in value of investment securities	—	16,220	14	—	—	16,234

**40 SEGMENT REPORTING (CONTINUED)**

2003	Financial advisory and underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Others RM'000	Total RM'000
External net interest income	—	205,549	—	—	205,549
Non interest income:					
– Fee income	130,814	—	—	—	130,814
– Net trading income	—	95,282	37,725	—	133,007
– (Loss)/gain from investment income	—	(26,590)	6,664	—	(19,926)
– Brokerage	—	—	56,886	—	56,886
Other income	—	—	5,187	17,543	22,730
Operating income (exclude provisions)	130,814	274,241	106,462	17,543	529,060
Segment result	86,209	215,003	81,641	7,149	390,002
Unallocated costs					(39,514)*
Profit from operations					350,488
Share of results of associates					297
Profit before taxation					350,785
Taxation					(90,113)
Share of tax of associates					(3)
Minority interest					(40)
<b>Net profit for the financial year after minority interest</b>					<b>260,629</b>

#### 40 SEGMENT REPORTING (CONTINUED)

2003	Financial advisory and underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Others RM'000	Total RM'000
Segment assets	85,939	12,641,888	402,002	42,959	13,172,788
Investment in associates	—	—	319	—	319
Unallocated assets	85,939	12,641,888	402,321	42,959	13,173,107 85,617
<b>Total assets</b>					<b>13,258,724</b>
Segment liabilities	2,118	11,251,064	270,506	—	11,523,688
Unallocated liabilities					141,606
<b>Total liabilities</b>					<b>11,665,294</b>
<b>Other segment items</b>					
Incurring capital expenditure:					
– addition of fixed assets	1,104	1,961	1,487	3,291	7,843
– additions of fixed assets from acquisition of subsidiaries	—	—	—	516	516
Depreciation	(1,512)	(2,796)	(2,093)	(4,846)	(11,247)
Accretion of discount less amortisation of premium	—	512	—	—	512
(Provision)/Writeback of provision for doubtful debts	(9,621)	9,995	—	—	374
Provision for diminution in value of investment securities	—	(58,958)	—	—	(58,958)

\* The unallocated costs refer to expenditures arising from the Chief Executive Officer's office and the Investment Banking Division which have arisen at the Group level and relate to the Group as a whole, hence they are not directly allocated to respective segments.

#### 40 SEGMENT REPORTING (CONTINUED)

The reconciliation for total segments operating income to the net income of the consolidated financial statements are as follows:

	2004 RM'000	2003 RM'000
Operating income (exclude provisions)	601,059	529,060
Less:		
Loan loss and provision	5,221	9,995
Provision for other receivables	(11,508)	(9,621)
Net income	594,772	529,434

The Group's activities are predominantly carried out in Malaysia, with the Malaysian market contributing approximately 99% of the gross operating income and the total segment assets in Malaysia approximate 99% of total assets in the Group. Accordingly, no information on the Group's operations by geographical segments has been provided.

#### 41 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as 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 range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of MASB 24 Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed. These include fixed assets, investment in subsidiaries and associates and goodwill on consolidation.

#### 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A range of methodologies and assumptions has been used in deriving the fair values of the Group's financial instruments at balance sheet date. The total fair value of each financial instrument is not materially different from the total carrying value, except for the following financial assets and liabilities:

	The Group			
	2004		2003	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets</b>				
Securities purchased under resale agreements	2,552,373	2,552,373	109,276	113,527
Dealing securities	5,557,225	5,621,803	6,814,157	6,865,915
Investment securities	1,284,385	1,312,310	1,277,967	1,287,878
Loans and advances	1,337,433 <sup>^</sup>	1,337,670	1,496,461 <sup>^</sup>	1,500,305
<b>Financial liabilities</b>				
Deposits from customers	5,857,839	5,858,085	4,205,514	4,205,490
Deposits and placements of banks and other financial institutions	2,816,241	2,847,476	4,094,343	4,077,458
Long term borrowings	1,141,721	1,224,741	865,830	857,510

<sup>^</sup> Excludes general provision amounting to RM39,921,000 (2003: RM40,127,000).

The fair values of derivative financial instruments at the balance sheet date are as follows:

	The Group			
	2004		2003	
	Fair value		Fair value	
	Asset RM'000	Liability RM'000	Asset RM'000	Liability RM'000
<b>Derivative financial instruments</b>				
Foreign exchange contracts:				
– Forwards	–	–	59	–
– Foreign exchange swaps	2	(10)	101	(304)
– Cross currency swaps	9,051	(354)	1,968	(168)
Interest rate contracts:				
– Futures	141,634	(201,194)	48,746	(168,019)
– Swaps	240,402	(195,831)	196,643	(132,181)
– Options	872	–	–	–
Equity contracts:				
– Futures	28	–	117	(4)
– Options	–	(602)	–	–

#### 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the Company's financial instruments which include cash and short-term funds, securities purchased under resale agreements, deposits and placement with financial institutions and short term borrowings are not materially sensitive to shifts in market interest rate because of the limited term to maturity of these instruments.

As such, the carrying amount of these financial assets and financial liabilities at balance sheet date approximate their fair values.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values are based on the following methodologies and assumptions:

##### **Securities purchased under resale agreements**

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

##### **Deposits and placements with financial institutions**

For deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

##### **Dealing and investment securities**

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

##### **Loans and advances**

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of specific provision and interest-in-suspense, being the expected recoverable amount.

#### 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### **Deposits from customers**

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, the fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

##### **Deposits and placements of banks and other financial institutions**

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

##### **Borrowings**

The estimated fair values of borrowings with maturity of less than six months approximate the carrying values. For borrowings with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

##### **Credit risk related contracts**

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The items generally do not involve cash payments other than in the event of default. The fair values may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

##### **Foreign exchange rate, interest rate and equity contracts**

The fair values of foreign exchange rate, interest rate and equity contracts are the estimated amounts the Group would receive or pay to terminate the contracts at the balance sheet date.



## 42 EMPLOYEE BENEFITS

### (a) Executive Employee Share Option Scheme (“EESOS”)

The Company had obtained the approval of the Securities Commission on 11 November 2002 and the existing shareholders of the Company on 26 November 2002 to establish and allocate EESOS to its management.

The main features of the EESOS are as follows:

- The total number of ordinary shares issued by the Company under the EESOS shall not exceed 10% of the total issued and paid-up ordinary shares of the Company.
- The subscription price of EESOS options shall be the higher of the weighted average market price of the Company’s shares for the five market days immediately preceding the date at which the EESOS options are granted to the employees, and the par value of the shares of the Company. Notwithstanding that, in the event the offer was made prior to the Company’s admission on the Main Board of the Malaysian Securities Exchange Berhad (“the Exchange”), the subscription price shall be the higher of the public issue offer price and the par value of the shares of the Company.
- In the event of capital distribution, the subscription price and/or the number of new shares of the Company may be adjusted in such a manner as the Board of the Company in their discretion deem fair and reasonable.
- The share options shall not carry any rights to vote at any general meeting of the Company. The share option holders shall not be entitled to any dividends, rights or other entitlement on his unexercised share options.

### EESOS 1

The first tranche of the share option scheme was launched in the financial year ended 31 December 2003, whereby 11,000,000 share options were granted to key management of the Company.

Details relating to the EESOS 1 option granted and exercised during the financial year are as follows:

	<b>The Group and the Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>'000</b>	<b>'000</b>
At 1 January	9,156	—
Granted	—	11,000
Exercised	(2,405)	(1,844)
At 31 December	6,751	9,156

#### 42 EMPLOYEE BENEFITS (CONTINUED)

##### (a) Executive Employee Share Option Scheme ("EESOS") (continued)

###### EESOS 1 (continued)

Share options exercised in December 2004 in relation to EESOS 1 resulted in 2,405,000 (2003: 1,844,000) shares being issued at an exercise price of RM1.50 to RM1.64 (2003: RM1.64) each as follows:

	The Group and the Company	
	2004	2003
	RM'000	RM'000
Ordinary share capital – at par	2,405	1,844
Share premium	1,442	1,181
Proceeds received on exercise of share options	3,847	3,025
Fair value of share issued exercise date	13,077	6,305

Details of EESOS 1 option outstanding as at the end of the financial year are as follows:

Exercise period	Exercise price RM/share	Number of share options '000
<b>31 December 2004</b>		
2 January 2005 to 29 December 2007	1.50	6,751
<b>31 December 2003</b>		
2 January 2004 to 29 December 2007	1.64	9,156

###### EESOS 2

During the financial year, the second tranche of the share option scheme was launched whereby 24,829,000 share options were granted to key management and other employees of the Group.

