

**EON CAPITAL BERHAD**  
**(454644-K)**

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2005**

	<b>Unaudited</b> <b>31 March 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	2,450,382	3,639,250
Deposits and placements with banks and other financial institutions	339,883	91,736
Held for trading securities	256,154	115,532
Available-for-sale securities	2,502,886	2,198,631
Held-to-maturity securities	1,679,946	1,690,357
Loans, advances and financing	24,352,534	23,556,671
Other assets	750,777	782,423
Statutory deposits with Bank Negara Malaysia	920,987	871,379
Property, plant and equipment	280,460	183,133
Deferred tax assets	140,702	132,624
Goodwill	68,595	69,300
<b>TOTAL ASSETS</b>	<b>33,743,306</b>	<b>33,331,036</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	22,631,922	22,611,184
Deposits and placements of banks and other financial institutions	5,074,021	4,752,068
Obligations on securities sold under repurchase agreements	415,814	246,167
Bills and acceptances payable	1,194,917	1,337,864
Other liabilities	371,919	369,445
Recourse obligation on loans sold to Cagamas Berhad	243,718	249,529
Provision for taxation and zakat	39,982	46,592
Long term borrowings	293,150	292,633
Subordinated obligations	844,920	844,307
<b>TOTAL LIABILITIES</b>	<b>31,110,363</b>	<b>30,749,789</b>
SHARE CAPITAL	693,209	693,209
RESERVES	1,939,734	1,888,038
<b>SHAREHOLDERS' FUNDS</b>	<b>2,632,943</b>	<b>2,581,247</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>33,743,306</b>	<b>33,331,036</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>12,794,293</b>	<b>12,033,415</b>
<b>Net Tangible Assets per ordinary share (RM)</b>	<b>3.70</b>	<b>3.62</b>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2005**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 31 March 2005</u> RM'000	<u>Preceding year corresponding quarter ended 31 March 2004</u> RM'000	<u>Current financial period ended 31 March 2005</u> RM'000	<u>Preceding year corresponding period ended 31 March 2004</u> RM'000
Interest income	392,722	409,534	392,722	409,534
Interest expense	(200,467)	(202,382)	(200,467)	(202,382)
Net interest income	192,255	207,152	192,255	207,152
Net income from Islamic Banking business	35,744	29,029	35,744	29,029
	227,999	236,181	227,999	236,181
Non-interest income	42,235	39,954	42,235	39,954
Net income	270,234	276,135	270,234	276,135
Overhead expenses	(129,842)	(119,710)	(129,842)	(119,710)
Operating profit	140,392	156,425	140,392	156,425
Allowances for losses on loans, advances and financing	(48,976)	(58,356)	(48,976)	(58,356)
Impairment losses on securities	(8,098)	-	(8,098)	-
Profit before taxation and zakat	83,318	98,069	83,318	98,069
Taxation	(24,905)	(30,721)	(24,905)	(30,721)
Zakat	(1,193)	(1,430)	(1,193)	(1,430)
Net profit for the financial quarter	57,220	65,918	57,220	65,918
Earnings per share (sen)				
- Basic	8.25	9.51	8.25	9.51
- Diluted	8.25	9.51	8.25	9.51

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2005**

	<u>Issued and Fully paid Ordinary Shares of RM1 each</u>			<u>Reserve Arising On Consolidation</u>	<u>Cumulative Net Unrealised Gains/(Losses) On Available-For- Sale Securities</u>	<u>Retained Profits</u>	<u>Total</u>
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Statutory Reserve</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 1 January 2005:							
- as previously reported	693,209	1,066,296	393,111	200,897	-	210,596	2,564,109
- prior year adjustments	-	-	-	-	19,870	(2,730)	17,140
- as restated	693,209	1,066,296	393,111	200,897	19,870	207,866	2,581,249
Net profit for the financial quarter	-	-	-	-	-	57,220	57,220
Fair value losses on available-for-sale securities, net of tax	-	-	-	-	(5,526)	-	(5,526)
Balance as at 31 March 2005	693,209	1,066,296	393,111	200,897	14,344	265,086	2,632,943
Balance as at 1 January 2004:							
- as previously reported	693,209	1,066,296	165,096	200,897	-	188,718	2,314,216
- prior year adjustments	-	-	-	-	(19,332)	4,594	(14,738)
- as restated	693,209	1,066,296	165,096	200,897	(19,332)	193,312	2,299,478
Net profit for the financial quarter	-	-	-	-	-	65,918	65,918
Fair value gains on available-for-sale securities, net of tax	-	-	-	-	31,113	-	31,113
Balance as at 31 March 2004	693,209	1,066,296	165,096	200,897	11,781	259,230	2,396,509

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2005**

	<b>Current financial quarter ended 31 March 2005</b>	<b>Preceding year corresponding quarter ended 31 March 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flow from Operating Activities</b>		
Net profit for the financial quarter	57,220	65,918
Adjustments for investing and financing items not involving movement of cash and cash equivalents	100,577	85,260
Operating profit before working capital changes	157,797	151,178
Increase in operating assets	(1,291,716)	(189,087)
Increase in operating liabilities	376,669	715,573
Cash (used in)/generated from operating activities	(757,250)	677,664
Zakat paid	(2,600)	-
Income tax paid	(35,977)	(34,190)
Net cash (used in)/generated from operating activities	(795,827)	643,474
<b>Cash Flow from Investing Activities</b>		
Purchase of investment securities, net of sale proceeds	(320,166)	(27,178)
Purchase of property, plant and equipment	(149,038)	(9,432)
Proceeds from disposal of property, plant and equipment	36,102	353
Interest/dividend received from investment securities	60,023	38,287
Net dividends received	54	-
Acquisition of subsidiary companies	-	(17,000)
Net cash used in investing activities	(373,025)	(14,970)
<b>Cash Flow from Financing Activities</b>		
Proceeds from issuance of subordinated obligations	-	843,078
Interest received from interest rate related derivatives	2,962	-
Interest paid on subordinated obligations	(22,978)	-
Net cash (used in)/generated from financing activities	(20,016)	843,078
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,188,868)</b>	<b>1,471,582</b>
<b>Cash and cash equivalents</b>		
- as at beginning of the financial quarter	3,639,250	3,143,578
- as at end of the financial quarter	2,450,382	4,615,160

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**EXPLANATORY NOTES**

**Disclosure requirements pursuant to Malaysian Accounting Standards Board's Standard No. FRS134 and Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions.**

**1. Basis of Preparation**

The condensed interim financial statements have been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard No. FRS134 (Interim Financial Reporting), Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2004.

