

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2005**

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	3,074,228	3,639,250
Deposits and placements with banks and other financial institutions	421,837	91,736
Held for trading securities	131,677	115,532
Available-for-sale securities	2,021,530	2,198,631
Held-to-maturity securities	1,652,032	1,690,357
Loans, advances and financing	24,574,579	23,556,671
Other assets	690,996	782,423
Statutory deposits with Bank Negara Malaysia	953,784	871,379
Property, plant and equipment	274,997	183,133
Deferred tax assets	137,832	132,624
Goodwill	67,897	69,300
<b>TOTAL ASSETS</b>	<b>34,001,389</b>	<b>33,331,036</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	23,059,084	22,611,184
Deposits and placements of banks and other financial institutions	5,017,276	4,752,068
Obligations on securities sold under repurchase agreements	162,029	246,167
Bills and acceptances payable	1,296,795	1,337,864
Other liabilities	365,853	369,445
Recourse obligation on loans sold to Cagamas Berhad	237,824	249,529
Provision for taxation and zakat	41,351	46,592
Long term borrowings	293,667	292,633
Subordinated obligations	845,534	844,307
<b>TOTAL LIABILITIES</b>	<b>31,319,413</b>	<b>30,749,789</b>
SHARE CAPITAL	693,209	693,209
RESERVES	1,988,767	1,888,038
<b>SHAREHOLDERS' FUNDS</b>	<b>2,681,976</b>	<b>2,581,247</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>34,001,389</b>	<b>33,331,036</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>15,198,461</b>	<b>12,033,415</b>
<b>Net Tangible Assets per ordinary share (RM)</b>	<b>3.77</b>	<b>3.62</b>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 JUNE 2005**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2005</u> RM'000	<u>Preceding year corresponding quarter ended 30 June 2004</u> RM'000	<u>Current financial period ended 30 June 2005</u> RM'000	<u>Preceding year corresponding period ended 30 June 2004</u> RM'000
Interest income	399,663	395,926	792,385	805,460
Interest expense	(201,777)	(204,590)	(402,244)	(406,972)
Net interest income	197,886	191,336	390,141	398,488
Net income from Islamic Banking business	34,851	30,873	70,595	59,902
	232,737	222,209	460,736	458,390
Non-interest income	85,610	34,475	127,845	74,429
Net income	318,347	256,684	588,581	532,819
Overhead expenses	(130,048)	(112,906)	(259,890)	(232,616)
Operating profit	188,299	143,778	328,691	300,203
Allowances for losses on loans, advances and financing	(55,634)	(47,536)	(104,610)	(105,892)
Impairment losses on securities	(4,175)	(9,446)	(12,273)	(9,446)
Profit before taxation and zakat	128,490	86,796	211,808	184,865
Taxation	(35,978)	(23,020)	(60,883)	(53,741)
Zakat	(1,364)	(1,486)	(2,557)	(2,916)
Net profit for the financial quarter/period	91,148	62,290	148,368	128,208
Earnings per share (sen)				
- Basic	13.15	8.99	21.40	18.49
- Diluted	13.15	8.99	21.40	18.49

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2005**

	<b>Issued and Fully paid Ordinary Shares of RM1 each</b>			<b>Reserve Arising On Consolidation</b>	<b>Cumulative Net Unrealised Gains/(Losses) On Available-For- Sale Securities</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Statutory Reserve</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2005:							
- as previously reported	693,209	1,066,296	393,111	200,897	-	210,596	2,564,109
- prior year adjustments	-	-	-	-	19,868	(2,730)	17,138
- as restated	693,209	1,066,296	393,111	200,897	19,868	207,866	2,581,247
Net profit for the financial period	-	-	-	-	-	148,368	148,368
Dividend in respect of financial year ended 31 December 2004	-	-	-	-	-	(42,923)	(42,923)
Fair value losses on available-for-sale securities, net of tax	-	-	-	-	(4,716)	-	(4,716)
Balance as at 30 June 2005	693,209	1,066,296	393,111	200,897	15,152	313,311	2,681,976

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2005**

	<b>Issued and Fully paid Ordinary Shares of RM1 each</b>			<b>Reserve Arising On Consolidation</b>	<b>Cumulative Net Unrealised Gains/(Losses) On Available-For- Sale Securities</b>		<b>Total</b>
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Statutory Reserve</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Retained Profits</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2004:							
- as previously reported	693,209	1,066,296	165,096	200,897	-	188,718	2,314,216
- prior year adjustments	-	-	-	-	(19,332)	4,594	(14,738)
- as restated	693,209	1,066,296	165,096	200,897	(19,332)	193,312	2,299,478
Net profit for the financial period	-	-	-	-	-	128,208	128,208
Transfer to statutory reserve	-	-	27,193	-	-	(27,193)	-
Dividend in respect of financial year ended 31 December 2003	-	-	-	-	-	(32,442)	(32,442)
Fair value gains on available-for-sale securities, net of tax	-	-	-	-	15,312	-	15,312
Balance as at 30 June 2004	693,209	1,066,296	192,289	200,897	(4,020)	261,885	2,410,556

