

Maybank

Annual Report 2004



Flexibility creates

Innovation



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Maybank



A n n u a l

R e p o r t

2004

Corporate Vision

Become the leading financial solutions provider committed to meeting and exceeding customer expectations in the target markets and countries we serve.

Core Values



We serve our customers by:

- Enriching their experiences with us
- Developing long term and mutually beneficial relationships with them
- Placing a high value on their privacy and financial security

We value our people who are:

- Committed to excellence in everything they do
- Team players working together based on mutual respect, leadership by example and dignity in their dealings with everyone
- Ethical and uphold high levels of integrity

We are known as an organisation that:

- Consistently provides our shareholders with superior returns
- Focuses on sustainable and superior growth guided by sound financial discipline
- Operates in the most efficient and effective manner



44th annual general meeting

Flexibility Creates Innovation

When there is flexibility, there is more convenience. As a result, more innovative methods can be developed, which leads to greater productivity and profitability. Our diversified portfolio and wide choice of service channels reflect our commitment to giving our customers more options, which further enhances our reputation as the nation's leading financial solutions provider.

The spring on our cover reflects our flexibility and commitment to innovation, which is embodied in the many firsts we have achieved – from the varied electronic channels which include our award winning internet banking and enterprise cash management portals, to a comprehensive range of products that are designed to meet the ever-changing needs of our customers.

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Operations Review

date:
11 October 2004,
Monday

time:
11.30 a.m.

venue:
Nirwana Ballroom,
Mutiara Hotel,
Jalan Sultan Ismail,
Kuala Lumpur



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Letter to Shareholders



Notice

of Annual General Meeting

44th annual general meeting

NOTICE IS HEREBY GIVEN THAT the 44th Annual General Meeting (AGM) of the Shareholders of Malayan Banking Berhad (3813-K) (Maybank) will be held at Nirwana Ballroom, Mutiara Hotel, Jalan Sultan Ismail, Kuala Lumpur on Monday, **11 October 2004** at **11.30 a.m.** for the purpose of transacting the following Business:-

As Ordinary Business

1. To receive the Reports of the Directors and Auditors and the Audited Financial Statements for the financial year ended 30 June 2004. **Resolution 1**
2. To declare a final dividend of 25 sen per share less 28% income tax for the financial year ended 30 June 2004 as recommended by the Board. **Resolution 2**
3. To re-elect the following directors who are retiring by rotation in accordance with Articles 96 and 97 of the Articles of Association of Maybank (the Company) and being eligible have offered themselves for re-election:-
 - (i) Tuan Haji Mohd Hashir bin Hj Abdullah; **Resolution 3**
 - (ii) Teh Soon Poh; and **Resolution 4**
 - (iii) Dato' Mohammed Hussein **Resolution 5**



4. To re-elect the following directors who are retiring in accordance with Article 100 of the Articles of Association of Maybank and being eligible have offered themselves for re-election:-
- (i) Datuk Megat Zaharuddin bin Megat Mohd Nor; and **Resolution 6**
 - (ii) Md Agil bin Mohd Natt **Resolution 7**
5. To consider and if thought fit, pass the following Resolution in accordance with Section 129(6) of the Companies Act, 1965:-
- “That the following directors retiring in accordance with Section 129 of the Companies Act, 1965 be and are hereby re-appointed as directors of the Company to hold office until the next AGM:-
- (i) Dato’ Richard Ho Ung Hun; and **Resolution 8**
 - (ii) Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali **Resolution 9**
6. To approve the directors’ fees of RM656,830.62 in respect of the financial year ended 30 June 2004. **Resolution 10**
7. To re-appoint Messrs. Ernst & Young as Auditors of Maybank to hold office until the conclusion of the next AGM in the year 2005 and to authorise the Board to fix their remuneration. **Resolution 11**

As Special Business

8. To consider and if thought fit, to pass the following Ordinary Resolution:-
- “That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes and to such person or persons as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum (10%) of the issued share capital of the Company for the time being, subject always to the approvals of all the relevant regulatory authorities being obtained for such issue and allotment.” **Resolution 12**

Notice of Dividend Entitlement and Closure of Books

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the AGM to be held on 11 October 2004, a final dividend of 25 sen per share less 28% income tax for the financial year ended 30 June 2004 will be paid on 27 October 2004 to shareholders registered in the Register of Members at the close of business on 14 October 2004.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 15 October 2004 to 16 October 2004, for the determination of shareholders’ entitlements to the final dividend.

Notice

of Annual General Meeting

A depositor shall qualify for the entitlements to the final dividend only in respect of:-

- a. Shares deposited into the Depositors' Securities Accounts before 12.30 p.m. on 12 October 2004 (in respect of shares exempted from mandatory deposit).
- b. Shares transferred to the Depositors' Securities Accounts in respect of ordinary transfers before 4.00 p.m. on 14 October 2004.
- c. 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,

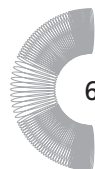


MAHIRAM HUSIN
LS007885
Company Secretary

Kuala Lumpur
20 September 2004

Notes

1. The right of foreigners to vote in respect of securities is subject to Section 41(2) of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Maybank.
2. A member entitled to attend and vote at the 44th AGM is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote instead of him. A proxy shall be a member of the company, an Advocate, an approved company Auditor or a person approved by the Companies Commission of Malaysia.
3. Form of Proxy of a corporation shall be given under its Common Seal.
4. Duly completed Form of Proxy must be deposited at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur, by 9 October 2004 at 11.30 a.m.
5. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
6. For scripless shareholders, only members registered in the record of Depositors on or before 12.30 p.m. on 6 October 2004 shall be eligible to attend the AGM.





7. **EXPLANATORY NOTE ON SPECIAL BUSINESS**

The proposed Ordinary Resolution 12 if passed, is to give the directors of the company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next AGM of the Company.

8. **Bursa Malaysia Securities Berhad's Listing Requirements**

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad's Listing Requirements, appended hereunder are:-

- 8.1 Details of Directors standing for re-election as in Agenda 3, 4 and 5 of the Notice of the AGM are set out in the Directors' Profile appearing in the Annual Report.
- 8.2 For the financial year ended 30 June 2004, a total of 16 meetings were held. Details of attendance at Board Meetings held in the financial year ended 30 June 2004 being as follows:-

Name of Director	No. of Meetings Attended
Tan Sri Mohamed Basir bin Ahmad	14/16
Dato' Richard Ho Ung Hun	16/16
Datuk Amirsham A Aziz	15/16
Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali	16/16
Mohammad bin Abdullah	15/16
Haji Mohd Hashir bin Haji Abdullah	16/16
Teh Soon Poh	15/16
Datuk Abdul Rahman bin Mohd Ramli	16/16
Dato' Mohammed Hussein	12/16
Hooi Lai Hoong	14/16



Notice

of Annual General Meeting

8.3 The dates, time and place of the meetings held:-

Meeting Dates	Time	Place
17.7.2003	9.00 a.m.	Kuala Lumpur
25.7.2003	9.00 a.m.	Kuala Lumpur
25.8.2003	4.00 p.m.	Kuala Lumpur
28.8.2003	10.15 a.m.	Kuala Lumpur
25.9.2003	9.30 a.m.	Bahrain
30.10.2003	10.00 a.m.	Kuala Lumpur
7.11.2003	4.30 p.m.	Kuala Lumpur
20.11.2003	10.00 a.m.	Kuala Lumpur
12.12.2003	9.00 a.m.	Singapore
29.1.2004	10.00 a.m.	Kuala Lumpur
20.2.2004	4.30 p.m.	Kuala Lumpur
26.2.2004	10.00 a.m.	Kuala Lumpur
26.3.2004	10.00 a.m.	Kuala Lumpur
29.4.2004	10.00 a.m.	Kuala Lumpur
11.5.2004	4.30 p.m.	Kuala Lumpur
27.5.2004	10.00 a.m.	Kuala Lumpur
24.6.2004	10.00 a.m.	Kuala Lumpur



Board of Directors

- **Chairman**
Tan Sri Mohamed Basir bin Ahmad – *P.S.M., J.S.M., D.P.C.M.*
- **Vice Chairman**
Dato' Richard Ho Ung Hun – *D.P.M.P.*
- **President and CEO**
Datuk Amirsham A Aziz – *P.J.N.*
- **Deputy Presidents**
Dato' Mohammed Hussein – *D.J.M.K.*
Hooi Lai Hoong (*retired 3 September 2004*)
Md Agil bin Mohd Natt (*appointed 4 September 2004*)
- **Members**
Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali
– *P.J.K., P.P.T., K.M.N., S.M.P., J.M.N., D.P.S.K., D.I.M.P., D.P.J., P.S.M., S.J.J., S.P.N.S.*
Mohammad bin Abdullah
Haji Mohd Hashir bin Haji Abdullah – *J.M.N., S.M.S., P.P.T.*
Teh Soon Poh
Datuk Abdul Rahman bin Mohd Ramli – *P.J.N.*
Datuk Megat Zaharuddin bin Megat Mohd Nor
– *D.P.C.M., P.J.N.* (*appointed 19 July 2004*)
- **Company Secretary**
Mahiram Husin

Registered Office

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Telephone : (6) 03-20708833
Telex : MA 30438
Facsimile : (6) 03-20702611
Cable : MAYBANK
SWIFT : MBBEMYKLA
Website : <http://www.maybank2u.com>
E-Mail : publicaffairs@maybank.com.my

Registrar

Maybank
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

Listed on

Main Board of Bursa Malaysia on
17 February 1962

Company Secretary

Mahiram Husin
155, Jalan BK 4/2, Bandar Kinrara
58200 Kuala Lumpur

Auditors

Messrs Ernst & Young
Chartered Accountants



(66 years of age – Malaysian)
B.A., AMP (Harvard)
D. Com Sc (Hon)

TAN SRI MOHAMED BASIR BIN AHMAD

Chairman

Non-independent non-executive director. He worked with Bank Negara Malaysia from 1965 and retired in 1993 as Advisor. He is a Fellow member of the Malaysian Institute of Bankers since 1980.

Appointed as a director of Maybank on 19 August 1993 and as Chairman of Maybank on 9 October 1993. He serves as Chairman of the Strategic Planning and Credit Review Committees of the Board.

Current directorships in public companies include Mayban International Trust (Labuan) Berhad, Mayban Fortis Holdings Berhad, Aseambankers Malaysia Berhad, Mayban Life Assurance Berhad, Mayban Allied Berhad, Mayban General Assurance Berhad, Mayban Takaful Berhad, Maybank International (L) Limited, Maybank (PNG) Limited, PT Bank Maybank Indocorp, Maybank Philippines Incorporated and PhileoAllied Securities (Philippines) Incorporated.

