

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2007

		Unaudited 31 March 2007	Audited 31 December 2006
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		3,828,709	3,080,304
Deposits and placements with banks and other financial institutions		599,143	736,907
Held-for-trading securities	10	323,782	115,124
Derivative financial instruments	18	23,045	8,919
Available-for-sale securities	11	3,679,284	3,347,272
Held-to-maturity securities	12	1,710,323	2,332,762
Loans, advances and financing	13	27,465,805	27,192,125
Other assets	14	857,036	835,360
Statutory deposits with Bank Negara Malaysia		1,076,729	1,070,382
Deferred tax assets		104,164	111,189
Property, plant and equipment		264,173	268,391
Goodwill		136,448	137,925
TOTAL ASSETS		40,068,641	39,236,660
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	16	25,705,240	25,903,412
Deposits and placements of banks and other financial institutions	17	7,067,305	7,061,255
Derivative financial instruments	18	22,666	26,873
Obligations on securities sold under repurchase agreements		1,024,483	129,328
Bills and acceptances payable		1,451,207	1,339,930
Other liabilities	19	719,703	713,538
Provision for taxation and zakat		30,851	44,914
Deferred tax liabilities		-	2,550
Subordinated obligations	38	751,669	761,372
Borrowings	39	246,552	256,114
TOTAL LIABILITIES		37,019,676	36,239,286
SHARE CAPITAL		693,209	693,209
RESERVES		2,355,756	2,304,165
SHAREHOLDERS' FUNDS		3,048,965	2,997,374
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		40,068,641	39,236,660
COMMITMENTS AND CONTINGENCIES	25	20,371,918	18,195,150
NET ASSETS PER ORDINARY SHARE (RM)		4.40	4.32

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2007

	Note	Individual quarter		Cumulative quarter	
		Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
Interest income	20	492,482	419,590	492,482	419,590
Interest expense	21	(277,795)	(216,425)	(277,795)	(216,425)
Net interest income		214,687	203,165	214,687	203,165
Net income from Islamic Banking business	29	37,385	35,897	37,385	35,897
		252,072	239,062	252,072	239,062
Other operating income	22	74,799	63,171	74,799	63,171
Net income		326,871	302,233	326,871	302,233
Other operating expenses	23	(135,242)	(131,465)	(135,242)	(131,465)
Net operating profit		191,629	170,768	191,629	170,768
Allowances for losses on loans, advances and financing	24	(117,991)	(58,954)	(117,991)	(58,954)
Impairment losses on securities		(22,972)	(2,923)	(22,972)	(2,923)
Profit before taxation and zakat		50,666	108,891	50,666	108,891
Taxation	34	(13,303)	(31,847)	(13,303)	(31,847)
Zakat		(1,074)	(1,394)	(1,074)	(1,394)
Net profit for the financial quarter/period		36,289	75,650	36,289	75,650
Earnings per share (sen)					
- Basic	46	5.23	10.91	5.23	10.91
- Diluted	46	5.23	10.91	5.23	10.91

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2007

	Issued and fully paid ordinary shares of RM1 each			Cashflow hedge reserve	Cumulative net unrealised gains /(losses) on available- for-sale securities, net of tax		Retained profits	Total
	Share capital	Share premium	Statutory reserve		RM'000	RM'000		
Note	RM'000	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 on available-for-sale securities, net of tax	-	-	-	-	14,136	-	14,136	
Net fair value changes in interest rate derivatives, net of tax	-	-	-	1,166	-	-	1,166	
Income/(expenses) recognised directly in equity	-	-	-	1,166	14,136	-	15,302	
Net profit for the financial year	-	-	-	-	-	36,289	36,289	
Total recognised income/(expenses) for the financial period	-	-	-	1,166	14,136	36,289	51,591	
Balance as at 31 March 2007	693,209	1,066,296	532,032	(1,201)	59,525	699,104	3,048,965	
Balance as at 1 January 2006	693,209	1,066,296	473,986	-	3,020	588,242	2,824,753	
Net fair value changes on available-for-sale securities, net of tax	-	-	-	-	2,604	-	2,604	
Income/(expenses) recognised directly in equity	-	-	-	-	2,604	-	2,604	
Net profit for the financial year	-	-	-	-	-	75,650	75,650	
Total recognised income/(expenses) for the financial period	-	-	-	-	2,604	75,650	78,254	
Balance as at 31 March 2006	693,209	1,066,296	473,986	-	5,624	663,892	2,903,007	

