

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS
AS AT 30 JUNE 2008

		Unaudited	Audited
		30 June	31 December
		2008	2007
Note		RM'000	RM'000
ASSETS			
Cash and short-term funds		5,347,127	5,547,918
Deposits and placements with banks and other financial institutions		1,702,612	623,841
Held-for-trading securities	10	7,162	7,418
Derivative financial instruments	11	24,810	10,004
Available-for-sale securities	12	3,184,748	3,713,112
Held-to-maturity securities	13	564,219	592,300
Loans, advances and financing	14	28,365,387	28,232,794
Other assets	15	795,494	805,133
Statutory deposits with Bank Negara Malaysia		1,038,780	1,065,182
Deferred tax assets		169,976	153,134
Property, plant and equipment		266,374	272,598
Goodwill		96,448	96,448
TOTAL ASSETS		41,563,137	41,119,882
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	17	28,123,488	26,912,672
Deposits and placements of banks and other financial institutions	18	6,655,710	7,665,129
Derivative financial instruments	11	9,937	19,970
Bills and acceptances payable		2,003,216	1,563,019
Provision for taxation and zakat		12,472	44,640
Other liabilities	19	847,030	904,042
Subordinated obligations	37	724,586	726,135
Borrowings	38	148,379	147,864
TOTAL LIABILITIES		38,524,818	37,983,471
SHARE CAPITAL		693,209	693,209
RESERVES		2,345,110	2,443,202
SHAREHOLDERS' FUNDS		3,038,319	3,136,411
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		41,563,137	41,119,882
COMMITMENTS AND CONTINGENCIES	25	19,550,372	20,578,668
Net assets per ordinary share (RM)		4.38	4.52

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 JUNE 2008

	Note	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
		<u>Current financial quarter ended 30 June 2008</u>	<u>Preceding year corresponding quarter ended 30 June 2007</u>	<u>Current financial period ended 30 June 2008</u>	<u>Preceding year corresponding period ended 30 June 2007</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	20	481,867	490,773	967,486	983,255
Interest expense	21	(246,213)	(274,741)	(493,021)	(552,536)
Net interest income		235,654	216,032	474,465	430,719
Net income from Islamic Banking business	28	40,111	38,762	83,194	76,147
		275,765	254,794	557,659	506,866
Other operating income	22	90,993	75,798	158,111	150,597
Net income		366,758	330,592	715,770	657,463
Other operating expenses	23	(218,317)	(142,969)	(376,596)	(278,211)
Operating profit		148,441	187,623	339,174	379,252
Allowances for losses on loans, advances and financing	24	(246,761)	(101,956)	(331,548)	(219,947)
Impairment losses on securities		(556)	(25,875)	(948)	(48,847)
(Loss)/profit before taxation and zakat		(98,876)	59,792	6,678	110,458
Taxation		21,428	(15,297)	(6,079)	(28,600)
Zakat		(1,447)	(1,087)	(2,866)	(2,161)
Net (loss)/profit for the financial quarter/period		<u>(78,895)</u>	<u>43,408</u>	<u>(2,267)</u>	<u>79,697</u>
(Losses)/Earnings per share (sen)					
- Basic	45	(11.38)	6.26	(0.33)	11.50
- Diluted	45	(11.38)	6.26	(0.33)	11.50

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008

	Issued and fully paid ordinary shares of RM1 each			Cash flow hedge reserve	Available- for-sale securities reserve	Retained profits	Total
	Share capital	Share premium	Statutory reserve				
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
Balance as at 1 January 2008	693,209	1,066,296	592,166	-	40,444	744,296	3,136,411
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	(41,824)	-	(41,824)
Income and expense recognised directly in equity	-	-	-	-	(41,824)	-	(41,824)
Net loss for the financial period	-	-	-	-	-	(2,267)	(2,267)
Total recognised income and expense for the financial period	-	-	-	-	(41,824)	(2,267)	(44,091)
Dividends in respect of financial year ended 31 December 2007	-	-	-	-	-	(54,001)	(54,001)
Balance as at 30 June 2008	693,209	1,066,296	592,166	-	(1,380)	688,028	3,038,319
Balance as at 1 January 2007	693,209	1,066,296	532,032	(2,367)	45,389	662,815	2,997,374
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	14,619	-	14,619
Net fair value changes in interest rate derivatives, net of tax	-	-	-	2,771	-	-	2,771
Income and expense recognised directly in equity	-	-	-	2,771	14,619	-	17,390
Net profit for the financial period	-	-	-	-	-	79,697	79,697
Total recognised income and expense for the financial period	-	-	-	2,771	14,619	79,697	97,087
Dividends in respect of financial year ended 31 December 2006	-	-	-	-	-	(80,967)	(80,967)
Balance as at 30 June 2007	693,209	1,066,296	532,032	404	60,008	661,545	3,013,494

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008

	Current financial period ended 30 June 2008	Preceding year corresponding period ended 30 June 2007
	RM'000	RM'000
Cash Flows From Operating Activities		
Net (loss)/profit for the financial period	(2,267)	79,697
Adjustments for investing and financing items not involving movement of cash and cash equivalents	300,302	267,759
Operating profit before working capital changes	298,035	347,456
Increase in operating assets	(1,551,230)	(948,087)
Increase in operating liabilities	580,945	1,151,516
Cash (used in)/generated from operating activities	(672,250)	550,885
Income tax paid	(43,159)	(53,844)
Income tax refunded	7,739	6,692
Zakat paid	(3,906)	(5,172)
Net cash (used in)/generated from operating activities	(711,576)	498,561
Cash Flows From Investing Activities		
Proceeds from sale of available-for-sale and held-to-maturity securities, net of purchases	506,381	537,552
Purchase of property, plant and equipment	(12,198)	(19,190)
Proceeds from disposal of property, plant and equipment	407	57
Interest/dividend received from available-for-sale and held-to-maturity securities	91,896	184,362
Net cash generated from investing activities	586,486	702,781
Cash Flows From Financing Activities		
Interest paid on subordinated obligations	(19,708)	(21,298)
Net interest received from interest rate related derivatives	2,569	38,791
Repayment of short-term borrowings	-	(10,000)
Net dividends paid	(54,001)	(80,967)
Interest paid on long term borrowings	(4,561)	(8,040)
Net cash used in financing activities	(75,701)	(81,514)
Net (decrease)/increase in cash and cash equivalents	(200,791)	1,119,828
Cash and cash equivalents:		
- as at beginning of the financial period	5,547,918	3,080,304
- as at end of the financial period	5,347,127	4,200,132

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

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 No. FRS 134 (Interim Financial Reporting), Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP 8) 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 2007.