Details relating to EESOS 2 options granted and exercised during the financial year are as follows:

**42 EMPLOYEE BENEFITS (CONTINUED)****(a) Executive Employee Share Option Scheme (“EESOS”) (continued)**  
**EESOS 2 (continued)**

	<b>The Group and the Company 2004 '000</b>
At 1 January	—
Granted	24,829
Exercised	(1,656)
At 31 December	23,173

Share options exercised in December 2004 in relation to EESOS 2 resulted in 1,656,200 shares being issued at exercise price of RM4.15 to RM4.55 each as follows:

	<b>The Group and the Company 2004 RM'000</b>
Ordinary share capital – at par	1,656
Share premium	5,788
Proceeds received from exercise of share options	7,444
Fair value of shares issued at exercise date	9,463

Details of EESOS 2 option outstanding at the end of the financial year are as follows:

<b>Exercise period</b>	<b>Exercise price RM/share</b>	<b>Number of share options '000</b>
2 January 2005 to 29 December 2008	4.15	23,173

## 42 EMPLOYEE BENEFITS (CONTINUED)

### (a) Executive Employee Share Option Scheme (“EESOS”) (continued)

#### EESOS 3

A third tranche of the share option scheme was launched during the financial year in respect of 1,500,000 share options which was granted to an employee.

None of the share options in relation to EESOS 3 was exercised during the financial year.

Details of the EESOS 3 options (all non-vested) outstanding at the end of the financial year are as follows:

Exercise period	Exercise price RM/share	Number of share options 2004 '000
2 January 2005 to 29 December 2008	4.51	1,500

The new company shares issued pursuant to EESOS 1, 2 and 3 rank pari passu in all respects with the existing shares of the Company.

### (b) Employee Equity Scheme (“EES”)

To facilitate the employees’ equity participation in the Group, Commerce Asset-Holding Berhad (“CAHB”) established an EES offering 41,300,000 shares of the Company for the CIMB Group employees to reward their contribution to the Group. The allocation of the EES is based on the performance, seniority and length of service of the CIMB Group’s employees.

The main features of the EES are as follows:

- To participate in the EES, each employee is required to pay RM2.00 as acceptance of the shares of the Company offered. With the payment of RM2.00 by the employees, they are deemed to have accepted CAHB’s offer to sell the Company’s shares to them and legal ownership to those shares would pass from CAHB to the employees.
- The employees assign all distribution made by the Company to CAHB. However, the right to vote remains with employees.
- As the employees have not paid for their shares of the Company at the point of acceptance of the EES, a charge is created over the Company shares in favor of CAHB.
- The employee can sell any of their shares of the Company at any time subject to the selling price being equal to or above the aggregate of the strike price and relevant transaction costs. Where the employees wish to sell below the strike price, the employees will be required to deposit an amount equivalent to the aggregate of the strike price and the transaction costs relating to such sale at the point of issuing the selling instructions.

## 42 EMPLOYEE BENEFITS (CONTINUED)

### (b) Employee Equity Scheme (“EES”) (continued)

- The strike price is on a step-up basis starting with the initial strike price and increasing on a step-up basis of approximately 5% for each subsequent annual period of EES period.
- In the event of capital distribution, CAHB may, as it deems fit, adjust the strike price and/or the employees’ entitlement to ensure that the employees continue to enjoy an equitable proportion of the capital of the Company.
- The tenure of the EES is from the acceptance of the EES by the employees up to 30 November 2006.

Details relating to EES options granted to and exercised by eligible employees during the financial year are as follows:

	The Group	
	2004 '000	2003 '000
At 1 January	27,003	—
Granted	—	40,280
Exercised	(8,752)	(13,277)
At 31 December	18,251	27,003

The fair values of the shares held by the EES (“EES Shares”) are as follows:

	The Group	
	2004 RM'000	2003 RM'000
At 1 January	120,974	—
At 31 December	97,643	120,974
Fair value of EES Shares at grant date of options	—	70,490
Fair value of EES Shares at exercise date of options	47,821	41,909

The fair values of the considerations received in respect to the EES are as follows:

	The Group	
	2004 RM'000	2003 RM'000
Initial consideration received on participation in EES	82	82
Proceeds received on exercise of share options	13,912	21,806

#### 42 EMPLOYEE BENEFITS (CONTINUED)

##### (b) Employee Equity Scheme (“EES”) (continued)

Details of EES outstanding (all non-vested) at the end of the financial year are as follows:

Exercise period	Exercise price RM	Number of
		share options 2004 '000
8 January 2005 to 30 November 2006	1.65 to 1.73	<b>18,251</b>
		<b>2003</b>
		<b>'000</b>
8 January 2004 to 30 November 2006	1.64 to 1.90	27,003

##### (c) CEO Option (“Option Shares”)

The Board of CAHB granted a share option to the Chief Executive of CIMB, a subsidiary of the Company, to purchase 42,000,000 of the Company’s shares held by CAHB representing 4.94% of the issued and paid-up share capital of the Company as at the date of the listing of the Company on the Main Board of the Exchange.

The main features of the Option Shares are as follows:

- The exercisable period commenced on 8 January 2003 and ends on the earlier of the day prior to the 5th anniversary thereof; and the date on which the Chief Executive of CIMB ceases to hold any executive post in any company within CAHB and its subsidiaries only by reason of his voluntary resignation becoming effective or the lawful termination of his employment with just cause or excuse.
- The strike price is on a step-up basis starting with the initial exercise price and increasing on a step-up basis of 5% for each subsequent annual period of Option Shares period.
- The Option Shares may be exercised at any time during the Option Shares period up to a maximum of 20% of the total Options Shares per annum during the option period.
- In the event of capital distribution, the Directors of CAHB may, as it deems fit, adjust the strike price and/or the number of Option Shares.

**42 EMPLOYEE BENEFITS (CONTINUED)****(c) CEO Option (“Option Shares”) (continued)**

Details relating to options shares granted and exercised during the year are as follows:

	The Group	
	2004 '000	2003 '000
At 1 January	38,000	42,000
Exercised	(12,800)	(4,000)
At 31 December	25,200	38,000

The fair value of the shares held are as follows:

	The Group	
	2004 RM'000	2003 RM'000
At 1 January	170,240	73,500
At 31 December	134,820	170,240
Fair value of shares at grant date of option	—	—
Fair value of share at exercise date of options	77,280	10,200

The fair value of the considerations received on exercise of share options is RM20,608,000 (2003: RM6,120,000).

Details of Options Shares (all non-vested) outstanding at the end of the financial year are as follows:

Exercise period	Exercise price RM	Number of share options 2004 '000
		2003 '000
8 January 2005 to 7 January 2008	1.55 to 1.71	25,200
8 January 2004 to 7 January 2008	1.53 to 1.86	38,000

#### 43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

**(a) Completion of the acquisition of CIMB ShareTech Sdn Bhd by CIMB Berhad**

On 6 January 2004, the Company had proposed to acquire the entire ordinary equity interest in CIMB ShareTech Sdn Bhd (“ShareTech”) comprising 40,003,120 ordinary shares of RM1.00 each from CIMB Securities Sdn Bhd (“CIMB Securities”) for a cash consideration of RM47.8 million.

The acquisition was completed on 8 September 2004.

ShareTech had been acquired by CIMB Securities in 2001, in line with the industry consolidation drive. Subsequent to that, its stock-broking business had been merged with that of CIMB Securities, and ShareTech’s stock-broking licence had been surrendered to the regulators.

**(b) Sale of Banyan Ventures Sdn Bhd**

On 30 January 2004, CIMB entered into a Sale and Purchase Agreement with Tan Choi Khaw and Michael Toh Kian Seng to dispose of its 37.04% equity interest comprising 1,000,000 ordinary shares of RM1.00 each in Banyan Ventures Sdn Bhd for a total consideration of RM39,338. The Sale and Purchase Agreement was subsequently completed on 16 February 2004.

**(c) Memorandum of Understanding (“MOU”) with Al-Tawfeek Company for Investment Funds Limited (“Al-Tawfeek”)**

CIMB and Al-Tawfeek had on 11 February 2004 agreed to mutually terminate the MOU and not to proceed with the formalisation of the alliance to jointly undertake Islamic banking activities globally. However, both parties have agreed to work towards maintaining and enhancing the good relationship that exists between them.

**(d) Executive Employee Share Option Scheme (“EESOS”)**

The Company had on 11 February 2004 and 21 September 2004 made an offer to grant options to the Senior Management and executive staff of CIMB Berhad Group to subscribe to shares of the Company under the EESOS 2 and EESOS 3. The total number of EESOS 2 and EESOS 3 options offered to the Senior Management and executive staff of the Group amounted to 26,329,000 ordinary shares of RM1 each of the Company.

**(e) Memorandum of Agreement with TA Enterprise Berhad in relation to the proposed acquisition by CIMB Berhad of the entire equity interest in Botly Securities Sdn Bhd**

CIMB Berhad had on 13 February 2004 entered into a Memorandum of Agreement (“MOA”) with TA Enterprise Berhad (“TAE”) in relation to the proposed acquisition by CIMB Berhad of the entire equity interest in Botly Securities Sdn Bhd, from TAE for a total purchase consideration of RM400 million to be satisfied by the issuance of 80,000,000 new ordinary shares of RM1.00 each in CIMB Berhad at an issue price of RM5.00 per share.

The MOA sets out the respective parties’ agreement on the principal terms of the proposed acquisition and definitive agreements would be entered into at a later date.

On 23 March 2004, the Company announced that the MOA was terminated.



#### 43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

**(f) Incorporation of CIMB Private Equity Sdn Bhd**

In April 2004, CIMB Berhad incorporated a new subsidiary, CIMB Private Equity Sdn Bhd ("CIMB PE"). CIMB PE is intended as an investment-holding company, the subsidiaries of which will be involved in various funds for private clients.