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2007

	Current financial quarter ended 31 March 2007	Preceding year corresponding quarter ended 31 March 2006
	RM'000	RM'000
Cash Flows From Operating Activities		
Net profit for the financial quarter	36,289	75,650
Adjustments for investing and financing items not involving movement of cash and cash equivalents	115,369	133,145
Operating profit before working capital changes	<u>151,658</u>	<u>208,795</u>
Increase in operating assets	(549,831)	(574,031)
Increase in operating liabilities	808,056	1,558,977
Cash generated from operating activities	<u>409,882</u>	<u>1,193,741</u>
Zakat paid	(864)	(5,820)
Income tax paid	(31,312)	(23,436)
Income tax refund	5,549	-
Net cash generated from operating activities	<u>383,255</u>	<u>1,164,485</u>
Cash Flows From Investing Activities		
Proceeds from sale of available-for-sale and held-to-maturity securities, net of purchases	276,053	118,353
Purchase of property, plant and equipment	(5,340)	(13,467)
Proceeds from disposal of property, plant and equipment	8	234
Acquisition of subsidiary companies (note 27)	-	(26,237)
Interest/dividend received from available-for-sales and held-to-maturity securities	88,798	47,740
Net dividends received	154	240
Net cash generated from investing activities	<u>359,673</u>	<u>126,863</u>
Cash Flows From Financing Activities		
Net interest received from interest rate related derivatives	26,849	4,481
Interest paid on subordinated obligations	(21,372)	(22,885)
Net cash generated from /(used in) financing activities	<u>5,477</u>	<u>(18,404)</u>
Net decrease in cash and cash equivalents	748,405	1,272,944
Cash and cash equivalents:		
- as at beginning of financial quarter	<u>3,080,304</u>	<u>3,200,023</u>
- as at end of the financial quarter	<u>3,828,709</u>	<u>4,472,967</u>

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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, FRS134₂₀₀₄ - Interim Financial Reporting, Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 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 is FRS 117 Leases.

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 period of the lease term in accordance with the patterns of benefits provided.

The revision to FRS 117 has resulted in a reclassification of cost of acquiring leasehold land of the Group from property, plant and equipment to prepaid lease payments, which are now 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 was no 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.

3. Audit Report

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

4. Seasonality or Cyclicity of Operations

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

5. Items Affecting Net Income and Cash Flow

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 31 March 2007.

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6. Changes in Estimates

With effect from 1 January 2007, the Group revised its policy for 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 FRS108₂₀₀₄ Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies and has the effect of reducing the current quarter's net profit of Group by RM8,300,000.

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

7. Issuance and Repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 March 2007.

8. Dividends Paid During the Current Financial Quarter/Year

There were no interim dividends paid or declared in respect of financial year ending 31 December 2007 during the financial quarter ended 31 March 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/period ended 31 March 2007</u>					
Gross operating revenue ⁽¹⁾	139,740	301,759	73,911	137,990	653,400
Less: Inter-segment revenue ⁽²⁾	(3,653)	(7,927)	-	(1,089)	(12,669)
	<u>136,087</u>	<u>293,832</u>	<u>73,911</u>	<u>136,901</u>	<u>640,731</u>
Segment results	(28,832)	22,273	10,213	51,420	55,074
Unallocated costs					<u>(4,408)</u>
Profit before taxation and zakat					50,666
Taxation and zakat					<u>(14,377)</u>
Net profit for the financial quarter/period ended 31 March 2007					<u><u>36,289</u></u>
<u>Preceding year corresponding quarter/period ended 31 March 2006</u>					
Gross operating revenue ⁽¹⁾	124,873	283,880	64,980	74,965	548,698
Less: Inter-segment revenue ⁽²⁾	(173)	(322)	-	(638)	(1,133)
	<u>124,700</u>	<u>283,558</u>	<u>64,980</u>	<u>74,327</u>	<u>547,565</u>
Segment results	26,004	46,262	11,395	28,274	111,935
Unallocated costs					<u>(3,044)</u>
Profit before taxation and zakat					108,891
Taxation and zakat					<u>(33,241)</u>
Net profit for the financial quarter/period ended 31 March 2006					<u><u>75,650</u></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 March 2007</u>					
Segment assets	8,472,364	17,094,305	5,160,527	8,494,806	39,222,002
Unallocated assets					846,639
Total assets					<u>40,068,641</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 into the merchant banking to form the investment banking business units 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

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Malaysian Government securities	102,003	-
Malaysian Government investment issues	60,368	105,105
Cagamas bonds	50,013	-
Quoted equity securities in Malaysia	22,856	5,100
Private debt securities	88,542	4,919
	<u>323,782</u>	<u>115,124</u>

11. Available-for-sale Securities

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Available-for-sale securities, at fair value		
Bank Negara Malaysia negotiable notes	119,475	144,530
Bank Negara Malaysia bills	49,817	-
Bank Negara Malaysia notes	20,065	-
Malaysian Government investment issues	182,223	73,496
Malaysian Government treasury bills	-	49,668
Malaysian Government Islamic treasury bills	9,784	19,862
Malaysian Government securities	785,388	1,017,349
Sukuk Bank Negara Malaysia Ijarah	10,009	278,249
Cagamas bonds	278,484	45,007
Quoted equity securities in Malaysia	48,954	33,883
Quoted private debt securities	3,162	3,406
Private and Islamic debt securities	945,815	931,573
Negotiable instruments of deposit	1,200,316	700,018
Commercial papers	-	1,991
Islamic commercial papers	43,000	43,931
Allowance for impairment	(21,500)	-
	<u>3,674,992</u>	<u>3,342,963</u>
Available-for-sale securities, at cost		
Unquoted equity securities in Malaysia	6,666	6,666
Unquoted equity securities outside Malaysia	840	857
Allowance for impairment	(3,214)	(3,214)
	<u>4,292</u>	<u>4,309</u>
	<u>3,679,284</u>	<u>3,347,272</u>

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12. Held-to-maturity Securities

