

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004

	Unaudited 31 March 2004 RM'000	Audited 31 December 2003 RM'000
ASSETS		
Cash and short term funds	4,615,160	3,143,578
Deposits and placements with financial institutions	409,663	503,761
Dealing securities	308,371	161,168
Investment securities	4,479,415	4,443,270
Loans, advances and financing	21,430,488	21,288,355
Other assets	828,610	888,879
Statutory deposits with Bank Negara Malaysia	891,933	898,361
Property, plant and equipment	178,301	176,192
Tax recoverable	5,205	5,194
Deferred tax asset	132,814	132,124
TOTAL ASSETS	33,279,960	31,640,882
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	21,807,622	20,878,018
Deposits and placements of banks and other financial institutions	5,115,934	5,594,009
Obligations on securities sold under repurchase agreements	621,519	402,119
Bills and acceptances payable	1,255,495	1,114,764
Amount due to Cagamas Berhad	519,498	572,168
Provision for taxation and zakat	71,330	71,010
Subordinated obligation	843,496	-
Other liabilities	369,784	404,015
Long term borrowings	291,080	290,563
TOTAL LIABILITIES	30,895,758	29,326,666
SHARE CAPITAL	693,209	693,209
RESERVES	1,690,993	1,621,007
SHAREHOLDERS' FUNDS	2,384,202	2,314,216
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	33,279,960	31,640,882
COMMITMENTS AND CONTINGENCIES	12,219,792	9,768,138
Net Tangible Assets per share (RM)	3.44	3.34

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2004

	Individual quarter		Cumulative Quarter	
	Current financial quarter ended 31 March 2004 RM'000	Preceding year corresponding quarter ended 31 March 2003 RM'000	Current financial period ended 31 March 2004 RM'000	Preceding year corresponding period ended 31 March 2003 RM'000
Interest income	409,948	417,646	409,948	417,646
Interest expense	(202,382)	(211,916)	(202,382)	(211,916)
Net interest income	207,566	205,730	207,566	205,730
Income from Islamic Banking	29,704	19,006	29,704	19,006
	<u>237,270</u>	<u>224,736</u>	<u>237,270</u>	<u>224,736</u>
Loan and financing loss and provision	(58,356)	(41,978)	(58,356)	(41,978)
	<u>178,914</u>	<u>182,758</u>	<u>178,914</u>	<u>182,758</u>
Non-interest income (Note 16)	44,515	23,705	44,515	23,705
Net income	223,429	206,463	223,429	206,463
Overhead expenses	(119,710)	(106,862)	(119,710)	(106,862)
Profit before taxation and zakat	103,719	99,601	103,719	99,601
Taxation	(32,303)	(30,807)	(32,303)	(30,807)
Zakat	(1,430)	(1,222)	(1,430)	(1,222)
Net profit for the financial period	<u>69,986</u>	<u>67,572</u>	<u>69,986</u>	<u>67,572</u>
Earnings per share (sen) (Note 30)				
- Basic	10.10	9.75	10.10	9.75
- Diluted	<u>10.10</u>	<u>9.75</u>	<u>10.10</u>	<u>9.75</u>

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2004

	Issued and fully paid ordinary shares of <u>RM1 each</u>		Statutory Reserve <u>RM'000</u>	Reserve Arising On Consolidation <u>RM'000</u>	Retained Profits <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
	<u>Share Capital</u> <u>RM'000</u>	<u>Share Premium</u> <u>RM'000</u>				
At 1 January 2004	693,209	1,066,296	165,096	200,897	188,718	2,314,216
Net profit for the financial period	-	-	-	-	69,986	69,986
At 31 March 2004	693,209	1,066,296	165,096	200,897	258,704	2,384,202
As 1 January 2003	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	-	-	-	-	67,572	67,572
Transfer to statutory reserve	-	-	-	-	-	-
At 31 March 2003	693,209	1,066,296	7,075	200,897	85,918	2,053,395