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, except for those relating to the recognition, measurement and classification of securities as disclosed in Note 2 of this explanatory notes.

**2. Changes in accounting policies**

Bank Negara Malaysia has issued a revised BNM/GP 8 on 5 October 2004, which provides guidance on recognition, measurement and classification of securities portfolio. The Guidelines is effective for the financial year ending 31 December 2005.

Previously, trading securities are measured at lower of cost and market value. Bank guaranteed and Government guaranteed private debt securities are measured at amortised cost, while non-bank guaranteed and non-government guaranteed private debts securities are measured at lower of cost and market value. Other investment securities are measured at cost and allowance is made in the event of any permanent diminution in value.

With the revision, all held for trading securities are now measured at fair value. Investment securities are classified into available-for-sale ('AFS') and held-to-maturity ('HTM') securities. AFS securities are measured at fair value, with changes in fair value recognised directly in equity. Equity securities where there are no quoted price in an active market and whose fair value cannot be reliably measured are classified as AFS securities and stated at cost. HTM securities are measured at amortised cost or at cost. Impairment losses arising from AFS and HTM securities are recognised in profit and loss.

The change in accounting policies has been applied retrospectively and an analysis of the impacts to the financial results and position of the Group is summarised as follows:

	<b>As previously reported</b>	<b>Effect from change in accounting policy</b>	<b>As restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Balance sheet</b>			
<u>As at 31 December 2004</u>			
Held for trading securities	115,312	220	115,532
Investment securities	3,865,405	23,583	3,888,988
Deferred tax assets	139,289	(6,665)	132,624
Reserves	1,870,900	17,138	1,888,038
Net tangible assets per ordinary share	3.60	0.02	3.62

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**EXPLANATORY NOTES**

**2. Changes in accounting policies (continued)**

<b>Income statement</b>	<b>As previously reported</b>	<b>Effect from change in accounting policy</b>	<b>As restated</b>
<u>For the financial quarter ended 31 March 2004</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit before taxation	103,719	(5,650)	98,069
Taxation	(32,303)	1,582	(30,721)
Net profit for the financial quarter	69,986	(4,068)	65,918
Earnings per share (sen) - Basic	10.10	(0.59)	9.51

**3. Audit Report**

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

**4. Seasonality or Cyclicity of Operations**

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

**5. 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 2005.

**6. 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 of the Group for the financial quarter ended 31 March 2005.

**7. Issuance and Repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 March 2005.

**8. Dividend Paid During the Current Financial Quarter**

There were no dividend paid or declared during the financial quarter ended 31 March 2005.

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**EXPLANATORY NOTES**

**9. Segment reporting**

(a) Segment revenue and segment results

<b><u>Group</u></b>	<b><u>Enterprise Banking</u></b>	<b><u>Retail Banking</u></b>	<b><u>Islamic Banking</u></b>	<b><u>Treasury and Investment Banking</u></b>	<b><u>Stock- broking Business</u></b>	<b><u>Total</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
<b><u>Current financial quarter ended 31 March 2005</u></b>						
Gross operating revenue <sup>(1)</sup>	115,098	271,791	60,761	45,650	2,677	495,977
Less: Inter-segment revenue <sup>(2)</sup>	(9)	(180)	-	(1,011)	(571)	(1,771)
	<u>115,089</u>	<u>271,611</u>	<u>60,761</u>	<u>44,639</u>	<u>2,106</u>	<u>494,206</u>
Segment results	12,978	35,108	17,266	22,029	157	87,538
Unallocated costs						(4,220)
Profit before taxation and zakat						83,318
Taxation and zakat						(26,098)
Net profit for the financial quarter ended 31 March 2005						<u><u>57,220</u></u>
<b><u>Preceding year corresponding quarter ended 31 March 2004</u></b>						
Gross operating revenue <sup>(1)</sup>	118,360	292,182	44,961	41,579	-	497,082
Less: Inter-segment revenue <sup>(2)</sup>	(16)	(2,612)	-	(105)	-	(2,733)
	<u>118,344</u>	<u>289,570</u>	<u>44,961</u>	<u>41,474</u>	<u>-</u>	<u>494,349</u>
Segment results	16,289	78,278	4,063	3,724	-	102,354
Unallocated costs						(4,285)
Profit before taxation and zakat						98,069
Taxation and zakat						(32,151)
Net profit for the financial quarter ended 31 March 2004						<u><u>65,918</u></u>

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**EXPLANATORY NOTES**

**9. Segment reporting (continued)**

(b) Segment assets

<u>Group</u>	<u>Enterprise Banking</u> RM'000	<u>Retail Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Stock- broking Business</u> RM'000	<u>Total</u> RM'000
<b><u>As at 31 March 2005</u></b>						
Segment assets	8,923,373	15,543,208	3,843,930	4,318,712	143,382	32,772,605
Unallocated assets						970,701
Total assets						<u>33,743,306</u>
<b><u>As at 31 December 2004</u></b>						
Segment assets	8,621,097	15,606,392	3,952,923	4,261,387	106,279	32,548,078
Unallocated assets						782,958
Total assets						<u>33,331,036</u>

<sup>(1)</sup>Gross operating revenue comprise gross interest income received from loans, advances and financing (net of interest/income suspended), trading securities, investment securities (net of accretion of discount less amortisation of premium) and inter-bank placements and deposits, realised gains or losses from trading and investment securities, fee income, gross income received from Islamic Banking and other operating revenue.

<sup>(2)</sup>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.

**10. Held for Trading Securities**

	<u>Unaudited 31 March 2005</u> RM'000	<u>Audited 31 December 2004</u> RM'000
Malaysian Government securities	248,974	108,372
Shares quoted in Malaysia	2,216	2,284
Private and Islamic debt securities	4,964	4,876
	<u>256,154</u>	<u>115,532</u>



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**EXPLANATORY NOTES**

**11a. Available-for-sale Securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 March 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Available-for-sale securities, at fair value</b>		
Malaysian Government securities	1,633,749	1,347,974
Cagamas bonds	510,007	597,746
Shares quoted in Malaysia	43,324	51,986
Quoted private debt securities	3,538	4,700
Private and Islamic debt securities	303,449	192,364
Commercial papers	4,958	-
	<u>2,499,025</u>	<u>2,194,770</u>
<b>Available-for-sale securities, at cost</b>		
Unquoted shares in Malaysia	7,075	7,075
Allowance for impairment	(3,214)	(3,214)
	<u>3,861</u>	<u>3,861</u>
	<u>2,502,886</u>	<u>2,198,631</u>