Attended 14 out of the 16 Board Meetings held in the financial year. No family relationship with any director and is a nominee of the major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein, there is no conflict of interest with Maybank and has never been charged for any offence.



(77 years of age – Malaysian)
Barrister at Law (Lincoln's Inn)

DATO' RICHARD HO UNG HUN

Vice Chairman

Independent non-executive director. He was a member of Parliament from 1969 to 1982. He was appointed as Deputy Minister of Road Transport in 1974 and was subsequently appointed as Deputy Minister of Finance in 1976. In 1978, he was appointed as Minister without Portfolio in the Prime Minister's Department and subsequently as Minister of Labour and Manpower in the same year.

Appointed Vice-Chairman of Maybank on 27 January 1983. He serves as Chairman of the Employee Share Option Scheme and a member of the Credit Review Committees of the Board.

Current directorships in public companies include Mayban Finance Berhad, Aseambankers Malaysia Berhad, Aseamlease Berhad, Mayban Trustees Berhad, Mayban International Trust (Labuan) Berhad, Mayban Unit Trust Berhad and Maybank International (L) Ltd.

Attended all the 16 Board Meetings held in the financial year. No family relationship with any director and/or major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein and a Tenancy Agreement with Maybank on the rental of a four-storey shophouse used as branch premises, there is no conflict of interest with Maybank. Has never been charged for any offence.



DATUK AMIRSHAM A AZIZ

President and CEO

Non-independent executive director. President and CEO of Maybank Group. He joined the Maybank Group in 1977 and has worked in various capacities within the Group.

Appointed as executive director of Maybank on 18 August 1993 and as Managing Director of Maybank on 1 May 1994. He serves as a member of the Strategic Planning and Nomination Committees of the Board. He is the Chairman of the Group Management Committee.

Current directorships in public companies include Mayban Finance Berhad, Aseambankers Malaysia Berhad, Mayban Fortis Holdings Berhad, Credit Guarantee Corporation Malaysia Berhad, Cagamas Berhad, Perbadanan Usahawan Nasional Berhad and AFC Merchant Bank Limited.

He is the Chairman and director of Malaysian Electronic Payment System (1997) Sdn Berhad, a Council Member of the Association of Banks in Malaysia, a director of the Institute of Bankers Malaysia and director of Islamic Banking and Finance Institute. He is also a member of the Advisory Board of the Pacific Rim Bankers Program. He is currently a director of Asian Pacific Bankers Club.

Attended 15 out of the 16 Board Meetings held in the financial year. No family relationship with any director and/or major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein, there is no conflict of interest with Maybank and has never been charged for any offence.



(54 years of age – Malaysian)
B.Econs (Hons),
Member of MICPA

DATO' MOHAMMED HUSSEIN

Deputy President

Non-independent executive director. Deputy President of Maybank. He joined the Maybank Group in 1977 and has worked in various capacities within the Group, including as Managing Director of Aseambankers Malaysia Berhad, the investment banking arm of the Group.

Appointed as an executive director of Maybank on 1 November 2000. He serves as a member of the Strategic Planning Committee of the Board.

Current directorships in public companies include Mayban Allied Berhad, Aseambankers Malaysia Berhad, Pelaburan Hartanah Nasional Berhad and PT Bank Maybank Indocorp.

Attended 12 out of the 16 Board Meetings held during the financial year. No family relationship with any director and/or major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein, there is no conflict of interest with Maybank and has never been charged for any offence.



(53 years of age – Malaysian)
Bachelor of Commerce
(Accounting)



(52 years of age – Malaysian)
B.Sc Econ (Hons),
Master of Science in Finance,
AMP (Harvard)

MD AGIL BIN MOHD NATT

Deputy President

Non-independent executive director. Deputy President of Maybank. He joined the Maybank Group in 1995.

Appointed as an executive director of Maybank on 4 September 2004.

Current directorships in public companies include Cagamas Berhad, Mayban Discount Berhad and Mayban Unit Trust Berhad. He is currently the Council Member of the Association of Merchant Banks and a member of Advisory Council of the International Centre for Leadership in Finance.

No family relationship with any director or major shareholder of Maybank. Save for the new ESOS as approved by the shareholders at the EGM on 11 August 2004, there is no conflict of interest with Maybank and has never been charged for any offence.



(72 years of age – Malaysian)
B.A (Hons), AMP (Harvard),
D.Sc. (Hon), D.Econ. (Hon)

RAJA TAN SRI MUHAMMAD ALIAS BIN RAJA MUHD. ALI

Member

Independent non-executive director. He was the Group Chairman of Felda from 1 May 1979 to 30 June 2001.

Appointed as a director of Maybank on 17 March 1978. He serves as Chairman of Risk Management and Nomination Committees of the Board. He also serves as a member of the Remuneration and Establishment, Employee Share Option Scheme and Strategic Planning Committees of the Board.

Current directorships in public companies include Kuala Lumpur Kepong Berhad, Sime Darby Berhad, Batu Kawan Berhad, Kumpulan Guthrie Berhad, Mayban Fortis Holdings Berhad, PT Bank Maybank Indocorp and Cerebos Pacific Limited. He is also the Chairman of Highlands & Lowlands Berhad and Consolidated Plantations Berhad.

Attended all the 16 Board Meetings held in the financial year. No family relationship with any director and/or major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein and a single related party transaction as disclosed to the shareholders in the Circular dated 20 July 2004 for the Extraordinary General Meeting of 11 August 2004 and announced to Bursa Malaysia, there is no conflict of interest with Maybank. Has never been charged for any offence.



MOHAMMAD BIN ABDULLAH

Member

Independent non-executive director. He was the Chairman of Coopers & Lybrand Malaysia prior to his retirement in 1995 and he is currently the Chairman of Negara Properties (M) Berhad, Malaysian National Reinsurance Berhad, Malaysia Rating Corporation Berhad, Labuan Reinsurance (L) Limited and Mayban Discount Berhad.

Appointed as a director of Maybank on 11 January 1995. He serves as Chairman of the Remuneration and Establishment Committee and a member of the Audit, Employee Share Option Scheme, Credit Review and Nomination Committees of the Board.

Current directorships in public companies include Golden Hope Plantations Berhad, Mayban Finance Berhad, MIMOS Berhad, Maybank International (L) Ltd, Maybank (PNG) Ltd and Malaysian Bulk Carriers Berhad.

Attended 15 out of the 16 Board Meetings held in the financial year. No family relationship with any director and/or major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein, there is no conflict of interest with Maybank and has never been charged for any offence.



*(63 years of age – Malaysian)
Member of MICPA,
Member of MIA*

HAJI MOHD HASHIR BIN HAJI ABDULLAH

Member

Independent non-executive director. He was the General Manager/Chief Executive Officer of Kelang Port Authority prior to his retirement in 1991.

Appointed as a director of Maybank on 7 November 1996. Serves as a member of the Audit, Nomination, Credit Review and Risk Management Committees of the Board.

Current directorships in public companies include Mayban Unit Trust Berhad, Mayban Life Assurance Berhad, Mayban Discount Berhad, Mayban Finance Berhad, Mayban Fortis Holdings Berhad, Mayban General Assurance Berhad, Mayban Takaful Berhad, Mayban Life International (Labuan) Ltd, MFSL Limited and PT Bank Maybank Indocorp.

Attended all the 16 Board Meetings held in the financial year. No family relationship with any director and/or major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein, there is no conflict of interest with Maybank and has never been charged for any offence.



*(68 years of age – Malaysian)
ACA (Aust), ACIS (UK),
Member of MICPA,
FCMI (UK), FCIT (UK),
AMP (Harvard)*



*(68 years of age – Malaysian)
Barrister at Law (Middle Temple)*

TEH SOON POH

Member

Independent non-executive director. He was the former General Manager of Credit Control Division of Maybank prior to his retirement in 1992.

Appointed as a director of Maybank on 21 October 1997. He serves as Chairman of the Audit Committee and a member of the Remuneration and Establishment, Risk Management and Credit Review Committees of the Board.

Current directorships in public companies include Mayban Finance Berhad, Mayban Trustees Berhad, Mayban International Trust (Labuan) Berhad, PhileoAllied Trustee Berhad, Aseambankers Malaysia Berhad, Maybank International (L) Ltd and Maybank Philippines Incorporated.

Attended 15 out of the 16 Board Meetings held in the financial year. No family relationship with any director and/or major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein, there is no conflict of interest with Maybank and has never been charged for any offence.



*(65 years of age – Malaysian)
ACA (Aust), Member of MICPA,
Member of MIA*

DATUK ABDUL RAHMAN BIN MOHD RAMLI

Member

Non-independent non-executive director. He was the Group Chief Executive of Golden Hope Plantations Berhad prior to his retirement in 1999.

Appointed as a director of Maybank on 17 November 1999. He serves as a member of the Remuneration and Establishment, Audit, Credit Review, Nomination and Strategic Planning Committees of the Board.

Current directorships in public companies include Kuala Lumpur Kepong Berhad, Malaysia National Insurance Berhad and Mayban Finance Berhad. He is also the Chairman of Johore Tenggara Oil Palm Berhad and Takaful Nasional Sdn Berhad.

Attended all the 16 Board Meetings held in the financial year. No family relationship with any director and is a nominee of the major shareholder of Maybank. Save for the new ESOS as disclosed in the Financial Statements herein, there is no conflict of interest with Maybank and has never been charged for any offence.



DATUK MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

Member

Independent non-executive director. He was the Regional CEO/Business Managing Director of Shell Exploration and Production International B.V. prior to his retirement in January 2004.

Appointed as a director of Maybank on 19 July 2004. He is currently the non-executive Chairman and director of Maxis Communication Berhad and also as a Board member of the International Centre for Leadership in Finance and the Capital Market Development Fund.

No family relationship with any director and/or major shareholder of Maybank. No conflict of interest with Maybank. Has never been charged for any offence.



*(55 years of age – Malaysian)
B.Sc (Hons) in Mining Engineering*



Management



Datuk Amirsham A Aziz

Graduated with a Bachelor of Economics (Honours) degree, majoring in Accounting, from the University of Malaya in 1973 and member of the Malaysian Institute of Certified Public Accountants (MICPA). Joined the Group in 1977 and is currently the President and Chief Executive Officer of the Maybank Group.



Dato' Mohammed Hussein

Graduated with a Bachelor of Commerce degree majoring in Accounting from the University of Newcastle, Australia in 1972. Attended the Advanced Management Program, Harvard University, USA. Joined the Group in 1977 and is currently the Deputy President.