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2004

	Current financial quarter ended 31 March 2004	Preceding year corresponding period ended 31 March 2003
	RM'000	RM'000
Cash Flow from Operating Activities		
Net profit for the financial period	69,986	67,572
Adjustments for investing and financing items not involving movement of cash and cash equivalents	75,096	83,358
Operating profit before working capital changes	145,082	150,930
(Increase)/decrease in operating assets:		
Deposits and placements with financial institutions	94,098	(88,203)
Dealing securities	(147,203)	(58,305)
Loans, advances and financing	(226,034)	(251,937)
Statutory deposits with Bank Negara Malaysia	6,428	(63,856)
Other assets	89,720	138,527
	(182,991)	(323,774)
Increase/(decrease) in operating liabilities		
Deposits from customers	929,604	1,341,078
Deposits and placements of banks and financial institutions	(478,075)	(313,188)
Obligations on securities sold under repurchase agreements	219,400	73,118
Bills and acceptances payable	140,731	(33,830)
Amounts due to Cagamas Berhad	(52,670)	(170,067)
Other liabilities	(43,417)	24,686
	715,573	921,797
Cash generated from operating activities	677,664	748,953
Income tax paid	(34,190)	(27,821)
Net cash generated from operating activities	643,474	721,132
Cash Flow from Investing Activities		
Purchase of investment securities, net of sale proceeds	(27,178)	7,308
Purchase of property, plant and equipment	(9,432)	(9,550)
Proceeds from disposal of property, plant and equipment	353	-
Interest/Dividend received from investment securities	38,287	26,145
Deposit paid for the acquisition of subsidiary company	(17,000)	-
Net cash (used in)/generated from investing activities	(14,970)	23,903

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2004

	Current financial quarter ended 31 March 2004	Preceding year corresponding period ended 31 March 2003
	RM'000	RM'000
Cash Flow from Financing Activities		
Proceed from issuance of subordinated obligations	843,078	-
Listing expenses	-	(143)
Net cash generated from/(used in) financing activities	843,078	(143)
Net increase in cash and cash equivalents	1,471,582	744,892
Cash and cash equivalents		
- at beginning of financial period	3,143,578	2,221,890
- at end of financial period	4,615,160	2,966,782

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EXPLANATORY NOTES

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 Bursa Malaysia, 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.

2. **Audit Report**

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

3. **Seasonality or cyclical nature of operations**

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

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 quarter ended 31 March 2004.

5. **Changes In Estimates**

There were no significant changes in estimates arising from prior financial period/year that have a material effect on the financial results and position for the financial quarter ended 31 March 2004.

6. **Issuance and Repayments**

Other than the issuance of subordinated obligations by the Group as disclosed in Note 23, there were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter under review.

7. **Dividends**

There were no dividends paid or declared during the financial quarter ended 31 March 2004.

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EXPLANATORY NOTES

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>Current financial quarter ended 31 March 2004</u>					
Gross operating revenue ⁽¹⁾	118,360	292,182	45,630	39,024	495,196
Less: Inter-segment ⁽²⁾ revenue	(16)	(2,612)	-	(105)	(2,733)
	<u>118,344</u>	<u>289,570</u>	<u>45,630</u>	<u>38,919</u>	<u>492,463</u>
Segment results	16,289	80,231	4,738	6,746	108,004
Unallocated costs					(4,285)
Profit before taxation and zakat					103,719
Taxation and zakat					(33,733)
Net profit for the financial quarter ended 31 March 2004					<u>69,986</u>
<u>Preceding year corresponding quarter ended 31 March 2003</u>					
Gross operating revenue ⁽¹⁾	120,967	269,442	50,918	62,496	503,823
Less: Inter-segment ⁽²⁾ revenue	(654)	(4,206)	-	(652)	(5,512)
	<u>120,313</u>	<u>265,236</u>	<u>50,918</u>	<u>61,844</u>	<u>498,311</u>
Segment results	16,974	70,601	5,208	11,998	104,781
Unallocated costs					(5,180)
Profit before taxation and zakat					99,601
Taxation and zakat					(32,029)
Net profit for the financial quarter ended 31 March 2003					<u>67,572</u>

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EXPLANATORY NOTES

8. **Segment reporting (continued)**

(b) Segment assets

Group	Enterprise Banking RM'000	Individual Banking RM'000	Islamic Banking RM'000	Treasury and Investment Banking RM'000	Total RM'000
<u>As at 31 March 2004</u>					
Segment assets	8,833,843	15,798,390	3,272,080	4,361,353	32,265,666
Unallocated assets					1,014,294
Total assets					<u>33,279,960</u>
<u>As at 31 December 2003</u>					
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>31,640,882</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, realised gains or loss from dealing and investment securities, fee income, gross income received from Islamic Banking and other operating revenue.

⁽²⁾ Inter-segment transactions are carried out on commercial terms at market rates obtainable in transactions with unrelated parties.

