

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2006

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
ASSETS		
Cash and short term funds	4,472,967	3,200,023
Deposits and placements with banks and other financial institutions	353,732	462,646
Held for trading securities	18,399	12,528
Derivative financial instruments	37,771	19,028
Available-for-sale securities	2,325,654	2,424,785
Held-to-maturity securities	1,477,747	1,517,082
Loans, advances and financing	26,295,244	25,925,754
Other assets	747,284	563,031
Statutory deposits with Bank Negara Malaysia	1,002,963	1,001,261
Property, plant and equipment	282,504	279,557
Deferred tax assets	117,699	118,342
Goodwill	137,851	66,497
TOTAL ASSETS	37,269,815	35,590,534
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	24,107,844	23,965,678
Deposits and placements of banks and other financial institutions	5,995,789	4,583,163
Derivative financial instruments	57,258	41,643
Obligations on securities sold under repurchase agreements	722,525	1,201,241
Bills and acceptances payable	1,762,986	1,360,677
Other liabilities	540,544	405,491
Recourse obligation on loans sold to Cagamas Berhad	121,604	129,339
Provision for taxation and zakat	32,559	26,617
Long term borrowings	244,895	244,488
Subordinated obligations	780,804	807,444
TOTAL LIABILITIES	34,366,808	32,765,781
SHARE CAPITAL	693,209	693,209
RESERVES	2,209,798	2,131,544
SHAREHOLDERS' FUNDS	2,903,007	2,824,753
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	37,269,815	35,590,534
COMMITMENTS AND CONTINGENCIES	18,057,651	16,358,255
Net Assets per ordinary share (RM)	4.19	4.07

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2006

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 31 March 2006</u> RM'000	<u>Preceding year corresponding quarter ended 31 March 2005</u> RM'000	<u>Current financial period ended 31 March 2006</u> RM'000	<u>Preceding year corresponding period ended 31 March 2005</u> RM'000
Interest income	419,590	392,722	419,590	392,722
Interest expense	(216,425)	(200,467)	(216,425)	(200,467)
Net interest income	203,165	192,255	203,165	192,255
Net income from Islamic Banking business	35,897	35,744	35,897	35,744
	239,062	227,999	239,062	227,999
Other operating income	63,171	42,235	63,171	42,235
Net income	302,233	270,234	302,233	270,234
Other operating expenses	(131,465)	(129,842)	(131,465)	(129,842)
Operating profit	170,768	140,392	170,768	140,392
Allowances for losses on loans, advances and financing	(58,954)	(48,976)	(58,954)	(48,976)
Impairment losses on securities	(2,923)	(8,098)	(2,923)	(8,098)
Profit before taxation and zakat	108,891	83,318	108,891	83,318
Taxation	(31,847)	(24,905)	(31,847)	(24,905)
Zakat	(1,394)	(1,193)	(1,394)	(1,193)
Net profit for the financial quarter/period	75,650	57,220	75,650	57,220
Earnings per share (sen)				
- Basic	10.91	8.25	10.91	8.25
- Diluted	10.91	8.25	10.91	8.25

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2006

	<u>Issued and Fully paid Ordinary Shares of RM1 each</u>	<u>Share Premium</u>	<u>Statutory Reserve</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>
	Share Capital	Share Premium	Statutory Reserve	Reserve Arising On Consolidation	Cumulative Net Unrealised Gains/(Losses) On Available-For-Sale Securities	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2006 - as restated							
- as previously reported	693,209	1,066,296	473,986	200,897	3,020	387,345	2,824,753
- prior year adjustments (note 2)	-	-	-	(200,897)	-	200,897	-
- as restated	693,209	1,066,296	473,986	-	3,020	588,242	2,824,753
Net profit for the financial period	-	-	-	-	-	75,650	75,650
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	2,604	-	2,604
Balance as at 31 March 2006	693,209	1,066,296	473,986	-	5,624	663,892	2,903,007
Balance as at 1 January 2005 - as restated							
- as previously reported	693,209	1,066,296	401,802	200,897	19,870	219,287	2,601,361
- prior year adjustments (note 2)	-	-	-	(200,897)	-	200,897	-
- as restated	693,209	1,066,296	401,802	-	19,870	420,184	2,601,361
Net profit for the financial period	-	-	-	-	-	57,220	57,220
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	(5,526)	-	(5,526)
Balance as at 31 March 2005	693,209	1,066,296	401,802	-	14,344	477,404	2,653,055

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2006

	Current financial quarter ended 31 March 2006	Preceding year corresponding quarter ended 31 March 2005
	RM'000	RM'000
Cash Flow from Operating Activities		
Net profit for the financial quarter	75,650	57,220
Adjustments for investing and financing items not involving movement of cash and cash equivalents	133,145	100,577
Operating profit before working capital changes	208,795	157,797
Increase in operating assets	(574,031)	(1,291,716)
Increase in operating liabilities	1,558,977	376,669
Cash used in operating activities	1,193,741	(757,250)
Zakat paid	(5,820)	(2,600)
Income tax paid	(23,436)	(35,977)
Net cash generated from/(used in) operating activities	1,164,485	(795,827)
Cash Flow from Investing Activities		
Proceeds from sale of available-for-sales and held-to-maturity securities, net of purchases	118,353	(320,166)
Purchase of property, plant and equipment	(13,467)	(149,038)
Proceeds from disposal of property, plant and equipment	234	36,102
Interest received from available-for-sales and held-to-maturity securities	47,740	60,023
Net dividends received	240	54
Acquisition of subsidiary companies (Note 27)	(26,237)	-
Net cash generated from/(used in) investing activities	126,863	(373,025)
Cash Flow from Financing Activities		
Net interest received from interest rate related derivatives	4,481	2,962
Interest paid on subordinated obligations	(22,885)	(22,978)
Net cash used in financing activities	(18,404)	(20,016)
Net increase/(decrease) in cash and cash equivalents	1,272,944	(1,188,868)
Cash and cash equivalents		
- as at beginning of the financial quarter	3,200,023	3,639,250
- as at end of the financial quarter	4,472,967	2,450,382

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<p>Disclosure requirements pursuant to Malaysian Accounting Standards Board's (MASB) Standard No. FRS134 (Interim Financial Reporting) and Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8).</p>

1. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard, FRS134₂₀₀₄ - Interim Financial Reporting, Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised 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 2005.

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 for the financial year ended 31 December 2005, except for those disclosed in Note 2 of these explanatory notes.

2. Changes in Accounting Policies

The new and revised FRS issued by MASB which are applicable to the Group and have resulted in a change in accounting policies effective from 1 January 2006 are FRS 3 – Business Combination and FRS 136 – Impairment of Assets.

