

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003

	31 December 2003	31 December 2002
	RM'000	RM'000
ASSETS		
Cash and short term funds	3,143,578	2,221,890
Deposits and placements with financial institutions	503,761	393,000
Dealing securities	161,168	954,842
Investment securities	4,443,270	4,357,813
Loans, advances and financing	21,288,355	20,573,665
Other assets	888,879	1,047,260
Statutory deposits with Bank Negara Malaysia	898,361	865,213
Property, plant and equipment	176,192	159,114
Tax recoverable	5,194	-
Deferred tax asset	132,124	133,358
TOTAL ASSETS	31,640,882	30,706,155
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	20,878,018	18,523,416
Deposits and placements of banks and other financial institutions	5,594,009	7,262,140
Obligations on securities sold under repurchase agreements	402,119	1,168,396
Bills and acceptances payable	1,114,764	155,565
Amount due to Cagamas Berhad	572,168	841,980
Provision for taxation and zakat	71,010	92,867
Long term borrowings	290,563	288,481
Other liabilities	404,015	387,343
TOTAL LIABILITIES	29,326,666	28,720,188
SHARE CAPITAL	693,209	693,209
RESERVES	1,621,007	1,292,758
SHAREHOLDERS' FUNDS	2,314,216	1,985,967
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	31,640,882	30,706,155
COMMITMENTS AND CONTINGENCIES	9,768,138	9,274,872
Net Tangible Assets per share (RM)	3.34	2.86

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	<u>Individual quarter</u>		<u>Cumulative Quarter</u>	
	Current financial quarter ended 31 December 2003 RM'000	Preceding year corresponding quarter ended 31 December 2002* RM'000	Current financial year ended 31 December 2003 RM'000	Previous financial year ended 31 December 2002* RM'000
Interest income	410,432	140,983	1,662,412	140,983
Interest expense	(202,300)	(69,347)	(831,828)	(69,347)
Net interest income	208,132	71,636	830,584	71,636
Income from Islamic Banking	23,596	8,200	95,251	8,200
	231,728	79,836	925,835	79,836
Loan and financing loss and provision	(35,285)	(2,900)	(175,877)	(2,900)
Transfer from/(to) profit equalisation reserves	4,740	(2,364)	(1,471)	(2,364)
	201,183	74,572	748,487	74,572
Non-interest income (Note 16)	36,803	10,044	172,781	10,044
Net income	237,986	84,616	921,268	84,616
Overhead expenses	(123,653)	(47,348)	(470,593)	(47,348)
Profit before taxation and zakat	114,333	37,268	450,675	37,268
Taxation	(25,355)	(11,508)	(117,150)	(11,508)
Zakat	(1,367)	(328)	(5,132)	(328)
Net profit for the financial period	87,611	25,432	328,393	25,432
Earnings per share (sen) (Note 29)				
- Basic	12.6	44.0	47.4	44.0
- Diluted	12.6	44.0	47.4	44.0

* The financial results of the Group reflects the inclusion of results of EON Bank Berhad ('EBB') group from the date the Group came into its present form in the month of December 2002 upon completion of the EBB Scheme of Arrangement and Amalgamation between EBB and its shareholders under Section 176 of the Companies Act, 1965

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Issued and fully paid ordinary shares of <u>RM1 each</u>		Statutory Reserve	Reserve Arising On Consolidation	Retained Profits	Total
	Share Capital	Share Premium				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January, 2003	693,209	1,066,440	7,075	66,166	16,662	1,849,552
Prior year adjustments (Refer Note 1)	-	-	-	134,731	1,684	136,415
At 1 January, 2003 – as restated	693,209	1,066,440	7,075	200,897	18,346	1,985,967
Listing expenses written off	-	(144)	-	-	-	(144)
Net profit for the financial year	-	-	-	-	328,393	328,393
Transfer to statutory reserve	-	-	158,021	-	(158,021)	-
At 31 December 2003	693,209	1,066,296	165,096	200,897	188,718	2,314,216