CIMB PE has incorporated CIMB Private Equity 1 Sdn Bhd and CIMB Mezzanine 1 Sdn Bhd, both of which are in the process of inviting interested parties to invest in their funds. At the same time, a parallel offshore fund structure has also been established to attract foreign investors via two offshore subsidiaries, CIMB Mezzanine General Partner, Limited and CIMB Private Equity General Partner, Limited. These offshore subsidiaries are wholly-owned by CIMB (L) Limited.

**(g) Issuance of Subordinated Notes**

On 15 April 2004, CIMB issued USD100 million in aggregate principal amount of Subordinated Notes ("the Notes") due 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5% per annum from, and including 15 April 2004 to, but excluding 15 April 2009 and, thereafter, at a rate per annum equal to the US Treasury Rate plus 3.7%. The interest is payable semi-annually in arrears on 15 April and 15 October in each year, commencing on 15 October 2004. The Notes were issued at a price of 99.843 per cent of the principal amount of the Notes. The Notes will, subject to the prior written approval of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of CIMB in the event of certain changes affecting taxation in Malaysia at any time at their principal amount plus accrued interest.

The Notes constitute unsecured liabilities of CIMB, and are subordinated in right of payment to the deposit liabilities and all other liabilities of CIMB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of CIMB.

**(h) Capital distribution to CIMB Berhad's shareholders**

On 30 July 2004, CIMB Berhad implemented a cash distribution of approximately RM350 million or 40.7 sen per share to the shareholders from its share premium account.

**(i) Subscription of redeemable non-cumulative preference shares in CIMB (L) Limited**

CIMB has on 9 August 2004, subscribed for 125.0 million redeemable non-cumulative preference shares at USD0.05 each at an issue price of USD1.00 each in its wholly-owned subsidiary, CIMB (L) Limited, for a total consideration of USD125.0 million (equivalent to RM475.0 million). The Bank is entitled to dividend at the discretion of the Board of Directors of CIMB (L) Limited.

The redeemable non-cumulative preference shares rank in priority to the existing ordinary shares of CIMB (L) Limited with respect to payment of dividend and amounts receivable upon liquidation, dissolution or winding up of CIMB (L) Limited.

**43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)****(j) Proposed joint venture with Mapletree Capital Management Pte Ltd**

On 10 November 2004, the Company through its wholly-owned subsidiary, CIMB Real Estate Sdn Bhd ("CIMB RE"), had formed a joint venture with Mapletree Capital Management Pte Ltd ("Mapletree"), a wholly-owned subsidiary of Mapletree Investments Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings Private Limited, Singapore. CIMB RE was incorporated on 5 November 2004.

The joint venture company is known as CIMB-Mapletree Management Sdn Bhd ("CMM") and will undertake real estate investment advisory and real estate fund management services to a proposed real estate fund to be set up by both parties to be known as "CM-1" and other real estate funds in Malaysia. CIMB RE will hold a 60% stake in CMM while Mapletree will hold the remaining 40%.

**(k) Capital injection in P.T. CIMB Niaga Securities**

On 5 May 2003, the Company's wholly-owned subsidiary, CIMB (L) Limited ("CIMBL") had on 3 December 2004 made a capital injection amounting to Rp3,813,158,317 or RM1,606,000 into P.T. CIMB Niaga Securities in order to increase the share capital of the company to Rp50 billion by 31 December 2004. CIMBL's equity interest has not changed, and remains at 51% of the total paid up share capital of P.T. CIMB Niaga Securities.

**(l) Commercial Papers and Medium Term Notes Issuance Programme**

The Company has implemented Commercial Papers ("CPs") and Medium Term Notes ("MTN") Programmes in December 2004. The aggregate outstanding nominal value of the CPs and the MTNs issued under the CP Programme and the MTN Programme respectively shall not exceed RM250 million at any point in time.

The tenure for the CP Programme is seven years from the date of first issuance under the CP Programme, while the tenure of the MTN Programme is ten years from the date of first issuance under the MTN Programme.

On 20 December 2004, CIMB Berhad utilised its first CP Programme by issuing RM55 million nominal value CPs at a discount, with an effective yield of 2.83% and six months tenure.

**(m) Acquisition of Commerce Asset Fund Managers Sdn Bhd ("CAFM") and Commerce Trust Berhad ("CTB") from Commerce Asset-Holding Berhad ("CAHB")**

On 18 August 2004, CIMB Berhad proposed to acquire a 70% equity interest in CAFM and CTB, for a cash consideration of RM18 million and RM17 million respectively.

The acquisition was completed on 23 November 2004.

#### 43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

**(n) Proposed rationalisation of the fund management business of CAFM with unit trust business of CTB (“Proposed Business Rationalisation”)**

On 10 December 2004, CIMB Berhad proposed to undertake a rationalisation of its fund management and unit trust businesses through CTB. In relation thereto, CAFM had on 9 December 2004, entered into the Business Rationalisation Agreement with CTB for the purpose of the Proposed Business Rationalisation whereby CAFM shall sell and transfer to CTB the assets and liabilities in relation to or utilised in the fund management business of CAFM (“CAFM Business”) to form a single fund management and unit trust entity under CTB.

CTB will assume the obligations and responsibilities in discharging all the liabilities and other obligations of CAFM pursuant to the CAFM Business and in consideration, CAFM will transfer and vest to CTB all its rights, titles and interests on the assets including all rights of enforcements, demands, claims and entitlements of CAFM arising from or in connection with the fund management business of CAFM, up to and including the completion date of the Proposed Business Rationalisation.

The Proposed Business Rationalisation is expected to be completed in the second quarter of the financial year ending 31 December 2005.

#### 44 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

**(a) (i) Proposed acquisition of the stockbroking and stockbroking-related companies of G. K. Goh Holdings Limited (“stockbroking businesses”) by a wholly-owned subsidiary of CIMB Berhad to be incorporated in Singapore (“CIMBB SPV”)**

CIMB Berhad had on 13 January 2005 entered into a conditional Sale and Purchase Agreement (“SPA”) with G. K. Goh Holdings Limited (“GKGH”) for the acquisition of the stockbroking businesses from GKGH by CIMBB SPV for a total cash consideration of SGD239.14 million (equivalent to approximately RM554.80 million).

The proposed acquisition is subject to approval from the relevant authorities in Malaysia and Singapore.

**(ii) Proposed issuance of Company’s ordinary shares to its holding company, CAHB**

CIMB Berhad had on 13 January 2005 entered into a placement agreement with CAHB for the issuance of 93,663,167 new CIMB Berhad’s shares at an issue price of RM4.50 per share, for a total cash consideration of approximately RM421.48 million.

**(iii) Proposed renounceable restricted offer for sale of the CIMB Berhad’s share by CAHB**

Upon completion of (i) and (ii) above, CAHB will offer the CIMB Berhad’s shares for sale to the existing CIMB Berhad’s shareholders, at an offer price of RM4.50 per share, on the basis of one for every nine existing CIMB Berhad shares.

**44 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE (CONTINUED)****(b) Offering of 12,800,000 cash-settled basket call warrants ("Basket CW").**

On 13 January 2005, CIMB offered 12,800,000 American-style cash-settled Basket CW over ordinary shares in the following underlying companies:

- Arab-Malaysian Corporation Berhad;
- Malaysian Plantations Berhad;
- Multi-Purpose Holdings Berhad; and
- Sime Darby Berhad.

The Basket CWs are to be listed on the Call Warrants Board of Bursa Malaysia Securities Berhad. The offer is in line with CIMB's objective to diversify the revenue sources of the CIMB Berhad group of companies by issuing derivatives and structured products in light of their growth potential in the Malaysian capital market, thereby further increasing its value proposition to clients and enhancing shareholders' value of CIMB Berhad.

**45 CAPITAL ADEQUACY**

The capital adequacy ratios of the Group's banking operation (CIMB including the operation of CIMB (L) Limited) are as follows:

	2004 RM'000	2003 RM'000
Tier-1 capital	1,078,796	1,292,421
Eligible Tier-2 capital	419,324	40,127
Total capital	1,498,120	1,332,548
Less:		
Investment in subsidiaries	(362,549)	(362,549)
Subordinated term debt	—	(52,402)
Total capital base	1,135,571	917,597
<b>Capital ratios</b>		
Core capital ratio	23.80%	23.72%
Risk-weighted capital ratio	25.05%	23.72%

**45 CAPITAL ADEQUACY (CONTINUED)**

Components of Tier-1 and Tier-2 capital are as follows:

	2004 RM'000	2003 RM'000
<b>Tier-1 capital</b>		
Paid up share capital	219,242	319,242
Share premium	33,489	283,489
Other reserves (adjusted)	826,065	689,690
<b>Total Tier-1 capital</b>	<b>1,078,796</b>	1,292,421
<b>Tier-2 capital</b>		
General provision for bad and doubtful debts	39,921	40,127
Subordinated assets	379,403	—
<b>Total Tier-2 capital</b>	<b>419,324</b>	40,127
<b>Total capital</b>	<b>1,498,120</b>	1,332,548
Less:		
Investment in subsidiaries and holding of other banking institutions capital	(362,549)	(362,549)
Subordinated term debt	—	(52,402)
<b>Total capital base</b>	<b>1,135,571</b>	917,597

Breakdown of risk-weighted assets in the various categories of risk-weights:

	2004 RM'000	2003 RM'000
0%	3,947,168	3,261,336
10%	498,566	711,654
20%	2,335,960	1,553,374
50%	263,792	235,202
100%	3,883,736	3,367,631
	<b>10,929,222</b>	9,129,197
<b>Total risk-weighted assets</b>	<b>4,532,681</b>	3,867,072

Pursuant to Bank Negara Malaysia's circular, 'Recognition of Deferred Tax Asset ('DTA') and Treatment of DTA for RWCR Purposes' dated 8 August 2003, deferred tax income/(expenses) are excluded from the calculation of Tier 1 capital and DTA is excluded from the calculation of risk-weighted assets.