Agil Natt

Graduated with a Bachelor of Science Degree in Economics from Brunel University, United Kingdom and Masters of Science in Finance from City University Business School, London. Attended the Advanced Management Program, Harvard University, USA. Joined the Group in 1995 as the General Manager of Corporate Banking. He is currently the Deputy President.



Spencer Lee Tien Chye

Fellow of the Institute of Chartered Accountants (England and Wales). Joined the Group in 1975. He is currently Head of International Banking Group and Senior Executive Vice President for Maybank's Singapore operations.





Johar Che Mat

Graduated with a Bachelor of Economics (Honours) degree from the University of Malaya in 1975. Joined the Group in 1975 and served in various capacities and positions. He is currently Head of the Retail Financial Services Group.



Ashraf Ali Abdul Kadir

Graduated with a degree in Business Administration from Ohio State University, USA and Masters in Business Administration from Tennessee State University, USA. Joined the Group in 1996 as General Manager of Consumer Banking. He is currently Head of the Cards Business Group.



Kassim Zakaria

Graduated with a Bachelor of Economics (Honours) degree, majoring in Business Administration from the University of Malaya. Has been in the insurance business of the Group since 1977 and currently serving as Head of the Insurance Business and Chief Executive Officer of Mayban Fortis Holdings.



Jeyaratnam Tamotharam Pillai

Fellow of the Institute of Chartered Accountants (England and Wales). Joined the Group in 2003 as Deputy Chief Executive Officer of Aseambankers. He is currently Head of the Investment Banking Group.

Management



Choo Yee Kwan

Graduated with a Bachelor of Economics (Honours) degree from the University of Malaya and honours degree in law from the University of London, United Kingdom. He is a Barrister-at-Law and was called to the Bar of England and Wales at Lincoln's Inn in 1984. Joined Maybank in 1992 as Head of Credit Control Division. He is currently Head of Risk Management and Chief Risk Officer for the Group.



Tong Hon Keong

Graduated with a Bachelor's Degree in Economics from Universiti Malaya in 1974. Joined the Group in 1974 and served in various capacities. He is currently the Head of Central Operations and Information Systems.



Mohd Zulkifli bin Itam

Graduated with a Degree in Social Science from Universiti Sains Malaysia and a Masters in Business Administration from University of Strathclyde, United Kingdom. Joined the Group in 2001 as Head of Human Resource.



Nik Nasir Majid

Holds a Bachelors Degree in Economics from Universiti Malaya and a Masters in Economics from Vanderbilt University, USA. Joined the Maybank Group in 1989 and is currently Head of Corporate Planning.





Muhamad Umar Swift

Graduated with a degree in Economics from Monash University Australia in 1986 and was later admitted as a member of the Institute of Chartered Accountants Australia. He also holds a post graduate Diploma in Finance from the Securities Institute of Australia. Joined the Maybank Group in 2004 as Head, Enterprise Financial Services Group.



Zulkiflee Abbas Abdul Hamid

Graduated with a bachelor's degree in marketing and Masters in Business Administration from Southern Illinois University, Carbondale, U.S.A. Joined the Group in 1981 and served in various capacities including international postings. He is currently Chief Credit Officer.



Hamzah Mahmood

Graduated with a Bachelor of Science degree, majoring in Mathematics, from Illinois State University and Masters in Business Administration majoring in Finance from the University of North Texas, USA. He is the Chief Executive Officer of Mayban Securities.



Amirudin bin Abdul Halim

Graduated with a Degree in Finance from St. Louis University, USA in 1984. Joined the Group in 1988 and served in various capacities. He is currently the Head of the Automobile Financing Group.

Financial

Highlights

	Group		Bank	
	2004	2003	2004	2003
PROFITABILITY (RM Million)				
Operating revenue	10,521	10,038	8,421	8,538
Operating profit	3,851	3,532	3,321	3,533
Profit before tax expense	3,359	2,620	2,883	2,738
Profit after tax expense and minority interests	2,425	1,996	2,092	2,055

	Group		Bank	
	2004	2003	2004	2003
KEY BALANCE SHEET DATA (RM Million)				
Total Assets	179,507	160,955	143,551	127,654
Dealing and investment securities	29,003	25,908	22,864	18,833
Loans, advances and financing	109,070	102,488	86,718	80,160
Total liabilities	164,445	147,070	131,452	116,378
Deposits from customers	123,366	109,535	96,869	86,837
Paid-up capital	3,600	3,589	3,600	3,589
Shareholders' funds	14,623	13,485	12,099	11,276
Commitments and contingencies	92,377	78,527	86,909	73,194

	Group		Bank	
	2004	2003	2004	2003
SHARE INFORMATION				
Per share (sen)				
Basic earnings	67.3	55.9	58.1	57.6
Diluted earnings	67.3	55.9	58.1	57.6
Gross dividend	60.0	52.0	60.0	52.0
Net tangible assets	406.2	375.7	336.1	314.2



	Group		Bank	
	2004	2003	2004	2003
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest-earning assets	2.9	3.0	2.6	2.7
Net interest on average risk-weighted assets	3.8	3.7	3.5	3.5
Net return on average shareholders' funds	17.3	15.3	17.9	19.0
Net return on average assets	1.4	1.3	1.5	1.7
Net return on average risk-weighted assets	2.0	1.7	2.3	2.3
Cost to income ratio	40.2	39.9	37.4	32.9
Capital Adequacy Ratios				
Core capital ratio	10.3	10.2	10.8	10.9
Risk-weighted capital ratio	15.1	15.3	14.0	14.4
Asset Quality Ratios				
Net non-performing loans ratio (3-month classification)	6.0	6.2	6.0	6.0
Loan loss coverage	74.4	76.0	71.6	75.8
Gross loan to deposit ratio	95.8	102.6	96.5	100.9
Deposits to shareholders' funds (times)	8.4	8.1	8.0	7.7
Valuations on Share				
Gross dividend yield (%)	5.9	6.0	—	—
Dividend payout ratio (%)	64.1	79.7	74.3	77.5
Price to earnings multiple (times)	15.0	15.4	—	—
Price to book multiple (times)	2.5	2.3	—	—

Analysis by Activity

Revenue (RM'000)

	2004	2003
1 Banking	7,921,836	7,418,224
2 Finance	1,827,585	1,900,683
3 Investment Banking	451,180	431,519
4 Insurance and Takaful	247,931	230,426
5 Others	72,388	56,758
	10,520,920	10,037,610

Profit Before Taxation (RM'000)

	2004	2003
1 Banking	2,211,133	1,600,690
2 Finance	789,547	696,464
3 Investment Banking	207,805	186,111
4 Insurance and Takaful	94,416	103,837
5 Others	55,696	32,572
	3,358,597	2,619,674

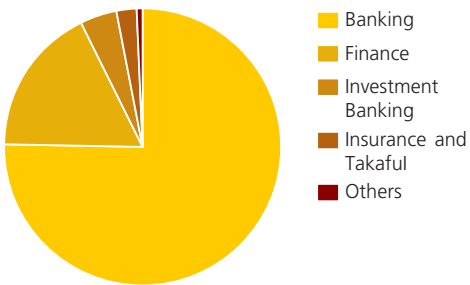
Total Assets Employed (RM'000)

	2004	2003
1 Banking	147,390,167	128,065,028
2 Finance	21,005,391	21,781,250
3 Investment Banking	7,605,881	8,446,200
4 Insurance and Takaful	3,336,119	2,451,134
5 Others	169,869	211,785
	179,507,427	160,955,397



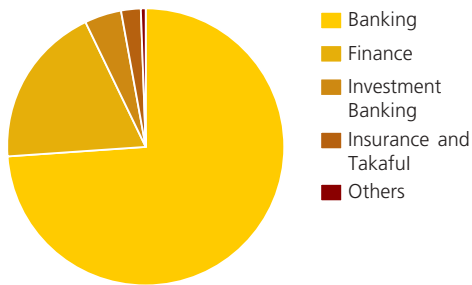
2004

Revenue

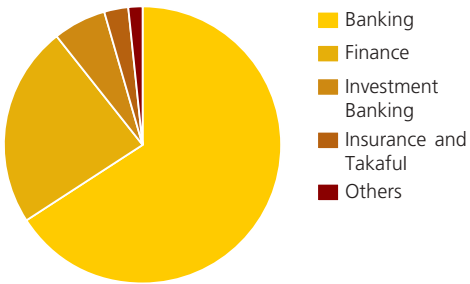


2003

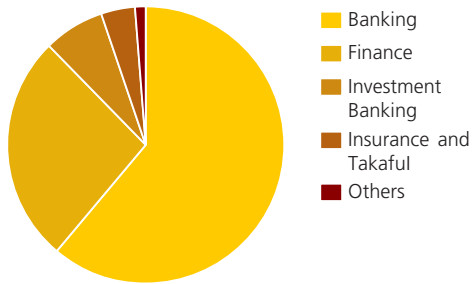
Revenue



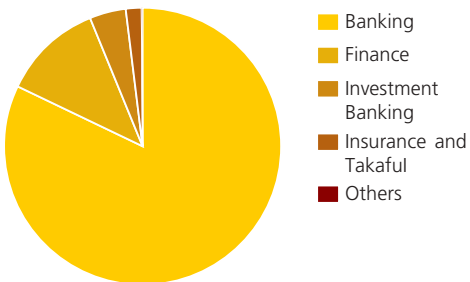
Profit Before Taxation



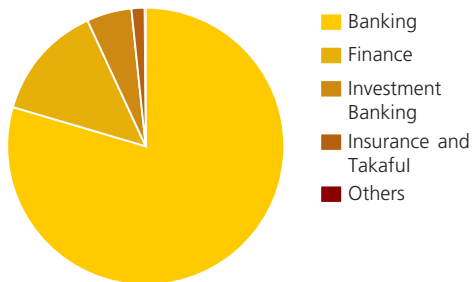
Profit Before Taxation



Total Assets Employed



Total Assets Employed



Analysis by Geographical Location

Revenue (RM'000)

	2004	2003
1 Malaysia	9,283,978	8,824,988
2 Singapore	754,514	718,026
3 Other Locations	482,428	494,596
	10,520,920	10,037,610

Profit Before Taxation (RM'000)

	2004	2003
1 Malaysia	3,137,461	2,486,464
2 Singapore	142,510	94,701
3 Other Locations	78,626	38,509
	3,358,597	2,619,674