**11b. Held-to-maturity Securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 March 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Held-to-maturity securities, at amortised cost</b>		
Malaysian Government investment securities	29,400	29,183
Cagamas Mudharabah bonds	35,380	35,380
Khazanah bonds	1,178	1,168
Private and Islamic debt securities	805,696	836,139
Unquoted shares in Malaysia	17,557	17,557
Commercial papers	994	-
Islamic commercial papers (Murabahah Notes Issuance Facility)	14,000	-
Credit link notes denominated in USD	190,000	190,000
Floating rate notes denominated in USD	649,800	649,800
	<u>1,744,005</u>	<u>1,759,227</u>
Allowance for impairment	(64,059)	(68,870)
	<u>1,679,946</u>	<u>1,690,357</u>

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**EXPLANATORY NOTES**

**12. Loans, Advances and Financing**

	<b>Unaudited</b> <b>31 March 2005</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2004</b> <b>RM'000</b>
Overdrafts	2,274,762	2,308,468
Term loans/financing:		
Housing loans/financing	5,158,829	5,036,791
Syndicated term loan/financing	558,314	619,128
Hire purchase receivables	11,119,663	10,761,198
Lease receivables	2,850	2,846
Other term loans/financing	5,050,215	4,679,403
Bills receivable	10,767	10,896
Trust receipts	182,239	168,141
Claims on customers under acceptance credits	1,681,444	1,623,120
Staff loans/financing	223,330	226,327
Credit cards	588,926	566,128
Revolving credit	1,328,575	1,292,317
Other loans/financing	53,835	48,657
	<u>28,233,749</u>	<u>27,343,420</u>
Less: Unearned interest and income	(2,865,474)	(2,816,468)
Gross loans, advances and financing	<u>25,368,275</u>	<u>24,526,952</u>
Less: Allowance for bad and doubtful debts and financing:		
- General	(415,989)	(408,350)
- Specific	(599,752)	(561,931)
Total net loans, advances and financing	<u><u>24,352,534</u></u>	<u><u>23,556,671</u></u>

**(i) The loans, advances and financing are disbursed to the following type of customers:**

Domestic non-bank financial institutions (of which: Stockbroking companies)	588,209 -	272,138 -
Domestic business enterprises (of which: Small medium enterprises)	9,041,216 3,155,330	8,966,894 3,027,170
Government and statutory bodies	40,155	44,527
Individuals	15,605,741	15,134,954
Other domestic entities	21,321	21,261
Foreign entities	71,633	87,178
Gross loans, advances and financing	<u>25,368,275</u>	<u>24,526,952</u>

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**EXPLANATORY NOTES**

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

	<b>Unaudited</b> <b>31 March 2005</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2004</b> <b>RM'000</b>
<b>(ii) The loans, advances and financing analysed by interest rate sensitivity:</b>		
Fixed rate	12,736,058	12,505,107
(of which: (i) Housing loans/financing	1,831,133	1,796,492
(ii) Hire purchase receivables)	9,522,804	9,199,710
Variable rate	12,632,217	12,021,845
(of which: (i) Base lending rate plus	8,254,780	7,907,786
(ii) Cost plus)	3,549,094	3,357,662
 Gross loans, advances and financing	 <u>25,368,275</u>	 <u>24,526,952</u>
 <b>(iii) The loans, advances and financing analysed by their economic sectors:</b>		
Agriculture, hunting, forestry and fishing	181,368	175,827
Mining and quarrying	35,901	36,325
Manufacturing	2,236,910	2,180,337
Electricity, gas and water	97,268	85,675
Construction	1,812,403	1,910,355
(of which: (i) Infrastructure)	149,171	154,461
Real estate	500,844	460,377
Purchase of landed property	5,852,177	5,754,040
(of which: (i) Residential	4,532,925	4,396,688
(ii) Non-residential )	1,319,252	1,357,352
Wholesale and retail trade and restaurants and hotels	2,000,937	1,827,559
Transport, storage and communication	610,138	651,169
Finance, insurance and business services	861,817	600,124
Purchase of securities	782,958	796,944
Purchase of transport vehicles	8,722,640	8,419,241
Consumption credit	1,282,867	1,241,959
Others	390,047	387,020
 Gross loans, advances and financing	 <u>25,368,275</u>	 <u>24,526,952</u>

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**EXPLANATORY NOTES**

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

	<b>Unaudited</b> <b>31 March 2005</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2004</b> <b>RM'000</b>
<b>(iv) Movements in non-performing loans, advances and financing (including interest and income receivable) are as follows:</b>		
Balance as at 1 January	1,573,028	1,652,682
Classified as non-performing during the financial period/year (gross)	309,047	971,637
Reclassified as performing during the financial period/year	(175,378)	(508,285)
Loans/financing converted to securities	-	(19,879)
Amount recovered	(75,308)	(303,239)
Amount written off	(11,551)	(219,888)
Balance as at 31 March / 31 December	<u>1,619,838</u>	<u>1,573,028</u>
 Non-performing loans which have no adverse financial impact on the Group	 (341,940)	 (347,625)
	<u>1,277,898</u>	<u>1,225,403</u>
Specific allowance	(457,507)	(420,724)
Net non-performing loans, advances and financing	<u>820,391</u>	<u>804,679</u>
 Ratio of net non-performing loans, advances and financing to net loans, advances and financing	 <u>3.34%</u>	 <u>3.39%</u>
<b>(v) The non-performing loans, advances and financing (gross) analysed by their economic sectors:</b>		
Agriculture, hunting, forestry and fishing	6,150	7,195
Mining and quarrying	238	236
Manufacturing	269,456	260,628
Electricity, gas and water	5	4
Construction	234,505	206,461
(of which: (i) Infrastructure)	<u>16,500</u>	<u>16,399</u>
Real estate	68,372	71,883
Purchase of landed property	485,237	499,209
(of which: (i) Residential	<u>255,291</u>	<u>240,578</u>
(ii) Non-residential )	<u>229,945</u>	<u>258,631</u>
Wholesale and retail trade and restaurants and hotels	101,312	101,605
Transport, storage and communication	25,825	25,415
Finance, insurance and business services	14,930	12,132
Purchase of securities	54,096	55,435
Purchase of transport vehicles	227,262	200,228
Consumption credit	74,498	72,263
Others	57,952	60,334
	<u>1,619,838</u>	<u>1,573,028</u>