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Issued and fully paid ordinary shares of RM1 each		Statutory Reserve RM'000	Reserve Arising On Consolidation RM'000	Retained Profits RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000				
At 1 January, 2002	-*	-	-	-	(11)	(11)
Issue of shares:						
- exercise of rights	10	2	-	-	-	12
- pursuant to KCHB Scheme of Arrangement	94,788	121,896	-	-	-	216,684
- pursuant to EBB Scheme of Arrangement	598,411	945,489	-	-	-	1,543,900
Listing expenses written off	-	(947)	-	-	-	(947)
Reserve arising from acquisition of subsidiaries						
- as previously reported	-	-	-	66,166	-	66,166
- prior year adjustment (Refer Note 1)	-	-	-	134,731	-	134,731
- as restated	-	-	-	200,897	-	200,897
Net profit for the financial year**						
- as previously reported	-	-	-	-	23,748	23,748
- prior year adjustment (Refer Note 1)	-	-	-	-	1,684	1,684
- as restated	-	-	-	-	25,432	25,432
Transfer to statutory reserve	-	-	7,075	-	(7,075)	-
At 31 December 2002	693,209	1,066,440	7,075	200,897	18,346	1,985,967

* denotes RM2

** The financial results of the Group reflects inclusion of results of EON Bank Berhad ('EBB') group from the date the Group came into its present form in the month of December 2002 upon completion of the EBB Scheme of Arrangement and Amalgamation between EBB and its shareholders under Section 176 of the Companies Act, 1965

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Current financial year ended 31 December 2003	Previous financial year ended 31 December 2002*
	RM'000	RM'000
Cash Flow from Operating Activities		
Net profit for the financial year	328,393	25,432
Adjustments for investing and financing items not involving movement of cash and cash equivalents	264,277	19,231
Operating profit before working capital changes	592,670	44,663
Increase in operating assets	(406,161)	(360,650)
Increase in operating liabilities	626,140	889,104
Cash generated from operations	812,649	573,117
Income tax paid	(175,080)	(8,529)
Income tax refund	17,981	-
Net cash generated from operating activities	655,550	564,588
Cash Flow from Investing Activities		
Sale proceeds of investment securities, net of purchase	104,349	(370,677)
Purchase of property, plant and equipment	(50,362)	(7,437)
Proceeds from disposal of property, plant and equipment	4,375	2,218
Interest/Dividend received from investment securities	222,970	18,278
Net dividends received	3,700	109
Acquisition of subsidiary companies	-	1,510,689
Net cash generated from investing activities	285,032	1,153,180
Cash Flow from Financing Activities		
Net proceeds from issue of share capital	-	216,693
Net proceeds from issue of long term borrowings	-	288,376
Interest paid on long term borrowings	(18,750)	-
Listing expenses	(144)	(947)
Net cash (used in)/ generated from financing activities	(18,894)	504,122
Net increase in cash and cash equivalents	921,688	2,221,890
Cash and cash equivalents		
- at beginning of financial year	2,221,890	-
- at end of financial year	3,143,578	2,221,890

* The consolidated cashflow statement of the Group reflects the inclusion of results of EON Bank Berhad ('EBB') group from the date the Group came into its present form in the month of December 2002 upon completion of the EBB Scheme of Arrangement and Amalgamation between EBB and its shareholders under Section 176 of the Companies Act, 1965

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Disclosure requirements pursuant to Malaysian Accounting Standards Board's Standard No. 26

1. Basis of Preparation

The interim financial report has been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard No. 26 (Interim Financial Reporting) and paragraph 9.22 of the Listing Requirements of Kuala Lumpur Stock Exchange, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2003.