FRS 3 requires goodwill acquired in business combinations to be measured at cost less accumulated impairment losses. Goodwill is no longer amortised but is subject to impairment test to be conducted annually as required under FRS 136. The accumulated amortisation of goodwill arising from business combination before 1 January 2006 is netted off against gross goodwill and there is no impact on the shareholders' funds of the Group.

FRS 3 also requires negative goodwill/reserve arising from consolidation, which represents the excess of fair value of the net identifiable assets acquired over the cost of acquisition, to be recognised immediately in the income statement. The adoption of this accounting policy has resulted in the Group's reserve arising from consolidation in respect of business combination effected prior to 1 January 2006 being adjusted against the opening balance of the Group's retained earnings and there is no impact on the shareholders' funds of the Group.

The change in accounting policies arising from adoption of FRS 3 and FRS 136 has been accounted for prospectively. The discontinuation of amortisation of goodwill has resulted in an increase in profit before tax of the Group of RM938,000 for the financial quarter ended 31 March 2006. No impairment loss on goodwill has been recommended for the financial quarter ended 31 March 2006.

Apart from the above, the other revised and new FRS issued by MASB, which are applicable to the Group and are operative from 1 January 2006, have not resulted in any significant changes to the accounting policies of the Group.

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.

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5. Items Affecting Net Income and Cash Flow

Other than the acquisition of SimeSecurities Sdn Bhd and its subsidiary companies as disclosed in Note 27, 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 2006.

6. Changes in Estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group for the financial quarter ended 31 March 2006.

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 2006.

8. Dividends Paid During the Current Financial Quarter

There were no interim dividends paid or declared during the financial quarter ended 31 March 2006.

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EXPLANATORY NOTES

9. Segment reporting

(a) Segment revenue and segment results

<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
<u>Current financial quarter ended 31 March 2006</u>						
Gross operating revenue ⁽¹⁾	124,873	283,880	64,980	72,826	2,139	548,698
Less: Inter-segment revenue ⁽²⁾	(173)	(322)	-	(638)	-	(1,133)
	<u>124,700</u>	<u>283,558</u>	<u>64,980</u>	<u>72,188</u>	<u>2,139</u>	<u>547,565</u>
Segment results	26,004	46,262	11,395	28,212	62	111,935
Unallocated costs						<u>(3,044)</u>
Profit before taxation and zakat						108,891
Taxation and zakat						<u>(33,241)</u>
Net profit for the financial quarter ended 31 March 2006						<u>75,650</u>
<u>Preceding year corresponding quarter ended 31 March 2005</u>						
Gross operating revenue ⁽¹⁾	115,098	271,791	60,761	45,650	2,677	495,977
Less: Inter-segment revenue ⁽²⁾	(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						<u>(4,220)</u>
Profit before taxation and zakat						83,318
Taxation and zakat						<u>(26,098)</u>
Net profit for the financial quarter ended 31 March 2005						<u>57,220</u>

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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
<u>As at 31 March 2006</u>						
Segment assets	8,429,708	17,226,132	4,638,442	6,035,984	172,735	36,503,001
Unallocated assets						766,814
Total assets						<u>37,269,815</u>
<u>As at 31 December 2005</u>						
Segment assets	8,492,816	16,989,984	4,312,536	5,075,870	89,771	34,960,977
Unallocated assets						629,557
Total assets						<u>35,590,534</u>

⁽¹⁾Gross operating revenue comprise gross interest income received from loans, advances and financing (net of interest/income suspended), financial investments (net of accretion of discount less amortisation of premium) and inter-bank placements and deposits, realised gains or losses from financial investments, 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.

10. Held for Trading Securities

	<u>Unaudited 31 March 2006</u> RM'000	<u>Audited 31 December 2005</u> RM'000
Malaysian Government securities	4,999	-
Quoted equity securities in Malaysia	8,420	7,526
Bankers acceptances and Islamic accepted bills	-	-
Private and Islamic debt securities	4,980	5,002
	<u>18,399</u>	<u>12,528</u>

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11. Available-for-sale Securities

	Unaudited	Audited
	31 March 2006	31 December 2005
	RM'000	RM'000
Available-for-sale securities, at fair value		
Bank Negara Notes	200,362	249,286
Malaysian Government treasury bills	72,741	19,992
Malaysian Government securities	1,093,879	1,103,977
Cagamas bonds	312,750	448,005
Quoted equity securities in Malaysia	31,045	24,578
Quoted private debt securities	2,738	2,251
Private and Islamic debt securities	542,128	497,404
Commercial papers	22,838	46,672
Islamic commercial papers	42,721	28,759
	<u>2,321,202</u>	<u>2,420,924</u>
Available-for-sale securities, at cost		
Unquoted equity securities in Malaysia	7,666	7,075
Allowance for impairment	(3,214)	(3,214)
	<u>4,452</u>	<u>3,861</u>
	<u>2,325,654</u>	<u>2,424,785</u>

12. Held-to-maturity Securities

	Unaudited	Audited
	31 March 2006	31 December 2005
	RM'000	RM'000
Held-to-maturity securities, at amortised cost		
Cagamas Mudharabah bonds	35,380	35,380
Khazanah bonds	1,222	1,212
Private and Islamic debt securities	664,804	672,014
Islamic commercial papers (Murabahah Notes Issuance Facility)	-	11,000
Credit link notes denominated in USD	184,165	188,975
Callable range accrual notes denominated in USD	629,844	646,294
	<u>1,515,415</u>	<u>1,554,875</u>
Held-to-maturity securities, at cost		
Unquoted equity securities in Malaysia	17,557	17,557
	<u>1,532,972</u>	<u>1,572,432</u>
Allowance for impairment	(55,225)	(55,350)
	<u>1,477,747</u>	<u>1,517,082</u>

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13. Loans, Advances and Financing

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
Overdrafts	2,395,002	2,325,974
Term loans/financing:		
Housing loans/financing	5,649,917	5,526,004
Syndicated term loan/financing	412,693	308,345
Hire purchase receivables	12,710,458	12,417,469
Lease receivables	70	2,265
Other term loans/financing	4,794,572	4,878,189
Bills receivable	5,647	5,549
Trust receipts	172,114	174,824
Claims on customers under acceptance credits	1,914,342	1,881,473
Staff loans/financing	214,380	217,821
Credit cards	783,969	756,137
Revolving credit	1,198,061	1,342,882
Other loans/financing	72,018	45,696
	<u>30,323,243</u>	<u>29,882,628</u>
Less: Unearned interest and income	(3,046,566)	(3,003,501)
Gross loans, advances and financing	<u>27,276,677</u>	<u>26,879,127</u>
Less: Allowances for bad and doubtful debts and financing:		
- General	(400,444)	(394,821)
- Specific	(580,989)	(558,552)
Total net loans, advances and financing	<u><u>26,295,244</u></u>	<u><u>25,925,754</u></u>