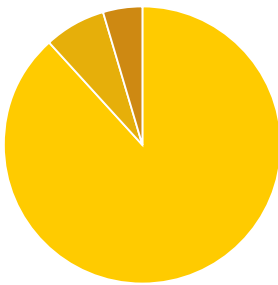
Total Assets Employed (RM'000)

	2004	2003
1 Malaysia	154,300,974	138,189,132
2 Singapore	17,558,393	14,739,803
3 Other Locations	7,648,060	8,026,462
	179,507,427	160,955,397



2004

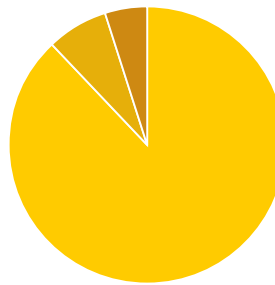
Revenue



- Malaysia
- Singapore
- Other Locations

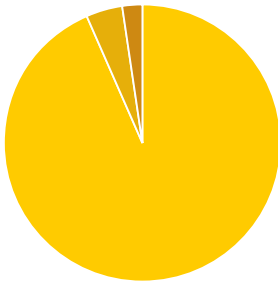
2003

Revenue



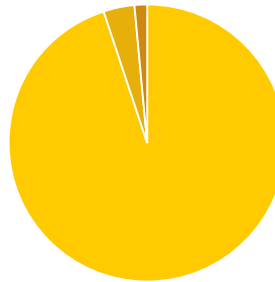
- Malaysia
- Singapore
- Other Locations

Profit Before Taxation



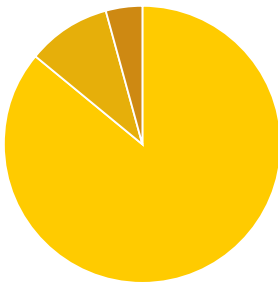
- Malaysia
- Singapore
- Other Locations

Profit Before Taxation



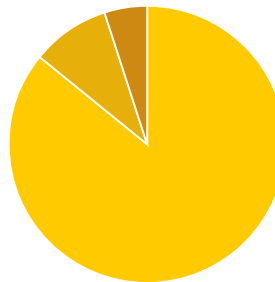
- Malaysia
- Singapore
- Other Locations

Total Assets Employed



- Malaysia
- Singapore
- Other Locations

Total Assets Employed



- Malaysia
- Singapore
- Other Locations



5-Year

Group Financial Summary

Year ended 30 June	2004	2003	2002	2001	2000
OPERATING RESULTS (RM Million)					
Operating profit	3,851	3,532	3,731	3,475	3,655
Profit before tax expense	3,359	2,620	2,354	1,121	2,135
Profit after tax expense and minority interests	2,425	1,996	1,659	819	1,359
KEY BALANCE SHEET DATA (RM Million)					
Total assets	179,507	160,955	150,656	147,348	131,311
Loans, advances and financing	109,070	102,488	95,453	98,094	79,826
Total liabilities	164,445	147,070	137,641	135,976	119,710
Deposits from customers	123,366	109,535	102,592	97,076	81,867
Paid-up capital	3,600	3,589	3,550	2,352	2,338
Shareholders' funds	14,623	13,485	12,658	11,052	11,336
Commitments and contingencies	92,377	78,527	71,057	72,425	59,407
SHARE INFORMATION					
Per share (sen)					
Basic earnings	67.3	55.9	46.7	23.1	38.6
Diluted earnings	67.3	55.9	46.4	23.0	38.2
Gross dividend	60.0	52.0	12.0	12.0	18.0
Net tangible assets	406.2	375.7	356.6	469.9	484.9
Share price as at 30 June (RM)*	10.10	8.60	8.80	6.90	10.30
Market capitalisation (RM Million)	36,360	30,865	31,240	16,088	36,005
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets	2.9	3.0	3.1	3.3	3.4
Net interest on average risk-weighted assets	3.8	3.7	3.9	4.2	4.3
Net return on average shareholders' funds	17.3	15.3	14.0	7.3	12.7
Net return on average assets	1.4	1.3	1.1	0.6	1.1
Net return on average risk-weighted assets	2.0	1.7	1.5	0.8	1.5
Cost income ratio	40.2	39.9	36.9	37.7	30.4
Gross loan to deposit ratio	95.8	102.6	102.4	112.3	106.2
Net non-performing loans ratio (3-month classification)	6.0	6.2	7.2	7.7	5.6
Domestic market share in:					
Loans, advances and financing	20.6	21.1	20.8	22.6	22.5
Deposits from customers – Savings Account	29.8	30.3	30.7	31.8	32.6
Deposits from customers – Current Account	22.7	23.2	22.8	23.0	22.7
Capital Adequacy Ratios					
Core capital ratio	10.3	10.2	10.3	9.1	10.9
Risk-weighted capital ratio	15.1	15.3	15.6	13.0	15.2
Valuations on Share					
Gross dividend yield (%)	5.9	6.0	1.4	1.7	1.7
Dividend payout ratio (%)	64.1	79.7	18.5	24.9	22.4
Price to earnings multiple (times)	15.0	15.4	18.8	29.6	26.7

* Adjusted for bonus issue



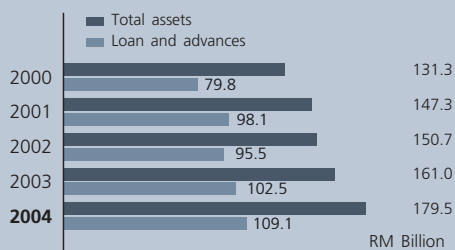
Financial Calendar



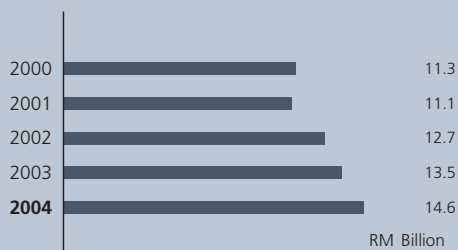
Operating profit



Profit before taxation



Total assets & Loan and advances



Shareholder's fund

- 25.8.2003** – Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30.6.2003
- 19.9.2003** – Notice of the 43rd Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of Annual Report for the financial year ended 30.6.2003
- 11.10.2003** – 43rd Annual General Meeting
- 18 and 19.10.2003** – Book closure for determining the entitlement for the final dividend
- 30.10.2003** – Date of payment of the final dividend of 17 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 30.6.2003
- 7.11.2003** – Announcement of the unaudited results of Maybank and of the Group for the first quarter of the financial year ending 30.6.2004
- 20.2.2004** – Announcement of the audited results of Maybank and of the Group and announcement of the dividend for the half year of the financial year ended 31.12.2003
- 16 and 17.3.2004** – Book closure for determining the entitlement of the dividends
- 29.3.2004** – Date of payment of the interim dividend of 10 Sen per share (less 28% Malaysian Income Tax) and special dividend of 25 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ending 30.6.2004
- 11.5.2004** – Announcement of the unaudited results of Maybank and of the Group for the third quarter of the financial year ending 30.6.2004
- 20.7.2004** – Notice of the Extraordinary General Meeting
- 11.8.2004** – Extraordinary General Meeting
- 11.8.2004** – Announcement to Bursa Malaysia that all resolutions on the proposed ESOS at the Extraordinary General Meeting had been approved by the shareholders
- 30.8.2004** – Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the year ended 30.6.2004
- 20.9.2004** – Notice of the 44th AGM, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30.6.2004
- 11.10.2004** – 44th Annual General Meeting
- 15 and 16.10.2004** – Book closure for determining the entitlement for the final dividend
- 27.10.2004** – Date of payment of the final dividend of 25 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 30.6.2004

INTRODUCTION

ON BEHALF OF THE BOARD OF DIRECTORS, WE ARE PLEASED TO PRESENT THE ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2004.

Letter to Shareholders





Overall Business Environment

The operating environment during our last financial year was better than the preceding period. At home, economic growth strengthened from 5.2% to 7.0%. Domestic inflation remained low allowing the Government to continue with its accommodative monetary policy. Consumer sentiment was upbeat given the stability of the job market, broader recovery of the world economy and a smooth transition on the local political front. Hence, from 5.0% growth during the previous period, household spending increased significantly by 9.0%. Economic growth also picked up for countries in the region. In Singapore, GDP growth strengthened from 1.0% to 6.6% whilst for the Philippines, economic growth trended up from 4.9% during the second half of 2003 to 6.3% during the first half of 2004.

Riding on the positive consumer sentiment, lending to the household segment increased by 14.1% thus accounting for 98% of the overall loan growth during the period. Lending to small and medium scale enterprises (SMEs) maintained its strong growth of around 7.4% whilst bank financing of large enterprises contracted by 0.2%. With this performance, outstanding loans of the banking system recovered strongly to grow by 6.2% against a contraction of 4.0% during the preceding period.



Letter to Shareholders

As a result of the good performance of the export sector, the domestic economy continued to record a substantial trade surplus. The surplus, which helped to strengthen growth in national income, also added fresh liquidity into the banking system. This additional liquidity was responsible for a 7.1% growth in banking system deposits and hence brought down loan-deposit ratio from 83.7% in July 2003 to 80.2% in June 2004. The decline in the loan-deposit ratio signifies the growing magnitude of excess deposits. With the continuing rigidity of the domestic retail deposit rate, banking institutions had to bear a negative carry on this deposit thus imposing pressure on the interest margin.

It was certainly a good year for the domestic equity market. Benefiting from improving economic fundamentals, a smooth political transition as well as a high level of global liquidity, the Composite Index of Bursa Malaysia rose by 18.5% from 691.96 as at 30 June 2003 to 819.86 as at 30 June 2004. The average monthly business volume of RM23.9 billion was almost three times higher compared with the preceding period. Encouraged by the strong market activity, the number of initial public offerings approved by Securities Commission increased from 45 in the preceding period to 74 during the review period, while the number of approved capital raising exercises rose from 138 to 180.

Maybank Strategic Initiatives: Major Outcomes

In our last report to shareholders, we had detailed out several strategic initiatives that would place the Maybank Group in the league of leading regional financial conglomerates. These initiatives include the emplacement of a customer-centric organisation model, strengthening sales culture and technology infrastructure, improved performance management and reward system, efficient operating model and delivery channels as well as creation of new value drivers. Assisted by the positive business environment during the financial year, these initiatives began to bear fruit and Maybank re-affirmed its position among the top five largest financial institutions in the Asean region.

