

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Note	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
ASSETS			
Cash and short-term funds		5,547,918	3,080,304
Deposits and placements with banks and other financial institutions		623,841	736,907
Held-for-trading securities	10	7,418	115,124
Derivative financial instruments	18	10,004	8,919
Available-for-sale securities	11	3,713,112	3,347,272
Held-to-maturity securities	12	592,300	2,332,762
Loans, advances and financing	13	28,232,794	27,214,001
Other assets	14	805,133	802,654
Statutory deposits with Bank Negara Malaysia		1,065,182	1,070,382
Deferred tax assets		153,134	111,189
Property, plant and equipment		272,598	279,221
Goodwill		96,448	137,925
TOTAL ASSETS		41,119,882	39,236,660
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	16	26,912,672	25,903,412
Deposits and placements of banks and other financial institutions	17	7,665,129	7,061,255
Derivative financial instruments	18	19,970	26,873
Obligations on securities sold under repurchase agreements		-	129,328
Bills and acceptances payable		1,563,019	1,339,930
Other liabilities	19	904,042	713,538
Provision for taxation and zakat		44,640	44,914
Deferred tax liabilities		-	2,550
Subordinated obligations	38	726,135	761,372
Borrowings	39	147,864	256,114
TOTAL LIABILITIES		37,983,471	36,239,286
SHARE CAPITAL		693,209	693,209
RESERVES		2,443,202	2,304,165
SHAREHOLDERS' FUNDS		3,136,411	2,997,374
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		41,119,882	39,236,660
COMMITMENTS AND CONTINGENCIES	25	20,578,668	18,195,150
NET ASSETS PER ORDINARY SHARE (RM)		4.52	4.32

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER/YEAR ENDED 31 DECEMBER 2007

	Note	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
		<u>Current financial quarter ended 31 December 2007</u>	<u>Preceding year corresponding quarter ended 31 December 2006</u>	<u>Current financial year ended 31 December 2007</u>	<u>Preceding year ended 31 December 2006</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	20	469,404	490,005	1,946,658	1,825,395
Interest expense	21	(256,418)	(283,815)	(1,072,486)	(993,538)
Net interest income		212,986	206,190	874,172	831,857
Net income from Islamic Banking business	29	45,375	34,188	164,788	142,224
		258,361	240,378	1,038,960	974,081
Other operating income	22	95,421	90,378	328,286	271,118
Net income		353,782	330,756	1,367,246	1,245,199
Other operating expenses	23	(192,896)	(127,226)	(614,330)	(532,517)
Net operating profit		160,886	203,530	752,916	712,682
Allowances for losses on loans, advances and financing	24	(31,874)	(99,084)	(319,603)	(305,388)
Impairment losses on securities		(790)	(82,502)	(105,942)	(88,373)
Profit before taxaton and before adjustment on goodwill		128,222	21,944	327,371	318,921
Reduction in the carrying amount of goodwill arising from recognition of deferred tax assets on unutilised tax losses transferred from a subsidiary subsequent to its acquisition ^(a)		(40,000)	-	(40,000)	-
Profit before taxation and zakat		88,222	21,944	287,371	318,921
Taxation:					
- Tax expense		(47,677)	(18,341)	(100,484)	(100,342)
- Recognition of deferred tax assets on unutilised tax losses transferred from a subsidiary subsequent to its acquisition ^(a)		40,000	-	40,000	-
Tax expense for the financial quarter/y	34	(7,677)	(18,341)	(60,484)	(100,342)
Zakat		(1,161)	(2,389)	(4,305)	(6,102)
Net profit for the financial quarter/year		<u>79,384</u>	<u>1,214</u>	<u>222,582</u>	<u>212,477</u>
Earnings per share (sen)					
- Basic	46	11.45	0.18	32.11	30.65
- Diluted	46	11.45	0.18	32.11	30.65

Note (a) - The Group has applied paragraph 65 of FRS 3 Business Combination to account for the tax effects on the unutilised tax losses transferred from a subsidiary, pursuant to the tax incentives granted under the Investment Bank Guidelines jointly issued by Bank Negara Malaysia and Securities Commission. Refer note 34 for further explanation.

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Issued and fully paid ordinary shares of RM1 each						
	Share capital						
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2007	693,209	1,066,296	532,032	(2,367)	45,389	662,815	2,997,374
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	(4,945)	-	(4,945)
Cash flow hedge reserve, net of tax - discontinued	-	-	-	2,367	-	-	2,367
Income and expenses recognised directly in equity	-	-	-	2,367	(4,945)	-	(2,578)
Net profit for the financial year	-	-	-	-	-	222,582	222,582
Total recognised income and expenses for the financial year	-	-	-	2,367	(4,945)	222,582	220,004
Transfer to statutory reserve	-	-	60,134	-	-	(60,134)	-
Dividend in respect of financial year ended 31 December 2006	-	-	-	-	-	(80,967)	(80,967)
Balance as at 31 December 2007	693,209	1,066,296	592,166	-	40,444	744,296	3,136,411
Balance as at 1 January 2006	693,209	1,066,296	473,986	-	3,020	588,242	2,824,753
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	42,369	-	42,369
Cash flow hedge reserve, net of tax	-	-	-	(2,367)	-	-	(2,367)
Income and expenses recognised directly in equity	-	-	-	(2,367)	42,369	-	40,002
Net profit for the financial year	-	-	-	-	-	212,477	212,477
Total recognised income and expenses for the financial year	-	-	-	(2,367)	42,369	212,477	252,479
Transfer to statutory reserve	-	-	58,046	-	-	(58,046)	-
Dividend in respect of financial year ended 31 December 2005	-	-	-	-	-	(79,858)	(79,858)
Balance as at 31 December 2006	693,209	1,066,296	532,032	(2,367)	45,389	662,815	2,997,374

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Current financial year ended 31 December 2007 RM'000	Preceding year corresponding year ended 31 December 2006 RM'000
Cash Flows From Operating Activities		
Net profit for the financial year	222,582	212,477
Adjustments for investing and financing items not involving movement of cash and cash equivalents	510,795	438,992
Operating profit before working capital changes	733,377	651,469
Increase in operating assets	(1,285,689)	(2,397,485)
Increase in operating liabilities	1,912,376	3,513,765
Cash generated from operations	1,360,064	1,767,749
Zakat paid	(5,573)	(10,662)
Income tax paid	(106,617)	(81,202)
Income tax refund	6,693	-
Net cash generated from operating activities	1,254,567	1,675,885
Cash Flows From Investing Activities		
Proceeds from sale of available-for-sale and held-to-maturity securities, net of purchases	1,294,339	(1,720,841)
Purchase of property, plant and equipment	(35,945)	(43,937)
Proceeds from disposal of property, plant and equipment	3,476	1,175
Acquisition of subsidiary companies (note 27)	-	(26,311)
Interest received from available-for-sales and held-to-maturity securities	200,433	164,415
Net dividends received	2,790	1,985
Net cash generated from/(used in) investing activities	1,465,093	(1,623,514)
Cash Flows From Financing Activities		
Repayment of short term borrowings	(10,000)	(50,621)
Redemption of long term borrowings	(100,000)	(15,857)
Interest paid on long term borrowings	(16,125)	-
Net interest paid/(received) for interest rate related derivatives	(2,364)	19,854
Interest paid on subordinated obligations	(42,590)	(45,608)
Net dividend paid	(80,967)	(79,858)
Net cash used in financing activities	(252,046)	(172,090)
Net increase/(decrease) in cash and cash equivalents	2,467,614	(119,719)
Cash and cash equivalents:		
- as at beginning of the financial year	3,080,304	3,200,023
- as at end of the financial year	5,547,918	3,080,304

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Disclosure requirements pursuant to Malaysian Accounting Standards Board's (MASB) Standard No. FRS 134 (Interim Financial Reporting) and Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8).

1. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard, FRS134 - 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 2006.

The accounting policies, accounting estimates 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 2006, except for those disclosed in Note 2 and Note 6 of these explanatory notes.

2. Changes in Accounting Policies

The revised FRS issued by MASB which are applicable to the Group and have resulted in a change in accounting policies effective from 1 January 2007 are FRS 117 - Leases and FRS 124 - Related Party Disclosures.