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

Domestic non-bank financial institutions (of which: Stockbroking companies)	284,540	281,453
Domestic business enterprises (of which: Small and medium enterprises)	9,429,771	9,300,254
Government and statutory bodies	34,067	35,238
Individuals	17,485,231	17,220,058
Other domestic entities	8,140	8,198
Foreign entities	34,928	33,926
Gross loans, advances and financing	<u>27,276,677</u>	<u>26,879,127</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
(ii) The loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:		
Fixed rate	14,447,705	14,099,651
(of which: (i) Housing loans/financing	1,911,264	1,857,523
(ii) Hire purchase receivables)	10,881,822	10,661,980
Variable rate	12,828,972	12,779,476
(of which: (i) Base lending rate plus	8,665,392	8,696,964
(ii) Cost plus)	3,318,087	3,127,909
 Gross loans, advances and financing	 <u>27,276,677</u>	 <u>26,879,127</u>
(iii) The loans, advances and financing analysed by their economic sectors are as follows:		
Agriculture, hunting, forestry and fishing	238,283	274,194
Mining and quarrying	34,581	35,237
Manufacturing	2,377,934	2,355,575
Electricity, gas and water	204,252	104,571
Construction	1,771,899	1,665,334
(of which: Infrastructure)	126,887	117,254
Real estate	617,326	618,515
Purchase of landed property	6,352,049	6,248,374
(of which: (i) Residential	5,059,665	4,930,292
(ii) Non-residential)	1,292,384	1,318,082
Wholesale and retail trade and restaurants and hotels	2,079,859	2,149,183
Transport, storage and communication	566,995	553,484
Finance, insurance and business services	689,134	639,320
Purchase of securities	581,481	666,180
Purchase of transport vehicles	9,981,052	9,760,553
Consumption credit	1,475,424	1,493,021
Others	306,408	315,586
Gross loans, advances and financing	<u>27,276,677</u>	<u>26,879,127</u>

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13. Loans, Advances and Financing (continued)

	Unaudited	Audited
	31 March 2006	31 December 2005
	RM'000	RM'000
(iv) Movements in non-performing loans, advances and financing are as follows:		
Balance as at 1 January	2,136,520	1,573,028
Classified as non-performing during the financial quarter/year	1,200,710	1,935,810
Reclassified as performing during the financial quarter/year	(1,040,045)	(750,132)
Loans/financing converted to securities	-	(365)
Amount recovered	(165,564)	(383,998)
Amount written off	(40,938)	(237,823)
Balance as at 31 December	<u>2,090,683</u>	<u>2,136,520</u>
Non-performing loans, advances and financing which have no adverse financial impact on the Group	<u>(284,479)</u>	<u>(294,388)</u>
	1,806,204	1,842,132
Specific allowance	<u>(484,234)</u>	<u>(458,880)</u>
Net non-performing loans, advances and financing	<u>1,321,970</u>	<u>1,383,252</u>
As % of total loans, advances and financing, net of specific allowance	<u>5.0%</u>	<u>5.3%</u>
(v) The non-performing loans, advances and financing analysed by their economic sectors are as follows:		
Agriculture, hunting, forestry and fishing	4,930	5,014
Mining and quarrying	280	4,099
Manufacturing	261,506	261,968
Electricity, gas and water	367	102
Construction	242,163	236,766
(of which: (i) Infrastructure)	<u>33,118</u>	<u>13,906</u>
Real estate	79,678	73,698
Purchase of landed property	806,851	841,995
(of which: (i) Residential	<u>578,066</u>	<u>592,036</u>
(ii) Non-residential)	<u>228,785</u>	<u>249,959</u>
Wholesale and retail trade and restaurants and hotels	117,601	112,215
Transport, storage and communication	24,995	27,049
Finance, insurance and business services	67,331	58,688
Purchase of securities	62,305	72,939
Purchase of transport vehicles	305,380	312,159
Consumption credit	93,338	94,056
Others	23,958	35,772
	<u>2,090,683</u>	<u>2,136,520</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
(vi) Movements in allowances for bad and doubtful debts and financing:		
General allowance		
Balance as at 1 January	394,821	408,350
Allowance made/(written back) during the financial quarter/year	5,623	(13,529)
Balance as at 31 March / 31 December	<u>400,444</u>	<u>394,821</u>
As % of gross loans, advances and financing, net of specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
Balance as at 1 January	558,552	561,931
Allowance made during the financial quarter/year	87,099	360,727
Allowance charged to deferred asset/other assets during the financial quarter/year	770	10,649
Amount recovered	(23,818)	(109,892)
Recoveries set-off against deferred asset	(677)	(26,675)
Amount transferred to allowance for impairment of securities	-	(365)
Amount written off	(40,937)	(237,823)
Balance as at 31 March / 31 December	<u>580,989</u>	<u>558,552</u>

14. Other Assets

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
Trade receivables, net of allowances for bad and doubtful debts of RM3,968,000 (31.12.2005: RM3,965,000)	20,732	13,890
Interest/income receivable	47,759	49,032
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM6,901,000 (31.12.2005: RM6,874,000)	268,539	67,839
Initial payment for acquisition of subsidiary companies	-	4,976
Tax recoverable	22,550	22,364
Deferred asset account	365,557	382,220
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	22,147	22,710
	<u>747,284</u>	<u>563,031</u>

15. 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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16. Deposits from Customers

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
Demand deposits	2,197,936	2,372,991
Savings deposits	2,222,361	2,143,456
Fixed/investment deposits	19,271,247	18,948,431
Negotiable instruments of deposit	416,300	500,800
	<u>24,107,844</u>	<u>23,965,678</u>
 (i) The maturity structure of fixed/investment deposits and negotiable instruments of deposit are as follows:		
One year or less	19,479,998	19,241,902
More than one year	207,549	207,329
	<u>19,687,547</u>	<u>19,449,231</u>
 (ii) The deposits are sourced from the following types of customers:		
Government and statutory bodies	3,152,199	2,889,073
Business enterprises	8,962,244	9,827,144
Individuals	10,727,576	10,432,138
Others	1,265,825	817,323
	<u>24,107,844</u>	<u>23,965,678</u>