## 46 ACQUISITION OF SUBSIDIARIES

### I Effect of acquisition of subsidiaries during the current financial year on financial statements

#### (a) CIMB ShareTech Sdn Bhd

On 6 January 2004, the Company had proposed to acquire the entire ordinary equity interest in CIMB ShareTech Sdn Bhd comprising 40,003,120 ordinary shares of RM1.00 each from CIMB Securities Sdn Bhd for a cash consideration of RM47.8 million.

The acquisition was completed on 8 September 2004.

The acquisition will not have any effect on the financial results and the financial positions of the Group as the acquisition is an internal re-organisation exercise.

#### (b) Commerce Assets Fund Managers Sdn Bhd (“CAFM”) and Commerce Trust Berhad (“CTB”)

On 18 August 2004, CIMB Berhad proposed to acquire a 70% equity interest in CAFM and CTB, for a cash consideration of RM18 million and RM17 million respectively.

The acquisition was completed on 23 November 2004.

The effect of the acquisition on the financial results of the Group during the current financial year is shown below:

	<b>Year ended 31.12.2004 RM'000</b>
Interest income	68
Interest expense	—
Net interest income	68
Asset management and securities	2,428
Other non-interest income	(4)
Net income	2,492
Overhead expenses	(1,344)
Profit before taxation	1,148
Taxation	(568)
Profit after tax	580
Minority interest	(174)
Increase in Group's net profit after tax and minority interest for the financial year	406

**46 ACQUISITION OF SUBSIDIARIES (CONTINUED)****I Effect of acquisition of subsidiaries during the current financial year on financial statements (continued)**  
**(b) Commerce Assets Fund Managers Sdn Bhd (“CAFM”) and Commerce Trust Berhad (“CTB”) (continued)**

The effect of the acquisition on the financial position at the current financial year end is as follows:

	<b>31.12.2004</b>
	<b>RM'000</b>
Cash and short-term funds	9,060
Deposits and placements with financial institutions	27,631
Investment securities	770
Loans and advances	20
Other assets	12,270
Fixed assets	2,766
Amount due from ultimate holding company	138
Other liabilities	(15,965)
Provision for taxation	(603)
Amount owing to ultimate holding company	(425)
Increase in the Group's net assets	35,662

Details of net assets acquired and cash flows arising from the acquisition are as follows:

	<b>At date of acquisition</b>
	<b>RM'000</b>
Cash and short-term funds	10,454
Deposit and placements with financial institutions	21,105
Investment securities	5,401
Loan and advances	20
Other assets	20,515
Fixed assets	2,697
Deferred tax liabilities	(402)
Provision for taxation	(308)
Other liabilities	(24,399)
Fair value of net assets acquired	35,083
Minority interest	(10,525)
Group's share of net assets	24,558
Goodwill	10,442
Cost of acquisition	35,000
Less: Cash and cash equivalent of subsidiary acquired	(10,454)
Cash outflow on acquisition	24,546

#### 46 ACQUISITION OF SUBSIDIARIES (CONTINUED)

##### II Effect of acquisition of subsidiary during the previous financial year on financial statements

###### (a) P.T. CIMB Niaga Securities

CIMB (L) Limited, a licensed offshore bank and a subsidiary of CIMB Berhad, had on 19 November 2004 acquired 51% of the equity interest in P.T. Niaga Sekuritas (“Niaga Sekuritas”) of Indonesia. The acquisition was via the acquisition of 179,000 existing ordinary shares and the subscription of 18,266,000 new ordinary shares issued in Niaga Sekuritas, at a total cash consideration of Rupiah 20.7 billion (RM9.3 million). Niaga Sekuritas was then a 99% owned subsidiary of P.T. Bank Niaga of Indonesia which in turn is a 51% owned subsidiary of Commerce Asset-Holding Berhad. The name of Niaga Sekuritas was subsequently changed to P.T. CIMB Niaga Securities on 8 December 2003.

The effect of the acquisition on the financial results of the Group during the previous financial year is shown below:

	<b>Year ended 31.12.2003 RM'000</b>
Interest income	133
Interest expense	(5)
Net interest income	128
Net fee and commission income	68
Net trading income	227
Brokerage income	104
Other non-interest income	3
Net income	530
Overhead expenses	(448)
Profit before taxation	82
Taxation	—
Profit after tax	82
Minority interest	(40)
Increase in Group's net profit after tax and minority interest for the financial year	42



**46 ACQUISITION OF SUBSIDIARIES (CONTINUED)****II Effect of acquisition of subsidiary during the previous financial year on financial statements (continued)****(a) P.T. CIMB Niaga Securities (continued)**

The effect of the acquisition on the financial position at the previous financial year end was as follows:

	<b>31.12.2003</b>
	<b>RM'000</b>
Cash and short-term funds	2,241
Deposits and placements with financial institutions	2
Dealing securities	15,783
Loans and advances	22
Other assets	7,142
Fixed assets	502
Other liabilities	(7,662)
Increase in the Group's net assets	18,030

Details of net assets acquired and cash flows arising from the acquisition were as follows:

	<b>At date of acquisition</b>
	<b>RM'000</b>
Cash and short-term funds	1,789
Dealing securities	14,285
Other assets	4,596
Fixed assets	516
Other liabilities	(3,250)
Fair value of net assets acquired	17,936
Minority interest	(8,789)
Group's share of net assets	9,147
Goodwill	146
Cost of acquisition	9,293
Less: Cash and cash equivalent of subsidiary acquired	(1,789)
Cash outflow on acquisition	7,504

**47 CURRENCY**

All amounts are in Ringgit Malaysia unless otherwise stated.

#### 48 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 31 January 2005.

#### 49 THE OPERATIONS OF ISLAMIC BANKING

Consolidated balance sheet as at 31 December 2004

	Note	2004 RM'000	2003 RM'000
<b>Assets</b>			
Cash and short-term funds	(b)	486,192	90,962
Deposits and placements with financial institutions	(c)	100,000	—
Dealing securities	(d)	53,209	351,742
Investment securities	(e)	—	30,006
Financing and advances	(f)	—	13,497
Statutory deposits with Bank Negara Malaysia		—	1,261
Other assets	(g)	956	2,148
<b>Total assets</b>		<b>640,357</b>	489,616
<b>Liabilities and Islamic banking capital funds</b>			
Deposits from customers	(h)	197,416	75,577
Deposits and placements of banks and other financial institutions	(i)	306,965	290,874
Long term borrowings	(j)	41,830	41,830
Provision for taxation and zakat	(k)	5,053	3,296
Other liabilities	(l)	5,271	2,496
<b>Total liabilities</b>		<b>556,535</b>	414,073
Islamic banking capital funds		69,683	69,683
Reserves		14,139	5,860
<b>Total Islamic banking capital funds</b>		<b>83,822</b>	75,543
<b>Total liabilities and Islamic banking capital funds</b>		<b>640,357</b>	489,616
<b>Commitments and contingencies</b>			
Principal	(s)	177,000	199,913
Credit equivalent	(s)	101,000	145,742

**49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****Consolidated income statement for the financial year ended 31 December 2004**

	Note	2004 RM'000	2003 RM'000
Income derived from investment of depositors' funds	(m)	20,117	14,321
Transfer to profit equalisation reserve		(1,555)	(982)
Other expense directly attributable to the investment of the depositors and Islamic Banking capital funds		(69)	(78)
<b>Total attributable income</b>		<b>18,493</b>	<b>13,261</b>
Income attributable to the depositors	(n)	(12,669)	(10,237)
<b>Income attributable to the Reporting Institutions</b>		<b>5,824</b>	<b>3,024</b>
Income derived from investment of Islamic Banking capital funds	(o)	9,011	6,647
<b>Total net income</b>		<b>14,835</b>	<b>9,671</b>
Provision for losses on financing and advances		206	(206)
Overhead expenses	(p)	(3,418)	(1,403)
<b>Profit before taxation and zakat</b>		<b>11,623</b>	<b>8,062</b>
Taxation and zakat	(q)	(3,344)	(2,257)
<b>Net profit for the financial year</b>		<b>8,279</b>	<b>5,805</b>