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**EXPLANATORY NOTES**

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

	<b>Unaudited</b> <b>31 March 2005</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2004</b> <b>RM'000</b>
<b>(vi) Movements in allowance for bad and doubtful debts and financing:</b>		
<b>General allowance</b>		
Balance as at 1 January	408,350	390,107
Allowance made during the financial period/year	7,639	18,243
Balance as at 31 March / 31 December	<u>415,989</u>	<u>408,350</u>
As % of gross loans, advances and financing less specific allowance	<u>1.7%</u>	<u>1.7%</u>
<b>Specific allowance</b>		
Balance as at 1 January	561,931	576,553
Allowance made during the financial period/year	66,771	290,037
Allowance charged to deferred asset/other assets during the financial period/year	2,766	27,031
Amount recovered	(18,782)	(106,191)
Recoveries set-off against deferred asset	(1,382)	(5,611)
Amount written off	(11,552)	(219,888)
Balance as at 31 March / 31 December	<u>599,752</u>	<u>561,931</u>

**13. Other Assets**

	<b>Unaudited</b> <b>31 March 2005</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2004</b> <b>RM'000</b>
Trade receivables, net of allowances for bad and doubtful debts of RM363,000 (31.12.2004: RM237,000)	48,775	26,167
Interest/income receivable	50,458	61,183
Other debtors, deposits and prepayments, net of allowance for bad and doubtful debts of RM6,864,000 (31.12.2004: RM6,818,000)	141,204	164,011
Amount due from Bursa Malaysia	3,409	-
Tax recoverable	17,879	17,873
Deferred asset account	464,663	488,254
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	24,389	24,935
	<u>750,777</u>	<u>782,423</u>

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

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

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**15. Deposits from customers**

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 March 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	2,035,362	2,182,802
Savings deposits	2,019,820	1,983,107
Fixed/investment deposits	18,576,740	18,445,275
	22,631,922	22,611,184
 <b>(i) The maturity structure of fixed/investment deposits is as follows:</b>		
One year or less	18,161,222	17,852,525
More than one year	415,518	592,750
	18,576,740	18,445,275
 <b>(ii) The deposits from customer are sourced from the following types of customers:</b>		
Government and statutory bodies	2,518,077	2,758,234
Business enterprises	8,878,954	8,782,099
Individuals	10,346,522	10,256,332
Others	888,369	814,519
	22,631,922	22,611,184

**16. Deposits and placements of banks and other financial institutions**

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 March 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	317,198	439,252
Licensed finance companies	20,865	31,438
Licensed merchant banks	100,655	27,889
Bank Negara Malaysia	1,400,000	1,400,000
Other financial institutions	3,235,303	2,853,489
	5,074,021	4,752,068
 <b>(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:</b>		
One year or less	3,332,491	3,163,017
More than one year	1,741,530	1,589,051
	5,074,021	4,752,068

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**17. Other Liabilities**

	<b>Unaudited</b> <b>31 March 2005</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2004</b> <b>RM'000</b>
Trade payable	18,279	6,967
Other liabilities	151,136	156,124
Interest/dividend payable	186,228	189,278
Profit equalisation reserves	16,276	17,076
	<u>371,919</u>	<u>369,445</u>

**18. Interest Income**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 March 2005</b> <b>RM'000</b>	<b>Preceding year corresponding quarter ended 31 March 2004</b> <b>RM'000</b>	<b>Current financial period ended 31 March 2005</b> <b>RM'000</b>	<b>Preceding year corresponding period ended 31 March 2004</b> <b>RM'000</b>
Loans and advances				
- Interest income other than recoveries	324,724	324,767	324,724	324,767
- Recoveries from NPLs	9,721	19,138	9,721	19,138
Money at call and deposit placements with financial institutions	20,469	31,630	20,469	31,630
Held-for-trading securities	1,347	3,421	1,347	3,421
Available-for-sale securities	32,739	44,549	32,739	44,549
Held-to-maturity securities	17,053	3,377	17,053	3,377
Others	172	-	172	-
	<u>406,225</u>	<u>426,882</u>	<u>406,225</u>	<u>426,882</u>
Amortisation of premium less accretion of discount	(11,782)	(9,924)	(11,782)	(9,924)
Interest suspended	(1,721)	(7,424)	(1,721)	(7,424)
Total interest income	<u>392,722</u>	<u>409,534</u>	<u>392,722</u>	<u>409,534</u>

**19. Interest Expense**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 March 2005</b> <b>RM'000</b>	<b>Preceding year corresponding quarter ended 31 March 2004</b> <b>RM'000</b>	<b>Current financial period ended 31 March 2005</b> <b>RM'000</b>	<b>Preceding year corresponding period ended 31 March 2004</b> <b>RM'000</b>
Deposits and placements of banks and other financial institutions	26,855	22,071	26,855	22,071
Deposits from customers	153,260	159,742	153,260	159,742
Loans sold to Cagamas Berhad	2,668	5,611	2,668	5,611
Subordinated obligations	12,103	9,354	12,103	9,354
Long term borrowings	5,205	5,205	5,205	5,205
Others	376	399	376	399
	<u>200,467</u>	<u>202,382</u>	<u>200,467</u>	<u>202,382</u>

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**20. Non-interest income**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 March 2005</b>	<b>Preceding year corresponding quarter ended 31 March 2004</b>	<b>Current financial period ended 31 March 2005</b>	<b>Preceding year corresponding period ended 31 March 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee and commission income:				
- Commission	7,447	6,103	7,447	6,103
- Service charges and fees	17,271	13,352	17,271	13,352
- Guarantee fees	2,937	2,731	2,937	2,731
- Advisory and arrangement fees	2,960	1,865	2,960	1,865
- Underwriting commission	1,461	3,149	1,461	3,149
- Brokerage	2,005	-	2,005	-
Gains/losses arising from sale of securities:				
- Held for trading securities	559	2,867	559	2,867
- Held-to-maturity securities	2,014	841	2,014	841
- Available-for-sale securities	2,906	684	2,906	684
Dividend income				
- Held for trading securities	-	84	-	84
- Held-to-maturity securities	-	238	-	238
- Available-for-sale securities	73	451	73	451
- Dividend received from subsidiaries	-	-	-	-
Unrealised (losses)/gains on revaluation of trading securities	(2,279)	2,968	(2,279)	2,968
Unrealised gains from foreign exchange translations	2,006	2,204	2,006	2,204
Other income/(expenditure):				
- Rental income from premises	539	105	539	105
- Gain on disposal of property, plant and equipment	394	126	394	126
- Other operating income	111	173	111	173
- Other non-operating income	1,963	2,009	1,963	2,009
- Amount (provided)/recovered in respect of other bad and doubtful debts	(132)	4	(132)	4
	<b>42,235</b>	<b>39,954</b>	<b>42,235</b>	<b>39,954</b>