The accounting policies and methods of computation adopted by the Group for the condensed interim financial statements are consistent with those adopted in its latest audited financial statements, other than the following applicable approved accounting standards which are effective for the current financial year ended 31 December 2003:

MASB 25	Income Taxes
MASB 29	Employee Benefits

With the exception of MASB 25, there are no significant changes in accounting policies which had affected the net profit or shareholders' funds of the Group as a result of the adoption of these standards, as it is the existing practise of the Group to follow the recognition and measurement principles embodied in these standards. The change in accounting policy has been applied retrospectively as follows:

	As previously reported	Effects of change	As Restated
	RM'000	RM'000	RM'000
As at 31 December 2002			
Deferred tax asset	-	133,358	133,358
Reserves <i>(refer Statement of Changes in Equity for details)</i>	1,156,343	136,415	1,292,758
Other liabilities	390,400	(3,057)	387,343
Net tangible assets per share (RM)	2.67	0.19	2.86
For the financial year ended 31 December 2002			
Taxation	13,192	(1,684)	11,508
Net profit for the financial year	23,748	1,684	25,432
Earnings per share – basic/diluted	41.1	2.9	44.0

The change in accounting policy has the effect of decreasing the net profit for the financial year ended 31 December 2003 by RM1,234,000.

2. Audit Report

The audit report of the latest audited annual financial statements was not subject to any qualification.

3. Seasonality or cyclicity of operations

The business operations of the Group have not been affected by any material seasonal or cyclical factors.

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4. Items Affecting Net Income and Cash Flow

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial year ended 31 December 2003, except for the change in accounting policy due to the adoption of MASB 25 as disclosed in Note 1.

5. Changes In Estimates

There were no significant changes in estimates arising from prior financial period/ that have a material effect on the financial results and position for the financial year ended 31 December 2003.

6. Issuance and Repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial period under review.

7. Dividend paid

There was no dividend paid or declared during the financial year ended 31 December 2003.

8. Segment reporting

(a) Segment revenue and segment results

<u>Group</u>	<u>Enterprise Banking</u> RM'000	<u>Individual Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Total</u> RM'000
<u>3 - month financial quarter ended 31 December 2003</u>					
Gross operating revenue ⁽¹⁾	133,358	285,001	45,322	40,474	504,155
Less: Inter-segment revenue	(78)	(2,563)	-	(16)	(2,657)
	<u>133,280</u>	<u>282,438</u>	<u>45,322</u>	<u>40,458</u>	<u>501,498</u>
Segment results	42,495	64,928	7,902	3,302	118,627
Unallocated costs					(4,294)
Profit before taxation and zakat					<u>114,333</u>
Taxation and zakat					(26,722)
Net profit for the financial quarter ended 31 December 2003					<u><u>87,611</u></u>
<u>Financial year ended 31 December 2003</u>					
Gross operating revenue ⁽¹⁾	510,506	1,146,519	197,838	216,792	2,071,655
Less: Inter-segment revenue	(958)	(12,064)	-	(736)	(13,758)
	<u>509,548</u>	<u>1,134,455</u>	<u>197,838</u>	<u>216,056</u>	<u>2,057,897</u>
Segment results	114,557	260,000	26,976	66,291	467,824
Unallocated costs					(17,149)
Profit before taxation and zakat					<u>450,675</u>
Taxation and zakat					(122,282)
Net profit for the financial year ended 31 December 2003					<u><u>328,393</u></u>

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8. **Segment reporting (continued)**

(a) Segment revenue and segment results (continued)

Group	Enterprise Banking	Individual Banking	Islamic Banking	Treasury and Investment Banking	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial quarter and year ended 31 December 2002</u>					
Gross operating revenue ⁽¹⁾	60,517	92,478	16,953	17,874	187,822
Less: Inter-segment revenue	(91)	(1,639)	-	(238)	(1,968)
	<u>60,426</u>	<u>90,839</u>	<u>16,953</u>	<u>17,636</u>	<u>185,854</u>
Segment results	22,590	16,860	(3,526)	3,508	39,432
Unallocated costs					(2,164)
Profit before taxation and zakat					<u>37,268</u>
Taxation and zakat					(11,836)
Net profit for the financial year/period ended 31 December 2002					<u><u>25,432</u></u>