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

##### Consolidated statement of changes in equity for the financial year ended 31 December 2004

	Islamic Banking capital fund RM'000	Non- distributable Statutory reserve RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 January 2004	69,683	1,163	4,697	75,543
Net profit for the financial year	—	—	8,279	8,279
Transfer to statutory reserve	—	1,577	(1,577)	—
<b>Balance as at 31 December 2004</b>	<b>69,683</b>	<b>2,740</b>	<b>11,399</b>	<b>83,822</b>
Balance as at 1 January 2003	34,683	8	47	34,738
Additional funds allocated from Head Office	35,000	—	—	35,000
Net profit for the financial year	—	—	5,805	5,805
Transfer to statutory reserve	—	1,155	(1,155)	—
<b>Balance as at 31 December 2003</b>	<b>69,683</b>	<b>1,163</b>	<b>4,697</b>	<b>75,543</b>

## 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## Consolidated cash flow statement for the financial year ended 31 December 2004

	Note	2004 RM'000	2003 RM'000
<b>Cash flows from/(used in) operating activities</b>			
Profit before taxation and zakat		11,623	8,062
Add/(less) adjustments:			
Transfer to profit equalisation reserve		1,555	982
Net unrealised loss on revaluation of dealing securities		188	37
(Writeback of)/Provision for losses on financing and advances		(206)	206
Cash flow from operating profit before changes in operating assets and liabilities		13,160	9,287
<b>(Increase)/decrease in operating assets</b>			
Deposits and placements with financial institutions		(100,000)	—
Dealing securities		298,345	(225,810)
Financing and advances		13,703	(13,703)
Statutory deposits with Bank Negara Malaysia		1,261	(1,261)
Other assets		1,192	(1,604)
<b>Increase/(decrease) in operating liabilities</b>			
Deposits from customers		121,839	40,418
Deposits and placements of banks and other financial institutions		16,091	148,993
Other liabilities		1,220	1,046
Cash from/(used in) operating activities		366,811	(42,634)
Taxation paid		(1,587)	(9,096)
Net cash from/(used in) operating activities		365,224	(51,730)
<b>Cash flows from/(used in) investing activities</b>			
Net sale/(purchase) of investment securities		30,006	(30,006)
Net cash from/(used in) investing activities		30,006	(30,006)
<b>Cash flows from financing activities</b>			
Additional funds allocated from head office		—	35,000
Drawdown of long term debts		—	41,830
Net cash from financing activities		—	76,830
<b>Net increase/(decrease) in cash and cash equivalents during the financial year</b>		<b>395,230</b>	<b>(4,906)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>90,962</b>	<b>95,868</b>
<b>Cash and cash equivalents at end of the financial year</b>	(b)	<b>486,192</b>	<b>90,962</b>

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

##### (a) Disclosure of Syariah Advisor or Board

The Fiqh Council was formally set up on 19 May 2003. As at the date of this report, the Fiqh Council comprises the following members:

- Associate Professor Dr. Mohd Daud bin Bakar (Chairman) – Malaysian
- Professor Dr. Mohammad Hashim Kamali – Canadian
- Associate Professor Hafiz Elsheikh Mohamed El Zaki – Sudanese
- Associate Professor Dr. Engku Rabiah Adawiah binti Engku Ali – Malaysian

The Group's management is responsible for ensuring that the financial institution conducts its Skim Perbankan Islam (SPI) business in accordance with the principles and provisions of the Islamic Syariah. The Fiqh Council is responsible for expressing an independent Fiqh opinion based on the information submitted by the Group's management.

The Fiqh Council held several meetings during the year and the Fiqh Council replied and advised on matters relating to the structuring of Islamic financial instruments and other Syariah queries submitted to it by the management. It is the Fiqh Council's opinion that the contracts, transactions and dealings entered into by the Group in its SPI business which have been referred to the Council during the year are in compliance with Islamic Syariah rules and principles.

	The Group	
	2004 RM'000	2003 RM'000
<b>(b) Cash and short-term funds</b>		
Cash and balances with banks and other financial institutions	242	212
Money at call and deposit placements maturing within one month	485,950	90,750
	<b>486,192</b>	90,962
<b>(c) Deposits and placements with financial institutions</b>		
<b>Specific Investment funds:</b>		
Licensed banks	70,000	—
Licensed finance companies	15,000	—
Other financial institutions	15,000	—
	<b>100,000</b>	—

## 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(d) Dealing securities</b>		
<b>Money market instruments:</b>		
Islamic Bank Negara negotiable notes	1,273	50,884
Negotiable instruments of deposits	—	60,547
Green bankers' acceptance and Islamic accepted bills	—	204,350
	<b>1,273</b>	<b>315,781</b>
<b>Unquoted securities:</b>		
<b>In Malaysia</b>		
Islamic private debt securities	51,936	35,961
	<b>53,209</b>	<b>351,742</b>
<b>Market value of money market instruments</b>		
Islamic Bank Negara negotiable notes	1,287	51,142
Negotiable instruments of deposits	—	60,547
Green bankers' acceptance and Islamic accepted bills	—	204,350
<b>(e) Investment securities</b>		
<b>Unquoted securities:</b>		
<b>In Malaysia</b>		
Islamic private debt securities	—	30,006
<b>(f) Financing and advances</b>		
Revolving credits	—	13,703
Gross financing and advances	—	13,703
Provision for bad and doubtful debts:		
– General	—	(206)
Net financing and advances	—	13,497

**49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

	The Group	
	2004 RM'000	2003 RM'000
<b>(f) Financing and advances (continued)</b>		
(i) Financing analysed by concepts is as follows:		
– Murabahah	–	13,703
(ii) The maturity structure of financing is as follows:		
– One year to three years	–	13,703
(iii) Financing according to economic sector is as follows:		
– Construction	–	13,703
(iv) Movement in the provision for bad and doubtful debts are as follows:		
<u>General provision</u>		
At 1 January	206	–
Net provision made during the financial year	–	206
Amount written back during the financial year	(206)	–
Balance at 31 December	–	206
(as % of total financing and advances less specific provision and income-in-suspense)	–	1.5%
<b>(g) Other assets</b>		
Dividend receivables	628	1,807
Other debtors, deposits and prepayments	328	341
	<b>956</b>	<b>2,148</b>



## 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(h) Deposits from customers</b>		
<b>Mudharabah fund:</b>		
Special investment deposits	197,416	75,577
(i) Maturity structure of special investment deposits is as follows:		
– Due within six months	197,416	75,577
(ii) The deposits are sourced from the following customers:		
– Business enterprises	117,336	75,577
– Others	80,080	–
	197,416	75,577
<b>(i) Deposits and placements of banks and other financial institutions</b>		
<b>Mudharabah fund:</b>		
Licensed banks	–	49,615
Other financial institutions	306,965	241,259
	306,965	290,874
<b>(j) Long term borrowings</b>		
Negotiable certificate of deposits	41,830	41,830

The terms and conditions of the negotiable certificate of deposits are disclosed in Note 20 to the financial statements.

**49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)**

	The Group	
	2004 RM'000	2003 RM'000
<b>(k) Provision for taxation and zakat</b>		
Taxation	5,052	3,294
Zakat	1	2
	<b>5,053</b>	<b>3,296</b>
<b>(l) Other liabilities</b>		
Dividend payable	2,210	745
Profit equalisation reserve	2,737	1,182
Other liabilities	324	569
	<b>5,271</b>	<b>2,496</b>
<b>Profit equalisation reserve</b>		
At 1 January	1,182	200
Amount provided during the financial year	6,887	3,827
Amount written back during the financial year	(5,332)	(2,845)
At end of financial year	<b>2,737</b>	<b>1,182</b>
<b>(m) Income derived from investment of depositors' funds</b>		
Income derived from investment of:		
(i) General investment deposits	10,367	8,064
(ii) Specific investment deposits	9,750	6,257
	<b>20,117</b>	<b>14,321</b>

## 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(m) Income derived from investment of depositors' funds (continued)</b>		
<b>(i) Income derived from investment of general investment deposits</b>		
<b>Finance income and hibah:</b>		
Dealing securities	3,402	3,888
Investment securities	555	602
Money at call and deposit with financial institutions	1,701	1,214
	<b>5,658</b>	5,704
<b>Other dealing income</b>		
Net gain from sale of dealing securities	4,711	2,366
Net unrealised loss on revaluation of dealing securities	(101)	(85)
	<b>4,610</b>	2,281
<b>Fee and commission income:</b>		
Fee on financing and advances	—	1
Arrangement fees	—	38
Guarantee fees	98	1
Underwriting commission	—	39
Others	1	—
	<b>99</b>	79
	<b>10,367</b>	8,064
<b>(ii) Income derived from investment of specific investment deposits</b>		
<b>Finance income and hibah:</b>		
Financing and advances	272	566
Dealing securities	4,953	5,986
Money at call and deposit with financial institutions	4,201	—
	<b>9,426</b>	6,552
<b>Other dealing income</b>		
Net gain/(loss) from sale of dealing securities	324	(295)
	<b>9,750</b>	6,257

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(n) Income attributable to depositors</b>		
Deposits from customers		
– Mudharabah Fund	2,479	1,476
Deposits and placements of banks and other financial institution		
– Mudharabah Fund	10,190	8,761
	<b>12,669</b>	10,237

The Group's policy on profit distribution is in conformity with Bank Negara Malaysia's "The Framework of the Rate of return".