Under the revised FRS 117, the cost of acquiring leasehold land should be accounted for as operating lease and classified as pre-paid lease payments if the risks and rewards are not fully transferred to the acquirer. The lease payments should be amortised over the year of the lease term in accordance with the patterns of benefits provided.

The revision to FRS 117 has resulted in a reclassification of the cost of acquiring leasehold land of the Group from property, plant and equipment to prepaid lease payments, which are included under "Other assets". The change in accounting policy has been applied retrospectively, and the comparative financial information has been restated to conform to the new policy. There is no material impact on the financial results and financial position of the Group as the cost of acquiring leasehold has already been amortised over the lease term prior to the adoption of this standard.

The revised FRS 124 is a disclosure standard. The standard further clarify and expand the definition of related parties to include entities which are under the significant influence of a related party that is an individual (i.e key management personnel, significant shareholders and/or their close family members) and post employment benefits plan. The adoption of revised FRS 124 does not have any financial impact on the financial results and position of the Group for the financial quarter/year ended 31 December 2007.

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/year ended 31 December 2007.

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6. Changes in Estimates

With effect from 1 January 2007, the Group revised its policy on specific allowances for losses on loans, advances and financing whereby specific allowance will be made when repayments are in arrears for more than 3 months. This revised policy is more prudent than the current policy prescribed under Bank Negara Malaysia Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts" (BNM/GP3). The change in accounting estimates has been accounted for prospectively in accordance with FRS108 – Accounting Policies, Change in Accounting Estimates and Errors and has the effect of decreasing the Group's net profit for the current financial quarter and current financial year by RM4,682,349 and RM20,586,349 respectively.

Other than the above, there were no significant changes in estimates arising from prior financial year that have a material effect on the financial results and position of the Group for the financial quarter/year ended 31 December 2007.

7. Issuance and Repayments

Tranche II of the secured fixed rate bonds (classified under long term borrowings) of RM100.0 million has been fully redeemed on 12 December 2007 as disclosed in Note 39 of these explanatory notes.

Other than the above, there were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter/year ended 31 December 2007.

8. Dividends Paid During the Current Financial Quarter

There were no interim dividends paid or declared in respect of financial year ended 31 December 2007 during the financial quarter ended 31 December 2007.

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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>Total</u> RM'000
<u>Current financial quarter ended 31 December 2007</u>					
Gross operating revenue ⁽¹⁾	145,911	308,227	82,150	129,164	665,452
Less: Inter-segment revenue ⁽²⁾	(5,451)	(9,779)	-	(5,934)	(21,164)
	<u>140,460</u>	<u>298,448</u>	<u>82,150</u>	<u>123,230</u>	<u>644,288</u>
Segment results	29,828	(3,272)	7,292	56,129	89,977
Unallocated costs					<u>(1,755)</u>
Profit before taxation and zakat					88,222
Taxation and zakat					<u>(8,838)</u>
Net profit for the financial quarter ended 31 December 2007					<u><u>79,384</u></u>
<u>Preceding year corresponding quarter ended 31 December 2006</u>					
Gross operating revenue ⁽¹⁾	141,269	294,545	71,828	146,227	653,869
Less: Inter-segment revenue ⁽²⁾	(280)	(221)	-	(166)	(667)
	<u>140,989</u>	<u>294,324</u>	<u>71,828</u>	<u>146,061</u>	<u>653,202</u>
Segment results	(61,405)	19,293	2,110	64,756	24,754
Unallocated costs					<u>(2,810)</u>
Profit before taxation and zakat					21,944
Taxation and zakat					<u>(20,730)</u>
Net profit for the financial quarter ended 31 December 2006					<u><u>1,214</u></u>

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9. Segment reporting (continued)

(a) Segment revenue and segment results (continued)

<u>Group</u>	<u>Enterprise Banking</u>	<u>Retail Banking</u>	<u>Islamic Banking</u>	<u>Treasury and Investment Banking</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Current financial year ended 31 December 2007</u>					
Gross operating revenue ⁽¹⁾	577,035	1,221,149	308,497	533,803	2,640,484
Less: Inter-segment revenue ⁽²⁾	<u>(17,253)</u>	<u>(34,013)</u>	-	<u>(10,653)</u>	<u>(61,919)</u>
	<u>559,782</u>	<u>1,187,136</u>	<u>308,497</u>	<u>523,150</u>	<u>2,578,565</u>
Segment results	(10,168)	126,317	43,572	139,821	299,542
Unallocated costs					<u>(12,171)</u>
Profit before taxation and zakat					287,371
Taxation and zakat					<u>(64,789)</u>
Net profit for the financial year ended 31 December 2007					<u>222,582</u>
<u>Preceding year corresponding year ended 31 December 2006</u>					
Gross operating revenue ⁽¹⁾	526,669	1,153,656	273,856	418,383	2,372,564
Less: Inter-segment revenue ⁽²⁾	<u>(823)</u>	<u>(1,160)</u>	-	<u>(1,552)</u>	<u>(3,535)</u>
	<u>525,846</u>	<u>1,152,496</u>	<u>273,856</u>	<u>416,831</u>	<u>2,369,029</u>
Segment results	8,264	105,548	37,355	179,018	330,185
Unallocated costs					<u>(11,264)</u>
Profit before taxation and zakat					318,921
Taxation and zakat					<u>(106,444)</u>
Net profit for the financial year ended 31 December 2006					<u>212,477</u>

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9. Segment reporting (continued)

(b) Segment assets

<u>Group</u>	<u>Enterprise Banking</u>	<u>Retail Banking</u>	<u>Islamic Banking</u>	<u>Treasury and Investment Banking⁽³⁾</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
As at					
<u>31 December 2007</u>					
Segment assets	8,807,916	16,615,842	6,091,382	8,648,276	40,163,416
Unallocated assets					956,466
Total assets					<u>41,119,882</u>
As at					
<u>31 December 2006</u>					
Segment assets	8,069,236	17,298,605	5,123,598	7,924,336	38,415,775
Unallocated assets					820,885
Total assets					<u>39,236,660</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.

⁽³⁾On 30 December 2006, the stockbroking business was merged with the investment bank to form the investment banking business unit pursuant to the Guidelines on Investment Banks jointly issued by Bank Negara Malaysia and Securities Commission. With effect from 1 January 2007, the segment results and segment assets of the stockbroking business are reported under the Treasury and Investment Banking segment. The comparative financial information has been restated to reflect such changes.

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

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EXPLANATORY NOTES

10. Held for Trading Securities

	Audited 31 December 2007	Audited 31 December 2006
	RM'000	RM'000
Malaysian Government investment issues	-	105,105
Quoted equity securities in Malaysia	2,500	5,100
Private debt securities	4,918	4,919
	7,418	115,124

11. Available-for-sale Securities

	Audited 31 December 2007	Audited 31 December 2006
	RM'000	RM'000
Available-for-sale securities, at fair value		
Bank Negara Malaysia monetary notes	224,803	-
Bank Negara Malaysia negotiable notes	-	144,530
Malaysian Government investment issues	266,479	73,496
Malaysian Government treasury bills	-	49,668
Malaysian Government Islamic treasury bills	98,486	19,862
Malaysian Government securities	751,980	1,017,349
Sukuk Bank Negara Malaysia Ijarah	154,872	278,249
Cagamas bonds	10,002	45,007
Quoted equity securities in Malaysia	29,873	33,883
Quoted private debt securities	4,891	3,406
Private and Islamic debt securities	1,029,081	931,573
Negotiable instruments of deposit	1,100,239	700,018
Islamic negotiable instruments debt securities	29,809	-
Commercial papers	5,973	1,991
Islamic commercial papers	42,328	43,931
	3,748,816	3,342,963
Allowance for impairment	(39,960)	-
	3,708,856	3,342,963
Available-for-sale securities, at cost		
Unquoted equity securities in Malaysia	6,666	6,666
Unquoted equity securities outside Malaysia	804	857
Allowance for impairment	(3,214)	(3,214)
	4,256	4,309
	3,713,112	3,347,272

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12. Held-to-maturity Securities