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, except for those disclosed in Note 2 of these explanatory notes.

2. Change in Accounting Policies

During the financial period, the Group adopted the revised FRS and interpretations to FRS issued by MASB that are relevant and effective for the financial period beginning on 1 January 2008. The revised FRS that are relevant to the Group are as follows:

- FRS 107 Cash Flow Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the revised FRS does not have any significant financial impact on the financial results and position of the Group.

3. Audit Report

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

4. Seasonality or Cyclicity of Operations

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

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 2008.

6. Changes in Estimates

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 period ended 30 June 2008.

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 2008.

8. Dividends Paid During the Current Financial Quarter

The first and final dividends of 10.00 sen per share on 693,208,732 ordinary shares, comprising a tax exempt dividends of 1.50 sen per share and a non-tax exempt dividends of 8.50 sen per share, less income tax at 26%, amounting to RM54,000,960 for the financial year ended 31 December 2007 were paid on 27 June 2008.

There were no dividends paid or declared in respect of financial year ending 31 December 2008 during the financial quarter/period ended 30 June 2008.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

9. Segment reporting

(a) Segment revenue and segment results

<u>Group</u>	<u>Enterprise Banking</u> RM'000	<u>Retail Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Total</u> RM'000
<u>Current financial quarter ended 30 June 2008</u>					
Gross operating revenue from external parties ⁽¹⁾	139,600	305,553	80,868	127,211	653,232
Inter-segment gross operating revenue ⁽²⁾	74,222	116,951	-	128,020	319,193
Total segment revenue	<u>213,822</u>	<u>422,504</u>	<u>80,868</u>	<u>255,231</u>	<u>972,425</u>
Segment results	(84,744)	(49,417)	(21,231)	58,972	(96,420)
Unallocated costs					<u>(2,456)</u>
Loss before taxation and zakat					(98,876)
Taxation and zakat					<u>19,981</u>
Net loss for the financial quarter ended 30 June 2008					<u><u>(78,895)</u></u>
<u>Preceding year corresponding quarter ended 30 June 2007</u>					
Gross operating revenue from external parties ⁽¹⁾	134,716	305,733	74,300	153,698	668,447
Inter-segment gross operating revenue ⁽²⁾	61,947	94,839	-	137,869	294,655
Total segment revenue	<u>196,663</u>	<u>400,572</u>	<u>74,300</u>	<u>291,567</u>	<u>963,102</u>
Segment results	(20,332)	35,247	12,817	35,147	62,879
Unallocated costs					<u>(3,087)</u>
Profit before taxation and zakat					59,792
Taxation and zakat					<u>(16,384)</u>
Net profit for the financial quarter ended 30 June 2007					<u><u>43,408</u></u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

9. Segment reporting (continued)

(a) Segment revenue and segment results (continued)

<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 period ended 30 June 2008</u>					
Gross operating revenue from external parties ⁽¹⁾	274,209	591,403	165,637	259,227	1,290,476
Inter-segment gross operating revenue ⁽²⁾	144,911	234,423	-	288,483	667,817
Total segment revenue	<u>419,120</u>	<u>825,826</u>	<u>165,637</u>	<u>547,710</u>	<u>1,958,293</u>
Segment results	(76,464)	(27,172)	(4,414)	119,286	11,236
Unallocated costs					<u>(4,558)</u>
Profit before taxation and zakat					6,678
Taxation and zakat					<u>(8,945)</u>
Net loss for the financial period ended 30 June 2008					<u><u>(2,267)</u></u>
<u>Preceding year corresponding period ended 30 June 2007</u>					
Gross operating revenue from external parties ⁽¹⁾	260,726	591,996	148,211	308,245	1,309,178
Inter-segment gross operating revenue ⁽²⁾	133,374	204,192	-	279,713	617,279
Total segment revenue	<u>394,100</u>	<u>796,188</u>	<u>148,211</u>	<u>587,958</u>	<u>1,926,457</u>
Segment results	(27,521)	54,634	23,030	67,811	117,954
Unallocated costs					<u>(7,496)</u>
Profit before taxation and zakat					110,458
Taxation and zakat					<u>(30,761)</u>
Net profit for the financial period ended 30 June 2007					<u><u>79,697</u></u>

EON CAPITAL BERHAD
(454644-K)

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>Total</u> RM'000
<u>As at 30 June 2008</u>					
Segment assets	9,085,468	14,837,583	6,485,392	10,141,243	40,549,686
Unallocated assets					1,013,451
Total assets					<u>41,563,137</u>
<u>As at 31 December 2007</u>					
Segment assets	9,071,555	14,727,313	6,091,382	10,273,166	40,163,416
Unallocated assets					956,466
Total assets					<u>41,119,882</u>

⁽¹⁾ Gross operating revenue from external parties 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, gains or losses from financial investments, fee income, gross income received from Islamic Banking and other operating revenue.

⁽²⁾ With effect from 1 January 2008, the Group has implemented internal fund transfer pricing to reflect the market cost of funding the assets acquired by each segment and reflect the actual performance of the segment. The inter-segment gross operating revenue mainly comprise of gross interest income allocated to each segment based on internal fund transfer pricing methodology. The comparatives figures have been adjusted to reflect the current practice.

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 2008</u> RM'000	<u>Audited 31 December 2007</u> RM'000
Quoted equity securities in Malaysia	2,263	2,500
Private debt securities	4,899	4,918
	<u>7,162</u>	<u>7,418</u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

11. Derivative Financial Instruments

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RM'000	RM'000
Derivatives at fair value through profit and loss:		
- Interest rate swaps	21,127	10,004
- Foreign currency forwards	3,683	-
Total derivative financial instruments - assets	24,810	10,004
Derivatives at fair value through profit and loss:		
- Interest rate swaps	3,647	7,120
- Foreign currency forwards	6,290	12,850
Total derivative financial instruments - liabilities	9,937	19,970

12. Available-for-sale Securities

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RM'000	RM'000
Available-for-sale securities, at fair value:		
Bank Negara Malaysia monetary notes	375,089	224,803
Malaysian Government investment issues	265,420	266,479
Malaysian Government Islamic treasury bills	29,612	98,486
Malaysian Government securities	543,288	751,980
Sukuk Bank Negara Malaysia Ijarah	-	10,002
Cagamas bonds	14,499	154,872
Quoted equity securities in Malaysia	15,715	29,873
Quoted private debt securities	4,041	4,891
Private and Islamic debt securities	1,009,366	1,029,081
Negotiable instruments of deposit	800,114	1,100,239
Islamic negotiable instrument debt securities	107,296	29,809
Commercial papers	8,930	5,973
Islamic commercial papers	44,320	42,328
Allowance for impairment	(39,960)	(39,960)
	3,177,730	3,708,856
Available-for-sale securities, at cost		
Unquoted equity securities in Malaysia	6,215	6,667
Unquoted equity securities outside Malaysia	3,566	804
Allowance for impairment	(2,763)	(3,215)
	7,018	4,256
	3,184,748	3,713,112