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

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EXPLANATORY NOTES

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

b) Non-performing Loans, Advances and Financing

	Unaudited 31 March 2004 RM'000	Audited 31 December 2003 RM'000
Balance as at 1 January	1,947,676	2,560,656
Non-performing during the financial period/year (gross)	267,140	948,695
Amount recovered/reclassified	(151,418)	(806,612)
Amount converted to investment securities	-	(352,158)
Amount written off	(34,766)	(402,905)
	<u>2,028,632</u>	<u>1,947,676</u>
Non-performing loans which have no adverse financial impact on the Group	<u>(540,503)</u>	<u>(544,846)</u>
Balance as at 31 March 2004 / 31 December 2003	<u>1,488,129</u>	<u>1,402,830</u>
Net non-performing loans, advances and financing	<u>856,393</u>	<u>814,504</u>
As % to total loans net of specific provision and interest-in-suspense/income-in-suspense	<u>3.97%</u>	<u>3.81%</u>

c) Loan Loss Provision

	Unaudited 31 March 2004 RM'000	Audited 31 December 2003 RM'000
<u>General provision</u>		
Balance as at 1 January	390,107	377,060
Provision made during the financial period year	2,721	13,047
Balance as at 31 March 2004 /31 December 2003	<u>392,828</u>	<u>390,107</u>
<u>Specific provision</u>		
Balance as at 1 January	576,553	744,687
Provisions made during the financial period/year	80,282	302,749
Provisions charged to deferred asset/other asset during the financial period/year	8,330	47,256
Amount written back in respect of recoveries/reclassification	(21,094)	(117,433)
Recoveries set-off against deferred asset	(3,087)	(16,847)
Amount transferred to provision for diminution in value of investment securities	-	(116,687)
Amount written off	(31,691)	(267,172)
Balance as at 31 March 2004 / 31 December 2003	<u>609,293</u>	<u>576,553</u>

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EXPLANATORY NOTES

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

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

	Unaudited	Audited
	31 March 2004	31 December 2003
	RM'000	RM'000
<u>Interest-in-suspense/income-in-suspense</u>		
Balance as at 1 January	294,993	365,883
Provisions made during the financial period/year	43,495	189,163
Amount written back in respect of recoveries/reclassification	(21,883)	(107,623)
Amount transferred to provision for diminution in value of investment securities	-	(16,696)
Amount written off	(3,075)	(135,734)
Balance as at 31 March 2004 / 31 December 2003	313,530	294,993

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 quarter ended 31 March 2004**

On 21 January 2004, EON Bank Berhad, the commercial bank subsidiary, issued USD225 million (equivalent to RM855 million) nominal value fixed coupon subordinated notes ('Notes') at discount, which would mature on 21 January 2014 and callable on 21 January 2009. The salient terms and conditions of the Notes are disclosed in Note 23.

On 16 March 2004, Malaysian International Merchant Bankers Berhad, the merchant bank subsidiary, has entered into a conditional share sale agreement ("SSA") with Edaran Otomobil Nasional Berhad ("EON Bhd"), Ceria Alam Sdn Bhd and the Leong family for the proposed acquisition of the entire issued and paid-up capital of Leong and Company Sdn Bhd ("L&C") comprising 20,000,000 ordinary shares of RM1.00 each in L&C for a cash consideration of RM170 million ('Proposed Acquisition'). The salient terms and conditions of the Proposed Acquisition are disclosed in Note 20.

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

There were no significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.

13. **Changes in the composition of the Group**

There were no significant changes in the composition of the Group for the financial quarter ended 31 March 2004.

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EXPLANATORY NOTES

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 :

	Unaudited		Audited	
	31 March 2004		31 December 2003	
	Principal Amount	Credit Equivalent Amount*	Principal Amount	Credit Equivalent Amount*
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	338,918	338,918	382,039	382,039
Certain transaction-related contingent items	614,870	307,435	679,048	339,524
Short term self-liquidating trade-related contingencies	177,866	35,573	177,572	35,514
Obligations under underwriting agreements	571,329	285,665	609,450	304,725
Irrevocable commitments to extend credit :				
- maturity more than one year	1,516,442	758,221	1,637,414	818,707
- maturity less than one year	5,098,541	-	4,575,807	-
Foreign exchange related contracts - maturity less than one year	2,861,254	39,337	1,454,540	31,907
Interest rate related contracts - maturity more than one year	855,000	34,200	-	-
Others	185,572	-	252,268	-
	12,219,792	1,799,349	9,768,138	1,912,416

