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To: Our Clients and Friends

First of all, we would like to wish you a wonderful Holiday Season, and a very Happy New Year 2004.

We would like to take this opportunity to thank you for your continued support and friendship during the past year and to report to you on our activities in 2003.

During the year 2003, The CBM Group, Inc. completed a dozen different projects for clients in the United States, Bermuda and Europe.

- About 40 % of our work was repeat business with institutions with whom we have well-established relationships, some of them going back a decade.
- New clients, all leading global financial institutions, generated about 60 % of our volume.

The clients we served in 2003 included:

1. A credit derivatives product company
2. A leading US bank, among the top 10
3. A leading European stock exchange
4. European derivatives exchange
5. A leading US wealth management / financial planning firm, with a sales force of 10,000+
6. A supranational development bank
7. A leading primary monoline financial guaranty insurer
8. A monoline financial guaranty reinsurer
9. A US specialty finance company, subsidiary of a regional bank

The key areas on which we focused during this past year and continue to work on at this moment include:

Risk Management

Our work in this area during 2003 focused on credit risk management and operational risk management. In both of these areas, we helped clients build models and metrics to support Basel II preparations. We also helped clients streamline their middle-office operations and risk management processes.

RAROC

We built risk-adjusted return-on-capital (RAROC) models to help clients set prices for credit products and measure the economic performance of their activities.

Credit derivatives

In 2003, we continued to work intensively in the credit derivatives area, including credit default swaps, collateralized debt obligations (CDOs) and exotic credit derivatives.

Financial guaranty insurance

We continued to be very active in the monoline financial guaranty insurance industry. We have worked, over the years, for about a dozen major players including established primary insurers/reinsurers, new entrants and key investors in this industry.

Wealth Management and Distribution of Retail Investment and Insurance Products

In 2003, we continued to work on one of our key “specialties”, wealth management for retail clients and the management of distribution of investment and life insurance products. Our work in these areas included strategy development for leading industry players and the development of “distribution metrics” systems.

In addition to client work, we have devoted substantial time to our relationship with Registered Rep magazine, the key trade publication of the retail brokerage industry, reaching almost 100,000 brokers and financial planners in the United States. Registered Rep and CBM are conducting a series of joint projects on the evolution of the brokerage industry and the challenges it is facing. We plan in particular to offer a “benchmarking” service focused on retail sales force effectiveness.

We have published several articles in Registered Rep, all of which deal with the challenges of managing distribution. These articles can be found on our web site, www.thecbmgroup.com or on Registered Rep’s web site, www.rrmag.com (use search function , seeking “CBM Group” topics)

Securitization of premium finance receivables

In 2003, we have also been working, in conjunction with a partner firm, on a securitization deal for insurance premium finance receivables. Premium finance loans are made by specialized finance companies to small and middle market companies who borrow to pay their property-casualty insurance premiums. The loans are originated through insurance brokers and dealers. They are collateralized by the unearned premium reserve held by the insurance company and are thus a secure and attractive asset class.

Immigrant remittances and emerging economies

In 2003, we have also conducted work in an increasingly exciting area – immigrant remittance flows from developed countries toward emerging economies. In some cases, these flows are becoming more important than development assistance or foreign investment. They are becoming a key ingredient in the financing of emerging economies and offer numerous opportunities for financial institutions in both developed and emerging economies, ranging from securitization to “banking the unbanked”.

Capital markets in emerging economies: Brazil

In November 2003, Andre Cappon was a keynote speaker at the bi-annual conference of the Brazilian securities industry, organized by the Comissão Nacional de Bolsas (CNB), the association of Brazilian exchanges.

The conference, which was held in Rio de Janeiro, focused on new products and opportunities for Brazilian securities firms. Brazilian markets are currently quite optimistic on the prospects for renewed, sustained economic growth. Demand for finance will be strong and there is scope for dynamic growth and innovation in Brazil’s capital markets.

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Should you have any questions or interest in any of the above topics feel free to give us a call

Since our founding in 1992, we have served approximately 50 different clients, all leading financial services firms. Of these, some 15 clients represented about 80% of our business. We are proud of our long-term relationships with our clients. On average, we have worked with each one of our key clients for several years, and have served many for a decade or longer!

We look forward to working with you in 2004.

Sincerely Yours,

André Cappon
President

Guy Manuel
Managing Director