In the home market, the Maybank Group is the biggest financier and mobiliser of domestic savings. Outstanding loans from domestic operations grew by 4.7% at the Bank level and 3.5% at the Group level. Traditional deposits on the other hand, grew by 8.4% for the Bank and 7.3% for the Group. As of June 2004, Maybank accounted for 20.4% of the Malaysian banking system's outstanding loans and 22.2% of traditional deposits. Maybank's leadership in financing was most prominent in the area of trade finance with market share strengthening from 22.5% in July 2003 to 23.5% in June 2004; consumer finance at 18.6% and financing of small and medium scale enterprises at 21.4%. Our extensive delivery network and strong branding gave us an edge in mobilising deposits. Our market share for savings deposits stood at 33.8% and current account deposits at 30%.





Letter to Shareholders

Maybank Group is the leader in Islamic banking business. Its financing activities during the year rose by 24.1% thus accounting for 13.4% of the Group's total loans. As at June 2004, the Group's Islamic financing market share was 29.0%. Looking at the achievement of the Group's Islamic banking business, the success was attributable to the progressive nature of the business model adopted. The benefits of scale and synergy afforded by the model through the sharing of infrastructure and resources as well as greater flexibility enjoyed by customers are among the key success factors of the Group in this business. Indeed, this model would have a greater chance of bringing Islamic banking and finance to new heights. For Maybank Group, Islamic banking is a profitable business with gross return on equity of 14.0%, and this was well above those recorded by Islamic banking institutions in the country.

Among Malaysian banks, Maybank has the largest presence outside Malaysia. Our offices outside the country began as an extension of domestic banking services, serving the needs of customers for external trade activities. Over the years, we have diversified our activities to provide support to Malaysian and Singaporean overseas investments. More recently, we expanded further the focus of our overseas operations to include local business. While we had a challenging period as some of the overseas operations were badly affected by regional financial crisis, we remained committed to these locations. Our perseverance is showing positive results. During the last financial year, all our major overseas units registered profitable operations. Maybank Philippines Incorporated and PT Bank Maybank Indocorp recorded sharp turnaround with profit before tax of RM1.4 million and RM8.4 million respectively against losses of RM17.3 million and RM59.6 million respectively during the preceding period. Maybank will continue to look at opportunities

outside its home base using commercial banking as a platform to expand into other financial services.

Fee income is the emerging value driver of Maybank Group. With narrowing interest margin – a by-product of growing maturity of the domestic banking industry – fee income offers exciting revenue growth potential. Our focus in this area had shown results. In the stockbroking business, the Group market share improved to an average 10.8% and this reflects our competitive strength and the success of our business model, built on the premise of Group synergy. The Group's position in the insurance industry strengthened further. In life insurance business, our industry ranking for new business improved from fifth to second position and our non-life business ranked first in terms of operating margin and second position in terms of absolute operating profit. Payments business is another focus area and this includes remittances, retail purchases and trade payments services. During the year, fee from remittances rose by 29.2% and fees associated with credit card grew by about 19%. The foreign exchange profit, derived almost exclusively from customers' trade and payments activities, improved by 67.2%. We look at our fee income performance as a testament of a successful business model whereby customer touch-points were harnessed to the maximum, branding been capitalised and opportunities for Group synergy were fully exploited.

Productivity enhancement is another strategic focus of Maybank Group, particularly in the light of increasing cost pressure and rigid cost structure. The results in this area were encouraging. Despite 22.7% increase in total assets of the Group between financial year 2001 and financial year 2004, total manpower strength reduced from 21,537 to 20,821. Hence, asset per employee of the Group increased from RM6.79 million to RM8.62 million.





Operating profit per employee also increased from RM162,698 to RM184,939. Our ability to control head-counts was among the factors that kept Group cost-to-income ratio at around 40%. In fact, had it not been for the investment to enhance risk framework, infrastructure to support future sales capability and service quality, the ratio would have improved. For the Group, these are critical investments to support future growth and competitive strength. While our cost-to-income ratio was higher than before, it was among the lowest globally and we believe the level is justifiable.

The continuing emphasis on asset quality also brought in encouraging results. Gross non-performing loans for the Group reduced by 5.9% and in terms of ratio to total loans, net non-performing loan ratio declined from 6.20% to 5.97%. The improvement in asset quality helped to reduce loan loss and provisions from RM911.8 million to RM495.4 million.

Group Financial Performance

The achievements highlighted above strengthened further the financial performance of the Maybank Group. For the year ended 30 June 2004, Group pre-tax profit improved by 28.2% to RM3.36 billion and net profit increased by 21.4% to RM2.42 billion. This result represents net return on equity of 17.3%, a marked improvement from 15.3% registered for the previous financial year.

Letter to Shareholders

During the year, net interest income recovered by registering growth of 5.2% against stagnation in the previous year. This was achieved on the back of 2.6% growth in conventional loans, an almost 20% reduction in net interest suspended and 2.2% reduction in interest expense. Income from Islamic banking operations improved by 36.2% to RM522.0 million. This was after setting aside higher profit equalisation reserves of RM101.6 million against RM65.5 million in the previous year. Overall fee income, including foreign exchange profit, increased by 50.3%. However, with lower investment income and trading gains, total non-interest income only grew by 14.7%.

With the exception of Mayban Life Assurance Berhad, all companies within the Group registered higher profit. The pre-tax profit of Mayban Finance Berhad improved by 8.4% to RM742.1 million on account of better asset quality and higher income from Islamic banking operations. Aseambankers benefited from improvement in the value of investment securities, growth in fee income as well as write-back on loans. Its pre-tax profit improved by 55.6% to RM113.1 million. Riding on strong performance of local equity market, the stockbroking business came in with sterling result, reporting pre-tax profit of RM54.5 million against RM9.5 million in the previous year. Pre-tax profit of non-life business improved by 21.3% to RM74.4 million following strong focus on retail and SMEs segments as well as higher business growth through synergistic relationship with the commercial banking arm of the Group. The profitability of life insurance business, however, was impacted by lower transfer of actuarial surplus on life fund, resulting in pre-tax profit for the company to fall from RM32.0 million to RM9.9 million.

Group's operations in Asean countries showed promising results. Singapore operations recorded strong growth in pre-tax profit of 50.4% to RM144.2 million whilst the Philippines and Indonesian operations registered turnaround. On the whole, Maybank Group overseas operations contributed 6.5% of the total pre-tax profits, up from 5.1% during the previous financial year.

Challenges and Prospects

Recent development points to a more volatile economic scenario. The uncertainty created by the movements in energy price, threats of terrorism, the prospects of rising US interest rates and the ability of China to engineer soft landing are some of the factors influencing our business environment. In the light of higher price of energy, production cost in the domestic economy has increased thus reducing the operating margin. Construction sector, which in the past, served as a conduit for the public sector to accelerate economic growth, is under pressure with the need to reduce budget deficit.

Apart from these developments, the economy is also undergoing structural changes. The most significant has been the shorter business cycle, which together with the speed of information flows resulted in a more volatile business environment. For Malaysia, sources of economic growth is fast moving to the tertiary sector as manufacturing activities based on cheap labour cost is losing their competitive strength. Furthermore, high savings accumulation in the past and stable job market have given households sustained spending power that create a strong consumer economy. Together with high standard of education, the households are now demanding new investment products that will facilitate individual financial planning and wealth management.



The Malaysian financial services industry has also grown in maturity. In the area of financing, capital market is becoming more important such that growth in banking sector loans is no longer multiples of the economic growth. Competition among industry players is at all time high, thus accelerate the pace at which banking products being commoditised. As a result of these developments, pricing of banking products come under pressure with interest margin converges to that of the developed economies.



Letter to Shareholders

Maybank Group is well prepared to face these challenges. Our strong customer base, branding, extensive delivery networks and economies of scale give us leading edge to capitalise on the growth of the tertiary sector and the household economy. In fact, with commercial banking relationships serving as the platform for other business lines, we have managed to cement closer link with customers. The strength of this linkage is shown by the increase in cross-sell ratio for the upper segment of the market from 3.58 products per customer in June 2003 to 4.83 products in June 2004 and for the middle market segment from 2.87 to 3.61 products.

We are fully aware of the threats that the financial services industry will transform itself into a highly commoditised business. The answer for us is to create distinctions based on the quality of products and services. This has been a major focus for the Maybank Group where quality customer service is being institutionalised as the most important element in the Group corporate culture. Essentially, efforts in this area are not limited to training or skill enhancement, which is an important input to create quality service. For quality to be a corporate culture, the Group also incorporated service standard as one of the parameters in staff performance measurement. In addition, organisation and governance structures are shaped in such a way to create greater accountability on service standard.

Higher maturity of the Malaysian financial market creates urgency to strengthen our investment banking arm. We have been very successful in the stockbroking business where we command a market share of around 10.8%. We are also strong in the private debt market with our issuance market share stood at 21%. However, given the competitive nature of this business line, internal restructuring of investment banking unit is in progress. This exercise is aimed at bringing about greater customer focus and better deals origination. It will also enable more effective linkages with other business units in the Group.

We are encouraged with recent performance of our overseas operations and it gives us greater confidence of expecting stronger and sustained growth in the future. The key focus for major overseas units is to expand scale and scope to ensure stability in performance.

Awards and Recognition

Maybank Group continues to be recognised as the leading financial institution in the country. The Banker Magazine, for the third time, awarded Maybank with the title 'Bank of the Year' and the Asiamoney recognised us as Malaysia's Best Bank in cash management. Euromoney, on the other hand, presented us with the award for Best Provider of Islamic Financial Services in Asia and Best Islamic Wholesale Financial Services Provider. The quality of our funds transfer service was recognised by a leading US global bank and for achieving 95.77% straight through processing for USD funds transfer, Maybank was presented with Quality Recognition Award by JP Morgan Chase Bank. During the year, Maybank Cards Business was awarded the ISO 9001:2000 Certification for processing of applications and issuance of credit cards. The Central Operations also received similar certification for quality operating system relating to the provision of payments services. These certifications are very much customer-oriented that require the organisation to provide highest quality of service acceptable to the customers.

Capital Management and Dividend

Maybank's financial strength improved further with total shareholders' funds for the Group increasing to RM14.62 billion as of 30 June 2004 from RM13.48 billion a year earlier, and for the Bank, to RM12.10 billion from RM11.28 billion. Taking into account the general provisions and subordinated obligations, the capital base for the Group stood at RM19.38 billion and the Bank at



RM14.09 billion. Measured in relation to total risk weighted assets; the total capital ratio for the Group as at June 2004 was 15.11% and the Bank at 14.07%. This level is well above the minimum requirement of 8%.