(b) Segment assets

As at 31 December 2003

Segment assets	8,507,939	15,400,702	3,095,518	3,528,477	30,532,636
Unallocated assets					1,108,246
Total assets					<u><u>31,640,882</u></u>

As at 31 December 2002

Segment assets	9,090,150	14,475,017	2,869,908	3,215,587	29,650,662
Unallocated assets					1,055,493
Total assets					<u><u>30,706,155</u></u>

⁽¹⁾ Gross operating revenue comprised gross interest income received from loans and advances (net of interest/income suspended), dealing securities, investment securities (net of accretion of discount less amortisation of premium) and inter-bank placements and deposits, fee income, realised gains or loss from dealing and investment securities, gross income received from Islamic Banking and other operating revenue.

No information by geographical segments is disclosed as the Group carried out its operations predominantly in Malaysia.

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9. Loans, Advances and Financing

	Audited 31 December 2003 RM'000	Audited 31 December 2002 RM'000
Overdrafts	2,797,140	2,676,976
Term loans		
- fixed rate	1,653,418	2,485,435
- floating rate	8,663,684	7,515,234
Hire purchase receivables	9,738,272	9,413,100
Lease receivables	5,311	8,044
Bills receivables	7,595	10,332
Trust receipts	86,911	82,539
Claims on customers under acceptance credits	1,252,682	1,176,964
Staff loans	216,156	193,447
Other loans	699,028	861,241
	<u>25,120,197</u>	<u>24,423,312</u>
Unearned interest and income	(2,570,189)	(2,362,017)
Gross loans, advances and financing	<u>22,550,008</u>	<u>22,061,295</u>
Provision for bad and doubtful debts and financing		
- Specific	(576,553)	(744,687)
- General	(390,107)	(377,060)
Interest-in-suspense/income-in-suspense	(294,993)	(365,883)
Net loans, advances and financing	<u>21,288,355</u>	<u>20,573,665</u>

a) Loans, Advances and Financing Analysed by Economic Sectors

	Audited 31 December 2003 RM'000	Audited 31 December 2002 RM'000
Agriculture	180,526	172,085
Mining and quarrying	33,208	51,154
Manufacturing	2,011,785	2,358,611
Electricity, gas and water	69,240	52,570
Construction	1,569,520	1,666,376
(of which : Infrastructure)	255,638	357,956
Real estate	571,244	710,025
Purchase of landed property	5,516,783	5,058,135
(of which : (i) Residential	3,982,916	3,421,053
(ii) Non-residential)	1,533,867	1,637,082
General commerce	1,547,835	1,407,637
Transport, storage and communication	626,173	619,304
Finance, insurance and business services	432,754	332,657
Purchase of securities	694,379	839,547
Purchase of transport vehicles	7,571,432	7,168,101
Consumption credit	1,167,617	1,068,069
Others	557,512	557,024
	<u>22,550,008</u>	<u>22,061,295</u>

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EXPLANATORY NOTES

9. **Loans, Advances and Financing (continued)**

b) Non-performing Loans, Advances and Financing

	Audited 31 December 2003 RM'000	Audited 31 December 2002 RM'000
Balance as at 1 January	2,560,656	-
Amount arising from acquisition of subsidiary companies	-	2,847,890
Non-performing during the financial year (gross)	948,695	93,883
Amount recovered/reclassified	(806,612)	(61,596)
Amount converted to investment securities	(352,158)	(86,486)
Amount written off	(402,905)	(233,035)
	<u>1,947,676</u>	<u>2,560,656</u>
Non-performing loans which have no adverse financial impact on the Group	<u>(544,846)</u>	<u>(989,333)</u>
Balance as at 31 December	<u>1,402,830</u>	<u>1,571,323</u>
Net non-performing loans, advances and financing	<u>814,504</u>	<u>1,011,555</u>
As % to total loans net of specific provision and interest-in-suspense/income-in-suspense	<u>3.81%</u>	<u>4.90%</u>