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**21. Overhead expenses**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 March 2005</b>	<b>Preceding year corresponding quarter ended 31 March 2004</b>	<b>Current financial period ended 31 March 2005</b>	<b>Preceding year corresponding period ended 31 March 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	60,666	60,665	60,666	60,665
Promotion and marketing related expenses	15,158	14,280	15,158	14,280
Establishment related expenses	28,403	23,454	28,403	23,454
General administrative expenses	25,615	21,311	25,615	21,311
	<u>129,842</u>	<u>119,710</u>	<u>129,842</u>	<u>119,710</u>

**(i) Personnel expenses comprise the following:**

Salaries, bonus and allowances	49,310	50,343	49,310	50,343
Defined contribution plan	8,208	8,009	8,208	7,886
Other employee benefits	3,148	2,313	3,148	2,436
	<u>60,666</u>	<u>60,665</u>	<u>60,666</u>	<u>60,665</u>

**(ii) Promotion and marketing related expenses comprise the following:**

Hire-purchase handling fees and commissions	11,922	11,390	11,922	11,390
Others	3,236	2,890	3,236	2,890
	<u>15,158</u>	<u>14,280</u>	<u>15,158</u>	<u>14,280</u>

**(iii) Establishment related expenses comprise the following:**

Depreciation of property, plant and equipment	10,175	7,197	10,175	7,197
Repair and maintenance	6,031	3,874	6,031	3,874
Rental of premises	5,811	7,060	5,811	7,060
Hire of equipment	1,206	1,558	1,206	1,558
Others	5,180	3,765	5,180	3,765
	<u>28,403</u>	<u>23,454</u>	<u>28,403</u>	<u>23,454</u>

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**21. Overhead expenses (continued)**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current</u>	<u>Preceding year</u>	<u>Current</u>	<u>Preceding year</u>
	<u>financial</u>	<u>corresponding</u>	<u>financial</u>	<u>corresponding</u>
	<u>quarter ended</u>	<u>quarter ended</u>	<u>period ended</u>	<u>period ended</u>
	<u>31 March 2005</u>	<u>31 March 2004</u>	<u>31 March 2005</u>	<u>31 March 2004</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>(iv) General administrative expenses</b>				
<b>comprise the following:</b>				
Communication costs	4,633	4,198	4,633	4,198
Printing and stationery	2,653	3,572	2,653	3,572
Loss on disposal of property, plant and equipment	6,013	2	6,013	2
Amortisation of goodwill	705	-	705	-
Legal and other professional charges	4,774	4,702	4,774	4,702
Others	6,837	8,837	6,837	8,837
	<u>25,615</u>	<u>21,311</u>	<u>25,615</u>	<u>21,311</u>

**22. Allowances for Losses on Loans, Advances and Financing**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current</u>	<u>Preceding year</u>	<u>Current</u>	<u>Preceding year</u>
	<u>financial</u>	<u>corresponding</u>	<u>financial</u>	<u>corresponding</u>
	<u>quarter ended</u>	<u>quarter ended</u>	<u>period ended</u>	<u>period ended</u>
	<u>31 March 2005</u>	<u>31 March 2004</u>	<u>31 March 2005</u>	<u>31 March 2004</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Allowance for bad and doubtful debts on loans, advances and financing:				
(a) Specific allowance:				
- Made in the financial period	66,771	80,107	66,771	80,107
- Written back	(18,782)	(21,094)	(18,782)	(21,094)
(b) General allowance:				
- Made in the financial period	7,639	2,721	7,639	2,721
Bad debts on loans, advances and financing:				
- Recovered	(6,715)	(4,279)	(6,715)	(4,279)
- Written off	63	901	63	901
	<u>48,976</u>	<u>58,356</u>	<u>48,976</u>	<u>58,356</u>

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**23. 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 :

	<b>Unaudited 31 March 2005</b>			<b>Audited 31 December 2004</b>		
	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</b>	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	329,436	329,436	329,436	313,746	313,746	313,746
Certain transaction- related contingent items	672,816	336,408	336,408	620,360	310,180	310,180
Short term self- liquidating trade- related contingencies	269,445	53,889	53,889	229,482	45,896	45,896
Obligations under underwriting agreements	749,169	374,584	374,584	590,676	295,338	295,338
Irrevocable commitments to extend credit :						
- maturity more than one year	1,768,951	884,476	604,576	1,788,343	894,172	633,960
- maturity less than one year	5,838,979	-	-	5,733,376	-	-
Foreign exchange related contracts - maturity less than one year	2,118,803	55,668	6,357	1,723,185	29,926	12,088
Interest rate related contracts - maturity more than one year	855,000	25,650	5,130	855,000	34,200	6,840
Others	191,694	-	-	179,247	-	-
	<u>12,794,293</u>	<u>2,060,111</u>	<u>1,710,380</u>	<u>12,033,415</u>	<u>1,923,458</u>	<u>1,618,048</u>

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

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**24. Interest/Profit Rate Risk**

	← Non-trading book →					Non- interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 31 March 2005</b>									
<b>Assets</b>									
Cash and short-term funds	2,265,028	-	-	-	-	185,354	-	2,450,382	2.73
Deposits and placements with financial institutions	-	305,700	34,183	-	-	-	-	339,883	2.85
Held for trading securities	-	-	-	-	-	-	256,154	256,154	3.51
Available-for-sale securities	208,170	4,958	562,291	1,261,387	26,898	50,723	388,459	2,502,886	3.75
Held-to-maturity securities	-	881,793	199,888	342,991	237,718	17,556	-	1,679,946	6.31
Loans, advances and financing									
- performing	10,998,009	469,051	426,084	5,387,384	6,456,689	11,122	-	23,748,339	7.11
- non-performing	-	-	-	-	-	604,195	-	604,195	-
Other assets <sup>(1)</sup>	24,327	-	-	-	-	2,137,194	-	2,161,521	7.01
<b>Total assets</b>	<b>13,495,534</b>	<b>1,661,502</b>	<b>1,222,446</b>	<b>6,991,762</b>	<b>6,721,305</b>	<b>3,006,144</b>	<b>644,613</b>	<b>33,743,306</b>	

Note:

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets and goodwill.