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2005**

	<b>Current financial period ended 30 June 2005</b>	<b>Preceding year corresponding period ended 30 June 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flow from Operating Activities</b>		
Net profit for the financial period	148,368	128,208
Adjustments for investing and financing items not involving movement of cash and cash equivalents	174,345	182,139
Operating profit before working capital changes	322,713	310,347
Increase in operating assets	(1,515,439)	(336,706)
Increase/(decrease) in operating liabilities	572,299	(779,792)
Cash used in operating activities	(620,427)	(806,151)
Zakat paid	(4,451)	-
Income tax paid	(70,226)	(58,656)
Income tax refunded	-	2,500
Net cash used in operating activities	(695,104)	(862,307)
<b>Cash Flow from Investing Activities</b>		
Proceeds from sale of investment securities, net of purchases	218,962	746,333
Purchase of property, plant and equipment	(153,795)	(24,451)
Proceeds from disposal of property, plant and equipment	36,507	1,711
Interest/dividend received from investment securities	100,333	94,107
Net dividends received	881	-
Acquisition of subsidiary companies	-	(17,000)
Net cash generated from investing activities	202,888	800,700
<b>Cash Flow from Financing Activities</b>		
Net dividend paid	(42,923)	(32,442)
Proceeds from issuance of subordinated obligations	-	843,079
Interest paid on long term borrowings	(9,349)	(9,336)
Interest received from interest rate related derivatives	2,444	-
Interest paid on subordinated obligations	(22,978)	-
Net cash (used in)/generated from financing activities	(72,806)	801,301
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(565,022)</b>	<b>739,694</b>
<b>Cash and cash equivalents</b>		
- as at beginning of the financial period	3,639,250	3,143,578
- as at end of the financial period	3,074,228	3,883,272

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**EXPLANATORY NOTES**

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

**1. Basis of Preparation**

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

The accounting policies and methods of computation adopted by the Group for the condensed interim financial statements are consistent with those adopted in its latest audited financial statements, except for those relating to the recognition, measurement and classification of securities as disclosed in Note 2 of these explanatory notes.

**2. Changes in Accounting Policies**

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

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

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

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

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

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**EXPLANATORY NOTES**

**2. Changes in Accounting Policies (continued)**

<b>Income statement</b>	<b>As previously reported</b>	<b>Effect from change in accounting policy</b>	<b>As restated</b>
<u>For the financial period ended 30 June 2004</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit before taxation	191,195	(6,330)	184,865
Taxation	(55,514)	1,773	(53,741)
Net profit for the financial period	132,765	(4,557)	128,208
Earnings per share (sen) - Basic	19.15	(0.66)	18.49

**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/period ended 30 June 2005.

**6. Changes in Estimates**

There were no significant changes in estimates arising from prior financial period/year that have a material effect on the financial results and position of the Group for the financial quarter/period ended 30 June 2005.

**7. Issuance and Repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter/period ended 30 June 2005.

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

The first and final gross dividend of 8.6 sen per share on 693,208,732 ordinary shares, less income tax of 28%, amounting to RM42,923,483 for the financial year ended 31 December 2004 was paid on 6 June 2005.

There were no interim dividend paid or declared in respect of financial year ending 31 December 2005 during the financial quarter ended 30 June 2005.

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**EXPLANATORY NOTES**

**9. Segment reporting**

(a) Segment revenue and segment results

<b>Group</b>	<b>Enterprise Banking</b>	<b>Retail Banking</b>	<b>Islamic Banking</b>	<b>Treasury and Investment Banking</b>	<b>Stock- broking Business</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Current financial quarter ended 30 June 2005</u></b>						
Gross operating revenue <sup>(1)</sup>	117,112	278,087	61,690	95,500	2,123	554,512
Less: Inter-segment revenue <sup>(2)</sup>	(9)	(294)	-	(5,068)	(434)	(5,805)
	<u>117,103</u>	<u>277,793</u>	<u>61,690</u>	<u>90,432</u>	<u>1,689</u>	<u>548,707</u>
Segment results	18,821	58,285	8,937	50,209	(3,955)	132,297
Unallocated costs						(3,807)
Profit before taxation and zakat						128,490
Taxation and zakat						(37,342)
Net profit for the financial quarter ended 30 June 2005						<u>91,148</u>
<b><u>Preceding year corresponding quarter ended 30 June 2004</u></b>						
Gross operating revenue <sup>(1)</sup>	105,822	274,645	53,942	49,991	-	484,400
Less: Inter-segment revenue <sup>(2)</sup>	(15)	(2,781)	-	(127)	-	(2,923)
	<u>105,807</u>	<u>271,864</u>	<u>53,942</u>	<u>49,864</u>	<u>-</u>	<u>481,477</u>
Segment results	11,228	68,201	11,816	(241)	-	91,004
Unallocated costs						(4,208)
Profit before taxation and zakat						86,796
Taxation and zakat						(24,506)
Net profit for the financial quarter ended 30 June 2004						<u>62,290</u>



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**EXPLANATORY NOTES**

**9. Segment reporting (continued)**

(a) Segment revenue and segment results (continued)

<b>Group</b>	<b>Enterprise Banking</b>	<b>Retail Banking</b>	<b>Islamic Banking</b>	<b>Treasury and Investment Banking</b>	<b>Stock- broking Business</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Current financial period ended 30 June 2005</u></b>						
Gross operating revenue <sup>(1)</sup>	232,210	549,878	122,451	141,150	4,800	1,050,489
Less: Inter-segment revenue <sup>(2)</sup>	(18)	(474)	-	(6,079)	(1,005)	(7,576)
	<u>232,192</u>	<u>549,404</u>	<u>122,451</u>	<u>135,071</u>	<u>3,795</u>	<u>1,042,913</u>
Segment results	31,799	93,393	26,203	72,238	(3,798)	219,835
Unallocated costs						(8,027)
Profit before taxation and zakat						211,808
Taxation and zakat						(63,440)
Net profit for the financial period ended 30 June 2005						<u>148,368</u>
<b><u>Preceding year corresponding period ended 30 June 2004</u></b>						
Gross operating revenue <sup>(1)</sup>	224,182	566,827	98,903	91,570	-	981,482
Less: Inter-segment revenue <sup>(2)</sup>	(31)	(5,393)	-	(232)	-	(5,656)
	<u>224,151</u>	<u>561,434</u>	<u>98,903</u>	<u>91,338</u>	<u>-</u>	<u>975,826</u>
Segment results	27,517	146,479	15,879	3,483	-	193,358
Unallocated costs						(8,493)
Profit before taxation and zakat						184,865
Taxation and zakat						(56,657)
Net profit for the financial period ended 30 June 2004						<u>128,208</u>