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
Held-to-maturity securities, at amortised cost		
Cagamas Mudharabah bonds	-	35,380
Private and Islamic debt securities	595,407	758,149
Credit link notes denominated in USD	165,475	176,375
Callable range accrual notes denominated in USD	-	603,203
Structured notes denominated in USD	-	875,730
	<u>760,882</u>	<u>2,448,837</u>
Held-to-maturity securities, at cost		
Unquoted equity securities in Malaysia	17,557	17,557
	778,439	2,466,394
Allowance for impairment	(186,139)	(133,632)
	<u>592,300</u>	<u>2,332,762</u>

13. Loans, Advances and Financing

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
Overdrafts/Cash line	2,556,306	2,461,601
Term loans/financing:		
Housing loans/financing	6,731,117	6,179,096
Syndicated term loans/financing	840,929	682,703
Hire purchase receivables	11,395,887	12,499,780
Lease receivables	1	26
Other term loans/financing	6,044,665	5,036,967
Bills receivable	18,282	9,246
Trust receipts	193,272	185,707
Claims on customers under acceptance credit/financing	2,702,920	2,238,836
Staff loans/financing	189,149	206,849
Credit cards	1,010,161	920,547
Revolving credit/financing	979,581	1,017,346
Other loans/financing	29,226	41,235
	<u>32,691,496</u>	<u>31,479,939</u>
Less: Unearned interest and income	(3,384,574)	(3,250,962)
Gross loans, advances and financing	29,306,922	28,228,977
Less: Allowances for bad and doubtful debts and financing:		
- Specific	(644,214)	(600,660)
- General	(429,914)	(414,316)
Total net loans, advances and financing	<u>28,232,794</u>	<u>27,214,001</u>

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EXPLANATORY NOTES

13. Loans, Advances and Financing (continued)

	Audited 31 December 2007	Audited 31 December 2006
	RM'000	RM'000
(i) The loans, advances and financing are disbursed to the following type of customers:		
Domestic non-bank financial institutions	146,679	207,536
(of which: Stockbroking companies)	-	-
Domestic business enterprises	11,522,192	10,108,832
(of which: Small and medium enterprises)	5,675,611	4,909,492
Government and statutory bodies	26,563	24,712
Individuals	17,523,083	17,813,827
Other domestic entities	23,638	23,505
Foreign entities	64,767	50,565
Gross loans, advances and financing	<u>29,306,922</u>	<u>28,228,977</u>
(ii) The loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:		
Fixed rate	13,286,982	14,299,700
(of which: (i) Housing loans/financing	1,613,251	1,963,620
(ii) Hire purchase receivables)	9,774,017	10,686,473
Variable rate	16,019,940	13,929,277
(of which: (i) Base lending rate plus	10,251,554	9,345,111
(ii) Cost plus)	4,679,927	3,601,456
Gross loans, advances and financing	<u>29,306,922</u>	<u>28,228,977</u>
(iii) The loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture, hunting, forestry and fishing	365,394	369,696
Mining and quarrying	253,821	34,050
Manufacturing	3,044,900	2,655,771
Electricity, gas and water	198,042	72,224
Construction	2,354,005	2,085,370
(of which: Infrastructure)	98,449	240,304
Real estate	1,230,511	757,317
Purchase of landed property	6,449,311	6,144,073
(of which: (i) Residential	5,722,250	5,427,356
(ii) Non-residential)	727,061	716,717
Wholesale and retail trade and restaurants and hotels	2,480,382	2,419,212
Transport, storage and communication	500,385	593,476
Finance, insurance and business services	635,829	711,738
Purchase of securities	387,541	308,802
Purchase of transport vehicles	8,835,004	9,723,835
Consumption credit	1,933,525	1,686,399
Others	638,272	667,014
Gross loans, advances and financing	<u>29,306,922</u>	<u>28,228,977</u>

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13. Loans, Advances and Financing (continued)

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
(iv) Movements in non-performing loans, advances and financing are as follows:		
Balance as at 1 January	1,909,258	2,136,520
Classified as non-performing during the financial year	4,493,429	4,726,703
Reclassified as performing during the financial year	(3,592,005)	(3,914,767)
Amount recovered	(584,449)	(651,665)
Amount written off	(374,566)	(387,533)
Loans/financings converted to securities	(4,224)	-
Balance as at 31 December	<u>1,847,443</u>	<u>1,909,258</u>
 Non-performing loans, advances and financing which have no adverse financial impact on the Group	 <u>(142,030)</u>	 <u>(223,999)</u>
	1,705,413	1,685,259
Specific allowance	<u>(518,322)</u>	<u>(449,079)</u>
Net non-performing loans, advances and financing	<u>1,187,091</u>	<u>1,236,180</u>
As % of total loans, advances and financing, net of specific allowance	<u>4.2%</u>	<u>4.5%</u>
 (v) The non-performing loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture, hunting, forestry and fishing	15,313	15,950
Mining and quarrying	42	235
Manufacturing	229,043	175,270
Electricity, gas and water	204	504
Construction	305,094	223,060
(of which: (i) Infrastructure)	<u>52,926</u>	<u>7,709</u>
Real estate	61,543	70,435
Purchase of landed property	595,354	669,459
(of which: (i) Residential	<u>523,526</u>	<u>586,141</u>
(ii) Non-residential)	<u>71,828</u>	<u>83,318</u>
Wholesale and retail trade and restaurants and hotels	194,127	197,271
Transport, storage and communication	20,665	32,440
Finance, insurance and business services	40,044	40,799
Purchase of securities	21,150	27,328
Purchase of transport vehicles	207,316	261,632
Consumption credit	84,970	89,151
Others	72,578	105,724
	<u>1,847,443</u>	<u>1,909,258</u>

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13. Loans, Advances and Financing (continued)

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
(vi) Movements in allowances for bad and doubtful debts and financing:		
General allowance		
Balance as at 1 January	414,316	394,842
Allowance made during the financial year	15,598	19,474
Balance as at 31 December	<u>429,914</u>	<u>414,316</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	600,660	558,552
Allowance made during the financial year	567,550	445,674
Allowance charged to deferred asset/other assets during the financial year	33,068	93,324
Amount written back in respect of recoveries/reclassification	(168,356)	(103,893)
Recoveries set-off against deferred asset	(10,300)	(5,463)
Amount written off	(374,565)	(387,534)
Amount transferred to allowance for impairment on securities	(3,843)	-
Balance as at 31 December	<u>644,214</u>	<u>600,660</u>

14. Other Assets

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
Trade receivable, net of allowances for bad and doubtful debts and interest in suspense of RM4,054,000(2006: RM4,090,000) and RM1,063,000 (2006: 713,000)	32,652	16,827
Interest/income receivable	67,526	82,792
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM4,814,300 (31.12.2006: RM5,592,500)	460,103	383,183
Deferred asset account	209,348	283,854
Tax recoverable	20,205	20,110
Prepaid lease payments	746	882
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	14,553	15,006
	<u>805,133</u>	<u>802,654</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

	Audited 31 December 2007	Audited 31 December 2006
	RM'000	RM'000
Demand deposits	3,701,484	2,899,738
Savings deposits	2,595,213	2,234,923
Fixed/investment deposits	19,256,141	20,768,751
Money market deposits	1,359,734	-
Negotiable Islamic debt certificates	100	-
	26,912,672	25,903,412
 (i) The maturity structure of fixed/investment deposits, negotiable certificates of deposit/Islamic debt certificates and money market deposits is as follows:		
One year or less	19,729,191	19,964,918
More than one year	886,784	803,833
	20,615,975	20,768,751
 (ii) The deposits are sourced from the following type of customers:		
Government and statutory bodies	3,483,703	3,891,185
Business enterprises	10,777,968	10,167,724
Individuals	11,869,783	11,005,139
Others	781,218	839,364
	26,912,672	25,903,412