17. Deposits and Placements of Banks and Other Financial Institutions

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
Licensed banks	898,196	256,437
Licensed finance companies	1,389	453
Licensed merchant banks	150,126	60,043
Bank Negara Malaysia	1,453,466	1,453,007
Other financial institutions	3,492,612	2,813,223
	<u>5,995,789</u>	<u>4,583,163</u>
 (i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:		
One year or less	4,531,011	3,118,661
More than one year	1,464,778	1,464,502
	<u>5,995,789</u>	<u>4,583,163</u>

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18. Derivative Financial Instruments

The fair values of derivative financial instruments recognised on balance sheet are as follows:

	Unaudited 31 March 2006 RM'000	Audited 31 December 2005 RM'000
Derivatives at fair value through profit and loss:		
- Interest rate swaps	19,040	11,302
- Foreign currency forwards	18,731	7,726
Total derivative financial instruments - assets	37,771	19,028
Derivatives at fair value through profit and loss:		
- Foreign currency forwards	20,545	7,095
- Forward sale contracts on equity securities	351	-
Derivatives designated as fair value hedges:		
- Interest rate swaps	36,362	34,548
Total derivative financial instruments - liabilities	57,258	41,643

19. Other Liabilities

	Unaudited 31 March 2006 RM'000	Audited 31 December 2005 RM'000
Trade payable	14,839	9,421
Other liabilities	319,724	194,625
Interest/dividend payable	193,880	191,788
Profit equalisation reserves	12,101	9,657
	540,544	405,491

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20. Interest Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006 RM'000	Preceding year corresponding quarter ended 31 March 2005 RM'000	Current financial period ended 31 March 2006 RM'000	Preceding year corresponding financial period ended 31 March 2005 RM'000
Loans and advances				
- Interest income other than recoveries	363,916	334,408	363,916	334,408
- Recoveries from non-performing loans, advances and financing	14,387	9,721	14,387	9,721
Money at call and deposit placements with financial institutions	37,052	20,469	37,052	20,469
Held for trading securities	3,511	5,121	3,511	5,121
Available-for-sale securities	27,329	28,962	27,329	28,962
Held-to-maturity securities	9,517	17,056	9,517	17,056
Others	62	172	62	172
	455,774	415,909	455,774	415,909
Amortisation of premium less accretion of discount	(7,414)	(11,782)	(7,414)	(11,782)
Interest suspended	(28,770)	(11,405)	(28,770)	(11,405)
Total interest income	419,590	392,722	419,590	392,722

21. Interest Expense

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006 RM'000	Preceding year corresponding quarter ended 31 March 2005 RM'000	Current financial period ended 31 March 2006 RM'000	Preceding year corresponding financial period ended 31 March 2005 RM'000
Deposits and placements of banks and other financial institutions	39,769	26,855	39,769	26,855
Deposits from customers	158,707	153,260	158,707	153,260
Loans sold to Cagamas Berhad	1,070	2,668	1,070	2,668
Subordinated obligations	11,866	12,103	11,866	12,103
Long term borrowings	4,438	5,205	4,438	5,205
Others	575	376	575	376
	216,425	200,467	216,425	200,467

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22. Other Operating Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006 RM'000	Preceding year corresponding quarter ended 31 March 2005 RM'000	Current financial period ended 31 March 2006 RM'000	Preceding year corresponding financial period ended 31 March 2005 RM'000
Fee and commission income:				
- Commission	8,390	7,447	8,390	7,447
- Service charges and fees	27,681	17,271	27,681	17,271
- Guarantee fees	2,788	2,937	2,788	2,937
- Advisory and arrangement fees	2,114	2,960	2,114	3,638
- Underwriting commission	962	1,461	962	783
- Brokerage	1,622	2,005	1,622	2,005
Net gains arising from sale of securities:				
- Held for trading securities	160	559	160	559
- Available-for-sale securities	578	3,912	578	3,912
Gains on redemption of held-to-maturity securities	-	1,008	-	1,008
Dividend income				
- Available-for-sale securities	255	73	255	73
Net unrealised gains/(losses) on fair value changes on held for trading securities	876	(2,279)	876	(2,279)
Net unrealised gains/(losses) on fair value changes on derivative held at fair value through profit and loss				
- interest rate derivatives	7,738	-	7,738	-
- foreign currency forwards	(2,445)	-	(2,445)	-
- equity forwards	(351)	-	(351)	-
Net unrealised gains on fair value changes between the subordinated debts and interest rate derivatives designated as fair value hedges	4,948	-	4,948	-
Net gains from foreign exchange translations	4,757	2,006	4,757	2,006
Other income/(expenditure):				
- Rental income from premises	650	539	650	539
- Gain on disposal of property, plant and equipment	30	394	30	394
- Other operating income	2,081	1,773	2,081	1,773
- Other non-operating income	366	301	366	301
- Allowances made in respect of other bad and doubtful debts	(29)	(132)	(29)	(132)
	63,171	42,235	63,171	42,235

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23. Other Operating Expenses

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006 RM'000	Preceding year corresponding quarter ended 31 March 2005 RM'000	Current financial period ended 31 March 2006 RM'000	Preceding year corresponding financial period ended 31 March 2005 RM'000
Personnel expenses	66,348	60,666	66,348	60,666
Promotion and marketing related expenses	13,705	15,158	13,705	15,158
Establishment related expenses	27,399	28,403	27,399	28,403
General administrative expenses	24,013	25,615	24,013	25,615
	131,465	129,842	131,465	129,842
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	54,377	49,310	54,377	49,310
Defined contribution plan	9,133	8,208	9,133	8,208
Other employee benefits	2,838	3,148	2,838	3,148
	66,348	60,666	66,348	60,666
(ii) Promotion and marketing related expenses comprise the following:				
Hire-purchase handling fees and commissions	11,896	11,922	11,896	11,922
Others	1,809	3,236	1,809	3,236
	13,705	15,158	13,705	15,158
(iii) Establishment related expenses comprise the following:				
Depreciation of property, plant and equipment	10,045	10,175	10,045	10,175
Repair and maintenance	5,311	6,031	5,311	6,031
Rental of premises	3,713	5,811	3,713	5,811
Hire of equipment	870	1,206	870	1,206
Others	7,460	5,180	7,460	5,180
	27,399	28,403	27,399	28,403

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23. Other Operating Expenses (continued)

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006 RM'000	Preceding year corresponding quarter ended 31 March 2005 RM'000	Current financial period ended 31 March 2006 RM'000	Preceding year corresponding financial period ended 31 March 2005 RM'000
(iv) General administrative expenses comprise the following:				
Communication costs	4,826	4,633	4,826	4,633
Printing and stationeries	3,040	2,653	3,040	2,653
Loss on disposal of property, plant and equipment	121	6,013	121	6,013
Amortisation of goodwill	-	705	-	705
Legal and other professional charges	6,662	4,774	6,662	4,774
Others	9,364	6,837	9,364	6,837
	24,013	25,615	24,013	25,615