c) Loan Loss Provision

	Audited 31 December 2003 RM'000	Audited 31 December 2002 RM'000
<u>General provision</u>		
Balance as at 1 January	377,060	-
Amount arising from acquisition of subsidiary companies	-	377,373
Provision made/(written back) during the financial year	13,047	(313)
Balance as at 31 December	<u>390,107</u>	<u>377,060</u>
<u>Specific provision</u>		
Balance as at 1 January	744,687	-
Amount arising from acquisition of subsidiary companies	-	777,372
Provisions made during the financial year	302,749	5,520
Provisions charged to deferred asset/other asset during the financial year	47,256	88,571
Amount written back in respect of recoveries/reclassification	(117,433)	(3,054)
Recoveries set-off against deferred asset	(16,847)	(6,687)
Amount transferred to provision for diminution in value of investment securities	(116,687)	-
Amount written off	(267,172)	(117,035)
Balance as at 31 December	<u>576,553</u>	<u>744,687</u>

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EXPLANATORY NOTES

9. **Loans, Advances and Financing (continued)**

c) **Loan Loss Provision (continued)**

	Audited 31 December 2003	Audited 31 December 2002
	RM'000	RM'000
<u>Interest-in-suspense/income-in-suspense</u>		
Balance as at 1 January	365,883	-
Amount arising from acquisition of subsidiary companies	-	473,423
Provisions made during the financial year	189,163	14,694
Amount written back in respect of recoveries/reclassification	(107,623)	(6,026)
Amount transferred to provision for diminution in value of investment securities	(16,696)	-
Amount written off	(135,734)	(116,208)
Balance as at 31 December	294,993	365,883

10. **Valuation of Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

11. **Significant events during the financial year**

On 1 January 2003, the entire credit portfolio, except for staff loans, of its merchant bank subsidiary, Malaysian International Merchant Bankers Berhad, had been transferred to its commercial bank subsidiary, EON Bank Berhad, in accordance with the Vesting Order obtained from the High Court. This transaction does not have any significant financial impact on the financial results and financial position of the Group.

12. **Significant Events Subsequent to the Balance Sheet Date**

On 21 January 2004, EON Bank Berhad ('the Bank'), the commercial bank subsidiary issued USD225million (equivalent to RM855million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year (subject to the revision of interest rates explained below) and which mature on 21 January 2014.

The Bank may, at its option, but subject to the prior approval from Bank Negara Malaysia, redeem all of the Notes, at any time on or after fifth (5) year from the Issue Date at the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the fifth (5) year from the Issue Date, the coupon rate will be revised to be equivalent to 3.95% above the US Treasury Rate per annum from the beginning of the sixth (6) year to the final maturity date.

The Notes are rated Baa3 by Moody's Investors Service Limited and listed on the Luxembourg Stock Exchange. Fitch Ratings Ltd. has also rated the Notes BB+. The net proceeds arising from the issuance of the Notes would be utilised for general banking purposes.

The above Notes constitute unsecured liabilities of the Bank and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Notes. The Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

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13. Changes in composition of the Group

There were no significant changes in the composition of the Group for the financial year ended 31 December 2003.

14. Commitments and Contingencies

In the normal course of business of the banking group, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Group are as follows :

	Audited		Audited	
	31 December 2003		31 December 2002	
	Principal Amount	Credit Equivalent Amount*	Principal Amount	Credit Equivalent Amount*
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	382,039	382,039	367,668	367,668
Certain transaction-related contingent items	679,048	339,524	433,477	216,739
Short term self-liquidating trade-related contingencies	177,572	35,514	145,343	29,069
Obligations under underwriting agreements	609,450	304,725	494,000	247,000
Irrevocable commitments to extend credit :				
- maturity more than one year	1,637,414	818,707	1,873,989	936,994
- maturity less than one year	4,575,807	-	4,055,722	-
Foreign exchange related contracts - maturity less than one year	1,454,540	31,907	1,538,018	19,463
Others	252,268	-	366,655	-
	<u>9,768,138</u>	<u>1,912,416</u>	<u>9,274,872</u>	<u>1,816,933</u>