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**24. Interest/Profit Rate Risk (continued)**

	← Non-trading book →					Non- interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 31 March 2005 (continued)</b>									
<b>Liabilities</b>									
Deposits from customers	8,407,755	4,382,752	7,390,473	415,519	-	2,035,423	-	22,631,922	2.83
Deposits and placements of banks and other financial institutions	871,121	1,282,230	1,102,849	286,332	1,400,000	131,489	-	5,074,021	3.86
Obligations on securities sold under repurchase agreements	415,814	-	-	-	-	-	-	415,814	2.51
Bills and acceptance payable	-	-	-	-	-	1,194,917	-	1,194,917	-
Other liabilities <sup>(1)</sup>	7,494	-	-	-	-	404,407	-	411,901	2.20
Recourse obligation on loans sold to Cagamas Berhad	-	-	83,529	135,800	-	24,389	-	243,718	4.87
Subordinated obligations	-	-	-	855,000	-	^ (10,080)	-	844,920	5.38
Long term borrowings	-	-	50,000	250,000	-	(6,850)	-	293,150	7.10
<b>Total liabilities</b>	<b>9,702,184</b>	<b>5,664,982</b>	<b>8,626,851</b>	<b>1,942,651</b>	<b>1,400,000</b>	<b>3,773,695</b>	<b>-</b>	<b>31,110,363</b>	
Shareholder's Funds	-	-	-	-	-	2,632,943	-	2,632,943	
<b>Total Liabilities and Shareholder's Funds</b>	<b>9,702,184</b>	<b>5,664,982</b>	<b>8,626,851</b>	<b>1,942,651</b>	<b>1,400,000</b>	<b>6,406,638</b>	<b>-</b>	<b>33,743,306</b>	
On-balance sheet interest sensitivity gap	3,793,350	(4,003,480)	(7,404,405)	5,049,111	5,321,305				
Off-balance sheet interest sensitivity gap	(13,000)	857,000	3,000	(855,000)	-				
<b>Total interest sensitivity gap</b>	<b>3,780,350</b>	<b>(3,146,480)</b>	<b>(7,401,405)</b>	<b>4,194,111</b>	<b>5,321,305</b>				

^ The negative balance represents unamortised discount for subordinated obligations calculated in accordance with the Group's accounting policy.

Note:

(1) Other liabilities include provision for taxation and zakat.

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**24. Interest/Profit Rate Risk (continued)**

Group	← Non-trading book →					Non-interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 31 December 2004</b>									
Assets									
Cash and short-term funds	3,519,012	-	-	-	-	120,238	-	3,639,250	2.67
Deposits and placements with financial institutions	-	91,736	-	-	-	-	-	91,736	2.77
Held for trading securities	-	-	-	-	-	-	115,532	115,532	3.40
Available-for-sale securities	-	-	30,332	2,096,840	10,911	60,548	-	2,198,631	3.25
Held-to-maturity securities	839,800	70,084	166,205	358,900	237,812	17,556	-	1,690,357	5.49
Loans, advances and financing									
- performing	10,499,857	493,000	434,687	5,406,389	6,108,267	11,630	-	22,953,830	7.09
- non-performing	-	-	-	-	-	602,841	-	602,841	-
Other assets <sup>(1)</sup>	6,363	-	-	-	-	2,032,496	-	2,038,859	7.05
<b>Total assets</b>	<b>14,865,032</b>	<b>654,820</b>	<b>631,224</b>	<b>7,862,129</b>	<b>6,356,990</b>	<b>2,845,309</b>	<b>115,532</b>	<b>33,331,036</b>	

Note:

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets and goodwill.

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**24. Interest/Profit Rate Risk (continued)**

Group	← Non-trading book →					Non-Interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 – 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 31 December 2004 (continued)</b>									
<b>Liabilities</b>									
Deposits from customers	9,025,131	3,995,632	6,814,876	592,743	-	2,182,802	-	22,611,184	2.84
Deposits and placements of banks and other financial institutions	1,248,501	954,882	825,605	134,807	1,400,000	188,273	-	4,752,068	4.09
Obligations on securities sold under repurchase agreements	246,167	-	-	-	-	-	-	246,167	2.35
Bills and acceptance payable	-	-	-	-	-	1,337,864	-	1,337,864	-
Other liabilities <sup>(1)</sup>	6,924	-	-	-	-	409,113	-	416,037	3.00
Recourse obligation on loans sold to Cagamas Berhad	-	-	85,613	138,981	-	24,935	-	249,529	4.87
Subordinated obligations	-	-	-	855,000	-	<sup>^</sup> (10,693)	-	844,307	5.38
Long term borrowings	-	-	50,000	250,000	-	(7,367)	-	292,633	7.10
<b>Total liabilities</b>	<b>10,526,723</b>	<b>4,950,514</b>	<b>7,776,094</b>	<b>1,971,531</b>	<b>1,400,000</b>	<b>4,124,927</b>	<b>-</b>	<b>30,749,789</b>	
Shareholder's Funds	-	-	-	-	-	2,581,247	-	2,581,247	
<b>Total Liabilities and Shareholder's Funds</b>	<b>10,526,723</b>	<b>4,950,514</b>	<b>7,776,094</b>	<b>1,971,531</b>	<b>1,400,000</b>	<b>6,706,174</b>	<b>-</b>	<b>33,331,036</b>	
On-balance sheet interest sensitivity gap	4,338,309	(4,295,694)	(7,144,870)	5,890,598	4,956,990	-	-	-	
Off-balance sheet interest sensitivity gap	-	855,000	-	(855,000)	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>4,338,309</b>	<b>(3,440,694)</b>	<b>(7,144,870)</b>	<b>5,035,598</b>	<b>4,956,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	

<sup>^</sup> The negative balance represents unamortised discount for subordinated obligations calculated in accordance with the Group's accounting policy.

Note:

(1) Other liabilities include provision for taxation and zakat.