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

13. Held-to-maturity Securities

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Held-to-maturity securities, at amortised cost:		
Private and Islamic debt securities	573,980	595,407
Credit link notes denominated in USD	163,275	165,475
	<u>737,255</u>	<u>760,882</u>
Held-to-maturity securities, at cost		
Unquoted equity securities in Malaysia	17,557	17,557
	<u>754,812</u>	<u>778,439</u>
Allowance for impairment	(190,593)	(186,139)
	<u>564,219</u>	<u>592,300</u>

14. Loans, Advances and Financing

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Overdrafts/cash line	2,575,816	2,556,306
Term loans/financing:		
Housing loans/financing	6,838,962	6,731,117
Syndicated term loans/financing	972,521	840,929
Hire purchase receivables	11,517,134	11,395,887
Lease receivables	1	1
Other term loans/financing	5,708,115	6,044,665
Bills receivable	14,688	18,282
Trust receipts	169,357	193,272
Claims on customers under acceptance credit/financing	2,785,777	2,702,920
Staff loans/financing	184,548	189,149
Credit cards	1,039,227	1,010,161
Revolving credit/financing	1,243,677	979,581
Other loans/financing	62,188	29,226
	<u>33,112,011</u>	<u>32,691,496</u>
Less: Unearned interest and income	(3,431,601)	(3,384,574)
Gross loans, advances and financing	<u>29,680,410</u>	<u>29,306,922</u>
Less: Allowances for bad and doubtful debts and financing		
- Specific	(883,065)	(644,214)
- General	(431,958)	(429,914)
Total net loans, advances and financing	<u>28,365,387</u>	<u>28,232,794</u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
(i) The loans, advances and financing are disbursed to the following types of customers:		
Domestic non-bank financial institutions (of which: Stockbroking companies)	160,359 -	146,679 -
Domestic business enterprises (of which: Small and medium enterprises)	11,604,586 6,058,060	11,522,192 5,675,611
Government and statutory bodies	20,543	26,563
Individuals	17,597,460	17,523,083
Other domestic entities	32,807	23,638
Foreign entities	264,655	64,767
Gross loans, advances and financing	<u>29,680,410</u>	<u>29,306,922</u>
(ii) The loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:		
Fixed rate (of which: (i) Housing loans/financing (ii) Hire purchase receivables)	13,272,523 1,598,720 9,868,446	13,286,982 1,613,251 9,774,017
Variable rate (of which: (i) Base lending rate plus (ii) Cost plus)	16,407,887 10,293,972 4,827,994	16,019,940 10,251,554 4,679,927
Gross loans, advances and financing	<u>29,680,410</u>	<u>29,306,922</u>
(iii) The loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture, hunting, forestry and fishing	367,480	365,394
Mining and quarrying	105,474	253,821
Manufacturing	3,247,388	3,044,900
Electricity, gas and water	224,293	198,042
Construction (of which: Infrastructure)	2,163,013 82,070	2,354,005 98,449
Real estate	1,309,412	1,230,511
Purchase of landed property (of which: (i) Residential (ii) Non-residential)	6,537,308 5,814,118 723,190	6,449,311 5,722,250 727,061
Wholesale and retail trade and restaurants and hotels	2,507,423	2,480,382
Transport, storage and communication	611,580	500,385
Finance, insurance and business services	679,186	635,829
Purchase of securities	348,043	387,541
Purchase of transport vehicles	8,863,667	8,835,004
Consumption credit	1,928,427	1,933,525
Others	787,716	638,272
Gross loans, advances and financing	<u>29,680,410</u>	<u>29,306,922</u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RM'000	RM'000
(vi) Movements in allowances for bad and doubtful debts and financing:		
General allowance		
Balance as at 1 January	429,914	414,316
Allowance made during the financial period/year	2,044	15,598
Balance as at 30 June/31 December	431,958	429,914
As % of gross loans, advances and financing, net of specific allowance	1.5%	1.5%
Specific allowance		
Balance as at 1 January	644,214	600,660
Allowance made during the financial period/year	434,673	567,550
Allowance charged to deferred asset/other assets during the financial period/year	12,487	33,068
Amount written back in respect of recoveries/reclassification	(65,975)	(168,356)
Recoveries set-off against deferred asset	(13,467)	(10,300)
Amount transferred to allowance for impairment on securities	-	(3,843)
Amount written-off	(128,867)	(374,565)
Balance as at 30 June/31 December	883,065	644,214

15. Other Assets

	Unaudited	Audited
	30 June	31 December
	2008	2007
	RM'000	RM'000
Trade receivables, net of allowances for bad and doubtful debts and interest-in-suspense of RM5,624,152 (31.12.2007: RM5,117,000)	28,728	32,652
Interest / income receivable	66,322	67,526
Other debtors, deposits and prepayment, net of allowances for bad doubtful debts of RM4,332,718 (31.12.2007: RM4,814,380)	524,450	460,103
Deferred asset account	158,187	209,348
Tax recoverable	17,067	20,205
Prepaid lease payments	740	746
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	-	14,553
	795,494	805,133

16. Valuation of Property, Plant and Equipment

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

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

17. Deposits from Customers

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Demand deposits	3,741,386	3,701,484
Savings deposits	2,689,728	2,595,213
Fixed/investment deposits	20,759,462	19,256,141
Money market deposits	932,912	1,359,734
Negotiable Islamic debt certificates	-	100
	<u>28,123,488</u>	<u>26,912,672</u>

(i) The maturity structure of fixed/investment deposits, negotiable certificates of deposit/Islamic debt certificates and money market deposits is as follows:

One year or less	20,837,446	19,729,191
More than one year	854,928	886,784
	<u>21,692,374</u>	<u>20,615,975</u>

(ii) The deposits are sourced from the following types of customers:

Government and statutory bodies	4,628,427	3,483,703
Business enterprises	10,464,462	10,777,968
Individuals	11,961,508	11,869,783
Others	1,069,091	781,218
	<u>28,123,488</u>	<u>26,912,672</u>

18. Deposits and Placements of Banks and Other Financial Institutions

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Licensed banks	1,464,530	1,891,716
Licensed Islamic banks	278,302	55,000
Licensed investment banks	-	14
Bank Negara Malaysia	1,637,982	1,943,405
Other financial institutions	3,274,896	3,774,994
	<u>6,655,710</u>	<u>7,665,129</u>