17. Deposits and Placements of Banks and Other Financial Institutions

	Audited 31 December 2007	Audited 31 December 2006
	RM'000	RM'000
Licensed banks	1,891,716	1,270,083
Licensed Islamic banks	55,000	-
Licensed investment banks	14	99,691
Bank Negara Malaysia	1,943,405	1,468,402
Other financial institutions	3,774,994	4,223,079
	7,665,129	7,061,255
 (i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:		
One year or less	5,555,801	5,144,738
More than one year	2,109,328	1,916,517
	7,665,129	7,061,255
 Included in the above are negotiable certificates of deposit/ Islamic debt certificates issued by the Group	 1,309,253	 700,000

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18. Derivative Financial Instruments

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

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
Derivatives at fair value through profit and loss:		
- Interest rate swaps	10,004	8,578
- Foreign currency forwards	-	341
Total derivative financial instruments - assets	10,004	8,919
Derivatives at fair value through profit and loss:		
- Interest rate swaps	7,120	-
- Foreign currency forwards	12,850	1,481
Derivatives designated as fair value hedge:		
- Interest rate swaps (note (a))	-	22,104
Derivatives designated as cash flow hedge:		
- Interest rate swaps (note (b))	-	3,288
Total derivative financial instruments - liabilities	19,970	26,873

The Group has discontinued with the hedge accounting prospectively for:

- (a) the fair value hedge between the fixed rate subordinated obligations and interest rate swaps as the hedge no longer meets the hedge effectiveness criteria mentioned in the Group's accounting policies. From the date of discontinuation of fair value hedge accounting, the Group no longer recognised the fair value adjustment on the fixed rate subordinated obligations, while all changes in fair value of interest rate swaps that were designated for fair value hedge have been recognised in the income statement. The cumulative fair value adjustments to the carrying amount of the fixed rate subordinated obligations that was recognised previously (as disclosed in Note 38) will be amortised to the income statement over the remaining maturity of the fixed rate subordinated obligations using the recalculated effective interest rate.
- (b) the cash flow hedge between the highly probable forecasted USD funding liabilities and interest rate swaps as the forecasted transactions is no longer expected to occur in the future and the interest rate swaps has been terminated. All cumulative changes in fair values of the interest rate swaps that had been recognised directly in cash flow hedge reserve when the hedge was effective have been transferred from equity to income statement during the financial year.

19. Other Liabilities

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
Trade payable	21,568	13,196
Other liabilities	645,257	390,469
Interest/profit payable	234,960	298,437
Profit equalisation reserves	2,257	11,436
	904,042	713,538

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20. Interest Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2007 RM'000	Preceding year corresponding quarter ended 31 December 2006 RM'000	Current financial year ended 31 December 2007 RM'000	Preceding year ended 31 December 2006 RM'000
Loans and advances				
- Interest income other than recoveries	377,460	376,308	1,506,836	1,456,321
- Recoveries from non-performing loans, advances and financing	14,036	11,178	52,431	50,299
Money at call and deposit placements with financial institutions	48,368	62,165	218,377	202,554
Held for trading securities	9,961	8,411	37,937	21,169
Available-for-sale securities	33,807	36,142	152,112	129,968
Held-to-maturity securities	6,299	8,122	29,681	29,233
	<u>489,931</u>	<u>502,326</u>	<u>1,997,374</u>	<u>1,889,544</u>
Amortisation of premium less accretion of discount	(4,296)	2,111	(147)	(14,560)
Interest suspended	(16,231)	(14,432)	(50,569)	(49,589)
Total interest income	<u>469,404</u>	<u>490,005</u>	<u>1,946,658</u>	<u>1,825,395</u>

21. Interest Expense

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2007 RM'000	Preceding year corresponding quarter ended 31 December 2006 RM'000	Current financial year ended 31 December 2007 RM'000	Preceding year ended 31 December 2006 RM'000
Deposits and placements of banks and other financial institutions	33,188	58,952	205,831	187,417
Deposits from customers	194,531	208,377	790,454	737,705
Loans sold to Cagamas Berhad	-	-	-	1,884
Subordinated obligations	23,793	11,496	56,897	46,751
Long term borrowings	4,189	4,471	17,562	17,751
Others	717	519	1,742	2,030
	<u>256,418</u>	<u>283,815</u>	<u>1,072,486</u>	<u>993,538</u>

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22. Other Operating Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2007	Preceding year corresponding quarter ended 31 December 2006	Current financial year ended 31 December 2007	Preceding year ended 31 December 2006
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
- Commission	11,381	10,516	45,305	38,471
- Service charges and fees	29,173	27,185	113,373	106,462
- Guarantee fees	3,022	3,619	13,204	13,202
- Advisory and arrangement fees	2,357	1,381	14,685	7,851
- Underwriting commission	834	832	5,451	3,255
- Brokerage	3,421	2,012	18,387	7,193
Net (losses)/gains arising from sale of securities:				
- Held for trading securities	(1,168)	2,884	7,584	4,575
- Available-for-sale securities	6,857	29,830	44,183	54,096
Net gains on redemption of held-to- maturity securities	1,616	-	1,146	-
Dividend income				
- Held for trading securities	110	787	618	787
- Available-for-sale securities	265	190	3,035	2,115
Net unrealised losses on fair value changes on held for trading securities	(214)	(16)	(379)	(1,373)
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss:				
- interest rate derivatives	21,521	4,063	22,220	(2,724)
- foreign currency forwards	15,329	(1,041)	(11,710)	(1,770)
Net unrealised (losses)/gains on fair value changes between the subordinated debts and interest rate derivatives designated as fair value hedges	(792)	405	(671)	7,052
Net (losses)/gains from foreign exchange translations	(8,160)	3,647	32,337	16,368
Other income/(expenditure):				
- Rental income from premises	698	755	2,999	2,893
- Gain on disposal of property, plant and equipment	1,875	25	1,919	169
- Other operating income	5,190	2,199	11,265	10,092
- Other non-operating income	724	402	2,537	1,610
- Net allowances written-back/(made) in respect of other bad and doubtful debts	2,024	674	591	735
- Others bad debts (written off) /recovered	(642)	29	207	59
	<u>95,421</u>	<u>90,378</u>	<u>328,286</u>	<u>271,118</u>

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23. Other Operating Expenses

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2007 RM'000	Preceding year corresponding quarter ended 31 December 2006 RM'000	Current financial year ended 31 December 2007 RM'000	Preceding year ended 31 December 2006 RM'000
Personnel expenses	95,351	59,908	318,671	266,748
Promotion and marketing related expenses	10,139	11,015	41,053	48,959
Establishment related expenses	32,324	27,669	119,088	112,120
General administrative expenses	55,082	28,634	135,518	104,690
	<u>192,896</u>	<u>127,226</u>	<u>614,330</u>	<u>532,517</u>

(i) Personnel expenses comprise the following:

Salaries, bonuses and allowances	77,311	46,681	257,927	214,644
Defined contribution plan	12,813	8,183	42,639	36,408
Other employee benefits	5,227	5,044	18,105	15,696
	<u>95,351</u>	<u>59,908</u>	<u>318,671</u>	<u>266,748</u>

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

Hire-purchase handling fees and commissions	6,474	7,786	24,974	37,983
Others	3,665	3,229	16,079	10,976
	<u>10,139</u>	<u>11,015</u>	<u>41,053</u>	<u>48,959</u>

(iii) Establishment related expenses comprise the following:

Depreciation of property, plant and equipment	10,546	9,850	39,278	39,322
Other repair and maintenance	6,299	2,300	21,450	17,804
Rental and maintenance of premises	5,842	6,859	22,771	21,009
Hire of equipment	1,059	1,005	3,894	3,617
Others	8,578	7,655	31,695	30,368
	<u>32,324</u>	<u>27,669</u>	<u>119,088</u>	<u>112,120</u>

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23. Other Operating Expenses (continued)

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	Current financial quarter ended 31 December 2007	Preceding year corresponding quarter ended 31 December 2006	Current financial year ended 31 December 2007	Preceding year ended 31 December 2006
	RM'000	RM'000	RM'000	RM'000
(iv) General administrative expenses comprise the following:				
Communication costs	4,997	5,196	19,202	20,492
Printing and stationeries	3,268	3,143	13,974	14,483
Loss on disposal of property, plant and equipment	3	401	262	411
Property, plant and equipment written off	201	2	221	763
Legal and other professional charges	16,813	6,853	39,826	25,958
Others	29,800	13,039	62,033	42,583
	55,082	28,634	135,518	104,690