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Held-to-maturity securities, at amortised cost		
Cagamas Mudharabah bonds	35,380	35,380
Private and Islamic debt securities	748,462	758,149
Credit link notes denominated in USD	172,875	176,375
Callable range accrual notes denominated in USD	-	603,203
Structured notes denominated in USD	869,681	875,730
	<u>1,826,398</u>	<u>2,448,837</u>
Held-to-maturity securities, at cost		
Unquoted equity securities in Malaysia	17,557	17,557
	<u>1,843,955</u>	<u>2,466,394</u>
Allowance for impairment	(133,632)	(133,632)
	<u>1,710,323</u>	<u>2,332,762</u>

13. Loans, Advances and Financing

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Overdrafts/Cash line	2,453,291	2,461,601
Term loans/financing:		
Housing loans/financing	6,384,104	6,179,096
Syndicated term loans/financing	705,572	682,703
Hire purchase receivables	12,273,632	12,499,780
Lease receivables	26	26
Other term loans/financing	5,341,817	5,014,877
Bills receivable	9,834	9,246
Trust receipts	150,117	185,707
Claims on customers under acceptance credits/financing	2,362,332	2,238,836
Staff loans/financing	204,541	206,849
Credit cards	908,192	920,547
Revolving credit/financing	1,098,917	1,017,346
Other loans/financing	30,152	41,235
	<u>31,922,527</u>	<u>31,457,849</u>
Less: Unearned interest and income	(3,326,192)	(3,250,962)
Gross loans, advances and financing	<u>28,596,335</u>	<u>28,206,887</u>
Less: Allowances for bad and doubtful debts and financing:		
- Specific	(712,268)	(600,660)
- General	(418,262)	(414,102)
Total net loans, advances and financing	<u>27,465,805</u>	<u>27,192,125</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
(i) The loans, advances and financing are disbursed to the following types of customers:		
Domestic non-bank financial institutions	239,063	207,536
(of which: Stockbroking companies)	-	-
Domestic business enterprises	10,460,594	10,108,593
(of which: Small and medium enterprises)	5,256,443	4,909,492
Government and statutory bodies	20,048	24,712
Individuals	17,800,277	17,797,735
Other domestic entities	23,649	23,505
Foreign entities	52,704	44,806
Gross loans, advances and financing	<u>28,596,335</u>	<u>28,206,887</u>
(ii) The loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:		
Fixed rate	14,004,058	14,277,610
(of which: (i) Housing loans/financing	1,849,892	1,963,620
(ii) Hire purchase receivables)	10,497,533	10,686,473
Variable rate	14,592,277	13,929,277
(of which: (i) Base lending rate plus	9,579,716	9,345,111
(ii) Cost plus)	4,037,237	3,601,456
Gross loans, advances and financing	<u>28,596,335</u>	<u>28,206,887</u>
(iii) The loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture, hunting, forestry and fishing	327,994	369,696
Mining and quarrying	34,470	34,050
Manufacturing	2,759,845	2,655,771
Electricity, gas and water	71,885	72,224
Construction	2,204,617	2,085,370
(of which: Infrastructure)	247,081	240,304
Real estate	957,490	757,317
Purchase of landed property	6,267,131	6,144,073
(of which: (i) Residential	5,552,035	5,427,357
(ii) Non-residential)	715,096	716,716
Wholesale and retail trade and restaurants and hotels	2,403,367	2,419,212
Transport, storage and communication	557,780	593,476
Finance, insurance and business services	769,828	711,738
Purchase of securities	291,234	286,712
Purchase of transport vehicles	9,551,223	9,723,835
Consumption credit	1,741,092	1,686,399
Others	658,379	667,014
Gross loans, advances and financing	<u>28,596,335</u>	<u>28,206,887</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	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 quarter/year	1,238,379	4,726,703
Reclassified as performing during the financial quarter/year	(1,008,155)	(3,914,767)
Amount recovered	(148,704)	(651,665)
Amount written off	(18,480)	(387,533)
Balance as at 31 March/31 December	<u>1,972,298</u>	<u>1,909,258</u>
Non-performing loans, advances and financing which have no adverse financial impact on the Group	<u>(221,563)</u>	<u>(223,999)</u>
Specific allowance	<u>(557,322)</u>	<u>(449,079)</u>
Net non-performing loans, advances and financing	<u>1,193,413</u>	<u>1,236,180</u>
As % of total loans, advances and financing, net of specific allowance	<u>4.3%</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	15,424	15,950
Mining and quarrying	122	235
Manufacturing	217,146	175,270
Electricity, gas and water	523	504
Construction	242,094	223,060
(of which: (i) Infrastructure)	<u>7,728</u>	<u>7,709</u>
Real estate	64,598	70,435
Purchase of landed property	664,148	669,459
(of which: (i) Residential	<u>579,577</u>	<u>586,141</u>
(ii) Non-residential)	<u>84,571</u>	<u>83,318</u>
Wholesale and retail trade and restaurants and hotels	206,603	197,271
Transport, storage and communication	31,504	32,440
Finance, insurance and business services	39,612	40,799
Purchase of securities	27,801	27,328
Purchase of transport vehicles	273,177	261,632
Consumption credit	85,931	89,151
Others	103,615	105,724
	<u>1,972,298</u>	<u>1,909,258</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
(vi) Movements in allowances for bad and doubtful debts and financing:		
General allowance		
Balance as at 1 January	414,102	394,821
Allowance made during the financial period/year	4,160	19,281
Balance as at 31 March/31 December	<u>418,262</u>	<u>414,102</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 quarter/year	149,488	445,674
Allowance charged to deferred asset/other assets during the financial quarter/year	4,242	93,324
Amount recovered	(22,941)	(103,893)
Recoveries set-off against deferred asset	(701)	(5,463)
Amount written off	<u>(18,480)</u>	<u>(387,534)</u>
Balance as at 31 March/ 31 December	<u>712,268</u>	<u>600,660</u>