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

15. Commitments

	Unaudited	Audited
	31 March 2004	31 December 2003
	RM'000	RM'000
- Authorised and contracted for	164,866	22,250
- Authorised but not contracted for	22,202	27,273
	187,068	49,523
Analysed as follows:		
- property, plant and equipment	34,068	49,523
- acquisition of Leong and Company Sdn Bhd	153,000	-
	187,068	49,523

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EXPLANATORY NOTES

16. **Non-interest income**

	Individual quarter		Cumulative Quarter	
	Current financial quarter ended 31 March 2004 RM'000	Preceding year corresponding quarter ended 31 March 2003 RM'000	Current financial period ended 31 March 2004 RM'000	Preceding year corresponding period ended 31 March 2003 RM'000
Fee and commission income	27,200	24,137	27,200	24,137
Net gain/(loss) from investment securities	3,079	(225)	3,079	(225)
Net gain from dealing securities	2,111	2,918	2,111	2,918
Dividend income	773	44	773	44
Other income	4,621	2,873	4,621	2,873
	37,784	29,747	37,784	29,747
Write-back of provision / (Provision for diminution in value of investment securities)	6,731	(6,042)	6,731	(6,042)
	44,515	23,705	44,515	23,705

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EXPLANATORY NOTES

Additional disclosure requirements pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia

17. Taxation

The analysis of the tax expense for the financial quarter ended 31 March 2004 are as follows:-

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2004 RM'000	Preceding year corresponding quarter ended 31 March 2003 RM'000	Current financial period ended 31 March 2004 RM'000	Preceding year corresponding period ended 31 March 2003 RM'000
Malaysian income tax:				
- Change for the financial period	32,466	30,807	32,466	30,807
- Over/(under) provision in respect of prior years	527	-	527	-
	32,993	30,807	32,993	30,807
Transfer to deferred tax asset	(690)	-	(690)	-
	32,303	30,807	32,303	30,807

The Group's effective tax rate for the financial quarter ended 31 March 2004 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 quarter ended 31 March 2004 other than in the ordinary course of banking business.

19. Quoted Securities

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

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EXPLANATORY NOTES

20. Status of Corporate Proposals Announced But Not Completed

On 16 March 2004, Malaysian International Merchant Bankers Berhad (“MIMB”), the merchant bank subsidiary has entered into a conditional share sale agreement (“SSA”) with Edaran Otomobil Nasional Berhad (“EON Bhd”), Ceria Alam Sdn Bhd and the Leong family for the acquisition of the entire issued and paid-up capital of Leong and Company Sdn Bhd (“L&C”), comprising 20,000,000 ordinary shares of RM1.00 each in L&C, for a cash consideration of RM170 million (“Proposed Acquisition”). Upon the execution of the SSA, MIMB has paid 10% of the purchase consideration, amounting to RM17 million. The balance of the purchase consideration of RM153 million will be paid on the completion date of the Proposed Acquisition.

The Consideration was arrived at on a “willing buyer and willing seller” basis after taking into consideration, inter-alia, the following: -

- a) the adjusted net tangible assets (“NTA”) value of L&C of RM100 million. The SSA provided that the NTA of L&C on the completion date of the Proposed Acquisition (“Completion Date”) shall be RM100 million, otherwise the Consideration shall be adjusted in accordance with the relevant provisions of the SSA; and
- b) the location, earnings potential and remisiers/dealers base of L&C.

The above-mentioned Proposed Acquisition is pending approvals from the following: -

- a) the Securities Commission (“SC”);
- b) the Minister of Finance via SC;
- c) the Foreign Investment Committee via SC;
- d) the Malaysia Securities Exchange Berhad; and
- e) the shareholders of the company at an extraordinary general meeting (“EGM”) to be convened.

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EXPLANATORY NOTES

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

	Unaudited 31 March 2004	Audited 31 December 2003
	RM'000	RM'000
Deposits from customers		
- Fixed deposits		
One year or less	17,175,384	16,280,396
More than one year	741,645	862,643
- Saving deposits	1,824,391	1,758,717
- Demand deposits	2,066,202	1,976,262
	<u>21,807,622</u>	<u>20,878,018</u>
Deposits and placements of banks and other financial institutions		
One year or less	3,649,139	3,821,273
More than one year	1,466,795	1,772,736
	<u>5,115,934</u>	<u>5,594,009</u>
Total	<u><u>26,923,556</u></u>	<u><u>26,472,027</u></u>

22. Long Term 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 in 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.