24. Allowances for Losses on Loans, Advances and Financing

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	Current financial quarter ended 31 December 2007	Preceding year corresponding quarter ended 31 December 2006	Current financial year ended 31 December 2007	Preceding year ended 31 December 2006
	RM'000	RM'000	RM'000	RM'000
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	120,304	149,404	567,550	445,674
- Written back	(74,862)	(29,097)	(168,356)	(103,893)
(b) General allowance:				
- Made	5,976	(657)	15,598	19,281
Bad debts and financing:				
- Recovered	(19,544)	(20,636)	(95,189)	(55,942)
- Written off	-	70	-	75
	31,874	99,084	319,603	305,195

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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:

	Audited 31 December 2007			Audited 31 December 2006		
	Principal	Credit	Risk	Principal	Credit	Risk
	amount	equivalent	weight	amount	equivalent	weight
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	404,036	404,036	404,036	415,539	415,539	415,539
Certain transaction-related contingent items	925,460	462,730	462,730	886,336	443,168	443,168
Short term self-liquidating trade-related contingencies	101,830	20,366	20,366	138,885	27,777	27,777
Assets sold with recourse and commitments with certain drawdown	226,000	226,000	95,871	292,000	292,000	211,487
Obligations under underwriting agreements	476,860	238,430	224,991	272,158	136,079	80,213
Irrevocable commitments to extend credit :						
- maturity more than one year	2,591,710	1,200,485	902,444	2,286,030	1,143,015	839,716
- maturity less than one year	8,961,285	-	-	8,218,662	-	-
Foreign exchange related contracts - maturity less than one year	3,833,450	85,408	30,262	2,443,853	52,474	80,934
Interest rate related contracts - maturity more than one year	2,958,913	47,844	10,230	3,037,178	60,743	13,560
Others	99,124	-	-	204,509	-	-
	20,578,668	2,685,299	2,150,930	18,195,150	2,570,795	2,112,394

* 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 Group is not required to maintain any capital adequacy ratio requirements. The following disclosure of capital adequacy ratios of the Group is made on a voluntary basis for information only.

	As at 31 December 2007	As at 31 December 2006
	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	744,296	662,815
Other reserves	632,610	575,054
	3,136,411	2,997,374
Less: Goodwill	(96,448)	(137,925)
Deferred tax assets	(169,644)	(128,602)
Available-for-sale securities and cash flow hedge reserve	(40,444)	(43,022)
Total Tier 1 Capital	2,829,875	2,687,825
Tier II Capital:		
Subordinated obligations	726,135	761,372
General allowance for bad and doubtful debts and financing	430,008	414,102
Total Tier II Capital	1,156,143	1,175,474
Total Capital base	3,986,018	3,863,299
Capital ratios:		
Core capital ratio	9.22%	9.09%
Risk-weighted capital ratio	12.98%	13.07%
Core capital ratio (net of proposed dividends)	9.04%	8.82%
Risk-weighted capital ratio (net of proposed dividends)	12.80%	12.80%

The risk-weighted capital adequacy of the banking and finance company subsidiary, EON Bank Berhad of 12.88%, the Islamic banking subsidiary company, EONCAP Islamic Bank Berhad of 11.94%, and the investment banking subsidiary company, MIMB Investment Bank Berhad of 32.51% as at 31 December 2007, exceeded the minimum requirements of 8.00% prescribed by Bank Negara Malaysia.

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27. Acquisition of subsidiary companies

On 22 February 2006, SSSB Jaya (1987) Sdn Bhd (formerly known as SimeSecurities Sdn Bhd) and its subsidiary companies became wholly-owned subsidiary companies of the Group, via MIMB Investment Bank Berhad, the wholly-owned investment banking 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:

	At date of acquisition
	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)
Net liabilities acquired at the date of acquisition	(40,425)
Goodwill arising on consolidation	71,428
Total purchase consideration discharged by cash (inclusive of incidental costs incurred)	31,003
Less : Cash and cash equivalents in subsidiary companies acquired	(4,692)
Net cash outflow on acquisition of subsidiary companies	26,311

The financial results of SSSB Jaya (1987) Sdn Bhd and its subsidiary companies for the period between the date of acquisition and 31 December 2006 were not significant to the Group.

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28. Interest/Profit Rate Risk

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit 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 2007									
Assets									
Cash and short-term funds	5,392,155	-	-	-	-	155,763	-	5,547,918	3.82
Deposits and placements with banks and other financial institutions	-	340,879	282,962	-	-	-	-	623,841	5.60
Held for trading securities	-	-	-	-	-	-	7,418	7,418	6.51
Derivative financial instruments	-	-	-	-	-	10,004	-	10,004	-
Available-for-sale securities	478,804	1,218,518	236,695	1,207,715	531,980	39,400	-	3,713,112	3.57
Held-to-maturity securities	205,403	25,062	85,075	222,400	36,803	17,557	-	592,300	6.68
Loans, advances and financing									
- performing	14,398,880	373,455	462,225	4,472,854	7,744,086	6,151	-	27,457,651	6.71
- non-performing	-	-	-	-	-	775,143 [^]	-	775,143	-
Other assets ⁽¹⁾	5,742	-	-	-	-	2,386,753	-	2,392,495	8.00
Total assets	20,480,984	1,957,914	1,066,957	5,902,969	8,312,869	3,390,771	7,418	41,119,882	

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

Note:

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

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28. Interest/Profit Rate Risk (continued)

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 – 5 years	Over 5 years				
As at 31 December 2007 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	11,152,846	4,101,611	7,059,482	886,784	-	3,711,949	-	26,912,672	2.98
Deposits and placements of banks and other financial institutions	3,026,604	1,831,295	861,996	1,905,628	-	39,606	-	7,665,129	3.76
Derivative financial instruments	-	-	-	-	-	19,970	-	19,970	-
Bills and acceptances payable	-	-	-	-	-	1,563,019	-	1,563,019	-
Other liabilities ⁽²⁾	42,773	-	-	-	-	905,909	-	948,682	2.94
Subordinated obligations	-	-	-	855,000	-	(128,865) ¹⁽ⁱⁱ⁾	-	726,135	5.38
Borrowings	-	-	-	150,000	-	(2,136) ¹⁽ⁱ⁾	-	147,864	6.75
Total liabilities	14,222,223	5,932,906	7,921,478	3,797,412	-	6,109,452	-	37,983,471	
Shareholders' Funds	-	-	-	-	-	3,136,411	-	3,136,411	
Total Liabilities and Shareholders' Funds	14,222,223	5,932,906	7,921,478	3,797,412	-	9,245,863	-	41,119,882	
On-balance sheet interest/profit sensitivity gap	6,258,761	(3,974,992)	(6,854,521)	2,105,557	8,312,869				
Off-balance sheet interest /profit sensitivity gap	(644,638)	625,000	-	19,638	-				
Total interest/profit sensitivity gap	5,614,123	(3,349,992)	(6,854,521)	2,125,195	8,312,869				

Note:

- (1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount on issuance, unamortized cumulative changes in fair value changes arising from discontinued 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 other liabilities and provision for taxation and zakat.