14. Other Assets

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Trade receivable, net of allowances for bad and doubtful debts and interest in suspense of RM4,482,000 (31.12.2006: RM4,841,000)	115,048	38,703
Interest/income receivable	70,802	82,792
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM4,656,800 (31.12.2006: RM5,592,500)	357,186	383,183
Deferred asset account	267,459	283,854
Tax recoverable	19,969	20,110
Prepaid lease payments on leasehold land	11,688	11,712
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	14,884	15,006
	<u>857,036</u>	<u>835,360</u>

15. Valuation of Property, Plant and Equipment

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

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16. Deposits from Customers

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Demand deposits	2,948,865	2,899,738
Savings deposits	2,339,179	2,234,923
Fixed/investment deposits	20,417,196	20,768,751
Negotiable instruments of deposit	-	-
	25,705,240	25,903,412
 (i) The maturity structure of fixed/investment deposits and negotiable instruments of deposit is as follows:		
One year or less	24,748,705	19,964,918
More than one year	956,535	803,833
	25,705,240	20,768,751
 (ii) The deposits are sourced from the following types of customers:		
Government and statutory bodies	3,953,335	3,891,185
Business enterprises	9,501,754	10,167,724
Individuals	11,242,636	11,005,139
Others	1,007,515	839,364
	25,705,240	25,903,412

17. Deposits and Placements of Banks and Other Financial Institutions

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Licensed banks	2,086,960	1,270,083
Licensed Islamic banks	119,650	
Licensed merchant banks	105,827	99,691
Bank Negara Malaysia	1,750,560	1,468,402
Other financial institutions	3,004,308	4,223,079
	7,067,305	7,061,255
 (i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:		
One year or less	5,149,002	5,144,738
More than one year	1,918,303	1,916,517
	7,067,305	7,061,255
 Included in the above are negotiable certificates of deposit issued by the Group	 1,428,864	 700,000

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18. Derivative Financial Instruments

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

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Derivatives at fair value through profit and loss:		
- Interest rate swaps	10,510	8,578
- Foreign currency forwards	12,535	341
Total derivative financial instruments - assets	23,045	8,919
Derivatives at fair value through profit and loss:		
- Interest rate swaps	4,050	-
- Foreign currency forwards	-	1,481
- Indexed linked equity derivatives	106	-
Derivatives designated as fair value hedge:		
- Interest rate swaps	16,865	22,104
Derivatives designated as cash flow hedge:		
- Interest rate swaps	1,645	3,288
Total derivative financial instruments - liabilities	22,666	26,873

19. Other Liabilities

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Trade payable	39,375	13,196
Other liabilities	388,589	390,469
Interest/dividend payable	279,796	298,437
Profit equalisation reserves	11,943	11,436
	719,703	713,538

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20. Interest Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
Loans and advances				
- Interest income other than recoveries	372,816	363,916	372,816	363,916
- Recoveries from non-performing loans, advances and financing	13,980	14,387	13,980	14,387
Money at call and deposit placements with financial institutions	56,137	37,052	56,137	37,052
Held for trading securities	9,294	3,511	9,294	3,511
Available-for-sale securities	42,096	27,329	42,096	27,329
Held-to-maturity securities	7,904	9,517	7,904	9,517
Other	638	62	638	62
	502,865	455,774	502,865	455,774
Accretion of discount less amortisation of premium	2,073	(7,414)	2,073	(7,414)
Interest suspended	(12,456)	(28,770)	(12,456)	(28,770)
Total interest income	492,482	419,590	492,482	419,590

21. Interest Expense

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
Deposits and placements of banks and other financial institutions	62,602	39,769	62,602	39,769
Deposits from customers	199,257	158,707	199,257	158,707
Loans sold to Cagamas Berhad	-	1,070	-	1,070
Subordinated obligations	11,138	11,866	11,138	11,866
Long term borrowings	4,413	4,438	4,413	4,438
Others	385	575	385	575
	277,795	216,425	277,795	216,425

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22. Other Operating Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
Fee and commission income:				
- Commission	9,690	8,390	9,690	8,390
- Service charges and fees	27,740	27,681	27,740	27,681
- Guarantee fees	3,606	2,788	3,606	2,788
- Advisory and arrangement fees	6,941	2,114	6,941	2,114
- Underwriting commission	1,396	962	1,396	962
- Brokerage	5,395	1,622	5,395	1,622
Net gains/(losses) arising from sale of securities:				
- Held for trading securities	5,172	160	5,172	160
- Available-for-sale securities	7,565	578	7,565	578
Dividend income				
- Available-for-sale securities	154	255	154	255
Net unrealised losses on fair value changes on held for trading securities	1,976	876	1,976	876
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss				
- interest rate swaps	(2,119)	7,738	(2,119)	7,738
- foreign currency forwards	13,675	(2,445)	13,675	(2,445)
- indexed linked equity derivatives	(106)	-	(106)	-
- equity forwards	-	(351)	-	(351)
Net unrealised gains on fair value changes between the interest rate swaps and subordinated debts designated as fair value hedges	408	4,948	408	4,948
Net (losses)/gains from foreign exchange translations	(10,741)	4,757	(10,741)	4,757
Other income/(expenditure):				
- Rental income from premises	785	650	785	650
- Gain on disposal of property, plant and equipment	6	30	6	30
- Other operating income	2,141	2,081	2,141	2,081
- Other non-operating income	559	366	559	366
- Net allowances written-back/(made) in respect of other bad and doubtful debts	492	(29)	492	(29)
- Bad debts recovered	64	-	64	-
	74,799	63,171	74,799	63,171