24. Allowances for Losses on Loans, Advances and Financing

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006 RM'000	Preceding year corresponding quarter ended 31 March 2005 RM'000	Current financial period ended 31 March 2006 RM'000	Preceding year corresponding financial period ended 31 March 2005 RM'000
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	87,099	66,771	87,099	66,771
- Written back	(23,817)	(18,782)	(23,817)	(18,782)
(b) General allowance:				
- Made	5,623	7,639	5,623	7,639
Bad debts and financing:				
- Recovered	(9,951)	(6,715)	(9,951)	(6,715)
- Written off	-	63	-	63
	58,954	48,976	58,954	48,976

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25. 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 2006			31 December 2005		
	Principal amount	Credit equivalent amount*	Risk weight amount	Principal amount	Credit equivalent amount*	Risk weight amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	358,663	358,663	358,663	329,386	329,386	329,386
Certain transaction-related contingent items	757,360	378,680	378,680	757,860	378,930	378,930
Short term self-liquidating trade-related contingencies	140,600	28,120	28,120	148,980	29,796	29,796
Assets sold with recourse and commitments with certain drawdown	474,000	474,000	449,903	474,000	474,000	444,886
Obligations under underwriting agreements	508,000	254,000	44,875	474,000	237,000	29,625
Irrevocable commitments to extend credit :						
- maturity more than one year	1,929,800	964,900	666,130	1,860,019	930,010	615,700
- maturity less than one year	7,469,600	-	-	7,093,110	-	-
Foreign exchange related contracts						
- maturity less than one year	3,934,506	61,059	71,547	2,660,485	44,944	34,837
Interest rate related contracts						
- maturity more than one year	2,287,329	45,746	10,623	2,347,070	70,412	16,350
Others	197,793	-	-	213,345	-	-
	18,057,651	2,565,168	2,008,541	16,358,255	2,494,478	1,879,510

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

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26. Capital Adequacy

The capital adequacy ratios of the Group are analysed as follows:

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
The components of Tier 1 and Tier II Capital are as follows:		
Tier 1 Capital:		
Paid-up share capital	693,209	693,209
Share premium	1,066,296	1,066,296
Retained profits	588,242	387,345
Other reserves	473,986	674,883
	2,821,733	2,821,733
Less: Goodwill	(137,851)	(66,497)
Deferred tax assets	(121,399)	(121,399)
Total Tier 1 Capital	2,562,483	2,633,837
Tier II Capital:		
Subordinated obligations	780,804	807,444
General allowance for bad and doubtful debts and financing	400,444	394,821
Total Tier II Capital	1,181,248	1,202,265
Total Capital base	3,743,731	3,836,102
Capital ratios:		
Core capital ratio	9.11%	9.48%
Risk-weighted capital ratio	13.31%	13.81%

The above capital adequacy ratio calculations are based on the guidelines issued by Bank Negara Malaysia to the banking institutions. Although the Company is not subject to the above guidelines, disclosure of the capital adequacy ratios is made on a voluntary basis.

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27. Acquisition of subsidiary companies

On 22 February 2006, SimeSecurities Securities Sdn Bhd and its subsidiary companies became wholly-owned subsidiary companies of the Group, via EONCAP Securities Sdn Bhd, the wholly-owned stockbroking subsidiary of the Group. The acquisition of subsidiary companies was settled via cash consideration.

Details of net assets acquired, goodwill arising on consolidation and cash flow arising from the acquisition are as follows:

	<u>At date of acquisition</u> RM'000
Available-for-sale securities	7,453
Receivables	737
Cash and short term funds	4,692
Payables and accruals	(1,209)
Short term borrowings	(50,621)
Deferred tax liabilities	(1,477)
	<hr/>
Net liabilities acquired at the date of acquisition	(40,425)
Goodwill arising on consolidation	71,354
	<hr/>
Total purchase consideration discharged by cash (inclusive of incidental costs incurred)	30,929
Less : Cash and cash equivalents in subsidiary companies acquired	(4,692)
	<hr/>
Net cash outflow on acquisition of subsidiary companies	<u>26,237</u>

The financial results of SimeSecurities Sdn Bhd in the period between the date of acquisition and the balance sheet date were not significant to the Group.

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28. 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	
As at 31 March 2006									
Assets									
Cash and short-term funds	4,316,249	-	20,000	-	-	136,718	-	4,472,967	3.23
Deposits and placements with financial institutions	-	100,000	253,732	-	-	-	-	353,732	3.45
Held for trading securities	-	-	-	-	-	-	18,399	18,399	2.77
Derivative financial instruments	-	-	-	-	-	37,771	-	37,771	-
Available-for-sale securities	10,068	245,686	407,610	1,544,833	79,223	38,234	-	2,325,654	3.79
Held-to-maturity securities	-	-	850,232	462,625	147,333	17,557	-	1,477,747	5.97
Loans, advances and financing									
- performing	11,066,209	405,456	592,165	5,076,751	8,034,766	10,587	-	25,185,934	6.81
- non-performing	-	-	-	-	-	^1,109,310	-	1,109,310	-
Other assets ⁽¹⁾	7,800	-	-	-	-	2,280,501	-	2,288,301	7.00
Total assets	15,400,326	751,142	2,123,739	7,084,209	8,261,322	3,630,678	18,399	37,269,815	

^ The amount represents non-performing loans, net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

Note:

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

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EXPLANATORY NOTES

28. Interest/Profit Rate Risk (continued)

	← Non-trading book →						Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 31 March 2006 (continued)									
Liabilities									
Deposits from customers	10,356,360	4,786,308	6,559,691	207,549	-	2,197,936	-	24,107,844	2.92
Deposits and placements of banks and other financial institutions	1,862,252	1,260,203	1,364,210	9,116	1,400,000	100,008	-	5,995,789	3.80
Derivative financial instruments	-	-	-	-	-	57,258	-	57,258	-
Obligations on securities sold under repurchase agreements	722,525	-	-	-	-	-	-	722,525	3.03
Bills and acceptances payable	-	-	-	-	-	1,762,986	-	1,762,986	-
Other liabilities ⁽²⁾	6,587	-	-	-	-	566,516	-	573,103	2.80
Recourse obligation on loans sold to Cagamas Berhad	-	-	99,458	-	-	22,146	-	121,604	4.22
Subordinated obligations	-	-	-	855,000	-	¹⁽ⁱⁱ⁾ (74,196)	-	780,804	5.38
Long term borrowings	-	-	-	250,000	-	¹⁽ⁱ⁾ (5,105)	-	244,895	6.45
Total liabilities²	12,947,724	6,046,511	8,023,359	1,321,665	1,400,000	4,627,549	-	34,366,808	
Shareholders' Funds	-	-	-	-	-	2,903,007	-	2,903,007	
Total Liabilities and Shareholders' Funds	12,947,724	6,046,511	8,023,359	1,321,665	1,400,000	7,530,556	-	37,269,815	
On-balance sheet interest sensitivity gap	2,452,602	(5,295,369)	(5,899,620)	5,762,544	6,861,322				
Off-balance sheet interest sensitivity gap	-	(1)	1	-	-				
Total interest sensitivity gap	2,452,602	(5,295,370)	(5,899,619)	5,762,544	6,861,322				

Note:

(1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.