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**EXPLANATORY NOTES**

**25. The Operation of Islamic Banking**

**25(i) Unaudited Condensed Balance Sheet**

	<b>Unaudited 31 March 2005</b>	<b>Audited 31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	160,891	161,862
Deposits and placements with banks and other financial institutions	-	20,000
Held-to-maturity securities	177,201	197,486
Financing, advances and other loans	3,328,989	3,337,485
Other assets	27,358	103,513
Statutory deposits with Bank Negara Malaysia	135,106	112,883
Property, plant and equipment	1,487	1,540
<b>TOTAL ASSETS</b>	<b>3,831,032</b>	<b>3,934,769</b>
<b>LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		
Deposits from customers	2,590,298	2,617,550
Deposits and placements of banks and other financial institutions	756,811	846,293
Bills and acceptances payable	1,867	3,679
Provision for zakat	14,116	15,523
Other liabilities	44,450	54,318
<b>TOTAL LIABILITIES</b>	<b>3,407,542</b>	<b>3,537,363</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>		
Islamic banking funds	310,110	310,110
Retained profits	113,380	87,296
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>	<b>423,490</b>	<b>397,406</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>	<b>3,831,032</b>	<b>3,934,769</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>802,346</b>	<b>753,549</b>



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**EXPLANATORY NOTES**

**25. The Operation of Islamic Banking (continued)**

**25(ii) Unaudited Condensed Income Statement**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended <u>31 March 2005</u> RM'000	Preceding year corresponding quarter ended <u>31 March 2004</u> RM'000	Current financial period ended <u>31 March 2005</u> RM'000	Preceding year corresponding period ended <u>31 March 2004</u> RM'000
Income derived from investment of depositors' funds	54,642	43,635	54,642	43,635
Allowances for losses on financing	(3,859)	(11,062)	(3,859)	(11,062)
Transfer from/(to) profit equalisation reserve	800	(1,743)	800	(1,743)
Total attributable income	51,583	30,830	51,583	30,830
Income attributable to depositors	(24,646)	(20,137)	(24,646)	(20,137)
	26,937	10,693	26,937	10,693
Income derived from investment of head office's funds	4,948	7,274	4,948	7,274
Total net income	31,885	17,967	31,885	17,967
Overhead expenses	(4,602)	(4,222)	(4,602)	(4,222)
Profit before zakat	27,283	13,745	27,283	13,745
Zakat	(1,193)	(1,430)	(1,193)	(1,430)
Profit after zakat	26,090	12,315	26,090	12,315

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**EXPLANATORY NOTES**

**25. The Operation of Islamic Banking (continued)**

**25(iii) Financing, Advances and Other Loans**

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 March 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	178,091	265,238
Term financing		
Housing financing	1,848,643	1,833,464
Hire purchase receivables	1,620,655	1,531,421
Other term financing	1,109,278	1,107,026
Bills receivable	357	-
Trust receipts	3,307	3,374
Claims on customers under acceptance credits	27,778	26,164
Staff financing	40,576	41,169
Revolving credit	117,996	115,951
Other financing	6,278	6,526
	<u>4,952,959</u>	<u>4,930,333</u>
Less: Unearned income	(1,510,847)	(1,483,725)
	<u>3,442,112</u>	<u>3,446,608</u>
Less: Allowance for bad and doubtful financing:		
- General	(57,572)	(57,717)
- Specific	(55,551)	(51,406)
Total net financing, advances and other loans	<u>3,328,989</u>	<u>3,337,485</u>

**(a) Movements in non-performing financing, advances and other loans (including income receivable) are as follows:**

Balance as at 1 January	140,303	100,121
Classified as non-performing during the financial period/year (gross)	44,766	176,190
Reclassified as performing during the financial quarter/year	(28,864)	(84,063)
Amount recovered	(6,201)	(45,469)
Amount written off	(2)	(6,475)
Balance as at 31 March / 31 December	<u>150,002</u>	<u>140,304</u>
Non-performing loans which have no adverse financial impact on the Group	<u>(21,039)</u>	<u>(21,018)</u>
	128,963	119,286
Specific allowance	<u>(55,551)</u>	<u>(51,406)</u>
Net non-performing financing, advances and other loans	<u>73,412</u>	<u>67,880</u>
Ratio of net non-performing financing, advances and other loans to total net financing, advances and other loans	<u>2.6%</u>	<u>2.4%</u>

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**EXPLANATORY NOTES**

**25. The Operation of Islamic Banking (continued)**

**25(iii) Loans, Advances and Financing (continued)**

	<b>Unaudited</b> <b>31 March 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Movements in allowance for bad and doubtful financing are as follows:</b>		
<b><u>General allowance</u></b>		
Balance as at 1 January	57,717	44,271
Allowance (written back)/made during the financial quarter/year	(145)	13,446
Balance as at 31 March / 31 December	57,572	57,717
As % of total financing less specific allowance	1.7%	1.7%
<b><u>Specific allowance</u></b>		
Balance as at 1 January	51,406	31,138
Allowance made during the financial period/year	6,324	27,075
Allowance charged to deferred asset/other assets during the financial quarter/year	31	8,281
Amount written back in respect of recoveries	(2,210)	(8,605)
Recoveries set-off against deferred asset	-	(8)
Amount written off	-	(6,475)
Balance as at 31 March / 31 December	55,551	51,406

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**EXPLANATORY NOTES**

**25. The Operation of Islamic Banking (continued)**

**25(iv) Deposits from customers**

	<b>Unaudited</b> <b>31 March 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-Mudarabah:</u></b>		
Al-Wadiah demand deposits	294,775	264,684
Al-Wadiah savings deposits	118,618	120,817
	<u>413,393</u>	<u>385,501</u>
<b><u>Mudarabah:</u></b>		
Al-Fareed demand deposits	31,663	27,950
Al-Mudarabah savings deposits	26,611	23,069
Total demand and savings deposits	<u>471,667</u>	<u>436,520</u>
<b><u>Mudarabah:</u></b>		
General investment deposits	1,589,759	1,556,945
Special investment deposits	242,343	334,594
Bai Al-Inah HARI	286,529	289,491
Total investment deposits	<u>2,118,631</u>	<u>2,181,030</u>
	<u>2,590,298</u>	<u>2,617,550</u>

**26. Significant events during the financial period ended 31 March 2005**

There were no significant events during the financial quarter ended 31 March 2005.

**27. 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 2005.

**28. 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.

**29. Other Commitments**

	<b>Unaudited</b> <b>31 March 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
- Authorised and contracted for	14,666	139,353
- Authorised but not contracted for	11,045	18,107
	<u>25,711</u>	<u>157,460</u>
Analysed as follows:		
- Property, plant and equipment	<u>25,711</u>	<u>157,460</u>

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**Additional disclosure requirements pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.**

**30. Taxation**

The analysis of the tax expense for the financial period ended 31 March 2005 is as follows:-

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 March 2005 RM'000</b>	<b>Preceding year corresponding quarter ended 31 March 2004 RM'000</b>	<b>Current financial period ended 31 March 2005 RM'000</b>	<b>Preceding year corresponding period ended 31 March 2004 RM'000</b>
Malaysian income tax:				
- Charge for the financial quarter	30,821	32,466	30,821	32,466
- Under-provision in respect of prior period/years	13	527	13	527
	30,834	32,993	30,834	32,993
Transfer to deferred tax asset	(5,929)	(2,272)	(5,929)	(2,272)
	24,905	30,721	24,905	30,721

The Group's effective tax rate for the financial quarter ended 31 March 2005 was higher than the statutory tax rate because certain expenses were not deductible for tax purposes.