23. Subordinated Obligations

On 21 January 2004, EON Bank Berhad ('EBB'), 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.

EBB 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 the fifth (5) year from the Issue Date at the principal amount together with accrued interest. Should EBB decides 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 EBB 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 EBB.

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EXPLANATORY NOTES

24. Off-Balance Sheet Financial Instruments

Based on the balance sheet as at 11 May 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	> 1 – 5 years RM'000	> 5 years RM'000
Foreign exchange related contracts - Forward contracts	3,000,907	1,268,475	882,650	763,424	86,358	-	-
Interest rate related contracts - Interest rate swap	855,000	-	855,000	-	-	-	-

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There were no equity and commodity related contracts as at 31 March 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 11 May 2004, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM13,648,746 (31 December 2003: RM12,245,096).

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 11 May 2004, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts was RM5,649,816 (31 December 2003: RM14,385,090). 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.

Interest rate swap

The principal interest rate contracts used are interest rate swap agreements. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Interest income or interest expense associated with interest rate swaps are recognised over the life of the swap agreements as a component of interest income or interest expense.

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25. **Material Litigation**

The disclosure of material litigations is in compliance with the disclosure requirements pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia.

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 11 May 2004 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 RM8.1 million 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 RM18.4 million. The Defendants also filed and obtained an injunction against EBB from proceeding with the winding up of the company.

Status update

On 27 February 2004, the Court entered Judgement against the Defendants. This case is considered settled.

- (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 RM21.6 million plus general, aggravated, punitive damages and interest yet to be quantified.

Status update

On 4 March 2004, the Court fixed the trial dates on 1-2 and 5-6 April 2004. The Appeal on the application for striking out the Plaintiff's Statement of Claim fixed for hearing on 12 May 2004 was then brought forward to 25 March 2004. The trial dates and the appeal date have been vacated by the Court pending the appointment of a new judge.

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

Ex-Oriental Bank Berhad ('Ex-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.

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25. **Material Litigation (Cont'd)**

EON Bank Berhad ('EBB') (Cont'd)

Ex-Oriental Bank Berhad ('Ex-OBB') (Cont'd)

- (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

On 27 February 2004, the borrower and guarantor discontinued their action against MIMB with no liberty to file afresh. An order by consent was entered on the settlement terms. This case is considered settled.

- (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 RM70.2 million 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 30 March 2004 for mention has been postponed to 17 May 2004.

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

26. **Profit Forecast**

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

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27. Review of performance for the financial quarter ended 31 March 2004 against the corresponding quarter of preceding year

For the current financial quarter, the Group recorded a pre-tax profit of RM103.7 million, a 4% increase as compared to RM99.6 million achieved in the preceding year's corresponding quarter ended 31 March 2003. The higher pre-tax profit was primarily due to higher net income before loan loss provision, which improved by RM33.3 million or 13.4%. This was attributable to higher net interest income, inclusive of income from Islamic Banking by RM9.5 million and higher non-interest income by RM20.8 million. The increase was partly offset by higher net loan loss provision of RM16.4 million and higher overhead expenses of RM12.8 million.

28. Review of performance for the current financial quarter against immediate preceding financial quarter

For the current financial quarter, the Group recorded a net income before loan loss provision of RM281.8 million, a 3.1% increase as compared to RM273.3 million achieved in the immediate preceding financial quarter. The growth in net income was attributable to higher net interest income, inclusive of income from Islamic Banking and non-interest income. There was higher net loan loss provision during the current financial quarter and the impact was partially offset by a decrease in overhead expenses. As a result, the Group recorded a pre-tax profit of RM103.7 million as compared to RM114.3 million in the immediate preceding financial quarter.

29. Prospects for 2004

As mentioned in Bank Negara Malaysia's 2003 Annual Report, the Malaysian economy is expected to strengthen further with a real GDP growth of 6%– 6.5% in 2004. With the favourable outlook for the banking sector, the Group expects to achieve satisfactory results in 2004.

30. 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 ended 31 March 2004 and 31 March 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 March 2004	Preceding year corresponding quarter ended 31 March 2003	Current financial period ended 31 March 2004	Preceding year corresponding period ended 31 March 2003
Net profit for the financial period (RM'000)	69,986	67,572	69,986	67,572
Weighted average number of ordinary shares in issue during the period ('000)	693,209	693,209	693,209	693,209
Basic earnings per share (sen) - basic/diluted	10.10	9.75	10.10	9.75

There were no dilutive potential ordinary shares outstanding as at 31 March 2004.