Maybank continues to place strong emphasis on capital management. The push towards stronger growth in fee income and balancing risk-reward relationship in fund based activities are among the strategies to manage capital. In other words, optimising the use of capital to support business growth has always been the major focus in capital management. Indeed business growth could also be realised through acquisition of strategic interests in new business streams and in this case, internally generated fund is required to complement sources from the capital market. These factors have strong influence on the magnitude of the dividend pay out and having considered them, the Board of Directors is recommending a final dividend of 25% less 28% income tax. Including interim dividend of 35% less 28% income tax, total dividend pay out in respect of the accounts for the financial year ended 30 June 2004 would be 60% less 28% income tax. For the Group, this would amount to RM1,555.27 million or an equivalent of 82% of distributable net profit for the year.

Acknowledgement

The ability of Maybank to continue with its excellent performance can be attributed principally to its employees, management team and members of the board. All of them have shown highest level of commitment, dedication and loyalty. We are taking this opportunity to record our appreciation to each and every one of them. Our special tribute is to the three key individuals, Dato' Hilmey bin Mohd Taib, a fellow board member, Ms. Hooi Lai Hoong, the Deputy President and Dato' Wan Ismail bin Wan Abdul Rahman, the Chief Executive Officer of Mayban Finance Berhad. They had retired from the Group after long years of dedicated service and contributed significantly to the growth of our organisation. On a happy note, we would like to welcome Datuk Megat Zaharuddin bin Megat Mohd Nor and En Agil Natt as new members of the Maybank board.



Tan Sri Mohamed Basir bin Ahmad
Chairman of the Board



Amirsham A Aziz
President and CEO

Statement

on Corporate Governance

Maybank has proactively sought to promote its adherence to globally recognised best practices in corporate governance as a distinguishing competitive feature.

Maybank has consistently nurtured a corporate culture that emphasizes upholding and maintaining the highest standards of corporate governance. Maybank has proactively sought to promote its adherence to globally recognised best practices in corporate governance as a distinguishing competitive feature. Towards this end, many of the mechanisms, policies and measures that have been put in place to ensure greater transparency, are more robust than those mandated by local governance codes or regulatory strictures. This strict compliance stance has also been diligently observed in the external jurisdictions in which the Group operates. In recognition of Maybank's efforts in this area, a joint study by Standard & Poor's and the Corporate Governance and Financial Reporting Centre of the National University of Singapore, ranked Maybank as being among the top 5 out of the 50 largest Malaysian companies (by market capitalisation) with regard to disclosures of corporate governance practices. In addition Maybank was also conferred the KLSE Corporate Governance Award 2003 for the Finance Sector and Malaysian Business Corporate Governance Merit Award 2003.

The Board of Directors sits at the apex of the Group's governance structure. The Board functions as the ultimate authority with regard to the supervisory oversight of Management, ensuring compliance with the Malaysian Code Of Corporate Governance (the Code)/regulatory requirements, managing risks and strategic direction setting. To ensure the Board is able to discharge these responsibilities effectively, it is assisted by a number of dedicated and specialised internal forums comprising of the Nomination, Strategic Planning, Audit, Credit Review, Risk Management, Employee Share Option Scheme (ESOS) and the Remuneration and Establishment Committees.





The more specific responsibilities of the Board as spelt out in its Terms Of Reference include the following:

- Reviewing and approving the strategic business plan of the Group as a whole as well as that of the individual operating units. This encompasses the annual budget, medium term corporate plan, new investments/divestments as well as mergers and acquisitions.
- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to credit, market, liquidity, operational, legal and reputational risks.
- Reviewing all material credit approvals made by Management, which are deemed to have material impact on the risk profile of the Group.
- Approving credit facilities falling under the category of Policy and Director-related loans. The former is defined as credit facilities that exceed exposure limits and other limits set by the Board.
- Reviewing the adequacy and the integrity of internal controls and management information systems, including systems for compliance with applicable laws, rules, regulations, directives and guidelines.
- Serves as the ultimate approving authority for financial expenditure that exceeds the authorised limits of Management.



The Board of Directors enjoys independent and unrestricted access to all levels of Group Management personnel at all times. In this regard, in order to keep the Board continuously updated on Management's initiatives and decisions, the minutes of the principal Management platform namely, the Group Management Committee (GMC), is tabled at the Board while a copy of all the papers submitted to the GMC is also made available to the Chairman.

The directors are allowed to seek external advice on any issue if they deem it necessary.

In keeping with the objective of fostering a performance based work culture, members of the Board are subject to individual performance audits by the Nomination Committee which also assesses the effectiveness of the Board as a whole.

Effectiveness of the Board.

1. Roles and Responsibilities of the Chairman and the President and Chief Executive Officer

There is a strict and documented separation of the roles of the Chairman of the Board and the President and Chief Executive Officer (CEO). This distinction allows for an equitable sharing of responsibilities, accountabilities and a check and balance proposition that entrenches the independence of the Board.

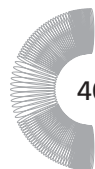
The Chairman of the Board is a non-executive and together with the rest of the Board is mainly responsible for supervising the Group's operations, debating and challenging Management's strategic initiatives and for ensuring that the Group is in compliance with all the tenets of corporate governance that it subscribes to. He also serves as the main liaison point between the Board and Management and is responsible for building consensus among the Board members.

Specifically he chairs the meetings of the Board, EGM and AGM, the Strategic Planning, Credit Review Committees and the Boards of a number of key subsidiaries.

The President and CEO is primarily responsible for managing the day to day operations of the Group including ensuring the implementation of remedial measures to address identified shortcomings and acting as its official spokesman. He is also entrusted with charting the longer direction of the Group for consideration by the Board and its consequent implementation. The position also requires the incumbent to identify and groom individuals under succession planning.

He chairs the Group Management, Asset-Liability Management, IT Steering and Credit Committees.

He is measured, evaluated and rewarded by the Board on the basis of the Balance Scorecard, which in turn is aimed at improving shareholder value.





2. Board Structure and Composition

The Board currently comprises eleven (11) members, including six (6) independent non-executive directors. The number of executive directors must not exceed 3 or 40% of the total Board membership, whichever is lower. The overall size of the Board is designed to ensure its effectiveness.

3. Appointments to the Board

The directors are drawn from very diverse backgrounds and with differing skill sets so as to facilitate content input from a wider perspective given the evolving nature of the operating environment.

Appointments are based on the recommendation of the Nomination Committee which employs a definitive set of selection criteria encompassing the minimum qualifications specified by the regulatory authorities and the required skills as dictated by the business environment and the longer term direction of the Group. It also includes an assessment of financial or commercial relationships with the Group that might lead to conflict of interests.

Every three (3) years the members are required, by rotation, to offer themselves for re-election.

The profile of the current directors is given on pages 10 to 15.



4. Directors' and Senior Executives' Compensation

The Chairman draws a monthly stipend in addition to meeting allowances as well as annual fees. Non-executive directors are entitled to annual fees and meeting allowances. They are also eligible to participate in the share options scheme of the Group.

The Nomination and Remuneration and Establishment Committees make recommendations to the Board regarding the appointment and remuneration of the executive directors. In arriving at its findings, the Committee takes into account the need to "attract and retain" and at the same time, strive to link the rewards to corporate and individual performance as embodied in the individual scorecards.

At the senior management level, the objective in general terms is for basic salaries to reflect a premium over the relevant market median. Basic remuneration/benefit packages are determined by their placement in the different job bands. Share option entitlements (which have to be paid for) and bonus payments, are linked to specific and pre-determined performance hurdles as stated in the balance scorecard of each individual.

5. Directors Training

In compliance with Bursa Malaysia's Listing Requirements, all members of the Board have attended the required mandatory accreditation-training program.

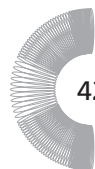
Board Procedures

The Board meets monthly with performance review being a permanent feature. Board meetings are structured around a pre-set agenda. Matters for deliberation are circulated in advance of meeting dates to allow for sufficient time to digest and understand the issues/contents.

Minutes of all the Board committees as well as those of the executive level Group Management Committee which meets twice a month, are also tabled at the Board.

Board deliberations can be characterised as being healthy and uninhibited. Management also uses the forum to obtain preliminary views and guidance regarding specific issues or planned courses of action.

For the year under review, all directors had complied with the minimum attendance requirement as stipulated by Bank Negara Malaysia and Bursa Malaysia.



Ownership Structure and Transparency

The shares of Maybank are quite widely held and the shareholding structure is transparent. There is full disclosure of the shareholding in the Annual Report and on request. In terms of identifying major and beneficial shareholders, shareholdings are disaggregated and disclosed up to 0.2 percent. Shareholdings of directors are also disclosed.

The usual disclosure norm covers identification of the top thirty (30) shareholders, the number of shares held, the percentages held by the identified parties and distribution of shareholdings by size.

The share structure exists entirely of common shares and there are no classes of common shares.

There is strict separation between management control and ownership control as evidenced by the latitude given to Management in running the Group and the pure market oriented approach taken by Management.

There are no foreign shareholding limits and the company's Memorandum and Articles of Association does not have any explicit provision to thwart acquisition.

As part of the effort to further improve the liquidity of shares and to broaden the foreign shareholder base, Maybank is planning to implement an American Depository Receipt Program in the course of Financial Year 2005.

Shareholders/Stakeholders' Rights and Investor Relations

Maybank recognises the need to keep informed all stakeholders of all major developments on a timely and effective basis. In addition to the mandatory public statements through Bursa Malaysia on the occasion of releasing the quarterly financial results as well as other corporate disclosures, interested parties can also access corporate information through the website www.maybank2u.com. Corporate information is also made available on request at the company's headquarters.

There are well established and tested procedures pertaining to the convening and conduct of shareholder meetings. These steps which govern the holding of the AGM and EGMs are spelt out in the Memorandum and Articles of Association and are in compliance with Bursa Malaysia's Listing Requirements and the Company's Act.



Statement

on Corporate Governance

In line with the commitment to shareholder democracy, shareholders vote on all material decisions including the election and removal of directors, mergers, acquisitions and disposals, appointment of Auditors, dividend payments and amendments to the Memorandum and Articles of Association. There are no substantive majority voting requirements that interfere with shareholders rights.

The senior management also regularly meets with investment analysts/fund managers and Rating Agencies to update them on developments within the Group and to share the broad direction and strategies. These expressions are also articulated through media interviews and active participation in investment forums in the leading financial centres. The principal objective is to provide a direct communication channel for all stakeholders.

Financial Reporting and Disclosure

The financial statement of Maybank is produced and audited according to the Malaysian Accounting Standards Board, which is in line with International Accounting Standards (IAS). The depth of coverage and the accompanying explanatory notes allow for easy comprehension of the company's financial health, main sources of revenue both by business lines and geography, the principal cost drivers and to link business strategy with results. Related party transactions are also detailed out.