**31. Unquoted Investments and Properties**

The proposed disposal of "Oriental Bank Building" as disclosed in our announcement to Bursa Malaysia on 31 May 2004 has been completed on 31 January 2005.

Other than the above, there were no sale of unquoted investments and properties for the financial quarter ended 31 March 2005 other than in the ordinary course of banking business.

**32. Quoted Securities**

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

**33. Status of Corporate Proposals Announced But Not Completed**

There were no corporate proposals announced but not completed for the financial quarter ended 31 March 2005.

**34. 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 September 2004, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A2, which was awarded in July 2003. The bonds bear interest at 5.25% per annum (Tranche 1), 6.00% per annum (Tranche 2) and 6.75% per annum (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually.

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**35. 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 as explained below) and which mature on 21 January 2014.

EBB may, at its option but subject to the prior approval of 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 have been 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 for 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.

**36. Off-Balance Sheet Financial Instruments**

Based on the balance sheet as at 13 May 2005, 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	3,612,605	1,286,609	1,029,472	763,966	532,558	-	-
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 13 May 2005.

**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 13 May 2005, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM14,020,404 (31 December 2004: RM5,017,976).

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**EXPLANATORY NOTES**

**36. Off-Balance Sheet Financial Instruments (continued)**

**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 13 May 2005, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM1,524,529 (31 December 2004: RM8,391,770). 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 applicable to their respective dates of maturity as at balance sheet date, and unrealised gains or losses are recognised in the income statement in 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.

**37. 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 Securities Berhad.

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 13 May 2005 and at the date of this Announcement.

**EON Bank Berhad ('EBB')**

- (1) 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 and punitive damages and interest yet to be quantified.

**Status update**

Trial fixed on 15 to 17 September 2004 has been postponed. No new dates have been fixed yet. The Appeal on the application for striking out the Plaintiff's Statement of Claim fixed for hearing on 3 January 2005 has been vacated and a new date has been fixed on 31 May 2005.

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

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**EXPLANATORY NOTES**

**37. Material Litigation (continued)**

**EON Bank Berhad ('EBB') (continued)**

- (2) A Defence and Counterclaim was filed by the borrower on 1 March 2004 against EBB following EBB's suit against the borrower for total outstanding banking facilities of RM27.3 million. The Defence and Counterclaim was for a sum of RM87.4 million for inter alia, loss of net income as a result of EBB's alleged breach of the terms and conditions of the Facility Agreement dated 21 June 1997.

**Status update**

Hearing of Summary Judgement of EBB's suit, initially fixed on 1 December 2004, was postponed to 24 February 2005 and subsequently again postponed to 27 May 2005.

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

- (3) A Writ of Summons was filed on 25 January 2005 by the Plaintiff against EBB claiming RM50.3 million being General, Aggravated, Exemplary and Special Damages and Interest thereon as a result of EBB wrongfully claiming for an alleged fictitious unsecured claim of RM0.03 million. The property securing the facilities of RM0.19 million granted to a borrower in which the Plaintiff was a partner, was auctioned off and an Adjudicating and Receiving Order (AO & RO) was obtained against the Plaintiff. The Court of Appeal set aside the auction and the High Court set aside the AO & RO as the Court of Appeal and the High Court accepted the Plaintiff's contention that EBB had included a fictitious sum of RM0.03 million in its claim against the Plaintiff. The Plaintiff claims loss and damage for injury to her credit, character and reputation.

**Status update**

The Writ of Summons was served on EBB on 3 February 2005. Memorandum of Appearance was filed on 4 February 2005. Application to strike out the Writ of Summons and Statement of Claim was filed and served on 21 February 2005. At the hearing fixed on 10 March 2005, the application to strike out the suit was withdrawn and solicitors have filed the Statement of Defence.

**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).

- (4) 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 development since the last announcement.



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**EXPLANATORY NOTES**

**37. Material Litigation (continued)**

**Malaysian International Merchant Bankers Berhad ('MIMB')**

(5) A Writ of Summons was filed by MIMB on 17 December 1998 against the borrower and three 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 19 October 2004 for mention has been postponed to 22 November 2004. On that day, the Court fixed 13 June 2005 to 16 June 2005 for trial.

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

**38. Profit Forecast**

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

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

Compared with the immediate preceding financial quarter ended 31 December 2004, the Group's pre-tax profit decreased by RM8.9 million from RM92.2 million to RM83.3 million. This is mainly due to decrease in total net income by RM16.1 million, coupled with higher allowances for losses on loans, advances and financing and impairment losses on securities totalling RM10.1 million. This was partly off-set by a reduction in overhead expenses by RM17.3 million.

**40. Review of performance for the financial quarter/period ended 31 March 2005 against the corresponding financial quarter/period of preceding year**

**Current financial quarter against corresponding financial quarter of preceding year**

For the current financial period ended 31 March 2005, the Group recorded a pre-tax profit of RM83.3 million, a 15% decrease as compared to RM98.1 million in the preceding year's corresponding financial period. The decrease was attributable to lower net interest income of RM14.9 million and higher overhead expenses and impairment losses on securities totalling to RM18.2 million. This was partly off-set by higher net income from Islamic Banking business and non-interest income amounting to RM9.0 million and lower allowances for losses on loans, advances and financing of RM9.3 million.

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**EXPLANATORY NOTES**

**41. Prospects for 2005**

The economic condition in Malaysia is expected to remain strong in 2005. The favourable economic environment is expected to further strengthen the banking industry. The Group will continue to build its presence in the retail and middle market segment. Barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance in 2005.

**42. 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/period ended 31 March 2005 and 31 March 2004 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter, is set out as follows:

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 March 2005</b>	<b>Preceding year corresponding quarter ended 31 March 2004</b>	<b>Current financial period ended 31 March 2005</b>	<b>Preceding year corresponding period ended 31 March 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial quarter (RM'000)	57,220	65,918	57,220	65,918
Weighted average number of ordinary shares in issue during the financial quarter ('000)	693,209	693,209	693,209	693,209
Basic earnings per share (sen) - basic/diluted	8.25	9.51	8.25	9.51

There were no dilutive potential ordinary shares outstanding as at 31 March 2005.