(2) Other liabilities include clients and brokers balances, remisier deposits and provision for taxation and zakat.

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28. 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	
As at 31 December 2005									
Assets									
Cash and short-term funds	3,063,438	-	-	-	-	136,585	-	3,200,023	3.48
Deposits and placements									
with financial institutions	-	349,261	113,385	-	-	-	-	462,646	3.14
Held for trading securities	-	-	-	-	-	-	12,528	12,528	2.56
Derivative financial instruments	-	-	-	-	-	19,028	-	19,028	-
Available-for-sale securities	179,927	273,153	113,319	1,743,397	84,299	30,690	-	2,424,785	4.18
Held-to-maturity securities	846,270	45,000	-	479,828	128,427	17,557	-	1,517,082	2.36
Loans, advances and financing									
- performing	11,038,768	450,265	460,163	5,069,217	7,713,451	10,677	-	24,742,541	6.73
- non-performing	-	-	-	-	-	^1,183,213	-	1,183,213	-
Other assets ⁽¹⁾	8,332	-	-	-	-	2,020,356	-	2,028,688	7.03
Total assets	15,136,735	1,117,679	686,867	7,292,442	7,926,177	3,418,106	12,528	35,590,534	

^ The amount represents non-performing loans, net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

Note:

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

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28. 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				
As at 31 December 2005 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	10,436,583	4,326,155	6,622,620	207,329	-	2,372,991	-	23,965,678	2.77
Deposits and placements of banks and other financial institutions	931,432	870,767	1,273,662	9,058	1,400,000	98,244	-	4,583,163	3.79
Derivative financial instruments	-	-	-	-	-	41,643	-	41,643	-
Obligations on securities sold under repurchase agreements	1,201,241	-	-	-	-	-	-	1,201,241	2.95
Bills and acceptances payable	-	-	-	-	-	1,360,677	-	1,360,677	-
Other liabilities ⁽²⁾	6,495	-	-	-	-	425,613	-	432,108	2.80
Recourse obligation on loans sold to Cagamas Berhad	-	-	106,629	-	-	22,710	-	129,339	4.22
Subordinated obligations	-	-	-	855,000	-	¹⁽ⁱⁱ⁾ (47,556)	-	807,444	5.38
Long term borrowings	-	-	-	250,000	-	¹⁽ⁱ⁾ (5,512)	-	244,488	6.45
Total liabilities²	12,575,751	5,196,922	8,002,911	1,321,387	1,400,000	4,268,810	-	32,765,781	
Shareholders' Funds	-	-	-	-	-	2,824,753	-	2,824,753	
Total Liabilities and Shareholders' Funds	12,575,751	5,196,922	8,002,911	1,321,387	1,400,000	7,093,563	-	35,590,534	
On-balance sheet interest sensitivity gap	2,560,984	(4,079,243)	(7,316,044)	5,971,055	6,526,177				
Off-balance sheet interest sensitivity gap	(1,000)	-	1,000	-	-				
Total interest sensitivity gap	2,559,984	(4,079,243)	(7,315,044)	5,971,055	6,526,177				

Note:

- (1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.
- (2) Other liabilities include clients and brokers balances, remisier deposits and provision for taxation and zakat.

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EXPLANATORY NOTES

29. The Operation of Islamic Banking

29(i) Unaudited Condensed Balance Sheet

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
ASSETS		
Cash and short term funds	156,791	220,401
Deposits and placements with financial institutions	3,146	-
Available-for-sale securities	200,362	99,334
Held-to-maturity securities	52,193	52,253
Financing, advances and other loans (Note 29(iii))	3,978,036	3,765,793
Other assets	73,282	7,416
Statutory deposits with Bank Negara Malaysia	145,542	137,843
Property, plant and equipment	1,257	1,316
TOTAL ASSETS	4,610,609	4,284,356
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers (Note 29(iv))	3,074,314	2,985,396
Deposits and placements of banks and other financial institutions	954,446	746,115
Bills and acceptances payable	1,373	6,806
Provision for zakat	4,164	8,590
Other liabilities	51,781	34,073
TOTAL LIABILITIES	4,086,078	3,780,980
ISLAMIC BANKING CAPITAL FUNDS		
Islamic banking funds	310,035	310,035
Reserves	214,496	193,341
TOTAL ISLAMIC BANKING CAPITAL FUNDS	524,531	503,376
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	4,610,609	4,284,356
COMMITMENTS AND CONTINGENCIES	1,127,722	1,093,274

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EXPLANATORY NOTES

29. The Operation of Islamic Banking (continued)

29(ii) Unaudited Condensed Income Statement

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 31 March 2006 RM'000</u>	<u>Preceding year corresponding quarter ended 31 March 2005 RM'000</u>	<u>Current financial period ended 31 March 2006 RM'000</u>	<u>Preceding financial period ended 31 March 2005 RM'000</u>
Income derived from investment of depositors' funds	59,200	54,642	59,200	54,642
Allowances for losses on financing	(8,320)	(3,859)	(8,320)	(3,859)
Transfer (to)/from profit equalisation reserve	(2,444)	800	(2,444)	800
Total attributable income	48,436	51,583	48,436	51,583
Income attributable to depositors	(26,639)	(24,646)	(26,639)	(24,646)
	21,797	29,937	21,797	29,937
Income derived from investment of head office's funds	5,780	4,948	5,780	4,948
Total net income	27,577	31,885	27,577	31,885
Other operating expenses	(5,081)	(4,602)	(5,081)	(4,602)
Profit before zakat	22,496	27,283	22,496	27,283
Zakat	(1,394)	(1,193)	(1,394)	(1,193)
Profit after zakat	21,102	26,090	21,102	26,090

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29. The Operation of Islamic Banking (continued)