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28. Interest/Profit Rate Risk (continued)

	← Non-trading book →					Non- Interest /profit sensitive	Trading book	Total	Effective interest /profit 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 2006									
Assets									
Cash and short-term funds	2,948,048	-	-	-	-	132,256	-	3,080,304	3.27
Deposits and placements with financial institutions	-	300,662	436,245	-	-	-	-	736,907	5.05
Held for trading securities	-	-	-	-	-	-	115,124	115,124	4.26
Derivative financial instruments	-	-	-	-	-	8,919	-	8,919	-
Available-for-sale securities	127,875	1,097,935	801,720	1,006,471	271,672	41,599	-	3,347,272	3.51
Held-to-maturity securities	819,518	10,000	251,569	1,173,158	60,962	17,555	-	2,332,762	6.22
Loans, advances and financing									
- performing	12,199,670	297,314	460,383	5,051,323	8,301,204	9,553	-	26,319,447	6.82
- non-performing	-	-	-	-	-	894,554 [^]	-	894,554	-
Other assets ⁽¹⁾	5,932	-	-	-	-	2,395,439	-	2,401,371	8.00
Total assets	16,101,043	1,705,911	1,949,917	7,230,952	8,633,838	3,499,875	115,124	39,236,660	

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

Note:

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

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28. Interest/Profit Rate Risk (continued)

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
As at 31 December 2006 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	9,883,282	4,485,870	7,830,688	803,833	-	2,899,739	-	25,903,412	3.20
Deposits and placements of banks and other financial institutions	1,420,428	2,572,188	1,096,834	516,517	1,400,000	55,288	-	7,061,255	3.88
Derivative financial instruments	-	-	-	-	-	26,873	-	26,873	-
Obligations on securities sold under repurchase agreements	129,328	-	-	-	-	-	-	129,328	2.68
Bills and acceptances payable	-	-	-	-	-	1,339,930	-	1,339,930	-
Other liabilities ⁽²⁾	7,206	-	-	-	-	753,796	-	761,002	3.25
Subordinated obligations	-	-	-	855,000	-	(93,628) ¹⁽ⁱⁱ⁾	-	761,372	5.38
Borrowings	10,000	-	100,000	150,000	-	(3,886) ¹⁽ⁱ⁾	-	256,114	6.45
Total liabilities	11,450,244	7,058,058	9,027,522	2,325,350	1,400,000	4,978,112	-	36,239,286	
Shareholders' Funds	-	-	-	-	-	2,997,374	-	2,997,374	
Total Liabilities and Shareholders' Funds	11,450,244	7,058,058	9,027,522	2,325,350	1,400,000	7,975,486	-	39,236,660	
On-balance sheet interest/profit sensitivity gap	4,650,799	(5,352,147)	(7,077,605)	4,905,602	7,233,838				
Off-balance sheet interest /profit sensitivity gap	-	846,600	-	(846,600)	-				
Total interest/profit sensitivity gap	4,650,799	(4,505,547)	(7,077,605)	4,059,002	7,233,838				

- Note:
- (1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount on issuance, 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 other liabilities, deferred tax liabilities and provision for taxation and zakat.

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29. The Operation of Islamic Banking

29(i) Islamic banking assets and liabilities

	Audited	Audited
	<u>31 December 2007</u>	<u>31 December 2006</u>
	RM'000	RM'000
Included in the Group's balance sheets are Islamic banking assets and liabilities of a subsidiary company as follows:		
ASSETS		
Cash and short term funds	1,004,427	455,383
Available-for-sale securities	287,543	259,007
Held-to-maturity securities	15,062	50,747
Financing and advances (Note 29(iii))	4,553,237	4,089,622
Other assets	55,751	96,784
Statutory deposits with Bank Negara Malaysia	181,886	161,674
Deferred tax assets	19,203	19,348
Property, plant and equipment	2,525	2,453
TOTAL ASSETS	<u>6,119,634</u>	<u>5,135,018</u>
LIABILITIES		
Deposits from customers (Note 29(iv))	3,763,887	3,906,366
Deposits and placements of banks and other financial institutions	1,700,192	716,766
Bills and acceptances payable	138,715	26,880
Provision for taxation and zakat	2,763	4,028
Other liabilities	72,557	70,231
TOTAL LIABILITIES	<u>5,678,114</u>	<u>4,724,271</u>
NET ISLAMIC BANKING ASSETS	<u>441,520</u>	<u>410,747</u>
COMMITMENTS AND CONTINGENCIES	<u>949,306</u>	<u>1,096,087</u>

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29. The Operation of Islamic Banking (continued)

29(ii) Financial results contribution from operation of Islamic Banking

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2007 RM'000	Preceding year corresponding quarter ended 31 December 2006 RM'000	Current financial year ended 31 December 2007 RM'000	Preceding year ended 31 December 2006 RM'000
The financial results contribution from Islamic Banking operation to the Group's financial results are as follows:				
Income derived from investment of depositors' funds	74,403	65,073	278,206	248,681
Income derived from investment of shareholder's funds	7,747	6,755	30,291	25,175
	82,150	71,828	308,497	273,856
Allowances for losses on financing and advances	(11,969)	(10,079)	(41,992)	(33,295)
Transfer from/(to) profit equalisation reserve	3,800	(855)	9,178	(1,780)
Total distributable income	73,981	60,894	275,683	238,781
Income attributable to depositors	(40,575)	(36,785)	(152,887)	(129,852)
Total net income	33,406	24,109	122,796	108,929
Other operating expenses	(21,674)	(21,998)	(74,784)	(60,473)
Profit before taxation and zakat	11,732	2,111	48,012	48,456
Taxation	(3,015)	(4,207)	(12,811)	(8,647)
Zakat	(1,161)	(2,389)	(4,305)	(6,102)
Net profit/(loss) for the financial quarter/year	7,556	(4,485)	30,896	33,707

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29. The Operation of Islamic Banking (continued)

29(iii) Financing and advances

	Audited 31 December 2007	Audited 31 December 2006
	RM'000	RM'000
Cash line	380,389	263,100
Term financing		
Housing financing	2,664,259	2,173,837
Hire purchase receivables	1,896,450	2,037,746
Other term financing	1,415,898	1,248,506
Trust receipts and bill receivables	5,698	5,820
Claims on customers under acceptance credit/financing	228,010	101,390
Staff financing	33,163	37,710
Revolving financing	114,576	77,280
Other financing	4,496	4,922
	6,742,939	5,950,311
Less: Unearned income	(2,054,165)	(1,751,312)
	4,688,774	4,198,999
Less: Allowances for bad and doubtful financing:		
- Specific	(66,199)	(62,278)
- General	(69,338)	(47,099)
Total net financing and advances	4,553,237	4,089,622
 (a) Movements in non-performing financing and advances are as follows:		
Balance as at 1 January	242,442	281,559
Non-performing financing which have no adverse financial impact on the Group transferred out from Islamic banking operation	-	(19,858)
Classified as non-performing during the financial year	873,888	847,974
Reclassified as performing during the financial year	(772,282)	(753,869)
Amount recovered	(77,783)	(87,822)
Amount written off	(20,509)	(25,542)
Balance as at 31 December	245,756	242,442
Specific allowance	(66,199)	(47,099)
Net non-performing financing and advances	179,557	195,343
As % of total financing and advances, net of specific allowance	3.9%	4.7%

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29. The Operation of Islamic Banking (continued)

29(iii) Financing and advances (continued)

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
(b) Movements in allowances for bad and doubtful financing are as follows:		
<u>General allowance</u>		
Balance as at 1 January	62,278	57,347
Allowance made during the financial year	7,060	4,931
Balance as at 31 December	69,338	62,278
As % of total financing and advances, net of specific allowance	1.5%	1.5%
<u>Specific allowance</u>		
Balance as at 1 January	47,099	55,356
Allowance in respect of non-performing financing which have no adverse financial impact transferred out from Islamic banking operation	-	(13,005)
Allowance made during the financial year	55,287	41,369
Allowance charged to deferred asset/other assets during the financial year	-	34
Amount written back in respect of recoveries/reclassification	(15,678)	(11,113)
Amount written off	(20,509)	(25,542)
Balance as at 31 December	66,199	47,099

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EXPLANATORY NOTES

29. The Operation of Islamic Banking (continued)

29(iv) Deposits from Customers

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
<u>Non-Mudharabah :</u>		
Al-Wadiah demand deposits	861,037	685,286
Al-Wadiah savings deposits	150,189	128,434
<u>Mudharabah:</u>		
Al-Fareed demand deposits	118,481	78,972
Al-Mudharabah savings deposits	83,533	51,665
Total demand and savings deposits	1,213,240	944,357
<u>Non-Mudharabah:</u>		
Bai Al-Inah HARI	43,996	123,531
Negotiable Islamic debt certificates	100	-
<u>Mudharabah:</u>		
General investment deposits	2,506,551	2,838,478
Total investment deposits	2,550,647	2,962,009
Total deposits from customers	3,763,887	3,906,366

30. Significant Events During the Financial Quarter/Year Ended 31 December 2007

There were no significant events during the financial quarter/year ended 31 December 2007 that have not been disclosed in these condensed financial statements.