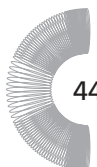
As Maybank operates in a number of foreign jurisdictions, the financial treatment of the collated accounts has always been based on the more stringent requirements.

In addition to the Annual Report, Maybank also publishes its unaudited results at quarterly intervals and this is accessible at the company's web-site. The Management also hosts separate debriefing sessions for the Press and Investment Analysts at the time of releasing the half year and final year results.

During the financial year, Maybank did not incur any penalties from the regulatory authorities for erroneous or late submission of statutory reports.

Risk Management and Internal Control

The company's Risk Management and Internal Control are stipulated on pages 88 and 47.



Audit Process

The accounts of Maybank are audited by Messrs. Ernst and Young. The auditors are appointed by shareholders on an annual basis upon recommendation by the Audit Committee and the Board of directors. The Audit Committee which has a majority of independent non-executive directors, oversees the audit process.

The external auditors finalise their audit plan each year in consultation with the Audit Committee. They are invited to attend meetings on special matters, when necessary. In addition, the Audit Committee also meets the external auditors without the presence of Management, at least once a year.

In the case of the financial year, other than statutory audit, the external auditors provided tax advisory services. The amount of fees is disclosed in note 29 of the accounts.

Conclusion

Having reviewed the governance structure and practices of Maybank and the requirements under the Code dated January 2001, the Board considers that, with the exception of the disclosure of individual directors' remuneration, it has, throughout the financial year, complied with the rest of the best practices as set out in the Code. The Board is of the opinion that, while individual directors' remuneration is not disclosed, information provided on page 222 which is made in accordance with Bursa Malaysia's Listing Requirements, is sufficient to provide an understanding and basis for evaluation of Maybank's corporate governance.

This statement is made in accordance with the resolution of the Board of Directors dated 30 August 2004.



Tan Sri Mohamed Basir bin Ahmad
Chairman of the Board

Maybank, as a custodian of public funds, has a responsibility to safeguard its integrity and credibility. It is on this understanding that the organisation sets out clearly the code of ethics and conduct for its staff. The code stipulates the sound principles that will guide all Maybank staff in discharging their duties. It sets out the standards of good banking practice.

The purpose of the code is to:

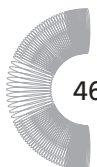
1. uphold the good name of Maybank and to maintain public confidence in Maybank;
2. maintain public confidence in the security and integrity of the banking system;
3. maintain an impartial and unbiased relationship between Maybank and its customers; and,
4. uphold the high standards of personal integrity and professionalism of Maybank staff.

The code stipulates that staff should not:

1. Engage directly or indirectly in any business activity that competes or is in conflict with the Bank's interest.
2. Misuse or abuse their positions in the Bank for their personal benefit or for the benefit of other persons.
3. Misuse information.

In addition to these, staff should:

1. Ensure the integrity and accuracy of records and/or transactions
2. Ensure fair and equitable treatment in all business dealings on behalf of the Bank.
3. Maintain the highest standard of service in their relationship with customers.
4. Maintain confidentiality of all relations and dealings between the Bank and its customers. However, confidential information concerning a customer may be given or made available to third parties only with prior written consent of the customer or when disclosure is authorised under the Banking and Financial Institutions Act, 1989.
5. Maintain the integrity of the banking system.
6. Manage their financial matters well and not subject themselves to pecuniary embarrassment.
7. Observe and comply with laws and regulations relating to the operations of the Bank.



Statement

on Internal Control

Responsibility

The Board acknowledges their overall responsibility for the Group's internal control environment and its effectiveness. It is of the view that the internal control framework is designed to manage rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable assurance and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud.

The Board is additionally of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard shareholders' investments, customers' interests and the Group's assets. The system of internal control which has been instituted throughout the Group is updated from time to time to suit the changes in the business environment.

The role of Management is to implement the Board policies, procedures and guidelines on risk and control by identifying and evaluating the risks faced and design, operate and monitor a suitable system of internal controls to manage these risks.

Key Processes

The key processes that the directors have established in reviewing the adequacy and integrity of the system of internal control, are as follows:-

- The Group's risk management principles, policies, procedures and practices are systematically documented and made available to all employees.
- Under the Group's Broad Principles for the Management of Risks, Risk Taking Units, at the first level, are responsible for the day-to-day management of risks inherent in their business activities. Group Risk Management, at the second level, is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this, at the third level, is Internal Audit, which provides independent assurance on the adequacy and effectiveness of the risk management framework. Further information on Group Risk Management, which includes Operational Risk Management, Credit Risk Management and Market Risk Management is highlighted on pages 88 to 103.

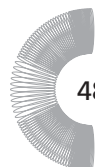


Statement

on Internal Control



- The Board receives and reviews regular reports from the management on the key operating statistics, legal and regulatory matters. The Board approves appropriate responses or amendments in the Group policies.
- The Group's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also reviewed on a monthly basis. This would allow for timely responses and corrective actions to be taken to mitigate risks.
- The Group's Internal Audit reports to the Audit Committee of the Board (ACB), performs regular reviews of the business processes to assess the effectiveness of the control environment and highlights significant risks impacting the Group. The scope and frequency of the audit activities are reviewed and endorsed by the ACB based on the principles of risk based audit methodology and regulatory requirements. The ACB has active oversight on the internal audit's independence, scope of work and resources.
- The ACB regularly reviews and holds discussions with management on the actions taken on internal control issues identified in reports prepared by Internal Audit, the external auditors, regulatory authorities and the management.
- Management, through the Internal Audit Committee, is tasked to follow up and monitor the status of actions on recommendations made by the internal and external auditors. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety, which has material impact on the Group.



- There is a clearly defined framework of empowerment approved by the Board for acquisitions and disposals of property, plant and equipment, awarding tenders, application for capital expenditure, writing off operational and credit items, approving general expenses including donations as well as operational excesses.
- The professionalism and competence of the Group's human resources is maintained through a rigorous recruitment process, training and re-skilling programs and a performance appraisal system. There are proper guidelines drawn-up by the Group for recruitment, promotion and termination of staff.

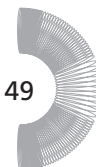
Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report for the financial year ended 30 June 2004.

The external auditors conducted the review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute of Accountants. The review has been conducted to assess whether the Statement on Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the directors had adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the annual report will, in fact, mitigate the risks identified or remedy the potential problems.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that caused them to believe that the Statement on Internal Control is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.



The Board has set up several Board Committees to assist the Board perform its functions and currently, there are 7 Board Committees, each having its own supportive role. To keep the Board informed of matters tabled and discussed at the respective Board Committees, the confirmed minutes of each meeting of the Board Committees are tabled to the Board at each Board meeting. This is also to provide the opportunity to members of the Board who do not sit as members of the respective Board Committees to raise any query or view on the matters discussed by the said Committees.

Composition:

Each Board Committee consists of a mix of the executive and non executive directors and in most Committees, the independent non-executive directors form the majority, with most Committees headed by independent directors as Chairman, as seen in the Audit, Remuneration, Nomination, Risk Management and the Employee Share Option Scheme (ESOS) Committees.

It is the practice of the Board and the Board Committees that a member abstains from any participation and decision which involved him, to avoid any conflict of interest.

Assessment of Effectiveness:

An assessment of the Board as a whole and also of the individual directors are made on an annual basis and in assessing the performance of both the Board and the individual directors, the effectiveness of the Board Committees together with each director's contributions to the Board in various aspects including his skills and experience are considered as well. The initial assessment of individual directors which started previously at Maybank level has been extended to the whole Group.

The directors self assess themselves, followed by assessment by the Nomination Committee and further discussion on their performance at the Board level. Feedbacks on the directors' performance are conveyed to the directors after the assessment, to enable them to improve their performance. Feedback is also given to Bank Negara Malaysia for their information.



BOARD OF DIRECTORS

Strategic Planning Committee

Employee Share Option Scheme Committee

Credit Review Committee

Risk Management Committee

Audit Committee

Nomination Committee

Remuneration and Establishment Committee

Strategic Planning Committee

The Committee is chaired by the Bank's Chairman himself and 3 of the non-executive directors sit on this Committee, which meets at least every 2 months and is responsible for recommending to the Board the Group's strategic direction, the main operating plans and business strategies of Maybank Group as well as the capital allocation by business segments, apart from being responsible for the management and policies relating to reputation, risk branding, public reputation as well as the Bank and the Group's image. This Committee also monitors the progress and benefit realisation of the key strategic initiatives undertaken by the Group and the capital adequacy of the Bank and the subsidiaries.

Credit Review Committee

This Committee meets on a weekly basis to review loan applications above a certain level which had been approved by the Credit Committees (CC) of the Management, which CC also meets on a weekly basis, to consider loan applications. This Committee has the right to veto any decision of the Credit Committee if necessary. The Committee also looks into any required change in credit policy for recommendation to the Board.

The Committee also reviews the total lending cap of companies which are granted facilities by the Bank and makes its necessary recommendation to the Board.



Audit Committee

Headed by an independent non-executive director as Chairman, this Committee meets at least once a month. Details of the Committee's composition, roles and responsibilities and number of meetings held during the financial year ended 30 June 2004 are provided at page 56 to page 59 of this Annual Report.

The composition of this Committee is reviewed every 3 years and it has been the Bank's practice to review and change the Chairman of this Committee every 3 years. The review also covers the Committee and members' performance and the terms of membership of this Committee.

Employee Share Option Scheme (ESOS) Committee

With the expiry of the previous scheme on 22 June 2003, a new scheme was launched with effect from 26 August 2004 for a period of 5 years, as approved by the shareholders at the Extraordinary General Meeting (EGM) on 11 August 2004.

This Committee assists the Board in determining all questions of policy and expediency that may arise in the administration of the ESOS and generally exercise all acts that are necessary to promote the best interest of the Maybank Group. The Committee oversees the Management's implementation of the scheme. The Committee decides inter alia on the offer, offer date, eligibility, basis of allotment, the exercise of the option, the administration, modification to the scheme, dispute and termination issues in relation to the scheme, in line with the ESOS By-laws. Appeals by staff on ESOS issues are also looked into by the Committee.

Risk Management Committee (RMC)

The Committee is responsible for formulating policies, identifying, measuring, monitoring, managing and controlling the market risk, liquidity and operational risks. The responsibilities include ensuring policies and limit structures for Maybank.

This Committee meets monthly and also oversees the risk management in Maybank and the Group, details as per page 88 to page 103 herein.