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23. Other Operating Expenses

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
Personnel expenses	71,251	66,348	71,251	66,348
Promotion and marketing related expenses	10,730	13,705	10,730	13,705
Establishment related expenses	27,420	27,399	27,420	27,399
General administrative expenses	25,841	24,013	25,841	24,013
	135,242	131,465	135,242	131,465

(i) Personnel expenses comprise the following:

Salaries, bonuses and allowances	57,956	54,377	57,956	54,377
Defined contribution plan	9,633	9,133	9,633	9,133
Other employee benefits	3,662	2,838	3,662	2,838
	71,251	66,348	71,251	66,348

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

Hire-purchase handling fees and commissions	6,707	11,896	6,707	11,896
Others	4,023	1,809	4,023	1,809
	10,730	13,705	10,730	13,705

(iii) Establishment related expenses comprise the following:

Depreciation of property, plant and equipment	9,579	10,045	9,579	10,045
Repair and maintenance	5,394	5,311	5,394	5,311
Rental of premises	4,773	3,713	4,773	3,713
Hire of equipment	756	870	756	870
Others	6,918	7,460	6,918	7,460
	27,420	27,399	27,420	27,399

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23. Other Operating Expenses (continued)

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
(iv) General administrative expenses comprise the following:				
Communication costs	4,421	4,826	4,421	4,826
Printing and stationeries	2,953	3,040	2,953	3,040
Property, plant and equipment written off	3	-	3	-
Loss on disposal of property, plant and equipment	4	121	4	121
Legal and other professional charges	8,834	6,662	8,834	6,662
Others	9,626	9,364	9,626	9,364
	25,841	24,013	25,841	24,013

24. Allowances for Losses on Loans, Advances and Financing

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	149,488	87,099	149,488	87,099
- Written back	(22,941)	(23,817)	(22,941)	(23,817)
(b) General allowance:				
- Made	4,160	5,623	4,160	5,623
Bad debts and financing:				
- Recovered	(12,716)	(9,951)	(12,716)	(9,951)
	117,991	58,954	117,991	58,954

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25. Commitments and Contingencies

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

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

	Unaudited 31 March 2007			Audited 31 December 2006		
	Principal amount	Credit equivalent amount*	Risk weight amount	Principal amount	Credit equivalent amount*	Risk weight amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	451,542	451,542	451,542	415,539	415,539	415,539
Certain transaction- related contingent items	857,524	428,762	428,762	886,336	443,168	443,168
Short term self- liquidating trade- related contingencies	162,479	32,496	32,496	138,885	27,777	27,777
Assets sold with recourse and commitments with certain drawdown	382,000	382,000	234,560	292,000	292,000	211,487
Obligations under underwriting agreements	243,703	121,851	27,966	272,158	136,079	80,213
Irrevocable commitments to extend credit :						
- maturity more than one year	2,196,236	1,098,118	808,904	2,286,030	1,143,015	839,716
- maturity less than one year	8,275,051	-	-	8,218,662	-	-
Foreign exchange related contracts - maturity less than one year	4,450,334	74,449	91,312	2,443,853	52,474	80,934
Interest rate related contracts - maturity more than one year	3,163,613	32,572	7,215	3,037,178	60,743	13,560
Others	189,436	-	-	204,509	-	-
	<u>20,371,918</u>	<u>2,621,790</u>	<u>2,082,757</u>	<u>18,195,150</u>	<u>2,570,795</u>	<u>2,112,394</u>

* 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 March 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	662,815	662,815
Other reserves	575,054	575,054
	2,997,374	2,997,374
Less: Goodwill	(136,448)	(137,925)
Deferred tax assets	(128,602)	(128,602)
Cumulative net unrealised gains on available-for-sale securities and cash flow hedge reserves	(43,022)	(43,022)
Total Tier 1 Capital	2,689,302	2,687,825
Tier II Capital:		
Subordinated obligations	751,669	761,372
General allowance for bad and doubtful debts and financing	418,262	414,102
Total Tier II Capital	1,169,931	1,175,474
Total Capital base	3,859,233	3,863,299
Capital ratios:		
Core capital ratio	9.00%	9.09%
Risk-weighted capital ratio	12.91%	13.07%
Core capital ratio (net of proposed dividends)	8.72%	8.82%
Risk-weighted capital ratio (net of proposed dividends)	12.64%	12.80%

The risk-weighted capital adequacy of the banking and finance company subsidiary company, EON Bank Berhad of 12.75%, the Islamic banking subsidiary company, EONCAP Islamic Banking Berhad of 12.22%, and the investment bank subsidiary company, MIMB Investment Bank Berhad of 55.11% as at 31 March 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:

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

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				
As at 31 March 2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	3,675,817	-	-	-	-	152,892	-	3,828,709	3.62
Deposits and placements with financial institutions	-	379,113	220,030	-	-	-	-	599,143	5.33
Held for trading securities	-	-	-	-	-	-	323,782	323,782	4.04
Derivative financial instruments	-	-	-	-	-	23,045	-	23,045	-
Available-for-sale securities	500,037	774,974	1,239,142	780,076	307,146	77,909	-	3,679,284	3.22
Held-to-maturity securities	69,940	-	245,125	1,314,564	63,138	17,556	-	1,710,323	4.97
Loans, advances and financing									
- performing	12,760,894	345,399	467,311	4,898,455	8,142,560	9,361	-	26,623,979	6.83
- non-performing	-	-	-	-	-	841,825 [^]	-	841,825	-
Other assets ⁽¹⁾	64,115	-	-	-	-	2,374,436	-	2,438,551	7.90
Total assets	17,070,803	1,499,486	2,171,608	6,993,095	8,512,844	3,497,025	323,782	40,068,641	

[^] 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 statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients' and brokers' balances and goodwill arising on consolidation.

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28. Interest/Profit Rate Risk (continued)

	← Non-trading book →					Non-Interest /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 March 2007 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	9,440,731	4,694,553	7,664,557	956,535	-	2,948,864	-	25,705,240	3.16
Deposits and placements of banks and other financial institutions	2,010,087	1,850,419	1,243,812	518,303	1,400,000	44,684	-	7,067,305	3.80
Derivative financial instruments	-	-	-	-	-	22,666	-	22,666	-
Obligations on securities sold under repurchase agreements	1,024,483	-	-	-	-	-	-	1,024,483	-
Bills and acceptances payable	-	-	-	-	-	1,451,207	-	1,451,207	3.28
Other liabilities ⁽²⁾	9,277	-	-	-	-	741,277	-	750,554	
Subordinated obligations	-	-	-	855,000	-	(103,331) ⁽¹⁾⁽ⁱⁱ⁾	-	751,669	5.38
Borrowings	-	-	100,000	150,000	-	(3,448) ⁽¹⁾⁽ⁱ⁾	-	246,552	6.45
Total liabilities	12,484,578	6,544,972	9,008,369	2,479,838	1,400,000	5,101,919	-	37,019,676	
Shareholders' Funds	-	-	-	-	-	3,048,965	-	3,048,965	
Total Liabilities and Shareholders' Funds	12,484,578	6,544,972	9,008,369	2,479,838	1,400,000	8,150,884	-	40,068,644	
On-balance sheet interest/profit sensitivity gap	4,586,225	(5,045,485)	(6,836,762)	4,513,257	7,112,844				
Off-balance sheet interest /profit sensitivity gap	1	829,800	(777,968)	(51,863)	-				
Total interest sensitivity gap	4,586,226	(4,215,685)	(7,614,730)	4,461,394	7,112,844				

Note:
(1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.
(2) Other liabilities include clients and brokers balances, remisier deposits, deferred taxation 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	12,177,580	297,314	460,383	5,051,323	8,301,204	9,767	-	26,297,571	6.82
- non-performing	-	-	-	-	-	894,554 [^]	-	894,554	-
Other assets ⁽¹⁾	28,076	-	-	-	-	2,395,171	-	2,423,247	-
Total assets	16,101,097	1,705,911	1,949,917	7,230,952	8,633,838	3,499,821	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 statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

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28. Interest/Profit Rate Risk (continued)

	← Non-trading book →					Non-Interest /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	-	-	-	-	738,791	-	745,997	3.25
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	15,005	-	15,005	-
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	4,650,853	(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 sensitivity gap	4,650,853	(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, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.
- (2) Other liabilities include clients and brokers balances, remisier deposits, deferred taxation liabilities and provision for taxation and zakat.

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29. The Operation of Islamic Banking

29(i) Islamic banking assets and liabilities

	Unaudited 31 March 2007	Audited 31 December 2006
	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	474,835	455,383
Deposits and placement with financial institutions	9,075	-
Available-for-sale securities	228,961	259,007
Held-to-maturity securities	50,673	50,747
Financing and advances (Note 29(iii))	4,180,964	4,089,622
Other assets	51,300	96,784
Statutory deposits with Bank Negara Malaysia	167,475	161,674
Deferred tax assets	19,886	19,348
Property, plant and equipment	2,430	2,453
TOTAL ASSETS	5,185,599	5,135,018
LIABILITIES		
Deposits from customers (Note 29(iv))	3,668,375	3,906,366
Deposits and placements of banks and other financial institutions	954,071	716,766
Bills and acceptances payable	1,738	26,880
Provision for taxation and zakat	4,240	4,028
Other liabilities	139,848	70,231
TOTAL LIABILITIES	4,768,272	4,724,271
NET ISLAMIC BANKING ASSETS	417,327	410,747
COMMITMENTS AND CONTINGENCIES	1,063,698	1,096,087

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EXPLANATORY NOTES

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 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 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	66,217	59,200	66,217	59,200
Income derived from investment of shareholder's funds	7,694	5,780	7,694	5,780
	73,911	64,980	73,911	64,980
Allowances for losses on financing	(10,700)	(8,320)	(10,700)	(8,320)
Transfer to profit equalisation reserve	(508)	(2,444)	(508)	(2,444)
Total attributable income	62,703	54,216	62,703	54,216
Income attributable to depositors	(36,018)	(26,639)	(36,018)	(26,639)
Total net income	26,685	27,577	26,685	27,577
Other operating expenses	(16,472)	(5,081)	(16,472)	(5,081)
Profit before taxation and zakat	10,213	22,496	10,213	22,496
Taxation	(2,758)	-	(2,758)	-
Zakat	(1,074)	(1,394)	(1,074)	(1,394)
Net profit for the financial quarter/period	6,381	21,102	6,381	21,102