	The Group	
	2004 RM'000	2003 RM'000
<b>(o) Income derived from investment of Islamic banking capital funds</b>		
<b>Finance income and hibah:</b>		
Investment securities	332	378
Dealing securities	2,423	1,105
Money at call and deposit with financial institutions	1,001	388
	<b>3,756</b>	1,871
<b>Other dealing income:</b>		
Net gain/(loss) from sale of dealing securities	4,223	(216)
Net (unrealised loss)/reversal on revaluation of dealing securities	(87)	48
	<b>4,136</b>	(168)
<b>Fee and commission income:</b>		
Fee on financing and advances	–	103
Advisory fees	65	–
Arrangement fees	795	4,652
Guarantee fees	225	140
Underwriting commission	5	8
Others	29	41
	<b>1,119</b>	4,944
	<b>9,011</b>	6,647

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

All unrestricted funds received from the Group's deposits are co-mingled into a single pool of funds under general investment deposits. Restricted funds categorised under specific investment deposits are managed separately, where the utilisation of the funds is identified and matched with specific funds. Islamic income/profit generated from the general investment and specific investment deposits' funds are allocated to various categories of depositors by using the weighted average rate of return method effective 1 October 2004 (previously, annualised rate of return).

For the placement of funds by external parties under Mudharabah Placement, the depositors shall only be entitled to the profit sharing of the Islamic income earned from Fund Based Income and Trading Income as the depositors are not investing in the Fee Based Islamic business except underwriting and guarantee fees. Under a typical Mudharabah Placement Agreement, it shall be clearly spelt out to the depositors on the above agreement.

The Group distributes Islamic income/profit derived from depositors' funds based on a pre-determined ratio in the case of Mudharabah, and on a ratio determined at the discretion of the Group in the case of Non-Mudharabah. The profit/income distribution rate is arrived based on the framework of the rate of return issued by BNM.

Where an account is classified as non-performing, recognition of profit income is suspended until it is realised on a cash basis. Customers accounts are classified as non-performing when payments are in arrears for 3 months or more from first day of default for financing and after 3 months from maturity date.

	The Group	
	2004 RM'000	2003 RM'000
<b>(p) Overhead expenses</b>		
Personnel costs	1,226	562
Establishment costs	371	94
Marketing expenses	866	507
Administration and general expenses	955	240
	<b>3,418</b>	<b>1,403</b>

Included in the personnel costs are wages, salaries and bonuses of RM1,033,000 (2003: RM452,000) and contributions to defined contribution retirement plan of RM127,000 (2003: RM55,000).

The number of employees of the Group at the end of financial year was 12 (2003: 12).

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	The Group	
	2004 RM'000	2003 RM'000
<b>(q) Taxation</b>		
<b>(i) Tax expense for the financial year</b>		
Current year tax		
– Malaysian income tax	3,344	2,257
<b>(ii) Numerical reconciliation of income tax expense</b>		
The explanation on the relationship between tax expense and profit before taxation is as follows:		
	2004 RM'000	2003 RM'000
Profit before taxation	11,623	8,062
Tax calculated at tax rate of 28% (2003: 28%)	3,254	2,257
Expenses not deductible for tax purposes	90	–
	3,344	2,257
<b>(r) Capital Adequacy Ratio</b>		
The capital adequacy ratios of the Group's Islamic banking operation arising from CIMB are as follows:		
	2004 RM'000	2003 RM'000
Tier-1 capital	42,636	37,843
Eligible Tier-2 capital	–	206
Total capital base	42,636	38,049
<b>Capital ratios</b>		
Core capital ratio	37.07%	26.55%
Risk-weighted capital ratio	37.07%	26.70%

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

##### (r) Capital Adequacy Ratio (continued)

Components of Tier-1 and Tier-2 capital are as follows:

	2004 RM'000	2003 RM'000
<b>Tier-1 capital</b>		
Islamic capital banking fund	35,000	35,000
Reserves	7,636	2,843
<b>Total Tier-1 capital</b>	<b>42,636</b>	37,843
<b>Tier-2 capital</b>		
General provision for bad and doubtful debts	—	206
<b>Total Tier-2 capital</b>	<b>—</b>	206
<b>Total capital base</b>	<b>42,636</b>	38,049

Breakdown of risk-weighted assets in the various categories of risk-weights:

	2004 RM'000	2003 RM'000
0%	1,349	2,519
10%	—	—
20%	95,358	45,858
50%	—	30,184
100%	95,945	118,222
	<b>192,652</b>	196,783
<b>Total risk-weighted assets</b>	<b>115,017</b>	142,486

Pursuant to Bank Negara Malaysia's circular, "Recognition of Deferred Tax Asset ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expenses) is excluded from the calculation of Tier 1 capital and DTA is excluded from the calculation of risk-weighted assets.

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

	The Group			
	2004		2003	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
<b>(s) Commitments and Contingencies</b>				
Direct credit substitutes	75,000	75,000	25,000	25,000
Irrevocable commitments to extend credit				
– maturity less than one year	50,000	–	–	–
– maturity exceeding one year	52,000	26,000	108,343	54,172
Obligations under underwriting agreements	–	–	–	–
Sell and buy back agreement	–	–	66,570	66,570
	<b>177,000</b>	<b>101,000</b>	199,913	145,742

#### (t) Related party transactions and balances

##### (i) Related parties and relationships

The related parties of, and their relationship with the Company, are disclosed in Note 36.

##### (ii) Significant related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	2004 Other related companies RM'000	2003 Other related companies RM'000
<b>Sales:</b>		
Islamic private debt securities	36,690	22,605
Malaysian Government securities	–	–
Islamic Bank Negara negotiable Notes	–	65,426
	<b>36,690</b>	88,031



**49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)****(t) Related party transactions and balances (continued)****(ii) Significant related party transactions and balances (continued)**

	2004 Other related companies RM'000	2003 Other related companies RM'000
<b>Purchases:</b>		
Islamic private debt securities	45,785	56,827
Islamic bankers' acceptances	50,547	361,617
Islamic Bank Negara negotiable Notes	—	—
	<b>96,332</b>	418,444
<b>Income:</b>		
Dividend income	392	836
Gain from sale of dealing securities	611	296
	<b>1,003</b>	1,132
<b>Expenses:</b>		
Dividend expense	84	314
Loss on sale of dealing securities	—	118
	<b>84</b>	432
<b>Amount due from:</b>		
Cash and short term funds	100	—

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

##### (u) Maturities of assets

The distribution of assets in accordance with maturity structure or expected period to cash conversion.

	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2004</b>						
<b>Assets</b>						
Cash and short term funds	486,192	—	—	—	—	486,192
Deposits and placements of banks and other financial institutions	—	100,000	—	—	—	100,000
Dealing securities	—	1,273	—	31,883	20,053	53,209
Other assets	117	37	324	335	143	956
<b>Total assets</b>	<b>486,309</b>	<b>101,310</b>	<b>324</b>	<b>32,218</b>	<b>20,196</b>	<b>640,357</b>
<b>2003</b>						
<b>Assets</b>						
Cash and short term funds	90,962	—	—	—	—	90,962
Dealing securities	126,125	150,862	38,793	35,962	—	351,742
Investment securities	—	—	—	—	30,006	30,006
Financing and advances	45	—	—	13,452	—	13,497
Statutory deposits with Bank Negara Malaysia	—	—	—	—	1,261	1,261
Other assets	1,545	216	66	321	—	2,148
<b>Total assets</b>	<b>218,677</b>	<b>151,078</b>	<b>38,859</b>	<b>49,735</b>	<b>31,267</b>	<b>489,616</b>

#### 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

##### (v) Credit risk

The following table sets out the credit risk concentrations of the Group and the Bank by classes of financial assets:

The Group 2004	Short term funds and placements with financial institutions RM'000	Dealing securities RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies* RM'000
Agricultural	—	—	—	—	—
Mining and quarrying	—	—	—	—	—
Manufacturing	—	20,130	345	20,475	—
Electricity, gas and water	—	10,219	60	10,279	—
Construction	—	11,244	113	11,357	101,000
Real estate	—	10,343	176	10,519	—
General commerce	—	—	—	—	—
Transport, storage and communication	—	—	—	—	—
Finance, insurance and business services	491,692	—	238	491,930	—
Government and government agencies	94,500	1,273	13	95,786	—
Purchase of residential, landed property, securities and transport vehicles	—	—	—	—	—
Others	—	—	11	11	—
<b>Total</b>	<b>586,192</b>	<b>53,209</b>	<b>956</b>	<b>640,357</b>	<b>101,000</b>

\* Comprises credit equivalent of credit risk related instrument amounting to RM101,000,000.

## 49 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## (v) Credit risk (continued)

2003	Short term funds and placements with financial institutions	Dealing securities	Investment securities	Loans and advances <sup>^</sup>	Other assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Commitments and contingencies*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agricultural	—	—	—	—	—	—	—	—
Mining and quarrying	—	—	—	—	—	—	—	—
Manufacturing	—	—	—	—	—	—	—	—
Electricity, gas and water	—	—	—	—	13	—	13	39,499
Construction	—	—	—	13,703	—	—	13,703	79,172
Real estate	—	—	—	—	—	—	—	—
General commerce	—	—	—	—	—	—	—	—
Transport, storage and communication	—	35,961	30,006	—	886	—	66,853	16,781
Finance, insurance and business services	90,962	264,897	—	—	658	—	356,517	—
Government and government agencies	—	50,884	—	—	262	1,261	52,407	10,290
Purchase of residential, landed property, securities and transport vehicles	—	—	—	—	—	—	—	—
Others	—	—	—	—	329	—	329	—
<b>Total</b>	<b>90,962</b>	<b>351,742</b>	<b>30,006</b>	<b>13,703</b>	<b>2,148</b>	<b>1,261</b>	<b>489,822</b>	<b>145,742</b>

<sup>^</sup> Excludes general provision amounting to RM206,000.