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**EXPLANATORY NOTES**

**9. Segment reporting (continued)**

(b) Segment assets

<u>Group</u>	<u>Enterprise Banking</u> RM'000	<u>Retail Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Stock- broking Business</u> RM'000	<u>Total</u> RM'000
<b><u>As at 30 June 2005</u></b>						
Segment assets	8,452,368	16,220,127	4,135,790	4,317,371	93,716	33,219,372
Unallocated assets						782,017
Total assets						<u>34,001,389</u>
<b><u>As at 31 December 2004</u></b>						
Segment assets	8,621,097	15,606,392	3,952,923	4,261,387	106,279	32,548,078
Unallocated assets						782,958
Total assets						<u>33,331,036</u>

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

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

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

**10. Held for Trading Securities**

	<u>Unaudited 30 June 2005</u> RM'000	<u>Audited 31 December 2004</u> RM'000
Malaysian Government securities	53,180	108,372
Shares quoted in Malaysia	4,654	2,284
Bankers acceptance and Islamic accepted bills	68,852	-
Private and Islamic debt securities	4,991	4,876
	<u>131,677</u>	<u>115,532</u>

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**EXPLANATORY NOTES**

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Available-for-sale securities, at fair value</b>		
Malaysian Government securities	1,180,642	1,347,974
Cagamas bonds	500,606	597,746
Shares quoted in Malaysia	37,549	51,986
Quoted private debt securities	2,007	4,700
Private and Islamic debt securities	286,854	192,364
Commercial papers	3,007	-
Islamic commercial papers	7,004	-
	<u>2,017,669</u>	<u>2,194,770</u>
<b>Available-for-sale securities, at cost</b>		
Unquoted shares in Malaysia	7,075	7,075
Allowance for impairment	(3,214)	(3,214)
	<u>3,861</u>	<u>3,861</u>
	<u>2,021,530</u>	<u>2,198,631</u>

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Held-to-maturity securities, at cost/amortised cost</b>		
Malaysian Government investment securities	29,621	29,183
Cagamas Mudharabah bonds	35,380	35,380
Khazanah bonds	1,189	1,168
Private and Islamic debt securities	780,515	836,139
Unquoted shares in Malaysia	17,557	17,557
Islamic commercial papers (Murabahah Notes Issuance Facility)	14,000	-
Credit link notes denominated in USD	190,000	190,000
Floating rate notes denominated in USD	649,800	649,800
	<u>1,718,062</u>	<u>1,759,227</u>
Allowance for impairment	(66,030)	(68,870)
	<u>1,652,032</u>	<u>1,690,357</u>

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**EXPLANATORY NOTES**

**12. Loans, Advances and Financing**

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	2,328,259	2,308,468
Term loans/financing:		
Housing loans/financing	5,276,314	5,036,791
Syndicated term loan/financing	473,951	619,128
Hire purchase receivables	11,719,232	10,761,198
Lease receivables	2,679	2,846
Other term loans/financing	4,683,666	4,679,403
Bills receivable	9,684	10,896
Trust receipts	176,618	168,141
Claims on customers under acceptance credits	1,733,990	1,623,120
Staff loans/financing	217,466	226,327
Credit cards	619,329	566,128
Revolving credit	1,246,747	1,292,317
Other loans/financing	60,906	48,657
	<u>28,548,841</u>	<u>27,343,420</u>
Less: Unearned interest and income	(2,907,254)	(2,816,468)
Gross loans, advances and financing	<u>25,641,587</u>	<u>24,526,952</u>
Less: Allowances for bad and doubtful debts and financing:		
- General	(425,016)	(408,350)
- Specific	(641,992)	(561,931)
Total net loans, advances and financing	<u><u>24,574,579</u></u>	<u><u>23,556,671</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)	232,531	272,138
Domestic business enterprises (of which: Small medium enterprises)	9,072,808	8,966,894
Government and statutory bodies	36,116	44,527
Individuals	16,248,992	15,134,954
Other domestic entities	20,789	21,261
Foreign entities	30,351	87,178
Gross loans, advances and financing	<u>25,641,587</u>	<u>24,526,952</u>

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**EXPLANATORY NOTES**

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

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) The loans, advances and financing analysed by interest rate sensitivity:</b>		
Fixed rate	13,399,757	12,505,107
(of which: (i) Housing loans/financing	1,847,476	1,796,492
(ii) Hire purchase receivables)	10,073,265	9,199,710
Variable rate	12,241,830	12,021,845
(of which: (i) Base lending rate plus	8,274,156	7,907,786
(ii) Cost plus)	3,113,312	3,357,662
 Gross loans, advances and financing	 <u>25,641,587</u>	 <u>24,526,952</u>
 <b>(iii) The loans, advances and financing analysed by their economic sectors:</b>		
Agriculture, hunting, forestry and fishing	216,051	175,827
Mining and quarrying	39,153	36,325
Manufacturing	2,300,176	2,180,337
Electricity, gas and water	131,817	85,675
Construction	1,694,044	1,910,355
(of which: (i) Infrastructure)	118,020	154,461
Real estate	476,746	460,377
Purchase of landed property	5,988,241	5,754,040
(of which: (i) Residential	4,668,258	4,396,688
(ii) Non-residential )	1,319,983	1,357,352
Wholesale and retail trade and restaurants and hotels	2,066,446	1,827,559
Transport, storage and communication	572,263	651,169
Finance, insurance and business services	514,886	600,124
Purchase of securities	758,848	796,944
Purchase of transport vehicles	9,206,536	8,419,241
Consumption credit	1,327,086	1,241,959
Others	349,294	387,020
Gross loans, advances and financing	<u>25,641,587</u>	<u>24,526,952</u>