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29. The Operation of Islamic Banking (continued)

29(iii) Financing and advances

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Cash line	275,237	263,100
Term financing		
Housing financing	2,340,842	2,173,837
Hire purchase receivables	2,008,337	2,037,746
Other term financing	1,290,100	1,248,506
Trust receipts and bill receivables	5,731	5,820
Claims on customers under acceptance credits/financing	121,748	101,390
Staff financing	37,410	37,710
Revolving financing	76,690	77,280
Other financing	4,514	4,922
	6,160,609	5,950,311
Less: Unearned income	(1,859,094)	(1,751,312)
	4,301,515	4,198,999
Less: Allowances for bad and doubtful financing:		
- General	(63,669)	(62,278)
- Specific	(56,882)	(47,099)
Total net financing and advances	4,180,964	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 quarter/year	235,161	847,974
Reclassified as performing during the financial quarter/year	(207,284)	(753,869)
Amount recovered	(18,081)	(87,822)
Amount written off	-	(25,542)
Balance as at 31 March/31 December	252,240	242,442
Specific allowance	(56,882)	(47,099)
Net non-performing financing and advances	195,358	195,343
 As % of total financing and advances, net of specific allowance	 4.6%	 4.7%

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EXPLANATORY NOTES

29. The Operation of Islamic Banking (continued)

29(iii) Financing and advances (continued)

	<u>Unaudited</u> <u>31 March 2007</u> <u>RM'000</u>	<u>Audited</u> <u>31 December 2006</u> <u>RM'000</u>
(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 quarter/year	1,391	4,931
Balance as at 31 March/31 December	63,669	62,278
As % of total financing, 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 quarter/year	12,567	41,369
Allowance charged to deferred asset/other assets during the financial quarter/year	-	34
Amount recovered	(2,784)	(11,113)
Amount written off	-	(25,542)
Balance as at 31 March/31 December	56,882	47,099

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EXPLANATORY NOTES

29. The Operation of Islamic Banking (continued)

29(iv) Deposits from Customers

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
<u>Non-Mudarabah:</u>		
Al-Wadiah demand deposits	574,862	685,286
Al-Wadiah savings deposits	131,277	128,434
<u>Mudarabah:</u>		
Al-Fareed demand deposits	88,830	78,972
Al-Mudarabah savings deposits	58,099	51,665
Total demand and savings deposits	853,068	944,357
<u>Mudarabah:</u>		
General investment deposits	2,724,731	2,838,478
Bai Al-Inah HARI	90,576	123,531
Total investment deposits	2,815,307	2,962,009
Total deposits from customers	3,668,375	3,906,366

30. Significant Events During the Financial Quarter Ended 31 March 2007

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

32. Significant Event Subsequent to the Balance Sheet Date

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

33. Other Commitments

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
- Authorised and contracted for	9,519	31,618
- Authorised but not contracted for	9,142	10,182
	18,661	41,800
Analysed as follows:		
- Property, plant and equipment	18,661	41,800
	18,661	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 2006 is as follows:-

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 March 2007 RM'000	Preceding year corresponding quarter ended 31 March 2006 RM'000	Current financial period ended 31 March 2007 RM'000	Preceding year corresponding period ended 31 March 2006 RM'000
Malaysian income tax:				
- Charge for the financial quarter	12,305	33,693	12,305	33,693
Transfer from/(to) deferred tax asset	998	(1,846)	998	(1,846)
	13,303	31,847	13,303	31,847

The Group's effective tax rate for the financial quarter/period ended 31 March 2007 was lower than the statutory tax rate of 27% because certain capital gains on disposal of equity securities in a subsidiary is not subject to tax.

35. Unquoted Investments and Properties

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

36. Quoted Securities

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

37. Status of Corporate Proposals Announced But Not Completed

On 7 February 2007, the Company announced that Bank Negara Malaysia has no objection-in-principle for the Company to make offers for the securities of Rashid Hussain Berhad ("RHB") and/or RHB Capital Berhad ("RHBC") and/or the assets and liabilities of RHBC.

On the same date, the Company served a conditional notice of conditional voluntary offer on the Board of Directors of RHB to acquire all ordinary shares of RM1.00 each, ICULS-A, ICULS-B, warrants and all new ordinary shares of RM1.00 each in RHB, which are issued upon conversion of ICULS-A and/or warrants in RHB, not already held by the Company.

Concurrently, the Company also made an offer to the Board of Directors of RHBC to acquire the entire business and undertakings as carried on by RHBC which shall include but not limited to all the assets and liabilities of RHBC subject to conditional formal agreements to be entered into between the Company and/or its subsidiaries and RHBC and/or its subsidiaries ("Proposed Business Acquisition").

On 16 February 2007, the Company has extended the last day for the Board of RHBC to accept the offer for the Proposed Business Acquisition from 16 February 2007 to 9 March 2007.