\* Comprises credit equivalent of credit risk related instrument amounting to RM145,742,000.

**STATEMENT BY DIRECTORS**

Pursuant to Section 169(16) of the  
Companies Act, 1965

We, Dr. Rozali bin Mohamed Ali and Dato' Mohamed Nazir bin Abdul Razak, being two of the Directors of CIMB Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 178 to 286 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2004 and of the results of the Group and the Company and the cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965, applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 January 2005.



**Dr. Rozali bin Mohamed Ali**

Director



**Dato' Mohamed Nazir bin Abdul Razak**

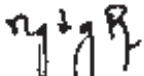
Director

Kuala Lumpur  
22 February 2005

**STATUTORY DECLARATION**

Pursuant to Section 169(16) of the  
Companies Act, 1965

I, Ng Ing Peng, being the officer primarily responsible for the financial management of CIMB Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 178 to 286 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.



**Ng Ing Peng**

Subscribed and solemnly declared by the abovenamed Ng Ing Peng at Kuala Lumpur before me, on 22 February 2005.



**NG**  
No. 1001  
JIN NIK DATAR  
Jalan Sultan Ismail  
50100 Kuala Lumpur  
Tel: 603-2033 8888  
Fax: 603-2033 8888

Commissioner for Oaths

We have audited the financial statements set out on pages 178 to 286. 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 auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines so as to give a true and fair view of:
- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and the Company as at 31 December 2004 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

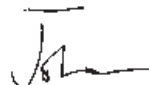
The name of the subsidiaries of which we have not acted as auditors are indicated in Note 10 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the presentation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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



**PricewaterhouseCoopers**  
(AF: 1146)  
Chartered Accountants



**Dato' Ahmad Johan Bin Mohammad Raslan**  
(No. 1867/09/06 (J))  
Partner

Kuala Lumpur  
22 February 2005

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Authorised Share Capital : RM2,000,000,000  
 Issued and Paid-up Share Capital : RM857,136,400 of RM1.00 each  
 Class of Shares : Ordinary shares of RM1.00 each

### A. Size of Shareholdings

	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	125	1.67	4,573	0.00
100 to 1,000	3,334	44.58	2,937,203	0.34
1,001 – 10,000	2,937	39.27	11,530,711	1.35
10,001 – 100,000	867	11.59	26,007,488	3.03
100,001 – 42,856,819 (less than 5% of issued shares)	214	2.86	205,657,225	23.99
42,856,820 and above	2	0.03	610,999,200	71.28

### B. Category of Shareholders

	No. of Holders		No. of Shares Held		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual	5,227	129	21,870,295	491,580	2.55	0.06
Body Corporate						
(i) Banks/Finance Companies	32	0	15,654,889	0	1.83	0.00
(ii) Investment Trusts/Foundation/ Charities	16	0	891,743	0	0.10	0.00
(iii) Industrial and Commercial Companies	155	7	534,028,229	87,000	62.30	0.01
Government Agencies/Institutions	5	0	7,098,400	0	0.83	0.00
Nominees	1,626	282	166,881,055	110,133,209	19.47	12.85
<b>TOTAL</b>	<b>7,061</b>	<b>418</b>	<b>746,424,611</b>	<b>110,711,789</b>	<b>87.08</b>	<b>12.92</b>
<b>GRAND TOTAL</b>	<b>7,479</b>		<b>857,136,400</b>		<b>100.00</b>	



### C. Directors' Interests in the Company and Its Related Corporations

Other than as disclosed below, there is no other Director of the Company who has interests, direct or indirect, in the Company and its related corporations.

	No. of Shares/Interests Held	% of Issued Capital
<b>CIMB Berhad:</b>		
Dr. Rozali Mohamed Ali	201,000	0.02
Dato' Hamzah Bakar	50,000	0.01
Dato' Halim @ Ahmad Muhamat	20,000	*
Dato' Nazir Razak	30,900,000**	3.61
Robert Cheim Dau Meng	1,250,000***	0.15
Zahardin Omardin	1,000	*
<b>Commerce Asset-Holding Berhad:</b>		
Dr. Rozali Mohamed Ali	1,114,800#	0.04
Dato' Halim @ Ahmad Muhamat	400,000##	0.01
Dato' Nazir Razak	100,000	0.01
Zahardin Omardin	8,000	*

**Notes:**

\* Less than 0.01%

\*\* Includes deemed interest by virtue of Section 6A of the Companies Act, 1965 through grant of Options to purchase 16,800,000 ordinary shares in CIMB Berhad.

\*\*\* Deemed interest by virtue of Section 6A of the Companies Act, 1965, through grant of Options to purchase shares in CIMB Berhad.

# Includes deemed interest by virtue of Section 6A of the Companies Act, 1965 through grant of Options to purchase 800,000 ordinary shares in Commerce Asset-Holding Berhad.

## Includes deemed interest by virtue of Section 6A of the Companies Act, 1965 through grant of Options to purchase 350,000 ordinary shares in Commerce Asset-Holding Berhad

### D. Executive Employee Share Option Scheme

None of the Directors of the Company have been offered options under the CIMB Executive Employee Share Option Scheme in the financial year ended 31 December 2004.

### E. Substantial Shareholders as Per Register of Substantial Shareholders

According to the register required to be kept under Section 69L of the Companies Act 1965, the substantial shareholders of the Company are as follows:-

	No. of Shares Held	% of Issued Capital
Commerce Asset-Holding Berhad	526,014,000	61.37
CIMSEC Nominees (Tempatan) Sdn Bhd – Commerce Asset-Holding Berhad (ESOS Pool Account)	84,985,200	9.92

### F. Top 30 Securities Account Holders as per Register of Members and Records of Depositors

Name	No. of Shares Held	% of Issued Capital
1 Commerce Asset-Holding Berhad	526,014,000	61.37
2 CIMSEC Nominees (Tempatan) Sdn Bhd – Commerce Asset-Holding Berhad (ESOS Pool Account)	84,985,200	9.92
3 CIMSEC Nominees (Tempatan) Sdn Bhd – Bank Pertanian Malaysia	37,415,000	4.37
4 Employees Provident Fund Board	15,430,300	1.80
5 Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Mohamed Nazir bin Abdul Razak (514329333261)	8,400,000	0.98
6 HSBC Nominees (Asing) Sdn Bhd – Mscoil for ARN Asian Enterprise Fund Limited	6,618,000	0.77
7 HSBC Nominees (Asing) Sdn Bhd – T. Rowe Price Trust Company, International Common Trust Fund	6,443,300	0.75
8 Mohamed Nazir bin Abdul Razak	5,700,000	0.67
9 HSBC Nominees (Asing) Sdn Bhd – T. Rowe Price International Funds For New Asia Fund	5,476,100	0.64
10 HSBC Nominees (Asing) Sdn Bhd – T. Rowe Price International Fund for Emerging Markets Stock Fund	3,608,300	0.42
11 Lembaga Tabung Angkatan Tentera	3,370,000	0.39
12 HSBC Nominees (Asing) Sdn Bhd – RTCC London for Baillie Gifford Emerging Markets Fund	3,350,000	0.39
13 Amanah Raya Nominees (Tempatan) Sdn Bhd – Amanah Saham Malaysia	3,000,000	0.35

Name	No. of Shares Held	% of Issued Capital
14 Bank Pertanian Malaysia	2,600,000	0.30
15 Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera	2,388,500	0.28
16 HSBC Nominees (Asing) Sdn Bhd – MSCO NY for Eastern Advisor Offshore Fund, Ltd	2,288,000	0.27
17 HSBC Nominees (Asing) Sdn Bhd – Gartmore Capital Strategy Fund Limited	2,239,400	0.26
18 HSBC Nominees (Asing) Sdn Bhd – HSBC-FS For ARN Newly Industrialised Economies Fund	2,231,100	0.26
19 Malaysia National Insurance Berhad	2,131,600	0.25
20 HSBC Nominees (Asing) Sdn Bhd – HSBC BK Plc For Gartmore Emerging Markets Opportunities Fund (HSBC As Trustee)	2,067,400	0.24
21 HSBC Nominees (Asing) Sdn Bhd – Emerging Markets Growth Fund	2,042,000	0.24
22 Citicorp Nominees (Asing) Sdn Bhd – Mellon Bank, N.A. For Commonwealth of Pennsylvania Public School Employees Retirement System	2,000,000	0.23
23 HSBC Nominees (Asing) Sdn Bhd – MSCOIL for Asian Enterprise Mac 57 Ltd	1,969,700	0.23
24 Citicorp Nominees (Asing) Sdn Bhd – American International Assurance Company Limited (P Core)	1,912,500	0.22
25 Cartaban Nominees (Asing) Sdn Bhd – Investors Bank and Trust Company For Global Equity Fund (Marathon GBL FD)	1,899,800	0.22
26 Universal Trustee (Malaysia) Berhad – Mayban Unit Trust Fund	1,784,700	0.21
27 Cartaban Nominees (Asing) Sdn Bhd – State Street London Fund 28H5 for British Airways Pension Fund Trustees Limited (Main Account)	1,705,000	0.20
28 Cartaban Nominees (Tempatan) Sdn Bhd – Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404)	1,670,700	0.19
29 HSBC Nominees (Asing) Sdn Bhd – BBH and Co. Boston for Vanguard Global Equity Fund	1,601,800	0.19
30 RHB Nominees (Tempatan) Sdn Bhd – RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	1,558,300	0.18