(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:

One year or less	4,735,558	5,555,801
More than one year	1,920,152	2,109,328
	<u>6,655,710</u>	<u>7,665,129</u>

Included in the above are negotiable certificates of deposit/
Islamic debt certificates issued by the Group

	<u>1,078,302</u>	<u>1,309,253</u>
--	------------------	------------------

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

19. Other Liabilities

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Trade payable	43,989	21,568
Other liabilities	574,036	645,257
Interest/dividend payable	227,148	234,960
Profit equalisation reserves	1,857	2,257
	847,030	904,042

20. Interest Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2008 RM'000	Preceding year corresponding quarter ended 30 June 2007 RM'000	Current financial period ended 30 June 2008 RM'000	Preceding year corresponding period ended 30 June 2007 RM'000
Loans, advances and financing				
- Interest income other than recoveries	378,878	376,528	758,133	749,982
- Recoveries from non-performing loans, advances and financing	17,068	10,317	30,596	24,297
Money at call and deposit placements with financial institutions	51,338	53,104	108,579	109,241
Held for trading securities	8,826	10,308	17,736	19,602
Available-for-sale securities	32,042	40,648	67,785	82,744
Held-to-maturity securities	5,416	7,899	10,927	15,803
	493,568	498,804	993,756	1,001,669
Amortisation of premium less accretion of discount	(1,227)	3,888	(4,752)	5,961
Interest suspended	(10,474)	(11,919)	(21,518)	(24,375)
Total interest income	481,867	490,773	967,486	983,255

21. Interest Expense

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2008 RM'000	Preceding year corresponding quarter ended 30 June 2007 RM'000	Current financial period ended 30 June 2008 RM'000	Preceding year corresponding period ended 30 June 2007 RM'000
Deposits and placements of banks and other financial institutions	31,204	62,228	67,155	124,830
Deposits from customers	197,775	196,795	391,361	396,052
Subordinated obligations	13,846	10,937	27,661	22,075
Long term borrowings	2,810	4,502	5,592	8,915
Others	578	279	1,252	664
	246,213	274,741	493,021	552,536

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

22. Other Operating Income

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2008</u>	<u>Preceding year corresponding quarter ended 30 June 2007</u>	<u>Current financial period ended 30 June 2008</u>	<u>Preceding year corresponding period ended 30 June 2007</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Fee and commission income:				
- Commissions	10,650	11,301	21,646	20,991
- Service charges and fees	30,850	28,758	58,946	56,498
- Guarantee fees	2,964	3,290	5,966	6,896
- Advisory and arrangement fees	1,591	1,564	5,320	8,505
- Underwriting commissions	320	2,577	1,919	3,973
- Brokerage	1,604	4,559	4,511	9,954
Net gains arising from sale of securities				
- Held for trading securities	158	4,162	693	9,334
- Available-for-sale securities	16,673	9,848	16,673	17,413
Net gains from redemption of held-to-maturity securities	2,999	-	4,664	-
Dividend income:				
- Held for trading securities	-	362	-	362
- Available-for-sale securities	744	281	863	435
Net unrealised losses on fair value changes on held for trading securities	(158)	(2,630)	(244)	(654)
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss:				
- interest rate derivatives	10,618	6,642	14,116	4,523
- foreign currency forwards	(2,745)	(11,259)	(2,876)	2,416
- index linked equity derivatives	-	106	-	-
Net unrealised losses on fair value changes between the subordinated debts and interest rate swaps designated as fair value hedge	-	(1,938)	-	(1,530)
Net gains from foreign exchange translations	10,325	14,606	18,954	3,865
Other income/(expenditure)				
- Rental income from premises	701	747	1,402	1,532
- Gains on disposal of property, plant and equipment	4	33	13	39
- Other operating income	2,246	2,007	4,336	4,148
- Other non-operating income	1,124	677	1,634	1,236
- Allowances written back/(made) in respect of other bad and doubtful debts	304	(102)	(446)	390
- Bad debts recovered	21	207	21	271
	<u>90,993</u>	<u>75,798</u>	<u>158,111</u>	<u>150,597</u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

23. Other Operating Expenses

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2008	Preceding year corresponding quarter ended 30 June 2007	Current financial period ended 30 June 2008	Preceding year corresponding period ended 30 June 2007
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	110,279	76,466	196,667	147,717
Promotion and marketing related expenses	14,292	9,855	24,418	20,585
Establishment related expenses	29,841	30,106	59,160	57,526
General administrative expenses	63,905	26,542	96,351	52,383
	<u>218,317</u>	<u>142,969</u>	<u>376,596</u>	<u>278,211</u>
 (i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	90,645	61,976	161,275	119,932
Defined contribution plan	14,751	10,165	26,549	19,798
Other employee benefits	4,883	4,325	8,843	7,987
	<u>110,279</u>	<u>76,466</u>	<u>196,667</u>	<u>147,717</u>
 (ii) Promotion and marketing related expenses comprise the following:				
Hire-purchase handling fees and commissions	10,448	5,378	17,249	12,085
Others	3,844	4,477	7,169	8,500
	<u>14,292</u>	<u>9,855</u>	<u>24,418</u>	<u>20,585</u>
 (iii) Establishment related expenses comprise the following:				
Depreciation of property, plant and equipment	8,798	9,512	17,937	19,091
Repair and maintenance	5,802	4,673	11,273	10,067
Rental of premises	5,746	6,344	11,744	11,117
Hire of equipment	1,108	1,092	1,995	1,848
Other establishment related expenses	8,387	8,485	16,211	15,403
	<u>29,841</u>	<u>30,106</u>	<u>59,160</u>	<u>57,526</u>
 (iv) General administrative expenses comprise the following:				
Communication costs	5,105	4,898	9,653	9,319
Printing and stationaries	3,872	4,241	8,182	7,194
Property, plant and equipment written off	-	3	45	6
Loss on disposal of property, plant and equipment	2	19	46	23
Legal and other professional charges	38,713	6,508	49,189	15,341
Others	16,213	10,873	29,236	20,500
	<u>63,905</u>	<u>26,542</u>	<u>96,351</u>	<u>52,383</u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

24. Allowances for Losses on Loans, Advances and Financing

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2008</u>	<u>Preceding year corresponding quarter ended 30 June 2007</u>	<u>Current financial period ended 30 June 2008</u>	<u>Preceding year corresponding period ended 30 June 2007</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Allowances for bad and doubtful debts and financing				
(a) Specific allowance:				
- Made	300,613	158,910	434,673	308,398
- Written back	(38,857)	(39,118)	(65,976)	(62,059)
(b) General allowance:				
- Made	5,961	522	2,044	4,682
Bad debts and financing:				
- Recovered	(20,958)	(18,367)	(39,195)	(31,074)
- Written off	2	9	2	-
	<u>246,761</u>	<u>101,956</u>	<u>331,548</u>	<u>219,947</u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