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37. Status of Corporate Proposals Announced But Not Completed (continued)

Status

On 9 March 2007, the Company has made an announcement that the proposed business acquisition was not successful as the offers had lapsed without acceptance by the relevant counterparties

There were no other corporate proposals announced but not completed for the financial quarter ended 31 March 2007

38. Subordinated Obligations

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	(21,723)	(27,076)
Foreign exchange translations	(77,062)	(61,312)
	756,215	766,612
Less: Unamortised discounts	(4,546)	(5,240)
	751,669	761,372

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 December 2006, 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.

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EXPLANATORY NOTES

39. Borrowings

	Unaudited 31 March 2007	Audited 31 December 2006
	RM'000	RM'000
Short term borrowing		
Revolving credit - Unsecured and repayable within 1 year	-	10,000
Long term borrowing:		
Secured fixed rate bonds, at par	250,000	250,000
Less: Unamortised discounts	(3,448)	(3,886)
	246,552	246,114
Total borrowings	246,552	256,114

The secured fixed rate bonds comprise of two tranches of RM100 million (Tranche 2 maturing on 12 December 2007) and RM150 million (Tranche 3 maturing on 12 December 2009). In December 2006, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A2, which was awarded in July 2003. The bonds bear interest at 6.00% per annum (Tranche 2) and 6.75% per annum (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually. Tranche 1 of the bonds has been fully redeemed by the Group on its maturity date.

40. Derivative Financial Instruments

Based on the balance sheet as at 21 May 2007, 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	5,319,644	2,421,357	1,124,156	1,324,073	450,058	-	-
Interest rate related contracts							
- Interest rate swaps	3,065,250	-	1,507,500	-	-	1,557,750	

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 21 May 2007.

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 21 May 2007, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM 21,788,787 (31 December 2006: RM9,858,187).

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EXPLANATORY NOTES

40. Derivative Financial Instruments

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 21 May 2007, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM43,399,894 (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 period in which they arise.

Interest rate swap

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal amount. The fair values of these contracts are determined by 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 31 December 2006 and at the date of this Announcement:-

EON Bank Berhad ('EBB')

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

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

Status update

Trial fixed on 15 to 17 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 will be filing Notice of Appeal to the Court of Appeal.

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

- (2) 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.

EON CAPITAL BERHAD
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EXPLANATORY NOTES

41. Material Litigation (continued)

EON Bank Berhad ('EBB') (continued)

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 the decision has been fixed on 3 July 2007. 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.

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

(Ex-OBB refers to litigation in relation to OBB where pursuant to the Vesting Order dated 5 December 2000, the assets and liabilities of the banking business of OBB have been vested to EBB).

- (3) A Writ of Summons was filed on 3 January 2000 by a guarantor for RM135.9 million for wrongful and inequitable enlistment of his name in the Credit Tip-Off Services by ex-OBB.

Status update

On 19 May 2003, the Court dismissed the Plaintiff's action with costs on the grounds that the Plaintiff did not have a valid cause of action and failed to prove his loss. The plaintiff has filed a Notice of Appeal against the Court's decision. No development since the last announcement.

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EXPLANATORY NOTES

41. Material Litigation (continued)

Malaysian International Merchant Bankers Berhad ('MIMB')

- (4) 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 June 2005 for trial. Trial dates have been vacated and Court has fixed 28 July 2005 for mention pending the borrower obtaining a sanction letter from the Official Liquidator to proceed with the counterclaim against EBB as borrower has been wound up. Case Management fixed on 12 March 2007 has been postponed to 10 May 2007 for mention. Fixed the Case Management on 24 July 2007.

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

- (5) 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 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 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.

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

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EXPLANATORY NOTES

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 RM28.8 million from RM21.9 million to RM50.7 million. This was mainly due to lower impairment losses on securities of RM59.5 million. However, this was partly offset by an increase in allowances for losses on loans, advances and financing of RM19.1 million and a reduction in other operating income of RM15.4 million.

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

Current financial quarter against corresponding financial quarter of preceding year

For the current financial quarter ended 31 March 2007, the Group recorded a net operating profit of RM191.6million, a 12.3% increase as compared to RM170.8 million achieved in the preceding year's corresponding financial quarter ended 31 March 2006. The increase in net operating profit was, however, largely offset by higher allowances for losses on loans, advances and financing and impairment losses on securities of RM59.0 million and RM20.0 million respectively. As a result, the Group registered a pre-tax profit of RM50.7 million, a decline of 53.4% as compared to RM108.9 million achieved in the corresponding quarter of preceding year.

45. Prospects for 2007

The economic condition in Malaysia is expected to remain positive in the financial year 2007, with more liberalisation moves anticipated in the domestic banking environment. The Group will continue to focus on the retail and middle market segment and expects to achieve a satisfactory performance in 2007.

46. Earnings Per Share (EPS)

The calculation of the basic earnings per share of the Group, which is based on the net profit for the financial quarter ended 31 March 2007 and 31 March 2006 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter, are set out as follows:

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 31 March 2007</u>	<u>Preceding year corresponding quarter ended 31 March 2006</u>	<u>Current financial period ended 31 March 2007</u>	<u>Preceding year corresponding period ended 31 March 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial quarter	36,289	75,650	36,289	75,650
Weighted average number of ordinary shares in issue during the financial quarter	693,209	693,209	693,209	693,209
Basic earnings per share (sen) - basic/diluted	5.23	10.91	5.23	10.91

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