29(iii) Financing, Advances and Other Loans

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
Overdrafts	253,266	168,430
Term financing		
Housing financing	1,865,276	1,860,814
Hire purchase receivables	2,097,690	1,992,907
Other term financing	1,147,918	1,140,651
Trust receipts	3,619	2,398
Claims on customers under acceptance credits	68,950	65,869
Staff financing	40,466	40,697
Revolving credit	161,599	134,585
Other financing	5,467	5,434
	5,644,251	5,411,785
Less: Unearned income	(1,549,456)	(1,533,289)
	4,094,795	3,878,496
Less: Allowances for bad and doubtful financing:		
- General	(60,579)	(57,347)
- Specific	(56,180)	(55,356)
Total net financing, advances and other loans	3,978,036	3,765,793
 (a) Movements in non-performing financing, advances and other loans are as follows:		
Balance as at 1 January	281,559	140,303
Classified as non-performing during the financial quarter/year	204,753	309,367
Reclassified as performing during the financial quarter/year	(190,214)	(120,108)
Amount recovered	(31,663)	(32,705)
Amount written off	(4,623)	(15,298)
Balance as at 31 March/31 December	259,812	281,559
Non-performing financing which have no adverse financial impact on the Group	(19,858)	(20,143)
	239,954	261,416
Specific allowance	(43,175)	(42,116)
Net non-performing financing, advances and other loans	196,779	219,300
As % of total financing, advances and other loans, net of specific allowance	4.9%	5.8%

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29. The Operation of Islamic Banking (continued)

29(iii) Financing, Advances and Other Loans (continued)

	Unaudited 31 March 2006 RM'000	Audited 31 December 2005 RM'000
(b) Movements in allowances for bad and doubtful financing are as follows:		
<u>General allowance</u>		
Balance as at 1 January	57,347	57,717
Allowance made during the financial quarter/year	3,232	(370)
Balance as at 31 March / 31 December	60,579	57,347
As % of total financing, net of specific allowance	1.5%	1.5%
<u>Specific allowance</u>		
Balance as at 1 January	55,356	51,406
Allowance made during the financial quarter/year	8,311	30,799
Allowance charged to deferred asset/other assets during the financial quarter/year	34	156
Amount recovered	(2,898)	(11,292)
Recoveries set-off against deferred asset	-	(414)
Amount written off	(4,623)	(15,299)
Balance as at 31 March / 31 December	56,180	55,356

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29. The Operation of Islamic Banking (continued)

29(iv) Deposits from Customers

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
<u>Non-Mudarabah:</u>		
Al-Wadiah demand deposits	384,552	425,570
Al-Wadiah savings deposits	126,028	120,941
	510,580	546,511
<u>Mudarabah:</u>		
Al-Fareed demand deposits	30,558	34,080
Al-Mudarabah savings deposits	33,696	32,055
Total demand and savings deposits	574,834	612,646
<u>Mudarabah:</u>		
General investment deposits	2,234,728	2,107,434
Special investment deposits	-	-
Bai Al-Inah HARI	264,752	265,316
Total investment deposits	2,499,480	2,372,750
Total deposits from customers	3,074,314	2,985,396

30. Significant Events During the Financial Quarter ended 31 March 2006

- i) On 22 February 2006, EONCAP Securities Sdn Bhd, the stockbroking subsidiary of the Group, has completed the acquisition of the entire issued and paid-up share capital of SimeSecurities Sdn Bhd for a cash consideration of RM24,840,803. The salient terms and conditions of the acquisition are disclosed on EON Capital Berhad's announcement to Bursa Malaysia Securities Berhad on 28 October 2005.
- ii) EON Bank Berhad, a wholly-owned banking and finance subsidiary of EON Capital Berhad, has set up an Islamic Banking subsidiary to carry out Islamic Banking business upon meeting all pre-licensing conditions. The Islamic Banking subsidiary, EONCAP Islamic Bank Berhad is a wholly-owned subsidiary of EBB. For further details, please refer to Note 32 and 37 and the disclosure made in EON Capital Berhad's announcement to Bursa Malaysia Securities Berhad on 20 March 2006.

Other than the above, there were no significant events during the financial quarter ended 31 March 2006 that have not been disclosed in these condensed financial statements.

31. Changes in the Composition of the Group

On 22 February 2006, upon completion of the share sale agreement, SimeSecurities Sdn Bhd and its subsidiary companies, became wholly-owned subsidiaries of the Group, via EONCAP Securities Sdn Bhd. On 24 April 2006, SimeSecurities Sdn Bhd ceased business and changed its name to SSSB Jaya (1987) Sdn Bhd with effect from 3 May 2006. Its dealer's licence was surrendered to Bursa Malaysia on 8 May 2006.

Other than the above, there were no significant changes in the composition of the Group during the financial quarter ended 31 March 2006 that have not been disclosed in these condensed financial statements.

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32. Significant Event Subsequent to the Balance Sheet Date

On 1 April 2006, upon completion of the Business Transfer as stated in Note 37, EONCAP Islamic Bank Berhad commenced business as an Islamic Banking subsidiary of the Group.

On 24 April 2006, SimeSecurities Sdn Bhd ceased business and changed its name to SSSB Jaya (1987) Sdn Bhd with effect from 3 May 2006. Its dealer's licence was surrendered to Bursa Malaysia on 8 May 2006.

Other than the above, there were no other significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.

33. Other Commitments

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
- Authorised and contracted for	9,265	48,494
- Authorised but not contracted for	12,490	12,598
	<u>21,755</u>	<u>61,092</u>
Analysed as follows:		
- Property, plant and equipment	21,755	34,727
- Acquisition of a subsidiary company	-	26,365
	<u>21,755</u>	<u>61,092</u>

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

34. Taxation

The analysis of the tax expense for the financial quarter ended 31 March 2006 is as follows:-

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006	Preceding year corresponding quarter ended 31 March 2005	Current financial period ended 31 March 2006	Preceding year corresponding financial period ended 31 March 2005
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Charge for the financial quarter	33,693	30,821	33,693	30,821
- Under provision in respect of prior years	-	13	-	13
	33,693	30,834	33,693	30,834
Transfer to deferred tax asset	(1,846)	(5,929)	(1,846)	(5,929)
	31,847	24,905	31,847	24,905

The Group's effective tax rate for the financial quarter ended 31 March 2006 was higher than the statutory tax rate because certain expenses were not deductible for tax purposes.

35. Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the financial quarter ended 31 March 2006 other than in the ordinary course of banking business.

36. Quoted Securities

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

37. Status of Corporate Proposals Announced But Not Completed

EON Bank Berhad ("EBB"), a wholly-owned banking and finance subsidiary of EON Capital Berhad, has set up an Islamic Banking subsidiary to carry out Islamic Banking business upon meeting all pre-licensing conditions. The Islamic Banking subsidiary, EONCAP Islamic Bank Berhad ("EIBB"), is a wholly-owned subsidiary of EBB.