25. Commitments and Contingencies

In the normal course of business, the Group make 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			Group		
	30 June 2008			Audited		
	Principal	Credit	Risk-	Principal	Credit	Risk-
	amount	equivalent	weighted	amount	equivalent	weighted
	RM'000	amount*	amount**	RM'000	amount*	amount**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	394,314	394,314	394,314	404,036	404,036	404,036
Certain transaction-related contingent items	1,118,456	559,228	559,228	925,460	462,730	462,730
Short term self-liquidating trade-related contingencies	106,339	21,268	21,268	101,830	20,366	20,366
Assets sold with recourse and commitments with certain drawdown	192,000	192,000	51,688	226,000	226,000	95,871
Obligations under underwriting agreements	227,660	113,830	15,166	476,860	238,430	224,991
Irrevocable commitments to extend credit:						
- maturity more than one year	3,065,236	1,532,618	1,343,657	2,591,710	1,200,485	902,444
- maturity less than one year	9,177,020	1,835,404	1,696,625	8,961,285	-	-
Foreign exchange related contracts						
- maturity less than one year	2,222,198	47,120	38,899	3,833,450	85,408	30,262
Interest rate related contracts						
- maturity more than one year	2,204,213	11,272	2,254	2,958,913	47,844	10,230
- maturity less than one year	725,000	30,865	6,173	-	-	-
Miscellaneous	117,936	-	-	99,124	-	-
	<u>19,550,372</u>	<u>4,737,919</u>	<u>4,129,272</u>	<u>20,578,668</u>	<u>2,685,299</u>	<u>2,150,930</u>

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

** The risk weighted amount as at 30 June 2008 is computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II), which is effective from 1 January 2008. The comparative figures have not been adjusted for the effects arising from the adoption of the revised framework.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

26. Capital Adequacy

With effect from 1 January 2008, the capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

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.

	30 June 2008	31 December 2007
	RM'000	RM'000
The components of Tier I and Tier II Capital are as follows:		
Tier I Capital:		
Paid-up share capital	693,209	693,209
Share premium	1,066,296	1,066,296
Retained profits	690,295	744,296
Other reserves	632,610	632,610
	3,082,410	3,136,411
Less: Goodwill	(96,448)	(96,448)
Deferred tax assets	(169,644)	(169,644)
Available-for-sale securities reserve	(40,444)	(40,444)
Total Tier I Capital	2,775,874	2,829,875
Tier II Capital:		
Subordinated obligations	724,586	726,135
General allowance for bad and doubtful debts and financing	432,042	430,008
Total Tier II Capital	1,156,628	1,156,143
Total Capital Base	3,932,502	3,986,018
Capital ratios:		
Core capital ratio	8.47%	9.22%
Risk-weighted capital ratio	12.00%	12.98%
Core capital ratio (net of proposed dividend)	8.47%	9.04%
Risk-weighted capital ratio (net of proposed dividend)	12.00%	12.80%

For regulatory purposes, the core capital and risk-weighted capital ratio as at 31 December 2007 have not been adjusted for the impacts arising from the adoption of the revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II). Had the revised Capital Framework been adopted as at 31 December 2007, the core capital and risk-weighted capital ratio of the Group would be 8.49% and 11.96% respectively.

The risk-weighted capital ratio of the banking and finance subsidiary company, EON Bank Berhad, of 11.50%, the Islamic banking subsidiary company, EONCAP Islamic Bank Berhad, of 12.76% and the investment banking subsidiary company, MIMB Investment Bank Berhad, of 70.30% as at 30 June 2008, exceeded the

EON CAPITAL BERHAD
(454644-K)
EXPLANATORY NOTES

27. Interest 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	RM'000	
As at 30 June 2008												
Assets:												
Cash and short-term funds	5,094,311	-	-	-	-	252,816	-	5,347,127	3.58			
Deposits and placements with banks and other financial institutions	-	1,616,129	86,483	-	-	-	-	1,702,612	3.31			
Held for trading securities	-	-	-	-	-	-	7,162	7,162	6.51			
Derivative financial statements	-	-	-	-	-	24,810	-	24,810	-			
Available-for-sale securities	374,813	815,241	410,059	1,012,279	545,202	27,154	-	3,184,748	3.52			
Held-to-maturity securities	248,283	39,737	10,000	228,763	19,879	17,557	-	564,219	4.11			
Loans, advances and financing												
- performing	14,675,942	548,026	557,755	4,213,940	7,902,748	5,493	-	27,903,904	6.69			
- non-performing	-	-	-	-	-	461,483	^	461,483	-			
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,038,780	-	1,038,780	-			
Other assets ⁽¹⁾	6,717	-	-	-	-	1,321,575	-	1,328,292	7.00			
Total assets	20,400,066	3,019,133	1,064,297	5,454,982	8,467,829	3,149,668	7,162	41,563,137				

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

Note:

(1) Other assets include other assets, property, plant and equipment, deferred tax assets and goodwill.

EON CAPITAL BERHAD
(454644-K)
EXPLANATORY NOTES

27. Interest 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	RM'000	%
As at 30 June 2008												
Liabilities:												
Deposits from customers	11,179,235	4,267,288	8,067,147	854,928	-	3,754,890	-	28,123,488	3.01			
Deposits and placements of banks and other financial institutions	2,302,173	939,671	1,471,584	1,910,328	-	31,954	-	6,655,710	3.47			
Derivative financial instruments	-	-	-	-	-	9,937	-	9,937	-			
Bills and acceptances payable	-	-	-	-	-	2,003,216	-	2,003,216	-			
Other liabilities ⁽²⁾	25,099	-	-	-	-	834,403	-	859,502	3.30			
Subordinated obligations	-	-	855,000	-	-	(130,414) ⁽¹⁾⁽ⁱ⁾	-	724,586	5.38			
Borrowings	-	-	-	150,000	-	(1,621) ⁽¹⁾⁽ⁱⁱ⁾	-	148,379	6.75			
Total liabilities	13,506,507	5,206,959	10,393,731	2,915,256	-	6,502,365	-	38,524,818				
Shareholder's funds	-	-	-	-	-	3,038,319	-	3,038,319	-			
Total liabilities and shareholder's funds	13,506,507	5,206,959	10,393,731	2,915,256	-	9,540,684	-	41,563,137				
On-balance sheet interest sensitivity gap	6,893,559	(2,187,826)	(9,329,434)	2,539,726	8,467,829							
Off-balance sheet interest sensitivity gap	(634,737)	625,000	734,737	(725,000)	-							
Total interest sensitivity gap	6,258,822	(1,562,826)	(8,594,697)	1,814,726	8,467,829							

Note:

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

(2) Other liabilities include other liabilities and provision for taxation and zakat.