The members of the Committee, numbers of meetings held up to 30 June 2004 and their attendance being as follows:-

Name of members	Independent/non-independent	No of meetings and attendances
Raja Tan Sri Muhammad Alias	Independent non-executive	10/10
Mr. Teh Soon Poh	Independent non-executive	10/10
Haji Hashir bin Abdullah	Independent non-executive	8/8 (appointed as a member of RMC wef 28.8.2003)
Dato' Mohd Hilmey bin Mohd Taib	Non-independent non-executive	1/1 (retired as a member of RMC wef 12.10.2003)



Nomination Committee

The Board delegates to this Committee the process for assessing existing directors and identifying, nominating, appointing and orientating new directors and thereafter makes the necessary recommendation to the Board. The Committee also recommends to the Board the directors to be appointed to any of the Board Committees. This Committee performs on Group basis and continuous to ensure that a mix of skills and experience within the Group is maintained.

In line with the Code of Corporate Governance for reviewing of directors' skills and experience, the Committee looks into the effectiveness of a director's contribution to the Board. Review of assessment of the Board's performance and the individual director's performance are first discussed by this Committee prior to discussion at Board level. The assessment is to upgrade the effectiveness of Maybank Board and the Boards of subsidiaries. The Committee also recommends to the Board measures to be taken in situations where there are areas of conflict of interest with the directors.

This Committee meets as and when required. The members of the Committee, numbers of meetings for the financial year ended 30 June 2004 and their attendance being as follows:-

Name of members	Independent/non-independent	Number of meetings and attendances
Tan Sri Mohamed Basir bin Ahmad	Non-independent non-executive	1/1 (Ceased to be Chairman of REC wef 28.8.2003)
Dato' Richard Ho Ung Hun	Independent non-executive	1/1 (Ceased as a member wef 28.8.2003)
Dato' Mohd Hilmey bin Mohd Taib	Non-independent non-executive	1/1 (Retired as a director wef 12.10.2003)
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali	Independent non-executive	5/5 (Chairman wef 28.8.2003)
Tuan Haji Hashir bin Haji Abdullah	Independent non-executive	5/5
Encik Mohammad bin Abdullah	Independent non-executive	5/5
Datuk Amirsham A Aziz	Non-independent executive	4/4 (Appointed as a member wef 8.8.2003)
Datuk Abdul Rahman bin Mohd Ramli	Non-independent non-executive	1/1 (Appointed as a member wef 26.2.2004)

Remuneration And Establishment Committee (REC)

Previously called the Remuneration Committee, the REC provides a formal and transparent procedure for the REC's main role of recommending to the Board, in line with corporate governance, the remuneration framework/policy for the directors, the President and key senior management officers and in ensuring that the compensation is competitive and consistent with the Bank and the Group's culture, objectives and strategy.

This includes the determination of remuneration packages for executive directors, to reflect their responsibility and commitment, based on the responsibilities undertaken and their contribution to the effective functioning of the Board.

The executive directors do not play any part in this decision making and discussions on their remuneration are held without their presence. The REC also recommends to the Board all policies relating to manpower within the Maybank Group, training programs for key senior management officers, the short and long term plan on incentives plans, performance management and management development programs.



The Committee meets every month to discuss various issues. Where necessary, special meetings are also held. The number of meetings and attendance for the financial year ended 30 June 2004 being as follows:-

Name of members	Independent/ non-independent director	No. of meetings
Tan Sri Mohamed Basir bin Ahmad	Non-independent non-executive	3/3 (Ceased to be Chairman of the REC wef 28.8.2003)
Dato' Richard Ho Ung Hun	Independent non-executive	3/3 (Ceased as a member of the REC wef 28.8.2003)
Datuk Amirsham A Aziz	Non-independent executive	2/3 (Ceased as a member of the REC wef 28.8.2003)
Dato' Mohammed Hussein	Non-independent executive	2/3 (Ceased as a member of the REC wef 28.8.2003)
Mohammad bin Abdullah	Independent non-executive	9/10 (appointed as Chairman of the REC wef 28.8.2003)
Raja Tan Sri Muhammad Alias	Independent non-executive	13/13
Datuk Abdul Rahman bin Mohd Ramli	Non-independent non-executive	9/13
Teh Soon Poh	Independent non-executive	8/10 (appointed as a member of the REC wef 28.8.2003)



Size and Composition

For the financial year ended 30 June 2004 the Audit Committee of the Board (ACB) comprised the following 4 non-executive directors, 3 of whom are independent directors:

MEMBERS

chairman Teh Soon Poh (Independent non-executive director)	members Haji Mohd Hashir bin Haji Abdullah (Independent non-executive director)	Mohammad bin Abdullah (Independent non-executive director)	Datuk Abdul Rahman bin Mohd Ramli (Non-independent non-executive director)
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Authority

The Board has empowered the ACB to undertake the following:

1. Investigate any activity or matter within its terms of reference.
2. Promptly report to Bursa Malaysia matters which have not been resolved satisfactorily thus resulting in a breach of the listing requirements.
3. Obtain external independent professional advice, legal or otherwise deemed necessary.
4. Maintain direct communications channels with external auditors, person(s) carrying out the internal audit function or activity and with senior management of the Bank and its subsidiaries.
5. Convene meetings with external auditors, without the attendance of the executives, whenever deemed necessary.

In discharging the above functions, the ACB has also been empowered by the Board to have:

1. Necessary resources which are required to perform its duties.
2. Full and unrestricted access to any information and documents relevant to its activities.



Duties and Responsibilities

The duties and responsibilities of the Committee are to review and/or report to the Board of Directors on the following:

1. External Auditors:
 - The external auditor's audit plans and scope of their audits.
 - Their audit report and Management letter including Management's responses.
 - Recommendation on the nomination or re-appointment of the external auditor and their fees.
2. Internal Audit:
 - Independence and authority to carry out its work.
 - Adequacy of the scope of work, resources and functions of Internal Audit in relation to risk management, internal control and governance processes.
 - Audit plan, programme and processes.
 - All audit reports and Management's remedial actions and where appropriate to direct Management to undertake the necessary measures.
 - Appointment, termination, performance and remuneration of all Internal Audit staff.
3. Financial Reporting:
 - Quarterly and year-end financial statements focusing on any changes in accounting policy, significant and unusual events, compliance with applicable approved accounting standards and other legal and regulatory requirements.
 - Any related party transaction and conflict of interest situations that may arise within the Bank or Maybank Group including transactions, procedures or courses of conduct that may raise questions of management integrity.
4. Annual Report:
 - Audit Committee's activities for the financial year.

Attendance at Meetings

During the financial year ended 30 June 2004, the ACB held a total of 17 meetings. The details of the attendance of the Committee members are as follows:

Name of Committee Member	No. of Meetings attended
Teh Soon Poh	14/17
Haji Mohd Hashir bin Haji Abdullah	16/17
Mohammad bin Abdullah	14/17
Datuk Abdul Rahman bin Mohd Ramli	16/17

The executive directors and the Chief Audit Executive are invited to attend the meetings. The External Auditors, Messrs. Ernst & Young, attend meetings on special matters only when necessary. The Company Secretary, Puan Mahiram Husin, is the Secretary to the ACB.

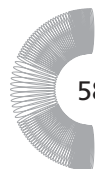
Activities

During the year, the following activities were undertaken:

1. Reviewed the Annual Audit Plan for the financial year 2003/2004 to ensure adequate scope and coverage over the activities of the Group.
2. Reviewed the quarterly unaudited financial results of the Bank and the Maybank Group before recommending them for the approval of the Board of Directors.
3. 461 internal audit reports on audit assignments were tabled and deliberated.
4. The ACB reviewed all the Bank Negara Malaysia Examiners' reports and audit reports of the external auditors and other regulatory authorities. The ACB reviewed Management's responses to the aforesaid auditors' and examiners' recommendations and monitor the actions taken to rectify weaknesses detected. Where necessary, the ACB had also directed that appropriate remedial actions be taken.
5. Deliberated the minutes of the meetings of the subsidiary companies' Audit Committee of the Board for an overview of the risk management and internal control systems.
6. Reviewed the financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with.
7. Evaluated the performance of external auditor and made recommendations to the Board on their appointment, scope of work and audit fees.
8. Reviewed the quarterly audit performance reports to ensure the adequacy, performance, progress, achievement and coverage of the internal audit functions.
9. Examined the adequacy of the skills, knowledge and core competencies of the internal auditors. This included review of the training programmes initiated.
10. Reviewed the related party transactions entered into by the Bank and the Maybank Group.
11. Provided independent evaluation on the performance and remuneration package of all audit staff in accordance with the requirements of Garis Panduan 1 of Bank Negara Malaysia.

Internal Audit Function

Internal audit plays a key role in assisting the ACB to oversee that Management has in place a sound system of risk management, internal control and governance. Internal audit's vision is to be the leading best practice assurance provider and value adding business partner of internal controls, risk management and governance processes committed to exceed customer expectations and enhance shareholder value.



As a business partner, internal audit is engaged in executing its assurance and consultative role through programmed activities to review the operations of business units. Internal audit helps accomplish the Group's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The selection of the units to be audited from the audit universe leading to the formulation of the audit plan, is on a risk based approach and in cognisance with the Group's objectives and policies in the context of its evolving business environment. Priority is given to areas of relatively higher risks. The audit plan is reviewed and approved by the ACB. The audit reports are submitted to the ACB for their review. This enables the ACB to execute its oversight function by forming an opinion on the adequacy of measures undertaken by Management.

Internal audit also plays its consultative role by reviewing and recommending improvements to current risk management, internal control and governance processes, where appropriate. In addition, reviews of new business initiatives/projects are carried out through the system development process prior to implementation. As an added assurance, all new projects implemented are subjected to post implementation reviews by internal auditors.

The internal auditing function is organised on a Group basis and provided with adequate resources to discharge its functions. Consistent with this approach, the internal audit function is supervised centrally with support from resident auditors in selected overseas locations where Maybank operates namely in Singapore, Philippines and Indonesia. Technical support especially in relation to information technology systems and developmental initiatives are centrally driven to ensure consistency of standards and applications.

To enhance the efficiency and effectiveness of the internal audit activity, the Group has purchased a new Audit Management System from a leading audit solution provider. This new Audit Management System which is used globally would ensure the consistency of audit work processes from planning, risk assessment, audit field work and data management.

The International Standards For The Professional Practice Of Internal Auditing (SPPIA) of the Institute Of Internal Auditors (IIA), the Practice Advisories issued by the IIA, the Guidelines On Internal Audit Function and Bank Negara Malaysia's Garis Panduan 10 (GP10) and Garis Panduan Insurance 13 (GPI 13) are used where relevant as authoritative guides for internal auditing procedures.