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

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vi) Movements in allowances for bad and doubtful debts and financing:</b>		
<b>General allowance</b>		
Balance as at 1 January	408,350	390,107
Allowance made during the financial period/year	16,666	18,243
Balance as at 30 June / 31 December	<u>425,016</u>	<u>408,350</u>
As % of gross loans, advances and financing less specific allowance	<u>1.7%</u>	<u>1.7%</u>
<b>Specific allowance</b>		
Balance as at 1 January	561,931	576,553
Allowance made during the financial period/year	144,154	290,037
Allowance charged to deferred asset/other assets during the financial period/year	4,044	27,031
Amount recovered	(42,837)	(106,191)
Recoveries set-off against deferred asset	(2,642)	(5,611)
Amount written off	(22,658)	(219,888)
Balance as at 30 June / 31 December	<u>641,992</u>	<u>561,931</u>

**13. Other Assets**

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables, net of allowances for bad and doubtful debts of RM4,037,000 (31.12.2004: RM237,000)	12,827	26,167
Interest/income receivable	63,316	61,183
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM6,882,000 (31.12.2004: RM6,818,000)	98,839	164,011
Tax recoverable	20,731	17,873
Deferred asset account	471,457	488,254
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	23,826	24,935
	<u>690,996</u>	<u>782,423</u>

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

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

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**15. Deposits from customers**

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	2,263,110	2,182,802
Savings deposits	2,072,553	1,983,107
Fixed/investment deposits	18,723,421	18,445,275
	<u>23,059,084</u>	<u>22,611,184</u>
<b>(i) The maturity structure of fixed/investment deposits is as follows:</b>		
One year or less	18,460,845	17,852,525
More than one year	262,576	592,750
	<u>18,723,421</u>	<u>18,445,275</u>
<b>(ii) The deposits from customer are sourced from the following types of customers:</b>		
Government and statutory bodies	2,912,799	2,758,234
Business enterprises	8,883,441	8,782,099
Individuals	10,310,346	10,256,332
Others	952,498	814,519
	<u>23,059,084</u>	<u>22,611,184</u>

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

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	160,762	439,252
Licensed finance companies	584	31,438
Licensed merchant banks	52	27,889
Bank Negara Malaysia	1,400,000	1,400,000
Other financial institutions	3,455,878	2,853,489
	<u>5,017,276</u>	<u>4,752,068</u>
<b>(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:</b>		
One year or less	3,542,322	3,163,017
More than one year	1,474,954	1,589,051
	<u>5,017,276</u>	<u>4,752,068</u>



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**17. Other Liabilities**

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payable	4,536	6,967
Other liabilities	161,599	156,124
Interest/dividend payable	182,513	189,278
Profit equalisation reserves	17,205	17,076
	<u>365,853</u>	<u>369,445</u>

**18. Interest Income**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2005</b>	<b>Preceding year corresponding quarter ended 30 June 2004</b>	<b>Current financial period ended 30 June 2005</b>	<b>Preceding year corresponding period ended 30 June 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances				
- Interest income other than recoveries	336,764	323,042	671,172	647,809
- Recoveries from NPLs	14,681	18,891	24,402	38,029
Money at call and deposit placements				
with financial institutions	20,026	28,887	40,495	60,517
Held for trading securities	6,369	944	11,490	4,365
Available-for-sale securities	27,690	34,610	56,652	79,159
Held-to-maturity securities	17,136	12,575	34,192	15,952
Others	404	0	576	0
	<u>423,070</u>	<u>418,949</u>	<u>838,979</u>	<u>845,831</u>
Amortisation of premium				
less accretion of discount	(11,439)	(14,193)	(23,221)	(24,117)
Interest suspended	(11,968)	(8,830)	(23,373)	(16,254)
Total interest income	<u>399,663</u>	<u>395,926</u>	<u>792,385</u>	<u>805,460</u>

**19. Interest Expense**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2005</b>	<b>Preceding year corresponding quarter ended 30 June 2004</b>	<b>Current financial period ended 30 June 2005</b>	<b>Preceding year corresponding period ended 30 June 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	24,733	22,051	51,588	44,122
Deposits from customers	156,609	160,137	309,869	319,879
Loans sold to Cagamas Berhad	2,708	4,763	5,376	10,374
Subordinated obligations	12,102	12,027	24,205	21,381
Long term borrowings	5,204	5,165	10,409	10,370
Others	421	447	797	846
	<u>201,777</u>	<u>204,590</u>	<u>402,244</u>	<u>406,972</u>

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**20. Non-interest income**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2005</b>	<b>Preceding year corresponding quarter ended 30 June 2004</b>	<b>Current financial period ended 30 June 2005</b>	<b>Preceding year corresponding period ended 30 June 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee and commission income:				
- Commission	7,902	6,506	15,349	12,609
- Service charges and fees	18,200	16,414	35,471	29,766
- Guarantee fees	2,707	2,742	5,644	5,473
- Advisory and arrangement fees	10,964	1,965	14,602	4,638
- Underwriting commission	1,809	670	2,592	3,011
- Brokerage	1,148	-	3,153	-
Gains/(losses) arising from sale of securities:				
- Held for trading securities	(1,321)	1,086	(762)	3,953
- Held-to-maturity securities	167	863	1,175	771
- Available-for-sale securities	40,953	4,308	44,865	5,925
Dividend income				
- Held for trading securities	150	198	150	282
- Held-to-maturity securities	-	181	-	419
- Available-for-sale securities	876	39	949	490
Unrealised (losses)/gains on revaluation of trading securities	(112)	(2,937)	(2,391)	31
Gains from foreign exchange translations	2,164	1,038	4,170	3,242
Other income/(expenditure):				
- Rental income from premises	785	78	1,324	183
- Gain on disposal of property, plant and equipment	295	788	689	914
- Other operating income	153	63	264	236
- Other non-operating income	2,461	507	4,424	2,516
- Amount (provided)/recovered in respect of other bad and doubtful debts	(3,691)	(34)	(3,823)	(30)
	<b>85,610</b>	<b>34,475</b>	<b>127,845</b>	<b>74,429</b>