The High Court of Malaya has, on 20 March 2006, granted a vesting order for the transfer of Islamic Banking business from EBB to EIBB ("Business Transfer"). The effective date of the Business Transfer is 1 April 2006. Pursuant to Section 3(4) of the Islamic Banking Act, 1983, an Islamic Banking licence will be issued to EIBB once all pre-licensing conditions have been satisfactorily met.

As at 20 March 2006, the necessary pre-requisite approvals for the Business Transfer have been obtained from Bank Negara Malaysia and Foreign Investment Committee. EBB and EIBB have entered into a Business Transfer Agreement to execute the said Business Transfer.

Status

The Business Transfer has been completed on 1 April 2006 and EIBB commenced business as an Islamic Banking subsidiary effective from this date.

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38. Long Term Borrowings

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
Secured fixed rate bonds, at par	250,000	250,000
Less: Unamortised discounts	(5,105)	(5,512)
	244,895	244,488

The secured fixed rate bonds comprise of three tranches of RM50 million (Tranche 1 which has been fully redeemed on 12 December 2005), RM100 million (Tranche 2 maturing on 12 December 2007) and RM150 million (Tranche 3 maturing on 12 December 2009). In December 2005, 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.

39. Subordinated Obligations

	Unaudited 31 March 2006	Audited 31 December 2005
	RM'000	RM'000
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	(40,582)	(34,758)
Foreign exchange translations	(25,992)	(4,533)
	788,426	815,709
Less: Unamortised discounts	(7,622)	(8,265)
	780,804	807,444

On 21 January 2004, EON Bank Berhad ('EBB') the banking and finance subsidiary company issued USD225 million (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). The Notes will mature on 21 January 2014 and are listed on the Luxembourg Stock Exchange. In March 2005, Moody's Investors Service Limited has reaffirmed the rating of the Notes of Baa3. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

The Bank 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 the Bank decide not to exercise its call option on the fifth (5) year from the Issue Date, the coupon rate will be revised to be equivalent to 3.95% above the US Treasury Rate per annum from the beginning of the sixth (6) year to the final maturity date.

The 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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40. Derivative Financial Instruments

Based on the balance sheet as at 17 May 2006, 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	4,322,302	1,449,033	1,308,271	1,515,251	49,747	-	-
Interest rate related contracts - Interest rate swaps	2,221,007	-	1,416,294	-	-	804,713	-

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 17 May 2006.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 17 May 2006, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM16,661,186 (31 December 2005: RM14,248,215).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 17 May 2006, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM51,567,131 (31 December 2005: RM7,567,814). 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 currency forward contracts represent commitments to purchase or sell fixed amount of currency, including undelivered spot transactions. These 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

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal amount. The fair values of these contracts are determined by the discounting the estimated net cash flows at zero coupon yield at each reporting date. 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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41. 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 17 May 2006 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 sub-divide 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 14 October 2005 has been vacated. Hearing was fixed on 14 March 2006 but due to the short notice given by the Court, solicitors requested for a postponement. New date has been fixed on 17 October 2006.

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

- (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 several times and the last date fixed on 27 June 2005 has been again postponed to 14 October 2005. Pre-trial case management on the counterclaim fixed on 17 November 2005 has been postponed to a further date for the mention pending the disposal of the Summary Judgement hearing, which was fixed on 23 March 2006 and postponed to 16 June 2006.

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.

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41. Material Litigation (continued)

EON Bank Berhad ('EBB') (continued)

(3) 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.

The Plaintiff has filed an application for Interlocutory Judgement against EBB for wrongful sale of the Plaintiff's property resulting from the Court of Appeal setting aside the auction and also for assessment of damages. The hearing fixed on 23 August 2005 has been postponed to 5 September 2005. On that day, the Senior Assistant Registrar directed parties to file in the Written Submissions and fixed 7 October 2005 for mention. The Court has fixed 27 October 2005 for a decision on this application. On that day, the Senior Assistant Registrar granted Order in Terms in favour of the Plaintiff's application with costs. Our solicitors filed an appeal to the Judge in Chambers on 31 October 2005. Hearing of Notice of Appeal has been fixed on 20 January 2006 and at this hearing, the Court ordered parties to file written submissions on or before 3 March 2006. Matter fixed for mention on 5 April 2006 has been fixed for decision on 8 May 2006. This has been postponed to 27 July 2006.

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

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.

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. Trial dates have been vacated and Court has fixed 28 July 2005 for mention pending the borrower obtaining a sanction letter from the Official Liquidator to proceed with the counterclaim against EBB as borrower has been wound up. Case Management fixed on 15 March 2006 has been postponed to 14 June 2006.

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

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42. Profit Forecast

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

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

Compared with the immediate preceding financial quarter ended 31 December 2005, the Group's pre-tax profit increased by RM15.6 million from RM93.3 million to RM108.9 million. This was mainly attributable to the increase in net interest income by 7.6% or RM14.3 million and a reduction in other operating expenses by 27.2% or RM49.1 million. However, the improvement in pre-tax profit was partly offset by an increase in allowances for losses on loans, advances and financing of RM25.9 million and a reduction in other operating income of RM17.2 million.

44. Review of performance for the financial quarter ended 31 March 2006 against the corresponding financial quarter of preceding year

Current financial quarter against corresponding financial quarter of preceding year

For the current financial quarter ended 31 March 2006, the Group recorded a pre-tax profit of RM108.9 million, a 30.7% increase as compared to RM83.3 million achieved in the preceding year's corresponding quarter. The growth was mainly attributable to an increase in other operating income and net interest income including net income from Islamic Banking business by RM20.9 million and RM11.1 million respectively. The increase was partly offset by higher allowances for losses on loans, advances and financing amounting to RM10.0 million.

45. Prospects for 2006

The economic environment in Malaysia is expected to remain favourable and the financial services industry is expected to remain keenly competitive in 2006. The Group will continue to build its presence in the retail and middle market segment and barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance in 2006.

46. 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 2006 and 31 March 2005 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter, are set out as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2006	Preceding year corresponding quarter ended 31 March 2005	Current financial period ended 31 March 2006	Preceding year corresponding financial period ended 31 March 2005
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial quarter	75,650	57,220	75,650	57,220
Weighted average number of ordinary shares in issue during the financial quarter	693,209	693,209	693,209	693,209
Basic earnings per share (sen)				
- basic/diluted	10.91	8.25	10.91	8.25

There were no dilutive potential ordinary shares outstanding as at 31 March 2006.