31. Changes in the Composition of the Group

There were no significant changes in the composition of the Group during the financial quarter/year ended 31 December 2007 that have not been disclosed in these condensed financial statements.

32. Significant Event Subsequent to the Balance Sheet Date

Other than those disclosed in note 37, 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

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
- Authorised and contracted for	19,862	31,618
- Authorised but not contracted for	11,840	10,182
	31,702	41,800
Analysed as follows:		
- Property, plant and equipment	31,702	41,800
	31,702	41,800

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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/year ended 31 December 2007 is as follows:-

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 31 December 2007</u>	<u>Preceding year corresponding quarter ended 31 December 2006</u>	<u>Current financial year ended 31 December 2007</u>	<u>Preceding year corresponding quarter ended 31 December 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysian income tax:				
- Current quarter/year tax charge	48,287	31,031	110,293	117,461
- Overprovision in respect of prior years	(362)	(9,917)	(8,767)	(9,915)
	47,925	21,114	101,526	107,546
Transfer from net deferred tax asset	(248)	(2,773)	(1,042)	(7,204)
	47,677	18,341	100,484	100,342
Recognition of deferred tax assets on unutilised tax losses transferred from a subsidiary subsequent to its acquisition(Note (a))	(40,000)	-	(40,000)	-
	<u>7,677</u>	<u>18,341</u>	<u>60,484</u>	<u>100,342</u>

- (a) Upon the approval and confirmation from the relevant authorities during the current financial year, unutilised tax losses of a subsidiary, SSSB Jaya (1987) Sdn Bhd ('SSSB') of approximately RM1,000 million is to be transferred to the investment banking subsidiary, MIMB Investment Bank Berhad ('MIMB') pursuant to the tax incentive granted under the Investment Bank Guidelines issued jointly by Bank Negara Malaysia and Securities Commission. The unutilised tax losses can be set-off against future taxable profit of the investment bank subsidiary. However, no tax benefits were recognised by the Group at the date of acquisition of SSSB as the deferred tax asset did not satisfy the asset recognition criteria.

Due to the change in circumstances subsequent to the acquisition date, the tax benefits amounting to RM40 million have been recognised as deferred tax assets by the Group in accordance with FRS 112 Income Taxes during the financial year. The Group has applied paragraph 65 of FRS 3 Business Combination to account for such tax benefits as a reduction on the carrying amount of goodwill and recognised such reduction as an expense in the income statement. Correspondingly, the tax benefits have been recognised as tax credit in the income statements.

As at 31 December 2007, the amount of unutilised tax losses of the Group, of which no deferred tax asset has been recognised in the balance sheet amounted to RM842 million (2006: RM1,000 million).

- (b) The Group's effective tax rate for the financial year ended 31 December 2007 was higher than the statutory tax rate as certain expenses incurred were not deductible for tax purposes.

35. Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the financial quarter/year ended 31 December 2007 other than in the ordinary course of banking business.

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36. Quoted Securities

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

37. Status of Corporate Proposals Announced But Not Completed

On 5 February 2008, the Company together with EON Bank Berhad, its wholly owned subsidiary, had proposed to undertake the following corporate proposals:

- (a) proposed issuance of up to RM655 million nominal value of 4.75% unsecured subordinated bonds ('Bonds') by EON Bank Berhad; and
- (b) proposed issuance of up to 93.8 million 2008/2013 warrants ('Warrants') by the Company

The Bonds and the Warrants will be attached and issued to primary subscriber(s) or investor(s) on a bought – deal basis. The rationale for the proposals is to provide EON Bank Berhad and its subsidiaries ('EON Bank Group') the capital that will strengthen its balance sheet to place EON Bank Group in a significantly stronger position in the Malaysian and international markets. In addition, it will allow EON Bank Group to lock in lower effective funding cost and would enable EON Bank Group to better plan its cash flow requirements.

The abovementioned proposals are subject to the approval of the following:

- (a) the Securities Commission;
- (b) the Ministry of Finance and/or Bank Negara Malaysia;
- (c) Bursa Securities;
- (d) shareholders of EON Capital Berhad, for the proposals at an extraordinary general meeting to be convened; and
- (e) any other approvals and/or consents, if required.

Barring any unforeseen circumstances and subject to all the required approvals being obtained, the proposals are expected to be completed by the second (2nd) quarter of the financial year 2008. The details of these proposals could be obtained from the Company's announcement to Bursa Malaysia dated 5 February 2008.

Other than the above, there were no other corporate proposals announced but not completed as at the date of the announcement.

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38. Subordinated Obligations

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	-	(27,076)
Foreign exchange translations	(110,363)	(61,312)
	<u>744,637</u>	<u>766,612</u>
Less: Unamortised discounts on issuance	(2,656)	(5,240)
Unamortised fair value changes arising from discontinued fair value hedges (note 18(a))	(15,846)	-
	<u><u>726,135</u></u>	<u><u>761,372</u></u>

On 21 January 2004, the banking and finance subsidiary company (“the Bank”) issued USD225 million (equivalent to RM855 million) 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 June 2007, 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 the Bank and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Notes. The Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

39. Borrowings

	Audited 31 December 2007 RM'000	Audited 31 December 2006 RM'000
Short term borrowing		
Unsecured revolving credit - repayable within 1 year	-	10,000
Long term borrowing:		
Secured fixed rate bonds, at par	150,000	250,000
Less: Unamortised discounts	(2,136)	(3,886)
	<u>147,864</u>	<u>246,114</u>
Total borrowings	<u><u>147,864</u></u>	<u><u>256,114</u></u>

The secured fixed rate bonds comprise two tranches of RM100 million (Tranche II maturing on 12 December 2007) and RM150 million (Tranche III maturing on 12 December 2009). Tranche II of the secured fixed rate bonds has been fully redeemed on 12 December 2007 as disclosed in Note 7 of these explanatory notes.

In February 2008, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A2. The bonds bear interest at 6.00% per annum (Tranche II) and 6.75% per annum (Tranche III) on the nominal value of the outstanding bonds, payable semi annually.

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40. Derivative Financial Instruments

Based on the balance sheet as at 18 February 2008, value of contracts of financial instruments of the Group with off-balance sheet risk, traded in the ordinary course of business, classified by remaining year 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	3,892,848	1,649,008	1,054,414	1,155,711	33,715	-	-
Interest rate related contracts: - Interest rate swaps	2,898,500	-	-	1,449,000	724,500	725,000	-

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There were no material equity and commodity related contracts as at 18 February 2008.

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 18 February 2008, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM 12,353,731 (31 December 2006: RM9,858,187).

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 18 February 2008, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM 106,053,966 (31 December 2006: RM25,891,301). 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 year in which they arise.

Interest rate swaps

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 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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EXPLANATORY NOTES

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 18 February 2008:-

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 December 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 was fixed on 9 January 2007. On this date, the judge directed the parties to file written skeletal submissions and fixed 8 May 2007 for a decision. EBB's appeal was dismissed with costs. Solicitors have filed the Notice of Appeal to the Court of Appeal on 31 May 2007 against the decision of the High Court.

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

- (2) A Writ of Summon was filed by the borrower (Plaintiff) on 25 June 2007 against EBB and 7 other syndicated lenders (now collectively known as "the Lenders") for RM121.4 million for the breach by the Lenders of the terms of the Alleged Agreement made between the borrower and the Lenders for the restructuring of the borrower's existing loans with the said Lenders.

Status update

EBB has filed a Statement of Defence on 7 August 2007 denying that there was such an Alleged Agreement.

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

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EXPLANATORY NOTES

41. Material Litigation (continued)

EON Bank Berhad ('EBB') (continued)

- (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.