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**21. Overhead expenses**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2005</b>	<b>Preceding year corresponding quarter ended 30 June 2004</b>	<b>Current financial period ended 30 June 2005</b>	<b>Preceding year corresponding period ended 30 June 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	65,621	57,653	126,287	118,318
Promotion and marketing related expenses	16,666	14,595	31,824	28,875
Establishment related expenses	26,061	24,204	54,464	47,658
General administrative expenses	21,700	16,454	47,315	37,765
	<u>130,048</u>	<u>112,906</u>	<u>259,890</u>	<u>232,616</u>

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

Salaries, bonus and allowances	53,778	45,524	103,088	95,867
Defined contribution plan	8,343	7,788	16,551	15,797
Other employee benefits	3,500	4,341	6,648	6,654
	<u>65,621</u>	<u>57,653</u>	<u>126,287</u>	<u>118,318</u>

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

Hire-purchase handling fees and commissions	14,384	12,500	26,306	23,890
Others	2,282	2,095	5,518	4,985
	<u>16,666</u>	<u>14,595</u>	<u>31,824</u>	<u>28,875</u>

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

Depreciation of property, plant and equipment	10,066	7,978	20,241	15,175
Repair and maintenance	2,755	3,736	8,786	7,610
Rental of premises	4,862	6,843	10,673	13,903
Hire of equipment	1,561	1,559	2,767	3,117
Others	6,817	4,088	11,997	7,853
	<u>26,061</u>	<u>24,204</u>	<u>54,464</u>	<u>47,658</u>

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**21. Overhead expenses (continued)**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2005</u>	<u>Preceding year corresponding quarter ended 30 June 2004</u>	<u>Current financial period ended 30 June 2005</u>	<u>Preceding year corresponding period ended 30 June 2004</u>
	RM'000	RM'000	RM'000	RM'000
<b>(iv) General administrative expenses comprise the following:</b>				
Communication costs	5,122	2,424	9,755	6,622
Printing and stationeries	4,033	4,436	6,686	8,008
Loss on disposal of property, plant and equipment	7	42	6,020	44
Amortisation of goodwill	698	-	1,403	-
Legal and other professional charges	4,644	4,047	9,418	8,749
Others	7,196	5,505	14,033	14,342
	<u>21,700</u>	<u>16,454</u>	<u>47,315</u>	<u>37,765</u>

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

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2005</u>	<u>Preceding year corresponding quarter ended 30 June 2004</u>	<u>Current financial period ended 30 June 2005</u>	<u>Preceding year corresponding period ended 30 June 2004</u>
	RM'000	RM'000	RM'000	RM'000
Allowances for bad and doubtful debts on loans, advances and financing:				
(a) Specific allowance:				
- Made	77,383	75,098	144,154	155,205
- Written back	(24,055)	(24,784)	(42,837)	(45,878)
(b) General allowance:				
- Made	9,027	3,870	16,666	6,591
Bad debts on loans, advances and financing:				
- Recovered	(6,780)	(7,550)	(13,495)	(11,829)
- Written off	59	902	122	1,803
	<u>55,634</u>	<u>47,536</u>	<u>104,610</u>	<u>105,892</u>

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**23. Commitments and Contingencies**

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

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

	<b>Unaudited 30 June 2005</b>			<b>Audited 31 December 2004</b>		
	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</b>	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	311,097	311,097	311,097	313,746	313,746	313,746
Certain transaction-related contingent items	755,034	377,517	377,517	620,360	310,180	310,180
Short term self-liquidating trade-related contingencies	188,083	37,617	37,617	229,482	45,896	45,896
Assets sold with recourse and commitments with certain drawdown	825,000	825,000	810,000	-	-	-
Obligations under underwriting agreements	477,805	238,903	238,903	590,676	295,338	295,338
Irrevocable commitments to extend credit :						
- maturity more than one year	1,796,705	898,353	608,729	1,788,343	894,172	633,960
- maturity less than one year	6,530,635	-	-	5,733,376	-	-
Foreign exchange related contracts - maturity less than one year	3,217,187	39,734	8,502	1,723,185	29,926	12,088
Interest rate related contracts - maturity more than one year	855,000	25,650	5,130	855,000	34,200	6,840
Others	241,915	-	-	179,247	-	-
	<u>15,198,461</u>	<u>2,753,871</u>	<u>2,397,495</u>	<u>12,033,415</u>	<u>1,923,458</u>	<u>1,618,048</u>

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

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**24. Interest/Profit Rate Risk**

	← Non-trading book →					Non- interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 30 June 2005</b>									
<b>Assets</b>									
Cash and short-term funds	2,900,400	-	-	-	-	173,828	-	3,074,228	2.67
Deposits and placements with financial institutions	-	60,028	361,809	-	-	-	-	421,837	3.06
Held for trading securities	-	-	-	-	-	-	131,677	131,677	3.63
Available-for-sale securities	77,025	63,625	238,259	1,528,126	71,078	43,417	-	2,021,530	3.52
Held-to-maturity securities	902,823	96,254	40,620	358,565	236,213	17,557	-	1,652,032	6.82
Loans, advances and financing									
- performing	10,836,227	382,433	356,876	5,410,536	6,976,880	9,991	-	23,972,943	6.94
- non-performing	-	-	-	-	-	601,636	-	601,636	-
Other assets <sup>(1)</sup>	10,568	-	-	-	-	2,114,938	-	2,125,506	7.02
<b>Total assets</b>	<b>14,727,043</b>	<b>602,340</b>	<b>997,564</b>	<b>7,297,227</b>	<b>7,284,171</b>	<b>2,961,367</b>	<b>131,677</b>	<b>34,001,389</b>	