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

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15. **Capital Commitments**

Capital expenditure of the Group not provided for in the financial statements are as follows:

	Audited 31 December 2003	Audited 31 December 2002
	RM'000	RM'000
<u>Property, plant and equipment</u>		
- Authorised and contracted for	22,250	26,765
- Authorised but not contracted for	27,273	9,210
	49,523	35,975

16. **Non-interest income**

	Individual quarter		Cumulative Quarter	
	Current financial quarter ended 31 December 2003	Preceding year corresponding quarter ended 31 December 2002	Current financial year ended 31 December 2003	Preceding year corresponding period ended 31 December 2002
	RM'000	RM'000	RM'000	RM'000
Fee and commission income	27,441	8,664	104,357	8,664
Net gain from investment securities	13,430	11,549	43,799	11,549
Net gain from dealing securities	748	490	30,843	490
Dividend income	580	109	3,700	109
Other income	3,408	7,105	14,948	7,105
	45,607	27,917	197,647	27,917
Provision for diminution in value of investment securities	(8,804)	(17,873)	(24,866)	(17,873)
	36,803	10,044	172,781	10,044

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Additional disclosure requirements pursuant to paragraph 9.22 of the Malaysian Securities Exchange Berhad ('MSEB') Listing Requirements

17. Taxation

The analysis of the tax expense for the financial year ended 31 December 2003 are as follows:-

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2003 RM'000	Preceding year corresponding quarter ended 31 December 2002 RM'000	Current financial year ended 31 December 2003 RM'000	Previous financial year ended 31 December 2002 RM'000
Malaysian income tax:				
- Current financial period	35,476	12,695	130,798	12,695
- Over-provision of prior years	(8,537)	-	(14,882)	-
	26,939	12,695	115,916	12,695
Transfer from/(to) deferred taxation asset	(1,584)	(1,187)	1,234	(1,187)
	25,355	11,508	117,150	11,508

The Group's effective tax rate for the financial year ended 31 December 2003 was higher than the statutory tax rate because certain expenses were not deductible for tax purposes.

18. Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the financial year ended 31 December 2003 other than in the ordinary course of banking business.

19. Quoted Securities

Financial institutions are exempted from the disclosure requirements relating to quoted securities.

20. Status of Corporate Proposals Announced But Not Completed

There were no outstanding corporate proposals for the financial year ended 31 December 2003.

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21. Borrowings

On 12 December 2002, the Company issued RM300 million nominal amount of secured fixed rate bonds, at a discount, in three tranches of RM50 million (Tranche 1), RM100 million (Tranche 2) and RM150 million (Tranche 3) maturing on 12 December 2005, 12 December 2007 and 12 December 2009 respectively.

In July 2003, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A₂, which was awarded on December 2002. The bonds bear interest at 5.25% (Tranche 1), 6.00% (Tranche 2) and 6.75% (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually.

22. Deposits from Customers and Placements of Banks and Other Financial Institutions

	Audited 31 December 2003	Audited 31 December 2002
	RM'000	RM'000
Deposits from customers		
- Fixed deposits		
One year or less	16,280,396	13,877,351
More than one year	862,643	1,151,548
- Saving deposits	1,758,717	1,110,790
- Demand deposits	1,976,262	2,383,727
	<hr/> 20,878,018	<hr/> 18,523,416
Deposits and placements of banks and other financial institutions		
One year or less	3,821,273	4,421,872
More than one year	1,772,736	2,840,268
	<hr/> 5,594,009	<hr/> 7,262,140
Total	<hr/> <hr/> 26,472,027	<hr/> <hr/> 25,785,556