EON CAPITAL BERHAD
(454644-K)
EXPLANATORY NOTES

27. Interest 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					RM'000	RM'000	%
As at 31 December 2007												
Assets:												
Cash and short-term funds	5,392,155	-	-	-	-	155,763	-	5,547,918	3.82			
Deposits and placements with banks and other financial institutions	-	340,879	282,962	-	-	-	-	623,841	5.60			
Held for trading securities	-	-	-	-	-	-	7,418	7,418	6.51			
Derivative financial statements	-	-	-	-	-	10,004	-	10,004	-			
Available-for-sale securities	478,804	1,218,518	236,695	1,207,715	531,980	39,400	-	3,713,112	3.57			
Held-to-maturity securities	205,403	25,062	85,075	222,400	36,803	17,557	-	592,300	6.68			
Loans, advances and financing												
- performing	14,398,880	373,455	462,225	4,472,854	7,744,086	6,151	-	27,457,651	6.72			
- non-performing	-	-	-	-	-	775,143	-	775,143	-			
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,065,182	-	1,065,182	-			
Other assets ⁽¹⁾	5,742	-	-	-	-	1,321,571	-	1,327,313	8.00			
Total assets	20,480,984	1,957,914	1,066,957	5,902,969	8,312,869	3,390,771	7,418	41,119,882				

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

Note:

(1) Other assets include other assets, property, plant and equipment, deferred tax assets and goodwill.

EON CAPITAL BERHAD
(454644-K)
EXPLANATORY NOTES

27. Interest Rate Risk (continued)

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

Note:

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

(2) Other liabilities include other liabilities and provision for taxation and zakat.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

28. Islamic Banking Operations

28(i) Islamic banking assets and liabilities

	Note	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Included in the Group's balance sheets are Islamic banking assets and liabilities of a subsidiary company as follows:			
ASSETS			
Cash and short-term funds		1,383,285	1,004,427
Available-for-sale securities		312,111	287,543
Held-to-maturity securities		-	15,062
Financing and advances	28(iii)	4,568,614	4,553,237
Other assets		64,735	55,751
Statutory deposits with Bank Negara Malaysia		165,726	181,886
Deferred tax assets		20,031	19,203
Property, plant and equipment		2,344	2,525
TOTAL ASSETS		6,516,846	6,119,634
LIABILITIES			
Deposits from customers	28(iv)	4,263,399	3,763,887
Deposits and placements of banks and other financial institutions		1,527,759	1,700,192
Bills and acceptances payable		209,601	138,715
Provision for zakat		1,722	2,763
Other liabilities		86,971	72,557
TOTAL LIABILITIES		6,089,452	5,678,114
NET ISLAMIC BANKING ASSETS		427,394	441,520
COMMITMENTS AND CONTINGENCIES		917,029	949,306

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

28. Islamic Banking Operations (continued)

28(ii) Financial results contribution from operations of Islamic Banking

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2008 RM'000	Preceding year corresponding quarter ended 30 June 2007 RM'000	Current financial period ended 30 June 2008 RM'000	Preceding year corresponding period ended 30 June 2007 RM'000
The financial results contribution from Islamic banking operation of the Group's financial results are as follows:				
Income derived from investment of depositors' funds	73,259	66,993	149,852	133,210
Income derived from investment of shareholder's funds	7,609	7,306	15,785	15,000
	80,868	74,299	165,637	148,210
Allowances for losses on financing and advances	(39,057)	(7,812)	(46,138)	(18,512)
Transfer from profit equalisation reserves	1,100	1,900	400	1,392
Total distributable income	42,911	68,387	119,899	131,090
Income attributable to depositors	(41,857)	(37,437)	(82,843)	(73,455)
Total net income	1,054	30,950	37,056	57,635
Other operating expenses	(22,285)	(18,133)	(41,470)	(34,605)
(Loss)/profit before taxation and zakat	(21,231)	12,817	(4,414)	23,030
Taxation	5,520	(3,460)	1,148	(6,218)
Zakat	(1,447)	(1,087)	(2,866)	(2,161)
Net (loss)/profit for the financial quarter/period	(17,158)	8,270	(6,132)	14,651

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

28. Islamic Banking Operations (continued)

28(iii) Financing and advances

	Unaudited 30 June 2008	Audited 31 December 2007
	RM'000	RM'000
Cash line	373,656	380,389
Term financing:		
Housing financing	2,731,255	2,664,259
Hire purchase receivables	1,872,989	1,896,450
Other term financing	1,333,074	1,415,898
Bills receivable	823	743
Trust receipts	5,518	4,955
Claims on customers under acceptance financing	287,771	228,010
Staff financing	31,973	33,163
Revolving financing	140,886	114,576
Other financing	36,195	4,496
	<u>6,814,140</u>	<u>6,742,939</u>
Less: Unearned income	<u>(2,072,267)</u>	<u>(2,054,165)</u>
Gross financing and advances	4,741,873	4,688,774
Less: Allowances for bad and doubtful financing		
- Specific	(103,686)	(66,199)
- General	<u>(69,573)</u>	<u>(69,338)</u>
Total net financing and advances	<u><u>4,568,614</u></u>	<u><u>4,553,237</u></u>
 (a) Movements in non-performing financing and advances are as follows:		
Balance as at 1 January	245,756	242,443
Classified as non-performing during the financial period/year	394,576	873,887
Reclassified as performing during the financial period/year	(360,719)	(772,282)
Amount recovered	(34,874)	(77,783)
Amount written off	<u>(10,444)</u>	<u>(20,509)</u>
Balance as at 30 June / 31 December	234,295	245,756
Specific allowance	<u>(103,686)</u>	<u>(66,199)</u>
Net non-performing financing and advances	<u><u>130,609</u></u>	<u><u>179,557</u></u>
As % of total financing and advances, net of specific allowance	<u><u>2.8%</u></u>	<u><u>3.9%</u></u>
 (b) Movements in allowances for bad and doubtful financing:		
General allowance		
Balance as at 1 January	69,338	62,278
Allowance made during the financial period/year	235	7,060
Balance as at 30 June/31 December	<u><u>69,573</u></u>	<u><u>69,338</u></u>
As % of gross financing and advances, net of specific allowances	<u><u>1.5%</u></u>	<u><u>1.5%</u></u>
 Specific allowance		
Balance as at 1 January	66,199	47,099
Allowance made during the financial period/year	58,787	55,287
Amount recovered	(10,856)	(15,678)
Amount written-off	<u>(10,444)</u>	<u>(20,509)</u>
Balance as at 30 June/31 December	<u><u>103,686</u></u>	<u><u>66,199</u></u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