Note:

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

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

	← Non-trading book →						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>As at 30 June 2005 (continued)</b>									
<b>Liabilities</b>									
Deposits from customers	9,074,747	4,257,753	7,190,898	262,576	-	2,263,110	-	23,059,084	2.76
Deposits and placements of banks and other financial institutions	1,215,425	1,147,306	1,140,005	14,192	1,400,000	100,348	-	5,017,276	4.29
Obligations on securities sold under repurchase agreements	162,029	-	-	-	-	-	-	162,029	2.43
Bills and acceptances payable	-	-	-	-	-	1,296,795	-	1,296,795	-
Other liabilities <sup>(1)</sup>	7,420	-	-	-	-	399,784	-	407,204	2.80
Recourse obligation on loans sold to Cagamas Berhad	-	81,248	166	132,585	-	23,825	-	237,824	4.87
Subordinated obligations	-	-	-	855,000	-	^(9,466)	-	845,534	5.38
Long term borrowings	-	-	50,000	250,000	-	^(6,333)	-	293,667	6.25
<b>Total liabilities</b>	<b>10,459,621</b>	<b>5,496,307</b>	<b>8,381,069</b>	<b>1,514,353</b>	<b>1,400,000</b>	<b>4,068,063</b>	<b>-</b>	<b>31,319,413</b>	
Shareholder's Funds	-	-	-	-	-	2,681,976	-	2,681,976	
<b>Total Liabilities and Shareholder's Funds</b>	<b>10,459,621</b>	<b>5,496,307</b>	<b>8,381,069</b>	<b>1,514,353</b>	<b>1,400,000</b>	<b>6,750,039</b>	<b>-</b>	<b>34,001,389</b>	
On-balance sheet interest sensitivity gap	4,267,422	(4,893,967)	(7,383,505)	5,782,874	5,884,171				
Off-balance sheet interest sensitivity gap	(855,000)	-	-	855,000	-				
<b>Total interest sensitivity gap</b>	<b>3,412,422</b>	<b>(4,893,967)</b>	<b>(7,383,505)</b>	<b>6,637,874</b>	<b>5,884,171</b>				

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

Note:

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

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

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

Note:

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



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

	← 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 2004 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	9,025,131	3,995,632	6,814,876	592,743	-	2,182,802	-	22,611,184	2.84
Deposits and placements of banks and other financial institutions	1,248,501	954,882	825,605	134,807	1,400,000	188,273	-	4,752,068	4.09
Obligations on securities sold under repurchase agreements	246,167	-	-	-	-	-	-	246,167	2.35
Bills and acceptances payable	-	-	-	-	-	1,337,864	-	1,337,864	-
Other liabilities <sup>(1)</sup>	6,924	-	-	-	-	409,113	-	416,037	3.00
Recourse obligation on loans sold to Cagamas Berhad	-	-	85,613	138,981	-	24,935	-	249,529	4.87
Subordinated obligations	-	-	-	855,000	-	^(10,693)	-	844,307	5.38
Long term borrowings	-	-	50,000	250,000	-	^(7,367)	-	292,633	7.10
<b>Total liabilities</b>	<b>10,526,723</b>	<b>4,950,514</b>	<b>7,776,094</b>	<b>1,971,531</b>	<b>1,400,000</b>	<b>4,124,927</b>	<b>-</b>	<b>30,749,789</b>	
Shareholder's Funds	-	-	-	-	-	2,581,247	-	2,581,247	
<b>Total Liabilities and Shareholder's Funds</b>	<b>10,526,723</b>	<b>4,950,514</b>	<b>7,776,094</b>	<b>1,971,531</b>	<b>1,400,000</b>	<b>6,706,174</b>	<b>-</b>	<b>33,331,036</b>	
On-balance sheet interest sensitivity gap	4,338,309	(4,295,694)	(7,144,870)	5,890,598	4,956,990				
Off-balance sheet interest sensitivity gap	-	(855,000)	-	855,000	-				
<b>Total interest sensitivity gap</b>	<b>4,338,309</b>	<b>(5,150,694)</b>	<b>(7,144,870)</b>	<b>6,745,598</b>	<b>4,956,990</b>				

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

Note:

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

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**25. The Operation of Islamic Banking**

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

	<b>Unaudited 30 June 2005</b>	<b>Audited 31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	292,303	161,862
Deposits and placements with banks and other financial institutions	12,903	20,000
Held-to-maturity securities	152,027	197,486
Financing, advances and other loans	3,482,548	3,337,485
Other assets	41,209	103,513
Statutory deposits with Bank Negara Malaysia	126,385	112,883
Property, plant and equipment	1,401	1,540
<b>TOTAL ASSETS</b>	<b>4,108,776</b>	<b>3,934,769</b>
<b>LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		
Deposits from customers	2,803,766	2,617,550
Deposits and placements of banks and other financial institutions	779,797	846,293
Bills and acceptances payable	2,074	3,679
Provision for zakat	13,629	15,523
Other liabilities	65,890	54,318
<b>TOTAL LIABILITIES</b>	<b>3,665,156</b>	<b>3,537,363</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>		
Islamic banking funds	310,110	310,110
Retained profits	133,510	87,296
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>	<b>443,620</b>	<b>397,406</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>	<b>4,108,776</b>	<b>3,934,769</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>917,874</b>	<b>753,549</b>