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23. Off-Balance Sheet Financial Instruments

Based on the balance sheet as at 17 February 2004, value of contracts of financial instruments of the Group with off-balance sheet risk, traded in the ordinary course of business, classified by remaining period to maturity or next repricing date (whichever is earlier), are as follows:

Items	Principal Amount RM'000	1 month or less RM'000	>1 – 3 months RM'000	> 3 - 6 months RM'000	> 6 – 12 months RM'000
Foreign exchange related contracts - Forward contracts	2,548,620	1,083,820	651,845	791,995	20,960

Foreign exchange related contracts are subject to market risk and credit risk. There were no interest rate, equity and commodity related contracts as at 17 February 2004.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 17 February 2004, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM29,761,550 (31 December 2002: RM4,852,080).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 17 February 2004, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts was RM17,250,898 (31 December 2002: RM3,218,403). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related Accounting Policies

Foreign exchange related contracts

Open forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity, and unrealised gains or losses are recognised in the income statement for the period in which they arise.

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24. Material Litigation

The disclosure of material litigations is in compliance with the disclosure requirements pursuant to paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements.

The following are pending material litigations in which the Group is involved in the ordinary course of business which, in the opinion of the Board of Directors, do not materially and adversely affect the financial position of the Group as at 31 December 2003 and at the date of this Announcement.

EON Bank Berhad ('EBB')

- (1) EBB filed a Writ of Summons on 14 August 1998 against a borrower and a guarantor for RM8,110,620.20 for banking facilities granted by EBB. However, the borrower and guarantor (the Defendants) filed their defence and counterclaim against EBB on 15 September 1998 for an amount of RM18,386,200. The Defendants also filed and obtained an injunction against EBB from proceeding with the winding up of the company.

Status update

At the hearing on 6 January 2004 in respect of affidavits filed pertaining to the injunction, the High Court struck out the Defendant's Notice of Appeal with costs of the Appeal awarded to the Plaintiff. A proposal for a settlement has been submitted by the Defendant.

- (2) EBB granted a facility of RM4.6 million to the borrower in April 1996 to finance the purchase of properties. The account became non-performing in May 1998.

A Writ of Summons and Statement of Claim was filed by the borrower (Plaintiff) on 29 November 2002 against EBB, alleging that EBB refused to give consent for the Plaintiff's application to subdivide the land which was charged to EBB. The Plaintiff alleged that it had suffered loss and is claiming an amount of RM21,562,751.00 plus general, aggravated, punitive damages and interest yet to be quantified.

Status update

Case management fixed on 10 December 2003 has been postponed to 11 May 2004 pending EBB's application to strike off the Plaintiff's Statement of Claim which has been fixed for hearing on 22 March 2004.

The solicitors are of the view that EBB has a good case.

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24. **Material Litigation (continued)**

Ex-Oriental Bank Berhad ('OBB')

(Ex-OBB refers to litigation in relation to OBB where pursuant to the Vesting Order dated 5 December 2000, the assets and liabilities of the banking business of OBB have been vested to EBB).

- (3) A Writ of Summons was filed on 3 January 2000 by a guarantor for RM135.9 million for wrongful and inequitable enlistment of his name in the Credit Tip-Off Services by ex-OBB.

Status update

On 19 May 2003, the Court dismissed the Plaintiff's action with costs on the grounds that the Plaintiff did not have a valid cause of action and failed to prove his loss. The plaintiff has filed a Notice of Appeal against the Court's decision. No update since the last announcement.

- (4) A Writ of Summons was filed by the borrower on 14 September 2000 against ex-OBB alleging that ex-OBB had unlawfully and fraudulently conspired with the Receivers and Managers to cheat and defraud the borrower. The borrower is claiming for general damages of RM15.0 million.

Status update

On 10 March 2003, the Court dismissed the Order 33 application (Preliminary Objections) filed by the Receivers & Managers, and fixed the date for full trial of the case on 9 August 2005. No update since the last announcement.