28(iv) Deposits from customers

	Unaudited 30 June 2008	Audited 31 December 2007
	RM'000	RM'000
<u>Non-Mudharabah:</u>		
Al-Wadiah demand deposits	863,124	861,037
Al-Wadiah savings deposits	162,693	150,189
<u>Mudharabah:</u>		
Al-Fareed demand deposits	118,322	118,481
Al-Mudrabah savings deposits	78,631	83,533
Total demand and savings deposits	<u>1,222,770</u>	<u>1,213,240</u>
<u>Non-Mudharabah:</u>		
Bai Al-Inah HARI	19,070	43,996
Negotiable Islamic debt certificates	-	100
<u>Mudharabah:</u>		
General investment deposits	<u>3,021,559</u>	<u>2,506,551</u>
Total investment deposits	<u>3,040,629</u>	<u>2,550,647</u>
Total deposits from customers	<u>4,263,399</u>	<u>3,763,887</u>

29. Significant Events During the Financial Quarter/Period Ended 30 June 2008

There were no significant events during the financial quarter/period ended 30 June 2008 that have not been disclosed in these condensed financial statements.

30. Changes in the Composition of the Group

There were no significant changes in the composition of the Group during the financial quarter/period ended 30 June 2008 that have not been disclosed in these condensed financial statements.

31. 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.

32. Other Commitments

	Unaudited 30 June 2008	Audited 31 December 2007
	RM'000	RM'000
Authorised and contracted for	3,368	19,862
Authorised but not contracted for	27,151	11,840
	<u>30,519</u>	<u>31,702</u>
Analysed as follows:		
- Property, plant and equipment	<u>30,519</u>	<u>31,702</u>
	<u>30,519</u>	<u>31,702</u>

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

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

33. Taxation

The analysis of tax expense for the respective financial quarter/period are as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2008 RM'000	Preceding year corresponding quarter ended 30 June 2007 RM'000	Current financial period ended 30 June 2008 RM'000	Preceding year corresponding period ended 30 June 2007 RM'000
Malaysian income tax:				
- Charge for the financial quarter/period	(19,577)	16,968	7,415	29,273
- Under/(over) provision in respect of prior years	20	(629)	72	(629)
	(19,557)	16,339	7,487	28,644
Transfer from deferred taxation	(1,871)	(1,042)	(1,408)	(44)
	(21,428)	15,297	6,079	28,600

34. Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the financial quarter/period ended 30 June 2008 other than in the ordinary course of banking business.

35. Quoted securities

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

36. Status of Corporate Proposals Announced But Not Completed

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

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

The Bonds and the Warrants will be attached and issued to primary subscriber(s) or investor(s) on a bought – deal basis. The rationale for the proposals is to provide EON Bank Berhad and its subsidiaries ('EON Bank Group') the capital that will strengthen its balance sheet as well as partially repay the maturing USD Subordinated Notes due in January 2009. In addition, it will allow EON Bank Group to lock in lower effective funding cost and would enable EON Bank Group to better plan its cash flow requirements.

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

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

Bank Negara Malaysia, via its letter dated 1 August 2008, has approved the Proposed Bond Issue and Proposed Issue of Warrants and the proposals are expected to be completed by December 2008.

Other than the above, there were no other corporate proposals announced but not completed as at 30 June 2008.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

37. Subordinated Obligations

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Subordinated obligations, at par	855,000	855,000
Foreign exchange translations	(120,263)	(110,363)
	734,737	744,637
Less: Unamortised discounts on issuance	(1,388)	(2,656)
Unamortised fair value changes arising from the discontinued fair value hedge	(8,763)	(15,846)
	724,586	726,135

On 21 January 2004, the banking and finance subsidiary company (“the Bank”) issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes (‘Notes’) with a fixed coupon rate of 5.375% per annum, payable semi-annually in arrears in July and January each year (subject to the revision of interest rates as explained below). The Notes will mature on 21 January 2014 and are listed on the Luxembourg Stock Exchange. In June 2007, Moody’s Investors Service Limited has reaffirmed the rating of the Notes of Baa3. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

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

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

38. Borrowings

	Unaudited 30 June 2008 RM'000	Audited 31 December 2007 RM'000
Long term borrowings:		
Secured fixed rate bond, at par	150,000	150,000
Less: Unamorised discounts	(1,621)	(2,136)
	148,379	147,864

The secured fixed rate bond bears interest at 6.75% per annum on the nominal value of the outstanding bonds of RM150 million, payable semi annually and will mature on 12 December 2009.

In February 2008, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A2, which was awarded in December 2002.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

39. Derivative Financial Instruments

Based on the balance sheet as at 12 August 2008, value of contracts of financial instruments of the Group with off-balance sheet risk, traded in the ordinary course of business, classified by remaining year to maturity or next repricing date (whichever is earlier), are as follows:

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts:							
- Forward contracts	1,984,335	1,145,217	592,405	192,134	54,579	-	-
Interest rate related contracts:							
- Interest rate swaps	3,170,388	-	-	2,245,388	-	925,000	-

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There were no material equity and commodity related contracts as at 12 August 2008.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 12 August 2008, the amount of contracts of the Group, which were not hedged and, hence, exposed to market risk was RM27,473,452 (31 December 2007: RM7,805,729).

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 12 August 2008, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM26,183,984 (31 December 2007: RM35,401,805). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related Accounting Policies

Foreign exchange related contracts

Open forward currency forward contracts represent commitments to purchase or sell fixed amount of currency, including undelivered spot transactions. These contracts are valued at forward rates applicable to their respective dates of maturity as at balance sheet date and unrealised gains or losses are recognised in the income statement in the year in which they arise.

Interest rate swaps

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal amount. The fair values of these contracts are determined by discounting the estimated net cash flows at zero coupon yield at each reporting date. Interest income or interest expense associated with interest rate swaps are recognised over the life of the swap agreements as a component of interest income or interest expense.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

40. 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 30 June 2008.

EON Bank Berhad ('EBB')

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

A Writ of Summons and Statement of Claim was filed by the Plaintiff (borrower) 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

EBB filed an appeal in the Court of Appeal against the decision on 8 May 2007 whereby the High Court dismissed EBB's appeal to the judge against the dismissal of its application to strike out the Plaintiff's suite and it is now pending fixing of hearing date by the Court of Appeal.