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**EXPLANATORY NOTES**

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

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

	Individual quarter		Cumulative quarter	
	Current financial quarter ended <u>30 June 2005</u> RM'000	Preceding year corresponding quarter ended <u>30 June 2004</u> RM'000	Current financial period ended <u>30 June 2005</u> RM'000	Preceding year corresponding period ended <u>30 June 2004</u> RM'000
Income derived from investment of depositors' funds	54,842	47,451	109,484	91,086
Allowances for losses on financing	(8,177)	(6,636)	(12,036)	(17,698)
Transfer to profit equalisation reserve	(929)	(1,477)	(129)	(3,220)
Total attributable income	45,736	39,338	97,319	70,168
Income attributable to depositors	(24,221)	(21,114)	(48,867)	(41,251)
	21,515	18,224	48,452	28,917
Income derived from investment of head office's funds	5,159	6,013	10,107	13,287
Total net income	26,674	24,237	58,559	42,204
Overhead expenses	(5,180)	(5,299)	(9,782)	(9,521)
Profit before zakat	21,494	18,938	48,777	32,683
Zakat	(1,364)	(1,486)	(2,557)	(2,916)
Profit after zakat	20,130	17,452	46,220	29,767

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**EXPLANATORY NOTES**

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

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

	<b>Unaudited</b> <b>30 June 2005</b>	<b>Audited</b> <b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	204,186	265,238
Term financing		
Housing financing	1,850,421	1,833,464
Hire purchase receivables	1,738,434	1,531,421
Other term financing	1,130,832	1,107,026
Bills receivable	160	-
Trust receipts	1,748	3,374
Claims on customers under acceptance credits	46,771	26,164
Staff financing	39,745	41,169
Revolving credit	84,228	115,951
Other financing	6,203	6,526
	<u>5,102,728</u>	<u>4,930,333</u>
Less: Unearned income	(1,498,682)	(1,483,725)
	<u>3,604,046</u>	<u>3,446,608</u>
Less: Allowances for bad and doubtful financing:		
- General	(61,271)	(57,717)
- Specific	(60,227)	(51,406)
Total net financing, advances and other loans	<u>3,482,548</u>	<u>3,337,485</u>

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

Balance as at 1 January	140,303	100,121
Classified as non-performing during the financial period/year (gross)	91,364	176,190
Reclassified as performing during the financial period/year	(56,076)	(84,063)
Amount recovered	(15,238)	(45,469)
Amount written off	-	(6,475)
Balance as at 30 June / 31 December	<u>160,353</u>	<u>140,304</u>
Non-performing loans which have no adverse financial impact on the Group	<u>(21,048)</u>	<u>(21,018)</u>
	139,305	119,286
Specific allowance	<u>(47,608)</u>	<u>(37,804)</u>
Net non-performing financing, advances and other loans	<u>91,697</u>	<u>81,482</u>
Ratio of net non-performing financing, advances and other loans to total net financing, advances and other loans	<u>2.58%</u>	<u>2.39%</u>

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**EXPLANATORY NOTES**

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

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2005</b>	<b>31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Movements in allowances for bad and doubtful financing are as follows:</b>		
<b><u>General allowance</u></b>		
Balance as at 1 January	57,717	44,271
Allowance made during the financial period/year	2,510	13,446
Balance as at 30 June / 31 December	60,227	57,717
As % of total financing less specific allowance	1.7%	1.7%
<b><u>Specific allowance</u></b>		
Balance as at 1 January	51,406	31,138
Allowance made during the financial period/year	14,378	27,075
Allowance charged to deferred asset/other assets during the financial period/year	80	8,281
Amount written back in respect of recoveries	(4,578)	(8,605)
Recoveries set-off against deferred asset	(15)	(8)
Amount written off	-	(6,475)
Balance as at 30 June / 31 December	61,271	51,406

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**EXPLANATORY NOTES**

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

**25(iv) Deposits from customers**

	<b>Unaudited 30 June 2005</b>	<b>Audited 31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-Mudarabah:</u></b>		
Al-Wadiah demand deposits	292,552	264,684
Al-Wadiah savings deposits	123,274	120,817
	415,826	385,501
<b><u>Mudarabah:</u></b>		
Al-Fareed demand deposits	33,906	27,950
Al-Mudarabah savings deposits	27,688	23,069
Total demand and savings deposits	477,420	436,520
 <b><u>Mudarabah:</u></b>		
General investment deposits	1,863,726	1,556,945
Special investment deposits	172,233	334,594
Bai Al-Inah HARI	290,387	289,491
Total investment deposits	2,326,346	2,181,030
	2,803,766	2,617,550

**26. Significant events during the financial quarter/period ended 30 June 2005**

There were no significant events during the financial quarter/period ended 30 June 2005.

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

There were no significant changes in the composition of the Group for the financial quarter/period ended 30 June 2005.

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

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

**29. Other Commitments**

	<b>Unaudited 30 June 2005</b>	<b>Audited 31 December 2004</b>
	<b>RM'000</b>	<b>RM'000</b>
- Authorised and contracted for	10,639	139,353
- Authorised but not contracted for	8,045	18,107
	18,684	157,460
Analysed as follows:		
- Property, plant and equipment	18,684	157,460

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

**30. Taxation**

The analysis of the tax expense for the financial quarter/period ended 30 June 2005 is as follows:-

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2005</b>	<b>Preceding year corresponding quarter ended 30 June 2004</b>	<b>Current financial period ended 30 June 2005</b>	<b>Preceding year corresponding period ended 30 June 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
- Charge for the financial period	33,352	30,855	64,173	63,321
- Under/(over) provision in respect of prior period/years	9	(5,276)	22	(4,749)
	33,361	25,579	64,195	58,572
Transfer to deferred tax asset	2,617	(2,559)	(3,312)	(4,831)
	35,978	23,020	60,883	53,741

The Group's effective tax rate for the financial quarter/period ended 30 June 2005 was higher than the statutory tax rate because certain expenses were not deductible for tax purposes.

**31. Unquoted Investments and Properties**

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

Other than the above, there were no sale of unquoted investments and properties for the financial quarter/period ended 30 June 2005 other than in the ordinary course of banking business.