The solicitors are of the opinion that the suit is defensible.

Malaysian International Merchant Bankers Berhad ('MIMB')

- (5) A Writ of Summons was filed by the borrower and the guarantor on 24 June 1999 against MIMB claiming for loss of profits of RM15.0 million, damages, interest and cost and a declaration for the discharge of the guarantor. This legal action arose as a result of MIMB withholding drawdown of the facility.

Status update

The Summons for Direction to set the matter down for trial on 15 January 2004 has been postponed to 27 February 2004 pending the negotiations for an amicable settlement between the parties

In the event the trial proceed, the solicitors are of the opinion that the suit is defensible.

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24. **Material Litigation (continued)**

MIMB (continued)

(6) A Writ of Summons was filed by MIMB on 17 December 1998 against the borrower and 3 guarantors for RM21.4 million being outstanding banking facilities granted plus interest thereon. On 10 April 2000, the High Court granted the order to the borrower to amend its Statement of Defence and to add the Counterclaim for RM70,249,565.02 against MIMB for inter alia, wrongfully terminating the credit facilities of the borrower resulting in the loss of goodwill and reputation of the borrower and loss of projects.

Status update

Further Case Management fixed on 17 February 2004 for mention has been postponed to 30 March 2004.

The solicitors are of the opinion that the suit is defensible.

25. **Comparison with Preceding Quarter's Results**

For the fourth quarter ended 31 December 2003, the Group registered a pre-tax profit of RM 114.3million, a decline of 14% as compared to the pre-tax profit of RM132.9 million achieved in the third quarter of 2003.

This is mainly attributable to the decrease in non-interest income of RM33.7 million which was mainly due to one-off dealing gain of RM40.2 in the previous financial quarter. This is partly off-set by the decrease in loan loss and provision of RM20.8 million during the three months ended 31 December 2003.

26. **Review of Performance**

The Group achieved a revenue of RM2,051.6million and a profit after taxation of RM328.4million for the current financial year ended 31 December 2003.

27. **Prospects**

According to Malaysian Institute of Economic Research (MIER), Malaysia's GDP is expected to accelerate from an estimated 4.9% in 2003 to around 5.7% in 2004, driven by improving exports, domestic consumption and private investments as global growth steps up a gear. The banking industry is expected to further strengthen with improvement in asset quality supported by favourable economic outlook in 2004. Competition in retail and commercial middle market is anticipated to remain stiff. The Group will continue to concentrate on its core banking business with emphasis on efficient and effective delivery of services to its customers.

The issuance of subordinated debts in January 2004 has substantially strengthened the Bank's capital base which would enable the Group to further expand its banking business. Barring any unforeseen circumstances, the Group is expected to achieve a satisfactory growth in 2004.

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28. **Profit Forecast**

There were no profit forecast and profit guarantee issued by the Group.

29. **Earnings Per Share (EPS)**

The calculation of the basic earnings per share of the Group, which is based on the net profit for the financial quarter and year ended 31 December 2003 respectively and the weighted average number of ordinary shares in issue during the respective financial period, is set out as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2003	Preceding year corresponding quarter ended 31 December 2002	Current financial year ended 31 December 2003	Previous financial period ended 31 December 2002
Net profit for the financial year / period (RM'000)	87,611	25,432	328,393	25,432
Weighted average number of ordinary shares in issue during the period/year ('000)	693,209	57,770	693,209	57,770
Basic earnings per share (sen) - basic/diluted	12.6	44.0	47.4	44.0

There were no dilutive potential ordinary shares outstanding as at 31 December 2003.

30. **Proposed First and Final Dividend**

The Board of Directors is pleased to recommend a first and final gross dividend of 6.5 (2002: Nil) sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM32,530,000 for the financial year ended 31 December 2003, which is subject to the members' approval at the forthcoming Annual General Meeting of the Company. The entitlement and payment date will be announced at a later date.