The Plaintiff has filed an application for Interlocutory Judgement against EBB for wrongful sale in 1996 of the Plaintiff's property resulting from the Court of Appeal setting aside the auction and also for assessment of damages. The respective parties were directed to file in the Written Submissions and Court 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. On 27 July 2006, the High Court Judge dismissed our appeal with costs. The Plaintiff has filed the Summons-In-Chambers for assessment of damages and the hearing fixed on 30 March 2007 has been adjourned to 11 May 2007 for hearing. The Bank has filed a Summons In Chambers for a stay of the hearing of assessment of damages pending the hearing of our appeal to the Court of Appeal on the Interlocutory Judgement granted in favour of the Plaintiff. The Court of Appeal has fixed the hearing on 3 September 2007. The hearing of the stay application for the hearing of the assessment of damages has been fixed on 18 May 2007. The hearing proceeded on 18 May 2007 and 31 May 2007 was fixed for a decision on stay application. The High Court has on 31 May 2007 granted the Bank a Stay Order on the application for assessment of damages. The hearing on the assessment of damages has been fixed for mention on 17 September 2007. The High Court fixed the continuation of the hearing of Assessment of Damages on 9 October 2007. On 9 October 2007, the hearing was postponed to 7 January 2008 for a DeNovo (rehearing) of the Assessment of Damages as a new Senior Registrar has been appointed and is further postponed to 5 March 2008 for mention. The total aggregate of the Plaintiff's claim is RM138.3 mil.

Our solicitors are of the view that the damages and costs to be awarded should be substantially lower than the amount claimed and would not have a material adverse impact on the financial position of the Group.

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41. Material Litigation (continued)

EON Bank Berhad ('EBB') (continued)

- (4) A Writ of Summons and Statement of Claim was filed on 25 July 2007 by a Plaintiff's against EBB claiming inter alia the sum of RM27.9 million, damages and costs as a result of EBB refusal to extend the bank guarantee and wrongfully withdrawing the end-financing facility granted to the Plaintiff.

Status update

The Bank has filed a Statement of Defence on 22 November 2007 denying the allegations made by the Plaintiffs stating that the banking facilities which were granted to the Plaintiffs were cancelled as the Plaintiffs failed to comply with the term and conditions of the Letter of Offer. Furthermore, the Plaintiffs are estopped from filing this claim as the principle of resjudicata and issue estoppel applies as the Plaintiff should have filed its claim as a counterclaim against EBB before the High Court gave a Judgement on 4 My 1999 on the civil actions taken by EBB against the Plaintiff to recover the banking facilities previously. To date, the Plaintiffs have yet to obtain a date for Case Management.

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).

- (5) 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')

- (6) 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 to 16 September 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 12 March 2007 has been postponed to 10 May 2007 for mention. On 10 May 2007, the Bank has obtained an Order to uplift the Stay Order. Case Management fixed on 24 July 2007 has been postponed to 26 September 2007 for mention and was further postponed to 14 December 2007 for mention. Second and third Defendants Counter Claim postponed to 19 February 2008 of mention pending settlement.

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

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41. Material Litigation (continued)

Malaysian International Merchant Bankers Berhad ('MIMB')

(7) A Writ of Summons was filed by MIMB on 10 December 2003 for RM176,448 against the Defendant for providing advisory, consultancy and administrative services to Defendant wherein the Defendant was supposed to pay the professional fees for the services rendered by MIMB.

The Defendant filed a Defence and Counterclaim which was served on MIMB on 12 January 2006. In the Counterclaim, the Defendant alleged that MIMB was negligent and failed to carry out its duty diligently. The Defendant is claiming compensation totalling RM23,995,743 being expenses and costs incurred by the Defendant and damages.

Status update

MIMB filed an application for Summary Judgement with Sessions Court on 23 July 2004 and mention has been fixed on 21 September 2006 pending Defendant's application to transfer the counterclaim to the High Court fixed for hearing on 31 January 2007. The hearing had been adjourned to 11 April 2007 for decision. On 11 April 2007, the Judge allowed the transfer to the High Court. Once the file is physically transferred to the High Court, a new suit number would be given and the suit will continue. No development since the last announcement.

Solicitors are of the opinion that the Defendant's claim is defensible.

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, the Group's pre-tax profit increased by RM39.5 million from RM88.7 million to RM128.2 million before taking into account the charge for reduction in the carrying amount of goodwill. This was mainly due to lower allowances for losses on loans, advances and financing and impairment losses on securities by RM36.5 million and 55.5 million respectively. However, this was partly offset by an increase in other operating expenses by 49.7 million. After taking into account the charge for reduction in the carrying amount of goodwill arising from recognition of deferred tax assets on unutilised tax losses transferred from a subsidiary subsequent to acquisition of RM40.0 million, the Group's pre-tax profit for the current financial quarter was reduced to RM 88.2 million. However, this was off-set by the corresponding tax benefits recognised as deferred tax credit of RM 40.0 million, thus making no impact on the Group's profit after tax. As a result, the Group achieved profit after tax of RM79.4 million in the current financial quarter.

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44. Review of performance for the financial quarter ended 31 December 2007 against the corresponding financial quarter of preceding year

Current financial quarter against corresponding financial quarter of preceding year

Compared with the corresponding financial quarter of preceding year, the Group's pre-tax profit increased by RM106.3 million from RM21.9 million to RM128.2 million before taking into account the charge for reduction in the carrying amount of goodwill. This was mainly due to higher net income by RM23.0 million and lower allowances for losses on loans, advances and financing and impairment losses on securities by RM67.2 million and RM81.7 million respectively. However, this increase was partly offset by an increase in other operating expenses by RM65.7 million. After taking into account the charge for reduction in the carrying amount of goodwill arising from recognition of deferred tax assets on unutilised tax losses transferred from a subsidiary subsequent to acquisition of RM40.0 million, the Group's pre-tax profit for the financial quarter ended 31 December 2007 was reduced to RM 88.2 million. However, this was off-set by the corresponding tax benefits recognised as deferred tax credit of RM 40.0 million, thus making no impact on the Group's profit after tax. As a result, the Group achieved profit after tax of RM79.4 million in the current financial quarter.

Current financial year against corresponding financial year of preceding year

For the current financial year ended 31 December 2007, the Group recorded a net operating profit of RM752.9million, a 5.6% increase as compared to RM712.7 million achieved in the preceding year ended 31 December 2006. However, this was offset by the increase in impairment losses on securities and allowances for losses on loans, advances and financing by RM17.6 million and RM14.2 million respectively. As a result, the Group achieved a pre-tax profit of RM327.4 million before taking into account the charge for reduction in the carrying amount of goodwill, an increase of 2.7% as compared to RM318.9 million achieved in the preceding year end. After taking into account the charge for reduction in the carrying amount of goodwill arising from recognition of deferred tax assets on unutilised tax losses transferred from a subsidiary subsequent to acquisition of RM40.0 million, the Group's pre-tax profit for the financial year ended 31 December 2007 was reduced to RM 287.4million. However, this was off-set by the corresponding tax benefits recognised as deferred tax credit of RM 40.0 million, thus making no impact on the Group's profit after tax. The Group's profit after tax for the current financial year is RM 222.6 million, an increase of RM10.1 million or 4.8% as compared to RM212.5 million registered in previous financial year.

45. Prospects for 2008

The economic environment in Malaysia is expected to remain favourable and the financial services industry is expected to remain keenly competitive in 2008. The Group will continue its efforts to strengthen its presence in the retail and middle market segment and, barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance for the financial year ending 31 December 2008.

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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/year ended 31 December 2007 and 31 December 2006 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/year, are set out as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2007	Preceding year corresponding quarter ended 31 December 2006	Current financial year ended 31 December 2007	Preceding year corresponding year ended 31 December 2006
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial quarter/year	79,384	1,214	222,582	212,477
Weighted average number of ordinary shares in issue during the financial quarter/year	693,209	693,209	693,209	693,209
Basic earnings per share (sen)				
- basic/diluted	11.45	0.18	32.11	30.65

There were no dilutive potential ordinary shares outstanding as at 31 December 2007 and 31 December 2006.

47. Proposed First and Final Dividend

The Board of Directors is pleased to recommend a first and final gross dividend of 10.0 (2006: 16.0) sen per share on 693,208,732 ordinary shares, comprising a tax exempt dividend of 1.50 sen per share and a non-tax exempt dividend of 8.50 sen per share, less income tax at 26%, amounting to RM54,000,960 (2006: RM80,966,780) for the financial year ended 31 December 2007, which is subject to the members' approval at the forthcoming Annual General Meeting of the Company. The entitlement and payment date will be announced at a later date.