Location	Date of Acquisition	Description	Tenure	Remaining Lease Period	Age of Property	Net Book Value as at 31 December 2004
Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur	14 May 2002	10 and a half storey building measuring approximately 61,938 sq. ft. used as office premises	Leasehold	68 years	10 years	RM24,544,000

**NOTICE IS HEREBY GIVEN THAT** the Third (3rd) Annual General Meeting of CIMB Berhad will be held at the Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jln 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, on Friday, 15 April 2005, at 9.30 a.m., for the following purpose:-

## Agenda

### AS ORDINARY BUSINESS

1. To receive and adopt the audited Financial Statements of the Company for the financial year ended 31 December 2004, and the reports of the Directors and Auditors. **Ordinary Resolution 1**
  
2. To declare final gross dividend of 7.5 sen per share less income tax of 28% and special tax-exempt dividend of 3.5 sen per share for the financial year ended 31 December 2004 as recommended by the Directors and payable on 9 May 2005 to shareholders registered in the Company's books at the close of business on 22 April 2005. **Ordinary Resolution 2**
  
3. To re-elect the following Directors who retire in accordance with Articles 76 and 77 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-
  - (i) Dato' Mohamed Nazir bin Abdul Razak **Ordinary Resolution 3**
  - (ii) Robert Cheim Dau Meng **Ordinary Resolution 4**
  
4. To re-elect the following Directors who retire in accordance with Article 83 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:-
  - (i) Zahardin bin Omardin **Ordinary Resolution 5**
  - (ii) Cezar P. Consing **Ordinary Resolution 6**
  
5. To approve the Directors' fees of RM232,000 for the financial year ended 31 December 2004. **Ordinary Resolution 7**
  
6. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

**AS SPECIAL BUSINESS**

To consider and if thought fit, with or without any modification, to pass the following Resolutions:

7. Ordinary Resolution – Proposed renewal of authority to issue shares pursuant to Section 132D of the Companies Act, 1965

Ordinary Resolution 9

“**THAT** subject to Section 132D of the Companies Act, 1965 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being; **AND THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

8. Ordinary Resolution – Proposed renewal of authority to purchase the Company’s own shares

Ordinary Resolution 10

“**THAT**, subject to the Companies Act, 1965 (as may be amended, modified or re-enacted from time to time), the Company’s Articles of Association, the requirements of Bursa Malaysia Securities Berhad (“Bursa”) and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company (“Proposed Shares Buy-Back”) as may be determined by the Directors of the Company from time to time through Bursa upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares of RM1.00 each purchased pursuant to this resolution representing up to 10% of the total issued and paid-up share capital of the Company, and an amount not exceeding the retained earnings of approximately RM222,000 and share premium of approximately RM149,643,000 of the Company based on the audited financial statements for the financial year ended 31 December 2004 be allocated by the Company for the Proposed Shares Buy-Back **AND THAT** the ordinary shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares and distributed as dividends or resold on Bursa **AND THAT** the Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Shares Buy-Back **AND THAT** such authority shall commence immediately upon passing of this ordinary resolution until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting) but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa or any other relevant authorities.”

9. To transact any other business of which due notice shall have been given.

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS HEREBY GIVEN** that the final gross dividend of 7.5 sen per share less income tax of 28% and special tax-exempt dividend of 3.5 sen per share in respect of the financial year ended 31 December 2004, if approved at the forthcoming Annual General Meeting, will be paid on 9 May 2005 to Depositors registered in the Record of Depositors on 22 April 2005. A Depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor's securities accounts before 4.00 p.m. on 22 April 2005, in respect of transfers; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**TAN AE LUH** (MIA 4123)

**JAMIL HAJAR ABDUL MUTTALIB** (LS 000656)

Joint Company Secretaries

Kuala Lumpur

24 March 2005

### Notes:-

1. Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company, a proxy may but need not be a Member of the Company.
2. This instrument duly completed must be deposited at the Registered Office of the Company, 7th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, not less than forty eight (48) hours before the time for holding the meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its Seal or the hand of its attorney.
4. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Ordinary Resolution 9 – Renewal of authority pursuant to Section 132D of the Companies Act, 1965  
The effect of this Ordinary Resolution, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares in the Company up to and not exceeding in total ten per cent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.
2. Ordinary Resolution 10 – Renewal of authority to purchase the Company's own shares  
This Ordinary Resolution will empower the Directors of the Company to purchase the Company's shares up to ten per cent (10%) of the issued and paid-up share capital of the Company ("Proposed Shares Buy Back") by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Shares Buy Back are set out in the Circular to shareholders of the Company which is despatched together with the 2004 Annual Report.

## 1. Re-election of Directors

Directors who are standing for re-election at the Third (3rd) Annual General Meeting of CIMB Berhad are:-

### Retirement by Rotation pursuant to Articles 76 and 77 of the Articles of Association

- (i) Dato' Mohamed Nazir bin Abdul Razak – (Resolution 3)
- (ii) Robert Cheim Dau Meng – (Resolution 4)

### Retirement of Directors appointed during the financial year pursuant to Article 83 of the Articles of Association

- (i) Zahardin Omardin – (Resolution 5)
- (ii) Cezar P. Consing – (Resolution 6)

Further details on Directors who are standing for re-election are attached in the Directors' Profile Section of the Annual Report. Their securities holdings in the Company and its related corporations are set out in the Analysis of Shareholdings section which appear on pages 290 to 293.

## 2. Board of Directors' Meetings

For the financial year ended 31 December 2004, a total of eight (8) Board Meetings were held, details of which are as follows:

Date of Meetings	Time	Place
6 January 2004*	11.40 a.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur
27 January 2004	11.30 a.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur
12 February 2004*	5.00 p.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur
25 February 2004*	2.30 p.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur
18 March 2004*	2.30 p.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur
30 April 2004	5.15 p.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur
21 July 2004	11.30 a.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur
27 October 2004	11.30 a.m.	Board Room, 10th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur

**Note:-** \* Special Meetings



### 3. Details of Attendance of Directors at Board Meetings

Attendance of the Directors holding office at the end of the financial year is shown below:-

Directors	Number of Board Meetings	
	Held	Attended
Dr. Rozali Mohamed Ali	8	7
Dato' Hamzah Bakar	8	8
Dato' Halim @ Ahmad Muhamat	8	8
Dato' Nazir Razak	8	8
Robert Cheim Dau Meng	8	8
Dato' Zainal Abidin Putih	8	7
Zahardin Omardin	2*	2
Cezar P. Consing	1*	1

**Note:-** \* Reflects the number of meetings held during the time the Director held office

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Number of shares

I/We, \_\_\_\_\_  
 (FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
 (FULL ADDRESS)

being a member/members of CIMB Berhad, hereby appoint \_\_\_\_\_  
 (FULL NAME)

of \_\_\_\_\_  
 (ADDRESS)

or failing whom, \_\_\_\_\_  
 (FULL NAME)

of \_\_\_\_\_  
 (ADDRESS)

as my/our proxy to vote for me/us on my/our behalf at the Third (3rd) Annual General Meeting of the Company to be held at the Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jln 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, on Friday, 15 April 2005 at 9.30 a.m., and at every adjournment thereof to vote as indicated below:-

Resolution	For	Against
No. 1 To receive and adopt the Audited Financial Statements		
No. 2 To declare final gross Dividend and special tax-exempt Dividend		
No. 3 To re-elect Dato' Mohamed Nazir bin Abdul Razak as Director		
No. 4 To re-elect Robert Cheim Dau Meng as Director		
No. 5 To re-elect Zahardin bin Oardin as Director		
No. 6 To re-elect Cezar P. Consing as Director		
No. 7 To approve the Directors' fees of RM232,000 for the financial year ended 31 December 2004.		
No. 8 To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration		
No. 9 Renewal of Directors' authority pursuant to Section 132D of the Companies Act, 1965		
No. 10 Renewal of authority to Directors on purchase of the Company's own shares		

Please indicate with an X in the spaces as to how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005. \_\_\_\_\_  
 Signature/Seal

**Notes:-**

1. Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company, a proxy may but need not be a Member of the Company.
2. This instrument duly completed must be deposited at the Registered Office of the Company, 7th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, not less than forty eight (48) hours before the time for holding the meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its Seal or the hand of its attorney.
4. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. Each proxy appointed shall represent a minimum of 1,000 shares.

STAMP

**The Company Secretary**  
**CIMB Berhad**  
7th Floor, Bangunan CIMB  
Jalan Semantan, Damansara Heights  
50490 Kuala Lumpur