The solicitors of EBB has filed a motion for leave to file Supplementary Record of Appeal and it is now pending fixing of hearing date by the Court of Appeal.

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

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

Status update

EBB has filed a Statement of Defence on 7 August 2007, denying that there was such an Alleged Agreement. Matter fixed for mention on 13 August 2008 and fixed for hearing on 26 August 2008.

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

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

40. Material Litigation (continued)

EON Bank Berhad ('EBB') (continued)

- (3) A Writ of Summons was filed on 25 January 2005 by the Plaintiff against EBB claiming RM50.3 million as a result of EBB wrongfully claiming for an alleged fictitious unsecured claim.

Status update

Interlocutory Judgement was granted against EBB by the senior assistant registrar on 27 October 2005 with damages to be assessed. EBB's appeal to the judge in chambers was dismissed with costs on 27 June 2006. On further appeal to the Court of Appeal, damages claimable by the Plaintiff was limited to general damages only. The Plaintiff's solicitors have served the sealed application of assessment for damages. Hearing of Assessment of Damages was concluded on 31 July 2008 and both parties are to file written submission. Hearing for mention fixed on 16 October 2008.

Our solicitors are of the opinion 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.

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

Status update

EBB has filed a Statement of Defence on 22 November 2007. The Plaintiff's solicitors has filed notice of appearance for case management before hearing and to date, the plaintiff has yet to obtain a date for case management.

The solicitors of EBB are of the opinion that there is reasonable good chance of having the suit to be dismissed by the court.

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

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

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

Status update

On 19 May 2003, the Court dismissed the Plaintiff's action with costs on the grounds that the Plaintiff did not have a valid cause of action and failed to prove his loss. The Plaintiff has filed a Notice of Appeal against the Court's decision. Hearing of Appeal fixed on 23 June 2008. Plaintiff's appeal dismissed with cost on 23 June 2008.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

40. Material Litigation (continued)

Malaysian International Merchant Bankers Berhad ('MIMB')

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

Status update

The borrower has been wound up. The second and fourth defendants have been adjudicated a bankrupt whereas a bankruptcy notice has been filed against the third defendant. Case management on 26 June 2008 where MIMB's claim against Plaintiff was struck off with no orders as to costs as the Proof of Debts has been filed. Plaintiff and fourth guarantor's counterclaim against MIMB was dismissed with no order as to costs. Third guarantor's counterclaim was dismissed on 4 August 2008. Case management fixed on 15 September 2008 and hearing fixed on 3,4 and 5 August 2009.

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

- (7) A Writ of Summons was filed by MIMB on 10 December 2003 for RM0.2 million 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 RM23.9 million being expenses and costs incurred by the Defendant and damages.

Status update

MIMB filed an application for Summary Judgement with Sessions Court on 23 July 2004 and mention has been fixed on 21 September 2006 pending Defendant's application to transfer the counterclaim to the High Court fixed for hearing on 31 January 2007. The hearing had been adjourned to 11 April 2007 for decision. On 11 April 2007, the Judge allowed the transfer to the High Court. Once the file is physically transferred to the High Court, a new suit number would be given and the suit will continue. Suit has been transferred to High Court and case fixed for mention on 10 June 2008 and fixed for hearing on 23 September 2008.

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

41. Profit Forecast

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

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

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

During the current financial quarter ended 30 June 2008, the Group aligned its loan loss coverage ratio to the industry average. The Group set aside additional allowances for losses on loans, advances and financing of RM193.9 million, a one-off charge, in the current quarter ended 30 June 2008, to raise its loan loss coverage in respect of the non-performing loans, from 62.1% as at 31 March 2008 to 74.1%, and this reduced the Group's pre-tax profit for the financial period ended 30 June 2008 to RM6.7 million.

As compared to the immediate preceding financial quarter, the Group's pre-tax profit decreased by RM204.4 million from a pre-tax profit of RM105.5 million to a pre-tax loss of RM98.9 million due to the one-off adjustment. Compared to the immediate preceding financial quarter ended 31 March 2008, the Group's net income increased by RM17.7 million to RM366.8 million in the current financial quarter.

43. Review of performance for the financial quarter ended 30 June 2008 against the corresponding financial quarter of preceding year.

Current financial quarter against corresponding financial quarter of preceding year

For the financial quarter ended 30 June 2008, the Group recorded a pre-tax loss of RM98.9 million, as compared to a pre-tax profit of RM59.8 million achieved in the preceding year's corresponding financial quarter ended 30 June 2007. Excluding the one-off adjustment to increase its loan loss coverage ratio, the Group's pre-tax profit for the current financial quarter would have been RM95.1 million, an increase of 59.0% compared to the preceding year's corresponding financial quarter, mainly contributed by net income which increased by RM36.2 million in line with the expansion in the loans, advances and financing portfolio.

Current financial period against corresponding financial period of preceding year

For the financial period ended 30 June 2008, the Group recorded a pre-tax profit of RM6.7 million, as compared to RM110.5 million recorded in the preceding year's corresponding financial period ended 30 June 2007. Excluding the one-off adjustment, the Group would have recorded a pre-tax profit of RM200.6 million, an increase of RM90.2 million or 81.6% as compared to the corresponding financial period ended 30 June 2007. Net income increased by RM58.3 million due to improvement recorded in net income from both conventional and Islamic Banking business. However, operating expenses has also increased, partly attributed to the recent salary adjustment for the staff under the National Union of Bank Employees, as well as new investments in upgrading of its IT systems, reorganisation of business operations and renovation of branches.

44. Prospects for 2008

Due to external uncertainties and increasingly challenging domestic and global economies, the Group expects the operating environment in the financial services industry to remain competitive and challenging in the second half of 2008. Notwithstanding that, the Group will continue to build its presence in the retail and middle market segment and the Group expects to achieve a satisfactory performance in 2008.

EON CAPITAL BERHAD
(454644-K)

EXPLANATORY NOTES

45. (Losses)/Earnings Per Share

The calculation of the (losses)/earnings per share of the Group, which is based on the net (loss)/profit for the financial quarter/period ended 30 June 2008 and 30 June 2007 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/period, are set out as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2008 RM'000	Preceding year corresponding quarter ended 30 June 2007 RM'000	Current financial period ended 30 June 2008 RM'000	Preceding year corresponding period ended 30 June 2007 RM'000
Net (loss)/profit for the financial quarter	(78,895)	43,408	(2,267)	79,697
Weighted average number of ordinary shares in issue during the financial quarter/period	693,209	693,209	693,209	693,209
(Losses)/earnings per share (sen) - basic/diluted	(11.38)	6.26	(0.33)	11.50

There were no dilutive potential ordinary shares outstanding as at 30 June 2008 and 30 June 2007.