**32. Quoted Securities**

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

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

There were no corporate proposals announced but not completed for the financial quarter/period ended 30 June 2005.

**34. Long Term Borrowings**

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

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

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**35. Subordinated Obligations**

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

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

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

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

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

Based on the balance sheet as at 24 August 2005, value of contracts of financial instruments of the Group with off-balance sheet risk, traded in the ordinary course of business, classified by remaining period to maturity or next repricing date (whichever is earlier), are as follows:

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	> 5 years RM'000
Foreign exchange related contracts							
- Forward contracts	3,828,009	1,251,807	1,601,033	887,780	87,389	-	-
Interest rate related contracts							
- Interest rate swap	855,000	-	-	855,000	-	-	-

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There were no equity and commodity related contracts as at 24 August 2005.

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 24 August 2005, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM18,185,359 (31 December 2004: RM5,017,976).



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

**Credit risk**

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 24 August 2005, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM9,859,899 (31 December 2004: RM8,391,770). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**Related Accounting Policies**

*Foreign exchange related contracts*

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

*Interest rate swap*

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

**37. Material Litigation**

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

The following are pending material litigations in which the Group is involved in the ordinary course of business which, in the opinion of the Board of Directors, do not materially and adversely affect the financial position of the Group as at 24 August 2005 and at the date of this Announcement.

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

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

A Writ of Summons and Statement of Claim was filed by the borrower (Plaintiff) on 29 November 2002 against EBB, alleging that EBB refused to give consent for the Plaintiff's application to subdivide the land which was charged to EBB. The Plaintiff alleged that it had suffered loss and is claiming an amount of RM21.6 million plus general, aggravated and punitive damages and interest yet to be quantified.

**Status update**

Trial fixed on 15 to 17 September 2004 has been postponed. No new dates have been fixed yet. The Appeal on the application for striking out the Plaintiff's Statement of Claim fixed for hearing on 23 August 2005 has been postponed to 14 October 2005.

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

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**EXPLANATORY NOTES**

**37. Material Litigation (continued)**

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

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

**Status update**

Hearing of Summary Judgement of EBB's suit, initially fixed on 1 December 2004, was postponed several times and the last date fixed on 27 June 2005 has been again postponed to a further date yet to be fixed.

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

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

**Status update**

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

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. EBB has filed an Affidavit-in Reply.

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.

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**EXPLANATORY NOTES**

**37. Material Litigation (continued)**

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

(5) A Writ of Summons was filed by MIMB on 17 December 1998 against the borrower and three guarantors for RM21.4 million, being outstanding banking facilities granted plus interest thereon. On 10 April 2000, the High Court granted the order to the borrower to amend its Statement of Defence and to add the Counterclaim for RM70.2 million against MIMB for inter alia, wrongfully terminating the credit facilities of the borrower resulting in the loss of goodwill and reputation of the borrower and loss of projects.

**Status update**

Further Case Management fixed on 19 October 2004 for mention has been postponed to 22 November 2004. On that day, the Court fixed 13 June 2005 to 16 June 2005 for trial. 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 has been fixed on 6 October 2005.

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

**38. Profit Forecast**

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

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

Compared with the immediate preceding financial quarter ended 31 March 2005, the Group's pre-tax profit increased by RM45.2 million from RM83.3 million to RM128.5 million. This was mainly due to increase in non-interest income by RM43.4 million and increase in net interest income including net income from Islamic banking business by RM4.7 million. This was partly off-set by increase in allowances for losses on loans, advances and financing and impairment losses on securities totalling RM2.7 million. The earnings per share improved from 8.25 sen last financial quarter to 13.15 sen for the current financial quarter.

**40. Review of performance for the financial quarter/period ended 30 June 2005 against the corresponding financial quarter/period of preceding year**

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

For the current financial quarter ended 30 June 2005, the Group recorded a pre-tax profit of RM128.5 million, a 48% increase as compared to RM86.8 million in the preceding year's corresponding financial quarter. The increase was mainly attributable to the increase in non-interest income and net interest income including net income from Islamic Banking business by RM51.1 million and RM10.5 million respectively. This was partly off-set by increase in overhead expenses by RM17.1 million and increase in allowances for losses on loans, advances and financing and impairment losses on securities by RM2.8 million.

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**EXPLANATORY NOTES**

**40. Review of performance for the financial quarter/period ended 30 June 2005 against the corresponding financial quarter/period of preceding year (continued)**

**Financial year-to-date against previous financial year-to-date**

For the current financial period ended 30 June 2005, the Group recorded a pre-tax profit of RM211.8 million, a 15% increase as compared to RM184.9 million in the preceding year's corresponding financial period. The increase was mainly attributable to an increase in non-interest income by RM53.4 million. This was partly off-set by an increase in overhead expenses by RM27.3 million. The earnings per share for six months period improved from 18.49 sen last year to 21.40 sen this year.

**41. Prospects for 2005**

The economic condition in Malaysia is expected to remain favourable and conducive for the financial services industry for second half 2005. The Group will continue to build its presence in the retail and middle market segment. Barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance in 2005.

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

The calculation of the basic earnings per share of the Group, which is based on the net profit for the financial quarter/period ended 30 June 2005 and 30 June 2004 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter, is set out as follows:

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2005</b>	<b>Preceding year corresponding quarter ended 30 June 2004</b>	<b>Current financial period ended 30 June 2005</b>	<b>Preceding year corresponding period ended 30 June 2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial period (RM'000)	91,148	62,290	148,368	128,208
Weighted average number of ordinary shares in issue during the financial period ('000)	693,209	693,209	693,209	693,209
Basic earnings per share (sen) - basic/diluted	13.15	8.99	21.40	18.49

There were no dilutive potential ordinary shares outstanding as at 30 June 2005.